



ABN AMRO Bank N.V.

Integrated Annual Report 2021

A personal bank in the digital age



About this report

The purpose of this report is to explain how, over time, we create value for our stakeholders – not only as a provider of banking and other financial services, but also as a responsible employer and an active contributor to society as a whole. We do this by explaining our business, strategy and financials and non-financial performance during the year, but also by providing information in the areas of risk and capital management and our governance structure – all in compliance with regulatory requirements.

Our annual reporting suite

Every year we publish our reporting suite, combining relevant annual disclosures on our performance for the year and other topics. Our Integrated Annual Report is our primary statutory and regulatory reporting disclosure. In addition, we publish other reports, including the bank's Impact Report, Pillar 3 Report, and Social Impact and Human Rights Update 2021. Though published as part of our annual reporting suite, all reports have their own individual purpose and should be read stand-alone. Anticipating upcoming regulations, we have chosen for our 2021 report, to merge our previously separate Integrated Report with our statutory Annual Report – starting the journey towards publishing a single truly Integrated Annual Report for ABN AMRO.

Note on basis of preparation

The Integrated Annual Report consists of the Executive Board report (chapters: Introduction, Strategy, value creation & performance, Risk, funding & capital and Leadership & governance), the Report of the Supervisory Board, the Annual Financial Statements and Other. The financial information in this Integrated Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). It also complies with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, where applicable. In addition, ABN AMRO applies the Integrated Reporting <IR> Framework to guide

content. Annual data relates to the bank's financial year, which runs from 1 January to 31 December. See page 370 for more information about our reporting approach, basis of preparation and other legal notices; scope and boundaries for metrics are also included in the main body of the Report, where applicable.

To download this report or obtain more information, please visit us at abnamro.com/annualreport or contact us at investorrelations@nl.abnamro.com. The definitions and abbreviations used in this report can be found on the ABN AMRO website via abnamro.com/annualreport.

European single electronic reporting format

This document is the PDF version of the Integrated Annual Report 2021 in the European single electronic reporting format (ESEF) and has been prepared for ease of use. To download the ESEF reporting package, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com. In any case of discrepancies between this PDF version and the ESEF reporting package, the latter prevails.

Covid-19

The effects of Covid-19 in 2021 on the bank and our clients are described throughout this report, mainly in the chapters 'Introduction', 'Strategy, value creation & performance' and 'Risk, funding & capital'.

Other ABN AMRO reports



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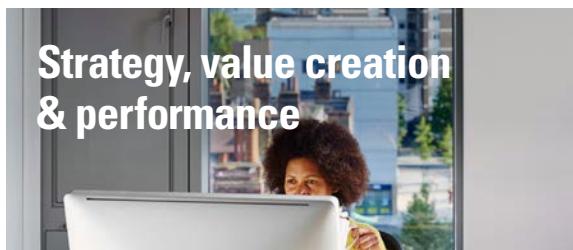
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Introduction

Introduction, which includes an overview of our business, purpose and core values. We also look at recent changes to our operating environment, the latest regulatory developments and hear from our CEO on progress with the bank's strategy.



Strategy, value creation & performance

Strategy, value creation & performance, which examines our strategy to be a personal bank in the digital age. We also look at how we create value for our stakeholders and how we performed in 2021, along the lines of our three strategic pillars: customer experience, sustainability and future-proof bank. This chapter includes an interview with our CFO on our financial performance.



Risk, funding & capital

Risk, funding & capital, which examines what risks we face as a bank – and how we manage our risk and capital requirements, including sustainability risk. We also hear from our CRO on the bank's risk performance.



Leadership & governance

Leadership & governance, which describes how we approach decision-making, our executives and Supervisory Board, and the rules and regulations that we adhere to. This chapter also contains our Supervisory Board Report, including an interview with our Supervisory Board Chair.



Annual Financial Statements

Annual Financial Statements, which includes our primary statements and all accompanying Notes, definitions and other information for reference.



Other

Other, which includes our approach to reporting, the Independent auditor's report, Assurance report of the independent auditor, Cautionary statements, etc.



Guide for readers

This chapter provides an introduction to ABN AMRO. It describes the bank, its business lines, purpose and core values; it also covers our share listing and performance – and gives an overview of recent changes to the bank's economic, social and regulatory environment. There is also a summary of key events that took place in 2021.



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Robert Swaak, Chief Executive Officer

"When the pandemic hit, we switched to remote working overnight, accelerating the trend in which clients are increasingly using digital to conduct their banking affairs. For instance, 96% of client meetings are now held through video banking, much to our clients' satisfaction. But two years of working almost solely from home is a long time and it will be good to see each other again at some point." [Read more →](#)

Interview with our Chief Executive Officer



How do you look back on 2021, a year again dominated by the Covid-19 pandemic?

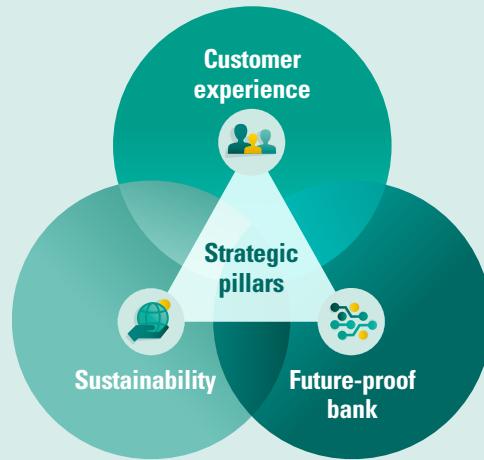
It has indeed been another year dominated by Covid-19, for all of us. But it was also a year in which the world demonstrated resilience. Although Covid-19 is still here, it seems we have reached calmer waters. For the Netherlands, 2021 was a year of economic recovery and we went back to profit although we continue to experience pressure of low interest rates. The government continued to give businesses tailored support and the number of bankruptcies remained very low, but some sectors, such as the hospitality business, non-food retail and the travel industry, are going through a rough patch.

We have been engaging with our clients since the start of the pandemic, working together to look for solutions. I admire how many of our clients have embraced change with creativity, innovation and vigour, while dealing with a situation none of us has ever experienced before.

I am proud of my colleagues, who have shown a great ability to adjust to change. When the pandemic hit, we switched to remote working overnight, accelerating the trend in which clients are increasingly using digital to conduct their banking affairs. For instance, 96% of client meetings are now held through video banking, much to our clients' satisfaction. But two years of working almost solely from home is a long time and it will be good to see each other again at some point.



"I admire how many of our clients have embraced change with creativity, innovation and vigour, while dealing with a situation none of us has ever experienced before."



In April, ABN AMRO reached a 480 million euro settlement with the Netherlands Public Prosecution Service in connection to the anti-money laundering investigation. How do you look back on this, and what will be done about money laundering in the future?

Without any reservation, I acknowledge that in the past we were not sufficiently successful in properly fulfilling our important role as a gatekeeper. This is unacceptable and we have taken full responsibility for this. As a bank we do not merely have a legal, but also a moral duty to do our utmost to protect the financial system against abuse by criminals.

In 2018, we decided to centralise all AML activities and to remediate all identified shortcomings under a bank-wide programme, which we are working very hard to complete. We are making progress in the execution of our AML remediation programme, but the remediation is requiring more effort and we expect that the remediation will continue in 2023. We remain focused on the fight against money laundering, also by enhancing the bank's culture, one of my priorities, providing us with our licence to grow. We also carry out assessments of our speak-up principles and risk culture and raise awareness of financial crime risks.

The settlement marked the end of a painful and disappointing episode for our bank. A lot was said and written about us, understandably. I was impressed by the dedication of all my colleagues who – despite everything – continued to focus on our clients throughout this time.

In 2021, ABN AMRO pressed ahead with the execution of the strategy announced in November 2020. How are you progressing?

We are well on track. At the investor update in November 2020, we set the bank's course and made some important choices. We are focusing on Northwest Europe in client segments where we have scale and where we can grow. The wind-down of the CIB non-core portfolio has been largely completed, well ahead of schedule, improving our risk profile.

Last year, to strengthen the execution of our strategy, we announced that we will simplify our organisational structure. As part of this, the Executive Committee ceased to exist in favour of an extended composition of the Executive Board, simplifying the banks' top management structure. Our four business lines have been replaced by three client units. This set-up will boost efficiency and enable us to better serve our clients by working together as one bank.

A good example is our Entrepreneur & Enterprise (E&E), under which we serve entrepreneurs and their businesses as one team. This is a unique concept: we are the only bank in Northwest Europe that combines banking know-how and expertise for affluent clients and businesses in this way. By the end of 2021, our E&E concept was already in place in France and is currently being rolled out in the Netherlands, Germany and Belgium.

What was the most difficult dilemma you faced in 2021?

What are you least proud of?

Obviously, we deeply regret the fact that ABN AMRO did not sufficiently fulfil its duties as a gatekeeper. The lessons we have learned drive our continued efforts to achieve a safer society and a financial system that meets the highest standards of integrity.

A dilemma or tough choice for me personally is the decision to let go of colleagues. I strongly believe in the rationale behind the wind-down of our CIB non-core portfolio. It's the right decision, but saying goodbye to colleagues who have dedicated themselves to the bank for many years is always difficult, and I can only thank them for their contribution.

2021 was the year in which the bank laid the foundation to become a personal bank in the digital age. Where are you now?

We are making good progress, but we still have a lot of work to do. You'll never hear me say I'm satisfied – I'm always looking to see where we can improve. Being a personal bank in the digital age should result in more satisfied clients, but I realise that while we're in the process of transforming this won't always be the case. We are working hard to improve the accessibility of our Customer Care team, for instance. In the course of 2022, clients will be able to conduct all their banking business digitally.

On the other hand, we need to keep an eye on our vulnerable clients. We have doubled the number of financial coaches for clients who feel challenged by digital banking and will even increase the number of coaches to 150 during 2022. And we are looking for solutions to prevent vulnerable people and groups from being excluded from basic financial services.

ABN AMRO is known for its commitment to sustainability. Was this pushed to the background in 2021?

No, not at all. Sustainability is core to our purpose 'Banking for better, for generations to come' and is part of the regular dialogue we have with our clients. ABN AMRO firmly supports the goal of limiting global warming to 1.5 degrees Celsius. Our biggest impact is through our lending and investment services, and we aim to increase the volume of our sustainability (acceleration) assets to more than a third of the total in 2024.

Sustainability is also an asset when it comes to attracting talent. Young people want to work for companies that take sustainability seriously and take action. At ABN AMRO, we are intrinsically committed to sustainability. And we have seen that for many years now, society has increasingly been focusing on how companies are dealing with ESG.

What progress is ABN AMRO making in the area of diversity and inclusion in terms of gender and cultural background?

To live up to our purpose, I believe we have to foster an inclusive climate for both our people and our clients – an environment in which the diversity of our society is reflected. Not just because it's the right thing to do, but also because it's the smart thing to do. Diversity and inclusion can benefit our organisation and society as a whole. Long before I joined the bank as its CEO in 2020, I was personally and professionally committed to promoting diversity and inclusion.

We have a very ambitious diversity agenda in terms of culture and gender. We want to play an important role in the public debate and at the same time produce tangible results. Our commitment to building a diverse workforce in the Netherlands and abroad means creating a broad base and the opportunity for those who want to reach the top. We've doubled down on our efforts to achieve this lately, but we're not there yet. I personally coach people in this area and receive very valuable reverse coaching.

In February 2022, you announced a share buyback programme. Why have you decided to return the available capital to shareholders instead of using it for other purposes?

The choices we made in 2020 already worked out well in 2021 from a financial perspective, though the pressure on deposit margins due to the low interest environment remains a concern. Our fee income has shown strong growth, supporting the top line, and will grow further as our growth initiatives gain momentum. We remained disciplined about costs while investing in the foundation of our data and digital capabilities. As a public company, we want to remain attractive to all stakeholders, including our shareholders.

As the ECB lifted the dividend ban, we immediately paid out the 2019 final dividend in October. The share buyback programme allows us to gradually start releasing capital. We intend to use share buy backs on a regular basis to optimise our capital position, which is important to our shareholders.



What do you expect 2022 to bring?

As we further improve our digital services, clients will benefit from our greater availability and a more integrated service offering. For instance, small businesses and Wealth Management clients are increasingly using our mobile app as we continue to add new functionalities.

Current events in Ukraine are developing very fast. I'm extremely concerned about this conflict, which represents a direct assault on the principles of democracy and freedom at a scale we have not experienced in Europe since the end of the Second World War. I'm also saddened by the loss of so many innocent lives. The situation also brings economic uncertainty. We are focused on managing the implications for our clients and the bank, as well as accompanying risks. As for Covid-19, we are seeing society moving to a post-pandemic new normal. It's early days yet, and the economic outlook remains uncertain, but I expect economies to continue to open up and businesses to benefit from further easing of lockdowns. At the same time, major challenges such as climate change and social inequality have intensified. Governments, NGOs and businesses need to keep working together to address these issues. I welcome the fact that all financial institutions are now engaging on ESG. It's important for us to work with each other for the future of the earth.

A valuable insight gained during the pandemic is that working from home has huge benefits for many colleagues, as it has the potential to improve their work-life balance. That said, all of us on the Executive Board recognise the downside for other people, who are missing a sense of connection, for colleagues who live alone and for colleagues with children, who have to juggle home schooling and work. An important job for us now is to make sure we keep our people close to the bank in whatever way possible. This is why we have regular digital updates with staff. Personally, I would value going into the office a bit more often because of the feeling of community it creates. Hopefully, there will be more scope for this in 2022.

Robert Swaak

CEO of ABN AMRO Bank N.V.

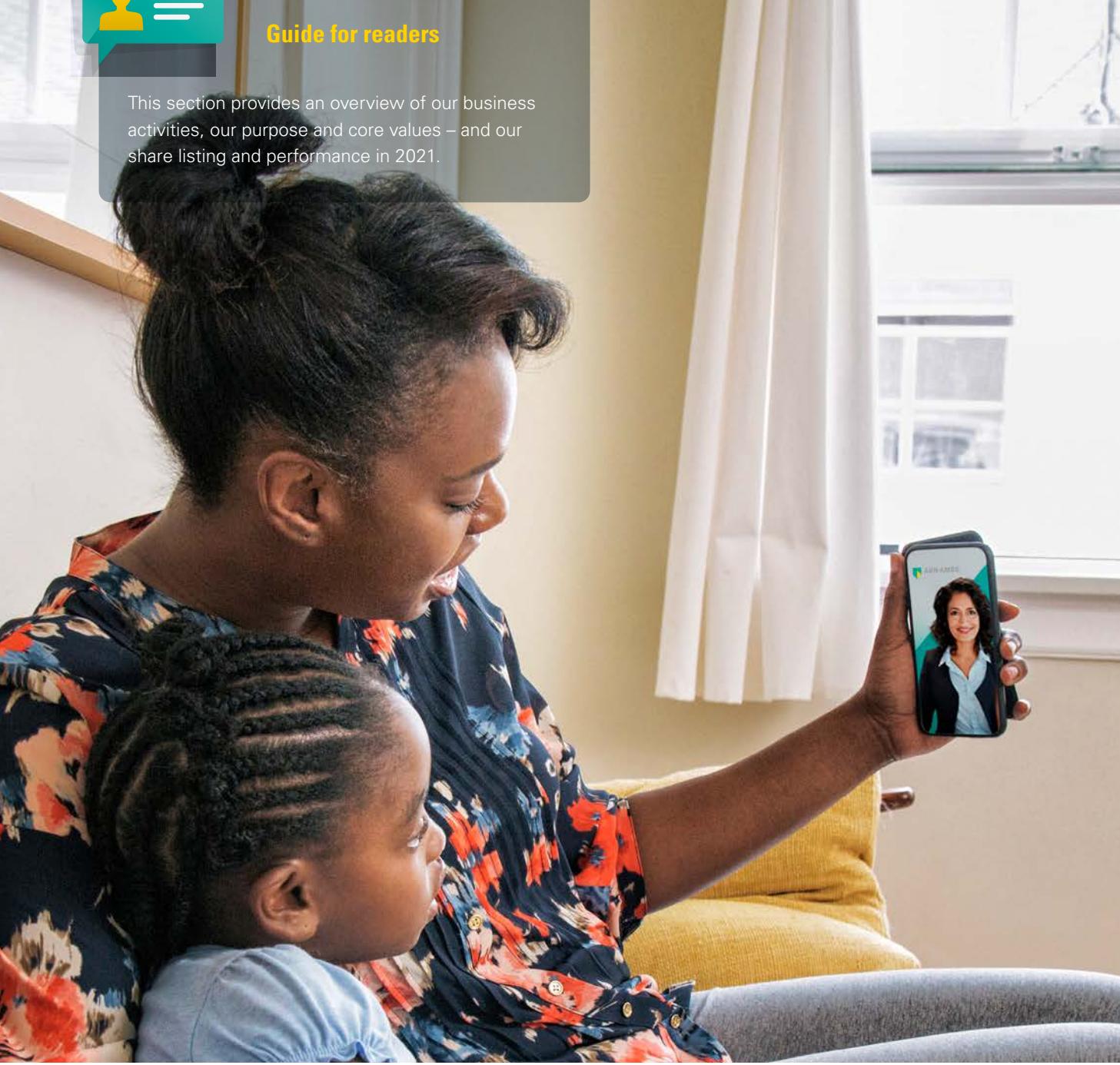


**“You’ll never hear
me say I’m satisfied –
I’m always looking
to see where
we can improve.”**



Guide for readers

This section provides an overview of our business activities, our purpose and core values – and our share listing and performance in 2021.



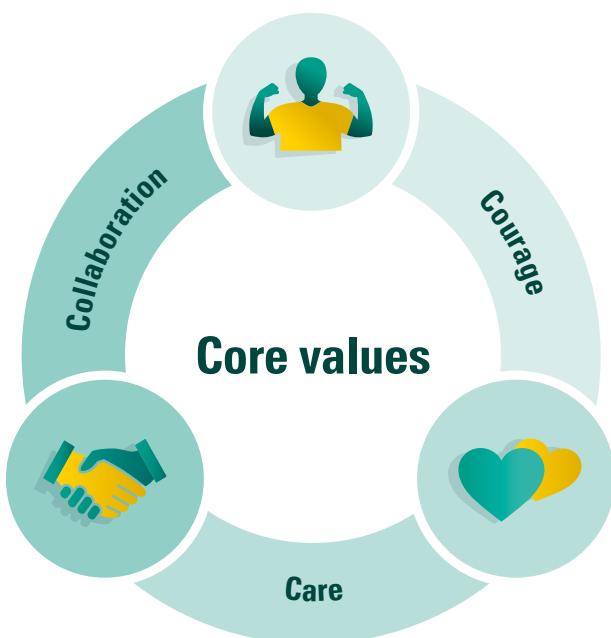
**"ABN AMRO has a clear purpose:
*Banking for better, for generations
to come.*"**

Our bank

ABN AMRO is one of the leading banks in the Netherlands. We provide banking services to retail, private and business clients. We have nearly 20,000 employees. We serve clients where we have scale in the Netherlands and Northwest Europe, providing a range of products and services including loans, mortgages, payments, financial advice and asset management.

Our purpose and core values

ABN AMRO has a clear purpose: *Banking for better, for generations to come*. As a bank, we work together with our clients to tackle the challenges of our times and to shape the future. We take our role in society seriously. Our aim is to be a trusted partner and to create long-term value for our stakeholders.¹ Our purpose is our compass in everything we do. Our core values serve as an anchor for our purpose. Our core values are care, courage and collaboration, expressing our sense of responsibility towards all stakeholders and our ambition to support our clients as one bank.



Care means...

We care for our clients and want to do what's best for them. That's why we put them front and centre in everything we do. By understanding their needs we can advance their long-term interests. We see that as our responsibility. But care also applies to our sustainability ambitions. We care about our planet and about people – whether our clients, colleagues or groups in society that are less privileged and have had fewer opportunities in life. Everyone counts – including future generations.



Courage means...

It takes courage to commit to bringing about positive change, to deliver on our promises and ambitions. We have the courage to take a stand in the social debate, to act on our principles and to speak up against wrongdoing. We are working to create positive change and we're not afraid to say 'no' if it's in the client's best interests. We engage with our clients about making their business practices more sustainable and if necessary, we require them to change.



Collaboration means...

It is only through collaboration that we are able to achieve our ambitions, and if we want to meet the challenges we face, we must pull together. No one has all the answers. That's why we set great store by collaborating across the organisation and why we partner with a host of other parties outside ABN AMRO to address social and environmental issues and to look after our clients' interests. We team up with the government and other banks to keep the financial system secure, and we forge relationships with fintechs and other companies to improve our services going forward.

¹ We have four main stakeholder groups: clients, investors, employees and society. For more information, see page 39.

Our businesses

During 2021, we had four main business lines: Retail Banking, Commercial Banking, Private Banking and Corporate & Institutional Banking. To serve clients better, from January 2022, these four business lines were replaced by three client units: Personal & Business Banking, Wealth Management and Corporate Banking.



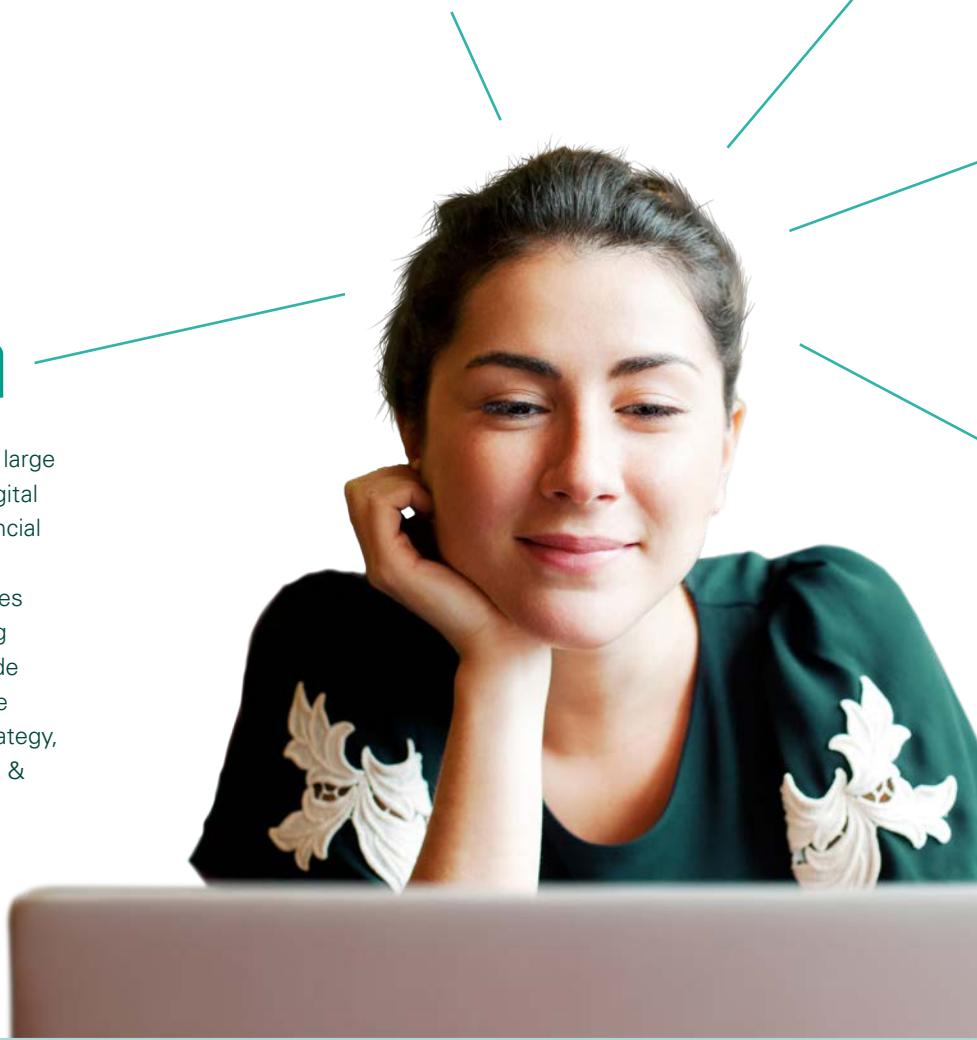
50.6 bln

Corporate & Institutional Banking services large and mid-size corporates in sectors such as digital and energy transition, mobility, shipping, financial services and real estate in the Netherlands and Northwest Europe. The loans and advances to clients amounted EUR 50.6 billion; Clearing remains a global leader. Other products include structured finance, markets, corporate finance and corporate investments. As part of our strategy, we are currently winding down our Corporate & Institutional Banking non-core activities outside Europe ([see page 26 →](#)).

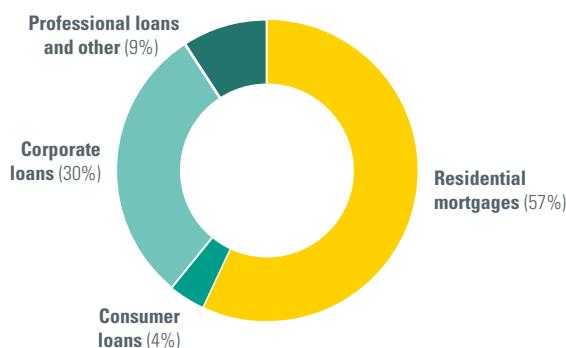


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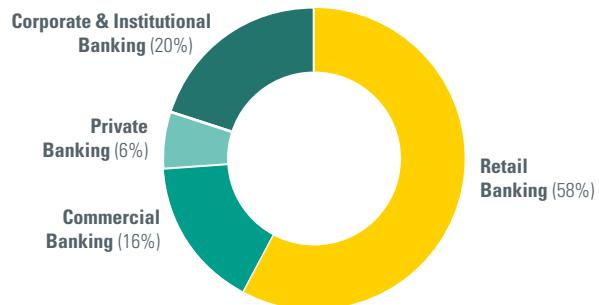
Our **Retail Banking** business serves more than five million clients. ABN AMRO is the first-choice bank for around 20% of the Dutch population. In addition, we are the second-largest mortgage lender and provider of savings accounts in the Netherlands.



Breakdown of client loans by type, 2021



Breakdown of client loans by business line, 2021



365,000



Commercial Banking has over 365,000 clients, many of which are small and medium-sized businesses (SMEs), with annual turnover of up to EUR 250 million. We also provide leasing and factoring services across Northwest Europe.



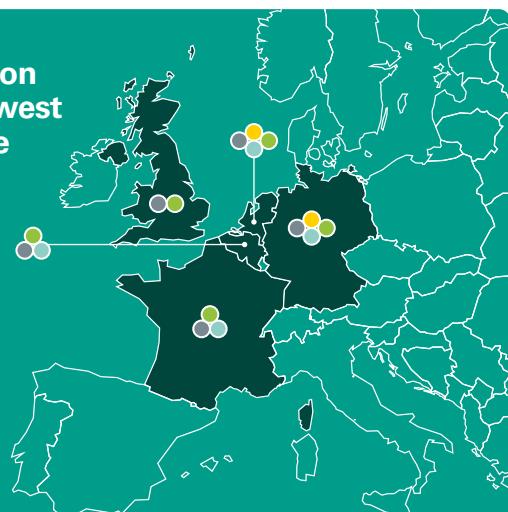
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We have **Private Banking** operations in the Netherlands, Germany, France and Belgium. ABN AMRO is the largest private bank in the Netherlands. Our Private Banking business manages a total of over EUR 200 billion in client assets.

To support our businesses, we have several

Group Functions: Finance; Risk Management (including Compliance); Innovation & Technology (including Detecting Financial Crime); Human Resources; Group Audit; Legal & Corporate Office; Brand, Marketing & Communications and Strategy & Innovation.

Focus on Northwest Europe



- Yellow: Retail Banking
- Green: Commercial Banking
- Light Blue: Private Banking
- Grey: Corporate & Institutional Banking

The Netherlands: Retail Banking, Commercial Banking, Private Banking and Corporate & Institutional Banking

Belgium: Commercial Banking, Private Banking and Corporate & Institutional Banking

France: Commercial Banking, Private Banking and Corporate & Institutional Banking

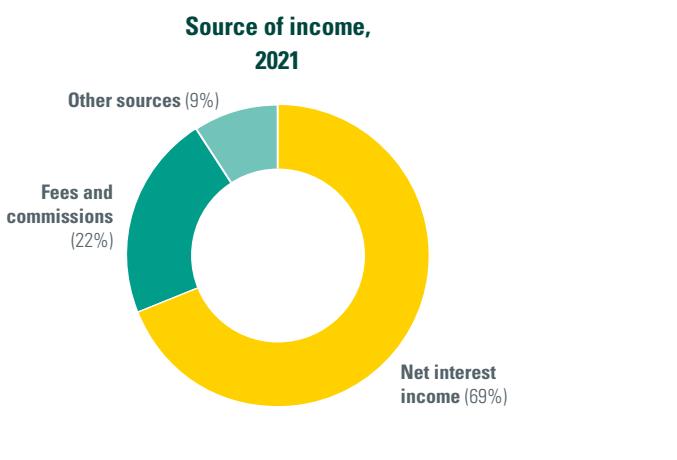
Germany: Retail Banking, Commercial Banking, Private Banking and Corporate & Institutional Banking

UK: Commercial Banking and Corporate & Institutional Banking

Additional ABN AMRO offices:

Europe: Athens (Greece), Oslo (Norway)

Outside Europe: Australia, Brazil, China¹, Hong Kong, Japan, Singapore and the US.



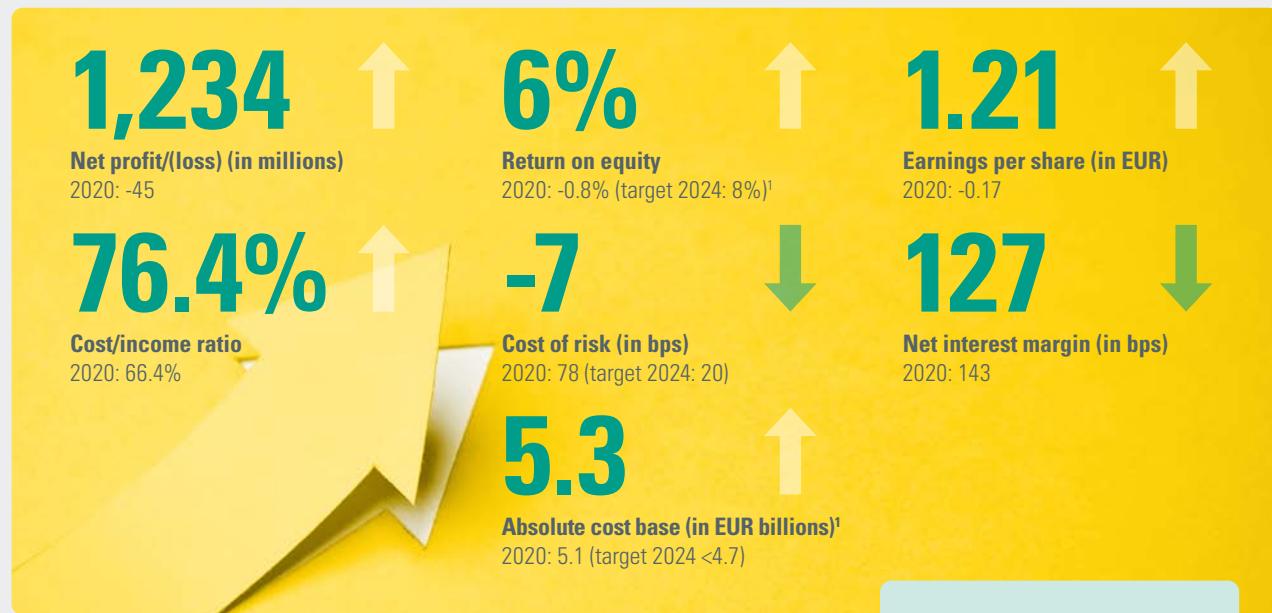
¹ Please note: we started the formal closure process of our China office in the third quarter of 2021; we expect this process to be finalised in 2022.

Our business activities

At the centre of our business model are our business activities – what we do as a bank. Our purpose, strategy and strategic pillars drive these business activities. We fund our loans through savings and capital markets, and actively manage the risks associated with them. In return for our services, we receive interest, fees and commissions. We use our income to pay for our operating costs, reinvest in our business and pay out returns to our investors. For further information on our strategy and business activities, see [page 31](#).



Key figures



Relational Net Promotor Score:

-1

Mortgages

2020: -1 (target 2024: >0)

-33

SMEs (incl. self-employed)

2020: -21 (target 2024: >0)

16.3%

CET1 ratio (Basel III)

2020: 17.7

16%

CET1 ratio (Basel IV)

2020: 15%

(target 2024: 13%)

Market share growth in focus segments:

16%

New production mortgages

2020: 14% (target 2024: 20%)

18%

SMEs

2020: 18% (target 2024: 20%)

5.9%

Leverage ratio

2020: 5.8%

30%

Percentage of women at subtop

2020: 28%

(target 2024: 34%)



27%

Percentage sustainability (acceleration) asset volume

2020: 20%

(target 2024: 36%)

¹ With normalised interest rates our ambition is 10%.

² Excluding AML settlement and restructuring costs.

ABN AMRO shares

During 2021, ABN AMRO's share price (depositary receipts) increased by 61%. Over the same period, the STOXX Europe 600 Bank index – our principal benchmark – gained 34%. In March 2021, our shares (depositary receipts) were transferred to the AMX (mid-cap index); they had previously been part of the AEX (the main index, which lists the Exchange's most actively traded stocks). In February 2022, ABN AMRO announced a EUR 500 million share buyback programme, to be completed by 2022. For more details, [see page 347 →](#)

Dividends

ABN AMRO has resumed dividend payments in line with its dividend policy. As no interim dividend was paid in 2021 due to the European Central Bank's recommendation on bank dividends, ABN AMRO is now proposing a final dividend of EUR 0.61 per share, equivalent to 50% of the bank's full-year profit attributable to shareholders. This dividend proposal will be submitted for approval to the 2022 General Meeting of Shareholders. For 2022, ABN AMRO intends to re-introduce payment of an interim dividend following release of the bank's half-year 2022 results. In October 2021, ABN AMRO paid out the final dividend to shareholders for 2019 (EUR 0.68/share), following a decision by the European Central Bank not to extend its recommendation on bank dividends. For more information, see Risk, funding & capital on [page 83 →](#)

Listing information and substantial holdings

A total of 470.9 million shares, or 50.1% of the total, are held by the STAK AAB (Stichting Administratiekantoor Continuïteit ABN AMRO Bank). STAK AAB has issued depositary receipts representing such shares, which are listed on Euronext Amsterdam. Netherlands Financial Investments (NLFI), on behalf of the Dutch government, holds 59.7 million (6.4%) of these depositary receipts and has waived, in its capacity as holder of depositary receipts only, any meeting or voting rights attached to the depositary receipts other than the right to vote at the ABN AMRO shareholders' meeting. The remaining 469.1 million shares (49.9%) are held directly by NLFI. In 2022, NLFI will take part in the EUR 500 million share buyback as announced on 9 February 2022 to ensure the Dutch government's total stake in ABN AMRO remains unchanged at 56.3%. Other than STAK AAB or NLFI, ABN AMRO is aware of only one other current or potential shareholder or owner of depositary receipts with an interest of 3% or more as at 31 December 2021: EuroPacific Growth Fund.

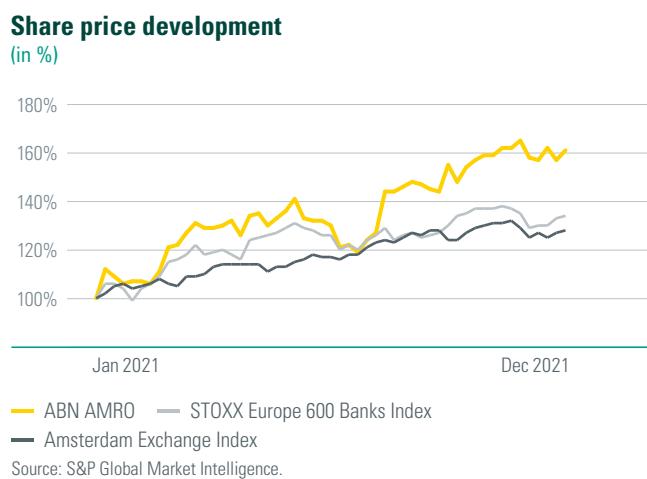
For more information on our shareholder structure, listing information and substantial holdings, see [Leadership & governance \(page 205\)](#) or visit our website at [abnamro.com](#). Depositary receipts trade under ISIN code NL0011540547, Reuters ticker 'ABNd.AS' and Bloomberg ticker 'ABN:NA'.



(in millions)	31 December 2021	31 December 2020
Share count		
Total shares outstanding/issued and paid-up shares	940	940
- <i>of which held by NLFI (shares and depositary receipts)</i>	529	529
- <i>of which held by other investors (depositary receipts)</i>	411	411
- <i>as a percentage of total outstanding shares</i>	44%	44%
Average number of shares	940	940
Average diluted number of shares	940	940
Key indicators per share (EUR)		
Earnings per share ¹	1.21	-0.17
Shareholder's equity per share	21.28	20.22
Tangible shareholder's equity per share	21.15	20.08
Dividend per share ²	0.61	-
Share price development (EUR)		
Closing price (end of period)	12.92	8.02
High (during the period)	13.26	16.98
Low (during the period)	7.66	5.68
Market capitalisation (end of period, in billions)	12.14	7.54
Valuation indicators (end of period)		
Price/Earnings	10.68x	-
Price/Tangible book value	0.61x	0.40x
Dividend payout ratio ^{1,2}	50%	-

¹ Earnings per share: Profit for the period excluding reserved coupons for AT1 capital securities (net of tax) and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.

² Dividend per share and payout ratio subject to approval of the annual general meeting in April 2022.



Our operating environment

Our operating environment underwent rapid change in 2021. Economies continued to recover following the impact caused by Covid-19. At the same time, social and environmental issues gained in importance. Across the financial sector, there was a further increase in the use of data and digital technologies, accelerated by the pandemic. Furthermore, Dutch house prices rose sharply, driven by record low interest rates and tight housing supply.



Guide for readers

In this section, we will examine how our operating environment is changing, the impact of the Covid-19 pandemic – and the latest regulatory developments affecting the banking sector.

Economic and business

In 2021, the Dutch economy began to recover from the effects of Covid-19. During the year, GDP grew by 4.8%. In 2020, the economy had contracted by 3.8%. In many sectors, economic activity was able to resume thanks to the roll-out of the Dutch government's vaccination programme.¹ By the end of 2021, more than 85% of the adult Dutch population had been vaccinated. Generally, the Dutch economy has suffered less during the pandemic than other similar economies largely to the structure of the economy – the Netherlands is more digitalised and less reliant on tourism – and continued government support.

At the same time, the global economy also continued its rebound from the pandemic. The International Monetary Fund (IMF) estimated global GDP growth in 2021 at 5.9%, helped by rising industrial output and an increase in international trade as countries began to lift the most severe lockdown measures. The economic recovery still faces significant risks globally and in the Netherlands these risks relate mainly to rising energy costs, supply chain pressures and labour shortages in certain areas. A resurgence in Covid-19 infection rates – particularly if these lead to new lockdown measures – could also slow economic recovery.

Government economic support and bank lending

Throughout the Covid-19 crisis, the European Central Bank has issued new money to support the eurozone economy; banks continued lending to businesses. Government financial support was also available to companies affected by the pandemic. Support measures – including wage subsidy schemes, bridging loans, tax payment deferrals and assistance with fixed costs² – were withdrawn at the end of September but were reinstated in November following the new restrictions. Availability of financing continued to protect businesses in 2021. In August, bankruptcies in the Netherlands reached their lowest level for twenty years, though they are likely to increase again, going into 2022, as the economy adjusts following the withdrawal of Dutch government support.

Consumer spending

Consumers saved a lot during the Covid-19 pandemic – both precautionarily, as they may have feared job losses, and involuntarily, as restrictions constrained the ability to spend. After each Covid-19 wave, when measures were phased out, we saw considerable catch up of private consumption. For 2021 as a whole, consumer spending was up 3.5%. Unemployment continued to decline in 2021 and the labour market became very tight. In the fourth quarter, for instance, 105 vacancies were available for every 100 unemployed people. When government support is phased out in 2022, we expect unemployment to increase only very slightly, as most of the additional labour supply will be directly absorbed by the historically tight labour market.

Interest rates

Interest rates remained at historically low levels, putting continued pressure on deposit margins for banks like ABN AMRO. This was despite signs of inflation in the economy, driven mainly by higher energy prices and supply chain disruptions, which led to shortages in certain goods. Consumer prices in the Netherlands rose by 2.7% in 2021.

¹ Source: Dutch government Coronavirus Dashboard (figures correct as at 10 February 2022)

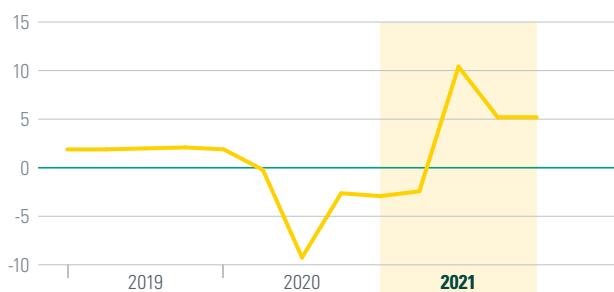
² Dutch government support included the Temporary Emergency Bridging Measure for Work Retention (known in Dutch as NOW), Reimbursement of Fixed Costs (TVL) and the Self-Employed Income Support (TOZO).

Housing market

Low interest rates, meanwhile, have helped to fuel a boom in the Dutch housing market. ABN AMRO is one of the Netherlands' leading mortgage lenders. House prices rose by 15% in 2021, despite continued economic uncertainty caused by Covid-19. Tight housing supply also added to upward price pressure, as to the country's transfer tax exemptions for first-time buyers. The housing market

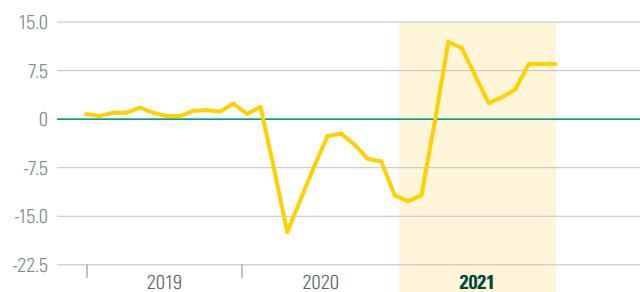
boom has not extended into other real estate. Industrial real estate is performing relatively well; however, increased working from home and the significant growth in online shopping is taking its toll on commercial real estate, in particular offices and retail.

Netherlands, GDP growth (year-on-year change)



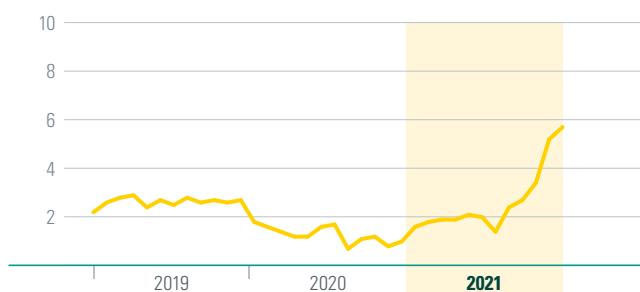
Source: Statistics Netherlands (CBS).

Dutch household consumption (% change, year on year)



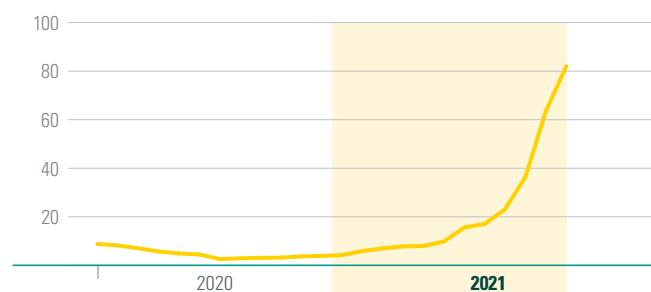
Source: Statistics Netherlands (CBS).

Consumer prices (% change, year on year)



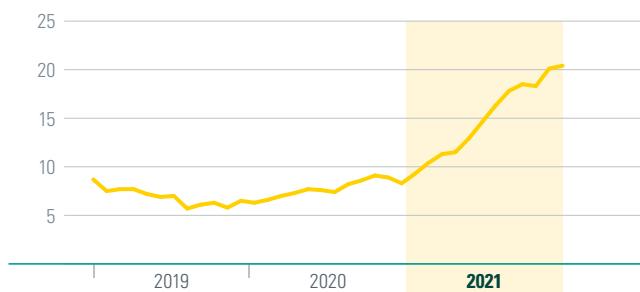
Source: Statistics Netherlands (CBS).

Energy price inflation (% change, vs. base year 2015)



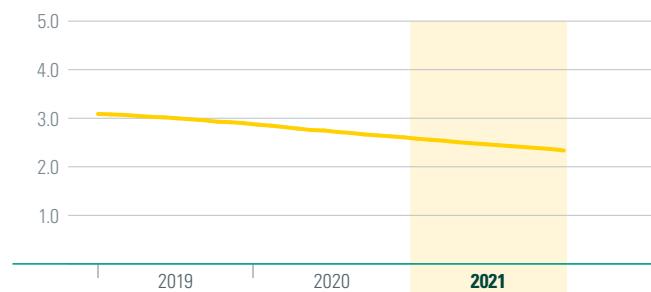
Source: Statistics Netherlands (CBS).

House prices in Netherlands (% change, year on year)



Source: Refinitiv.

Average interest rates on outstanding mortgages from Dutch banks to households (% change, year on year)



Source: DNB.

Society and climate change

Covid-19 has brought immense change to society. In many cases, it has accelerated trends that were already evident before the pandemic – and that are shaping the business environment for companies like ABN AMRO. For example, we are moving to new, more flexible ways of working. Issues of diversity and inclusion remain important. Meanwhile, the climate crisis has risen again to the top of the political agenda; during the year, the Intergovernmental Panel on Climate Change (IPCC) released its latest assessment, calling climate change “widespread, rapid and intensifying”.

Climate change

In 2021, we saw further evidence of the worsening climate crisis. There were wildfires across Europe, Asia and the US. Severe flooding hit western Europe, while Hurricane Ida caused an estimated USD 95 billion in economic damage along the US Atlantic coast. Increasingly, governments are adopting climate change strategies. Both the EU and the US have promised ‘green recoveries’, post-Covid. New regulations have also been brought forward to encourage more sustainable economic investment. For ABN AMRO, climate change remains a priority. We see opportunities in using our expertise to support clients in the transition to more sustainable business models.

New ways of working

Covid-19 has also changed attitudes to the workplace – both for ABN AMRO and our clients. The pandemic forced many people to work from home; that, in turn, increased the use of digital technologies. Coming out of the crisis, many employees want a more flexible approach to work. At the same time, Covid-19 brought renewed emphasis on employee health and well-being, both physical and mental. Equality issues also became more prominent, fuelled by social movements such as MeToo and Black Lives Matter. Increasingly, employees expect open, inclusive and diverse working environments.

Data and digital technology

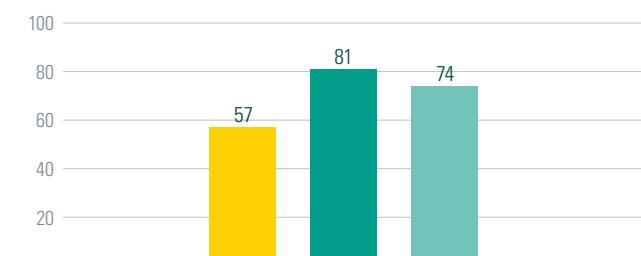
Use of data and digital continued to expand. Increasingly, banks like ABN AMRO are deploying new technologies using artificial intelligence (AI). We are also examining new opportunities in areas like blockchain technology. Across Europe, digital banking has become the norm. Online transactions rose sharply during the pandemic. Digital allows banks to work more efficiently, reduce operating costs and shorten time to market. Across the banking sector, digital and data analysis skills are now in high demand. At the same time, *open banking* has brought risk of disintermediation.¹ Cyber attacks, meanwhile, are on the increase, particularly through ransomware. According to the Dutch central bank,² cyber risks pose a major threat to financial stability. In 2021, more than half of all financial institutions worldwide reported at least one cyber attack.³

¹ Open banking refers to the sharing of financial data between banks and authorised third parties via the use of Application Programming Interfaces, or APIs; Open banking gained ground following the introduction of the EU's Payment Services Directive (PSD 2). Use of APIs, we believe, will enhance customer experience.

² Dutch Central Bank Financial Stability Report, Autumn 2021.

³ Source: Hiscox Cyber Readiness Report 2021.

CEO views on growing importance of climate as business opportunity (in %)



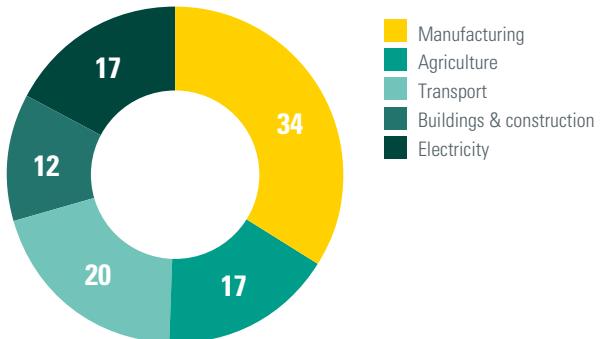
■ Percentage of CEOs saying they are working towards a +1.5°C temperate rise
 ■ Percentage of CEOs saying they are already developing new sustainability products and services

■ Percentage of CEOs saying they have begun developing new and circular business models

Source: UN Global Compact – Accenture CEO Study on Sustainability, October 2021 (1,230 CEOs worldwide took part in the survey).

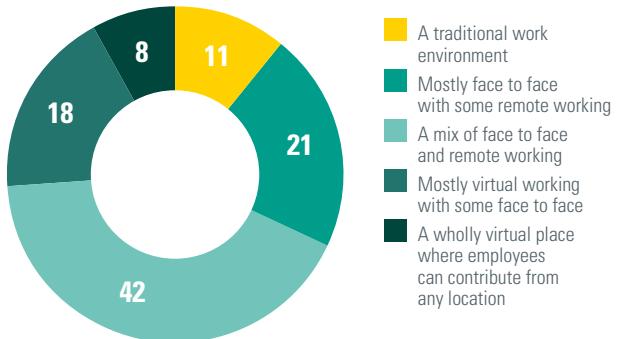


Netherlands – contributions to greenhouse gas emissions by sector (based on Q2 2021 figures) (in %)



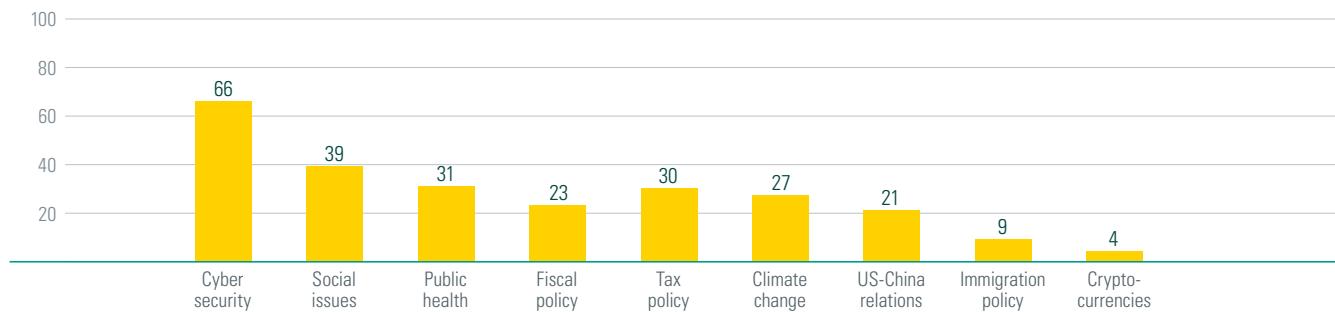
Source: CBS Statistics Netherlands.

Hopes for new work environment, post-Covid (in %)



Source: PwC, Hopes and Fears 2021 (the views of employees on the future of work) – results shown for the Netherlands only.

Relevance to CEO agenda (% saying issue is 'highly relevant')



Source: Fortune/Deloitte CEO survey (winter 2021 results).

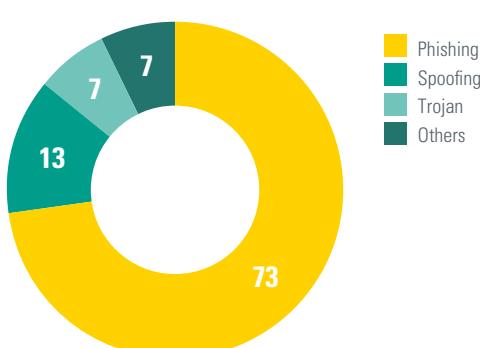
Online payments (in EUR billions)



Please note these figures cover iDEAL and credit card payments only. Together, these cover approximately 80% of online e-commerce payments. Other payment methods are not shown because 2021 figures for these methods are not currently available.

Source: Dutch Payments Association.

Cyber attacks by type (in %)



Source: DNB, Financial Stability Report (Autumn 2021).

Regulatory developments

Impact of Covid-19



In response to Covid-19, new regulations were adopted and existing regulations were amended, mainly to support lending while maintaining the bank's liquidity and solvency requirements.

ECB Targeted Longer Term Refinancing Operations (TLTRO)

TLTRO is an ECB programme under which banks can borrow at a rate as low as -1%, provided they use the money to lend to non-financial corporations in a bid to stimulate the real economy. To qualify, banks need to achieve a lending target. For ABN AMRO's performance against the TLTRO target, see [page 70](#).

ECB recommendation: dividend distributions, share buybacks and variable remuneration

With an eye on Covid-19, the ECB recommended temporary suspension of all cash dividends and share buybacks in March 2020. The revised ECB recommendation of December 2020 expected banks to exercise extreme prudence with regard to dividends and share buybacks until 30 September 2021.

In addition, the ECB extended its expectation to banks to adopt extreme moderation with regard to variable remuneration until 30 September 2021. A similar position was taken by the EBA, EIOPA and ESRB in order to safeguard banks' capacity to absorb losses and lend to support the economy. ABN AMRO's actions to reflect the supervisors' recommendations on this topic are set out in Capital in the Risk, funding & capital chapter and Remuneration report.

EBA requires continued application of Covid-19-related reporting and disclosure requirements until further notice

In 2021, the EBA stated that uncertainty of the Covid-19 situation persists, as does the need to monitor exposures and the credit quality of loans with public support measures in Member States where these measures are still relevant. The EBA therefore continued to require application of Covid-19-related reporting and disclosure requirements, until further notice.



Update on previous years

EU banking rules (Basel III/IV)

The European Commission proposed a review of EU banking rules – the Capital Requirements Regulation and the Capital Requirements Directive. These new rules are to ensure that while EU banks become more resilient to potential future economic shocks, they also continue to support Europe's post-Covid recovery and the transition to climate neutrality. The package finalises implementation of Basel III (including finalisation of Basel III, also known as Basel IV) taking into account the specific features of the EU banking sector. These proposed changes are expected to be implemented from 2025, after being further refined in the next two years. Particularly, the implementation of Basel III will limit banks' ability to calculate capital requirements by using internal models to ensure banks do not underestimate risks and thus are sufficiently capitalised to cover those risks. The European Commission has said the new regulations should not lead to any significant overall increase in capital requirements for EU banks.

Anti-money laundering and countering the finance of terrorism

The European Commission presented an ambitious package of legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism rules. The proposals aim, among other things, at future introduction of new rules in the areas of customer due diligence, beneficial ownership, national supervisors' powers and Financial Intelligence Units within Member States, as well as transfers of crypto assets and the establishment of a new EU supervisory authority.

Schrems II

ABN AMRO is implementing Schrems II. In July 2020, the European Union Court of Justice ruled that certain legal grounds for the transfer of personal data outside Europe are invalid or require supplementary measures. As a result of this ruling, ABN AMRO needs to assess the risks and monitor more actively its data transfers outside Europe. Furthermore, ABN AMRO may need to take extra measures regarding non-EU vendors, or in some cases stop the data transfer.

Targeted Review of Internal Models (TRIM)

The ECB's Targeted Review of Internal Models (TRIM) ended in 2021. The review aimed at ensuring consistency in capital requirements across the eurozone. For more information, see Capital in the Risk, funding & capital chapter.

EBA Guidelines on internal governance and Guidelines on sound remuneration policies

The European Banking Authority published its revised Guidelines on internal governance and Guidelines on sound remuneration policies along with the ECB fit and proper guidance. The revised Guidelines depict the amendments introduced by the fifth Capital Requirements Directive (CRD V) and the Investment Firms Directive (IFD) in relation to credit institutions' sound and effective governance, suitability and remuneration arrangements, in particular with regard to gender diversity, money laundering and the management of conflicts of interest.



Sustainable finance



EU taxonomy of sustainable activities

The EC has released the EU Taxonomy Regulation which entails a classification system establishing a list of activities that can be considered environmentally sustainable for use by companies, investors and policymakers in sustainability reporting. Such reporting aims to prevent greenwashing and help companies to become more climate-friendly. The EU Taxonomy Regulation covers six environmental objectives. Two of them have already been published (climate change mitigation and adaptation); the remaining four are expected in 2022. Recently, the EC drafted delegated acts on the inclusion of Nuclear energy and Gas in the EU's taxonomy. The documents are subject to a scrutiny period (4-6 months) during which the European Parliament and the Council can either approve or object. If both parties will approve, the acts will enter into force on the 1st of January 2023.

EU Sustainable Finance Disclosure Regulation

The SFDR came into effect in March 2021 and applies directly to ABN AMRO's investment business. SFDR lays down harmonised rules for financial market participants and financial advisors on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products. The European Commission is expected to supplement the SFDR with Regulatory Technical Standards (RTS) to specify the details of the content and presentation of the information to be disclosed. The application of the RTS has been delayed until January 2023.

MiFID II ESG

Following publication of the Commission's Action Plan, the MiFID II Delegated Regulation was updated in 2021 to integrate sustainability factors, risk and preferences into certain organisational requirements and operating conditions for investment firms. Furthermore, the Commission introduced amendments to the MiFID II Delegated Directive to integrate sustainability factors into the product governance obligations. The Regulation is expected to come into force in the course of 2022.

EU Corporate Sustainability Reporting Directive

The EU is introducing a new Corporate Sustainability Reporting Directive (CSRD), that extends mandatory sustainability reporting to all large companies and listed SMEs. It also requires companies to obtain independent assurance of their sustainability disclosures. ABN AMRO already reports under the current Non-Financial Reporting Directive and aims to fully comply with the CSRD when it enters into force. Many of our corporate clients will need to comply with the CSRD as well.

ECB guide on climate risks

The ECB released a guide on climate-related and environmental risks (CER) that outlines the ECB's understanding of the safe and prudent management of these risks under the current prudential regulatory framework. The guide describes how the ECB expects institutions to consider CER in their business strategy and governance and risk management frameworks and serves as a basis for a supervisory dialogue between the ECB and institutions such as ABN AMRO.



Other

Introduction DNB mortgage floor

In response to what DNB refers to as the overheated housing market, it was decided that a new floor for the risk weighting of mortgages will be introduced in the Netherlands. This floor requires that a certain minimum regulatory capital is held by mortgage lenders to ensure the ability to absorb losses from any future correction in the housing market. The mortgage floor will come into force at the beginning of 2022 and will be applicable to institutions that use the advanced models to calculate their regulatory capital for mortgages.



EU Digital Finance Package

In 2021, a new EU Digital Finance Package was adopted, including separate digital finance and retail payment strategies. Further proposals were made on legislation covering crypto assets and digital resilience. The purpose of the package is to boost innovation in the financial sectors and expand consumer choice. As part of its Digital Finance Strategy, the EU is introducing a Digital Operational Resilience Act (DORA), which is designed to strengthen banks' management of cybersecurity risks and is expected to come into force in 2022. In addition, the EU will also put forward proposals in 2022 for a new Open Finance Directive, building on its previous Payment Services Directive (PSD2)

Year in Review



Guide for readers

This section provides a summary of the main events of 2021 – from the continued wind-down of our Corporate & Institutional Banking activities outside Europe to the launch of our new Sustainable Impact Fund.

-90%

Corporate & Institutional Banking wind-down

ABN AMRO continued to wind down its Corporate & Institutional Banking (CIB) business outside Europe. As part of this, the bank sold loan portfolios in energy, transportation, trade & commodity finance and shipping. The CIB non-core activities wind-down has been largely completed, with loans and advances to customers approximately 90% of these activities have been wound since 30 June 2020.

Sustainable Impact Fund

ABN AMRO launched a EUR 425 million fund to invest in sustainable impact. The fund – part of the bank's focus on sustainability – invests in companies that have a proven sustainable business model and are ready for a new phase of growth and in young companies with a proven concept. Investments will be made primarily in the Netherlands and Northwest Europe.



Dividend payments resumed

As the European Central Bank did not extend its recommendation on dividend payments beyond September 2021, ABN AMRO decided to pay its final 2019 dividend. A final dividend of EUR 0.68 per share was paid in October, and did not affect the bank's capital ratios.

Simplified organisational structure and top management

ABN AMRO announced it would simplify its internal organisation to better serve clients – at the beginning of 2022, the bank's four business lines were replaced by three client units: Personal & Business Banking, Wealth Management and Corporate Banking. The existing Executive Committee (ExCo) was replaced by an extended Executive Board (ExBo), simplifying the bank's top management structure.

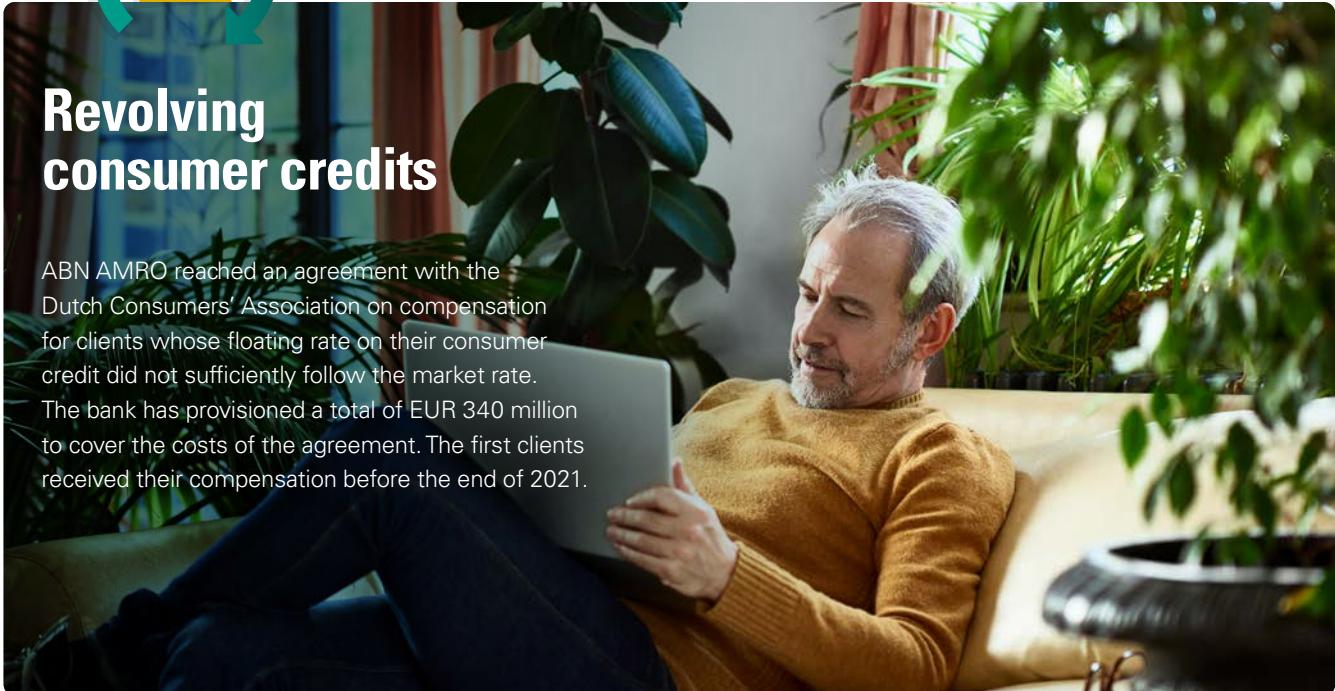
Following the Extraordinary General Meeting (EGM) on 24 November 2021 we welcomed Choy van der Hooft-Cheong as Chief Commercial Officer (CCO) Wealth Management and Dan Dorner as CCO Corporate Banking. Gerard Penning remains our Chief Human Resources Officer.¹ During the year, however, we have also said goodbye to several Executive Committee and Executive Board members – Clifford Abrahams, Daphne de Kluis, Rutger van Nouhuys and Pieter van Mierlo decided to pursue their careers outside ABN AMRO. From 24 November 2021, Frans van der Horst led the client segment Personal & Business Banking until the appointment of Annerie Vreugdenhil as CCO Personal & Business Banking. Following the EGM of 17 February 2022, Annerie Vreugdenhil started as the new CCO of Personal & Business Banking, on 1 March 2022.

¹ Gerard Penning was already part of the Executive Committee as Chief Human Resources Officer, but is now on the Executive Board.



Revolving consumer credits

ABN AMRO reached an agreement with the Dutch Consumers' Association on compensation for clients whose floating rate on their consumer credit did not sufficiently follow the market rate. The bank has provisioned a total of EUR 340 million to cover the costs of the agreement. The first clients received their compensation before the end of 2021.



Inclusive banking

ABN AMRO created an Inclusive Banking team to improve the inclusiveness of products and services and remove barriers experienced by certain groups of clients, such as women entrepreneurs. During the year, ABN AMRO also became the first Dutch bank to join the Financial Alliance for Women; members of the Alliance include more than 65 financial institutions around the world.

Expanding our digital banking

During the year, ABN AMRO continued to invest in digital banking. We saw continued growth in video banking. In partnership with Bishopsfield Capital Partners, we launched Aymz, a new digital lending platform for Dutch mid-sized companies. We also added Google Pay to the ABN AMRO app and created a new payment tool for gig economy workers. Our banking app now has approximately three million active users.

Settlement in anti-money laundering investigation

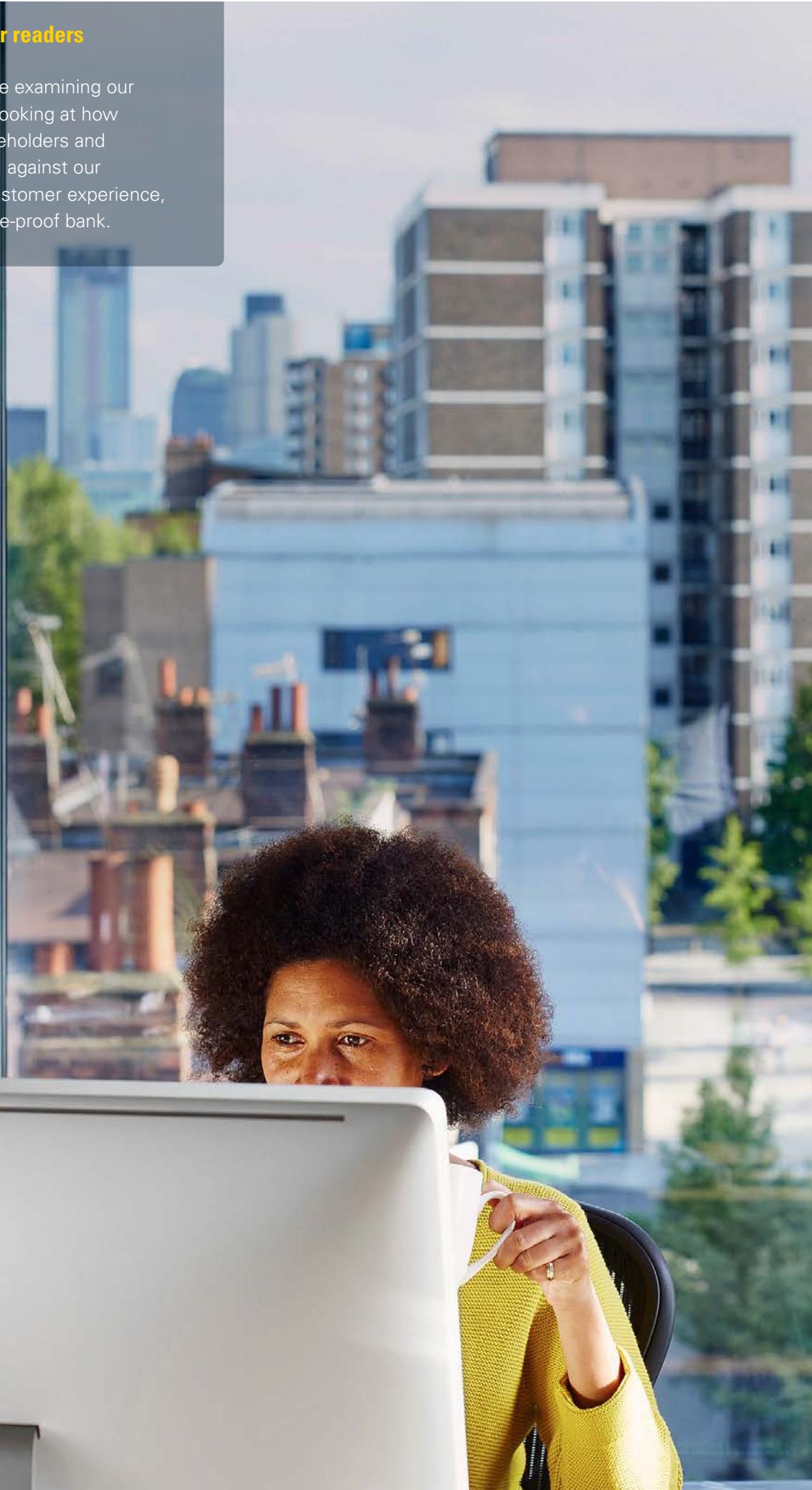


ABN AMRO accepted a settlement in connection with the Netherlands Public Prosecution Service investigation into the bank's anti-money laundering activities. As part of the settlement, ABN AMRO paid EUR 480 million. The bank cooperated fully with public prosecutor during the investigation.



Guide for readers

In this chapter, we will be examining our strategy in more detail, looking at how we create value for stakeholders and our performance in 2021 against our three strategic pillars: customer experience, sustainability and a future-proof bank.



Strategy, value creation & performance

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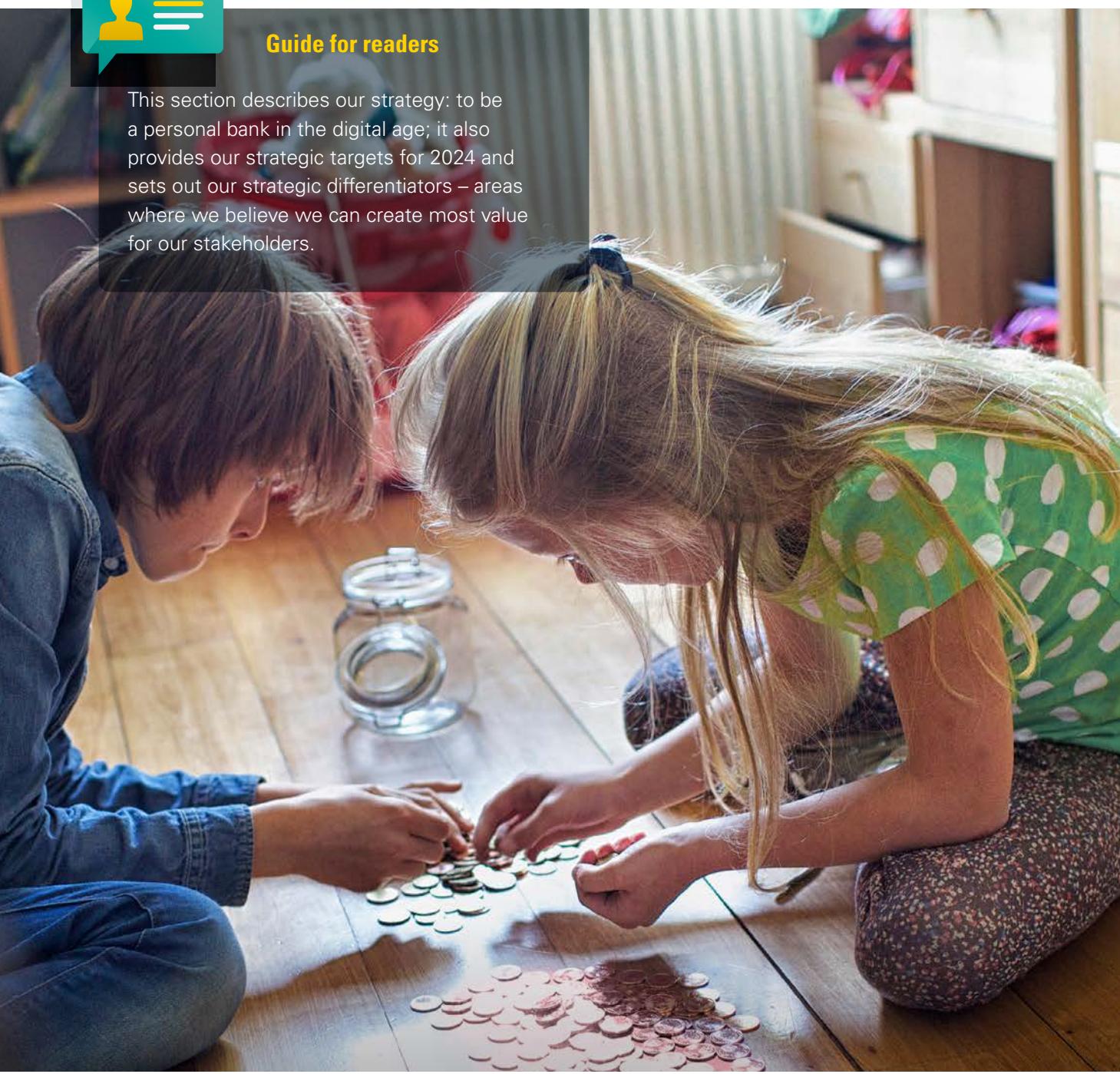
Lars Kramer, Chief Financial Officer

"What convinced me to join ABN AMRO was the sense of direction. The strategy is very well thought-through. Nearly a year later, nothing has happened to change my mind. In fact, what we've been able to achieve has only reinforced that view. We've made real progress this past year. The wind-down of the non-core activities of Corporate & Institutional Banking has gone much more quickly than expected." [Read more →](#)



Guide for readers

This section describes our strategy: to be a personal bank in the digital age; it also provides our strategic targets for 2024 and sets out our strategic differentiators – areas where we believe we can create most value for our stakeholders.



“Our strategy has three strategic pillars that guide us in acting on our purpose.”

Our strategy

Our purpose – *Banking for better, for generations to come* – guides us through change, is the basis for how we shape and deliver on our strategy, and encourages high performance and engagement from our employees.

Our strategy has three strategic pillars: customer experience, sustainability and future-proof bank. These are our guiding principles in acting on our purpose.

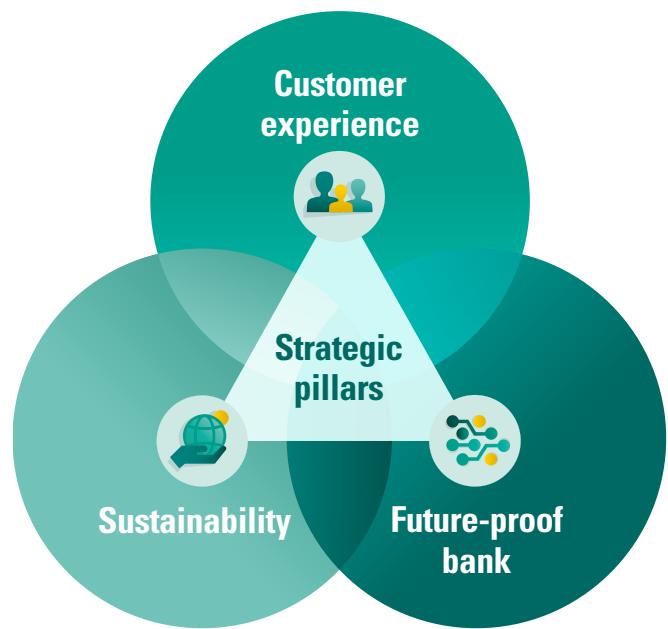
Who we are

We are a leading Dutch bank with attractive market positions in the Netherlands and Northwest Europe. We have long-term client relationships built on trust and supported by sector and sustainability expertise. Our trusted relationships with clients, together with our capabilities across all client segments, enable us to support them at all important financial steps in their lives.

Our strategy

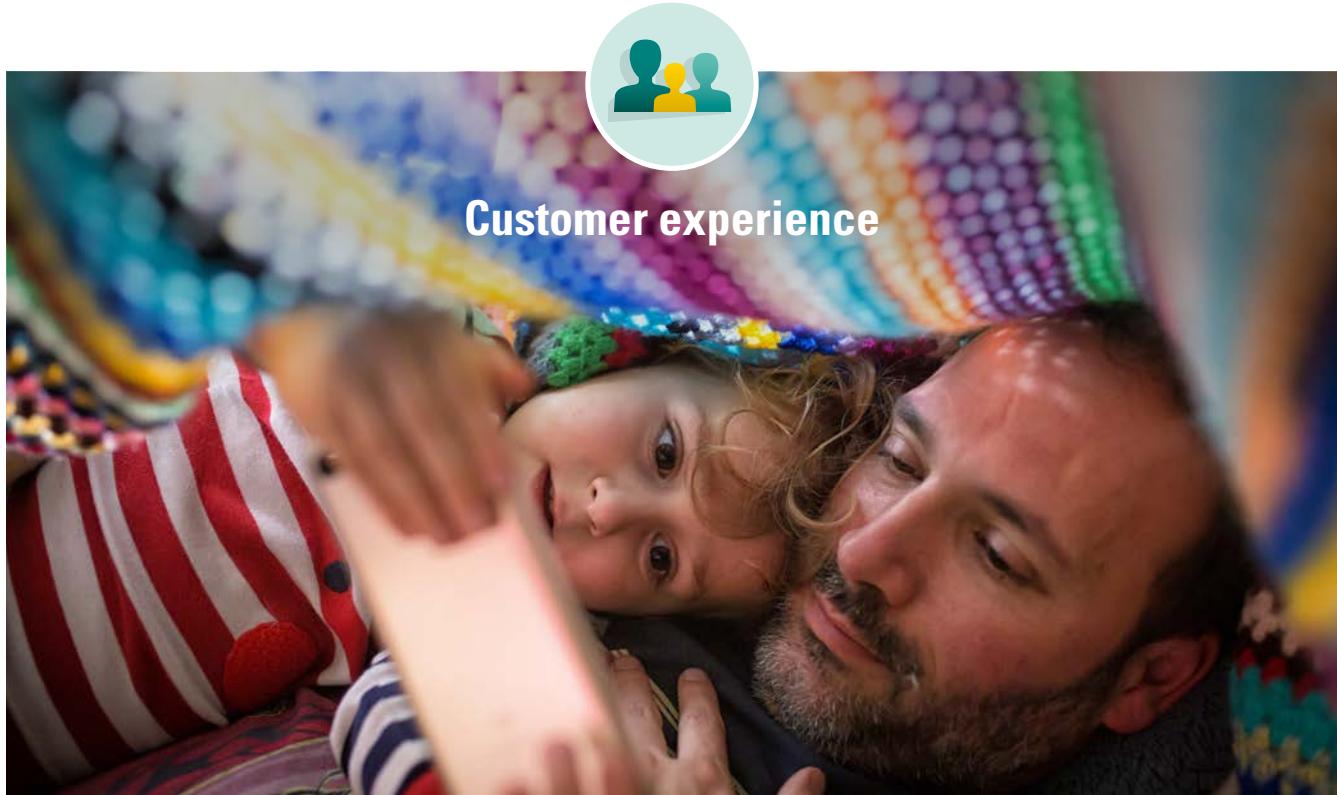
In framing our strategy, we have made clear choices, resulting in a distinct profile and focus. We are becoming *a personal bank in the digital age*, serving clients where we have scale in the Netherlands and Northwest Europe. We target an ROE of around 8% by 2024 when the cost of risk is expected to have normalised, cost-saving programmes will have been completed and growth initiatives will be delivering results. We are fully committed to our moderate risk profile and role as a gatekeeper of the financial system. Our culture and licence to operate remain clear priorities.

We continued to execute on our agenda in 2021. The wind-down of the Corporate & Institutional Banking non-core portfolio has been largely completed, improving the bank's risk profile. To further strengthen the execution of our strategy we launched new initiatives for our clients, simplified our organisational structure and strengthened the foundation of our digital and data capabilities to support our new client service model. In April, we accepted a settlement from the Netherlands Public Prosecution Service for shortcomings in the bank's anti-money laundering activities and we are making progress with our remediation programmes. We remain focused on the fight against money laundering, providing us with our licence to grow



as it is the bank's responsibility to ensure compliance with all regulations to protect our clients. We have resumed dividend payments and announced a share buyback programme. The bank operates from a position of strength, with a distinct profile, clear strategic focus and a very strong capital position. As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. Taking ownership, setting clear targets and being accountable are key to strategy execution and our license to operate. As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. Taking ownership, setting clear targets and being accountable are key to strategy execution and our license to operate. Details of our strategy execution may be found in the Performance section of this report on **pages 45-81 →**

Our three strategic pillars



Customer experience

Our trusted relationships with clients enable us to support them at all important financial moments.

We offer both convenience and expertise. We deliver a convenient daily banking experience increasingly digitally. At moments that matter we support our clients with sector and sustainability expertise.

We are focusing on attractive segments in the Netherlands and Northwest Europe where we can grow profitably. In the Netherlands, we will further develop our leading positions in mortgages and among SMEs with new propositions and are growing in: wealthy clients, affluent and high-income clients and mid-to-large corporates, where we can leverage our expertise. We aim to achieve positive Net Promoter Scores (NPS) and to increase our market share to above 20% of new production in both segments.

In Northwest Europe, we are building on our expertise in the Netherlands and will focus on the energy, mobility and digital transitions, aiming for a top-three position in selected niches. We remain open to acquisitions that accelerate our strategy execution. As part of our strategy, we are broadening our intermediary offering in mortgages by repositioning our online label Moneyou and are currently rolling out our E&E concept in the Netherlands, Germany and Belgium. We have also launched Aymz, a new lending platform for Dutch SMEs, and we are developing new business models in areas such as sustainability and digital banking.

For details of progress made against our customer experience pillar, [pages 45 →](#)



Sustainability

Sustainability has been a core element of our strategy since 2018, and is core to our purpose. Our goal is to help clients transition to more sustainable business models. In doing so, we are focused on the wider sustainability shift: our efforts are designed to help mitigate climate change, accelerate circular business practices and create positive social impact.

Across the Netherlands and Northwest Europe, we are working with clients to align our activities with the 2015 Paris Climate Agreement. As part of this, we are looking to bring our portfolios into line with at least a +1.5°C scenario and to support the transition to a net zero economy by 2050. We also strive to lead by example, reducing our carbon emissions, strengthening our approach to human rights, increasing our positive social impact

and also improving gender diversity – particularly among those at the ‘subtop’ immediately below the most senior management levels.

ABN AMRO aims to integrate sustainability across its businesses. To accelerate this, we decided to establish a Sustainability Centre of Excellence, headed by our new Chief Sustainability Officer. We have set clear ‘sustainability acceleration’ targets (see table on [page 35](#)). In 2021, we raised up these targets to reflect significant demand for sustainable financing and investments. By 2024, our aim is to have more than one-third of loans and client investments go to sustainable businesses, projects or assets.

For details of progress made against our sustainability pillar, [see page 49 →](#)



Future-proof bank

We are building a future-proof bank by rigorously simplifying and centralising our operating model, delivering a better experience for our clients, while at the same time delivering on cost-saving programmes. This means further digitalising our business processes, streamlining our product offering, and introducing a new client engagement model. By 2024, we aim to have approximately 90% of high-volume processes digitised end-to-end, and to have reduced the size of our product portfolio by around 60%. At the same time, we place great

value on fostering a culture within the bank in which everyone feels respected and valued. We support our people as part of our drive to develop and transform our workforce – our employees are the foundation of the bank of the future. In our offices, we are introducing hybrid working to promote an efficient and healthy balance between working from home and at the office.

For details of progress made against our future-proof bank pillar, [see page 58 →](#)

Our value-creating topics

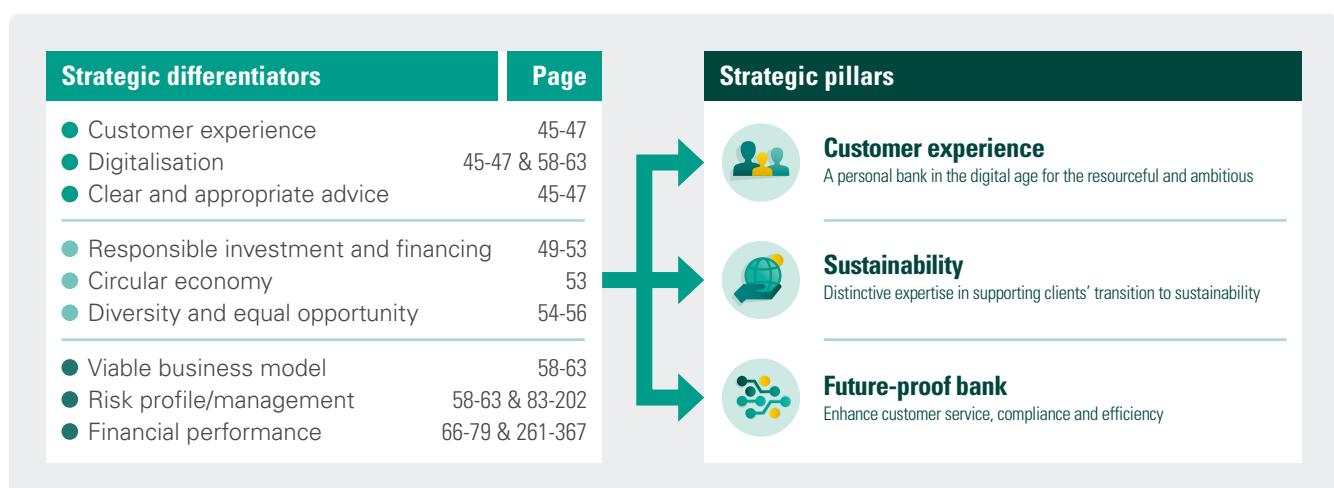
We carry out a regular assessment of our operating environment. This assessment helps us identify *strategic differentiators* – the value-creating topics where we believe our strategy can create most value for our stakeholders¹. Currently, we have nine strategic differentiators, each linked directly to a strategic pillar.

Each of these strategic differentiators are of strategic importance to ABN AMRO and directly linked to our strategy and strategic KPIs. In addition to our nine strategic differentiators, we have 27 *fundamental value creators*¹ – which we deem of vital importance to protect our license to operate. These 27 fundamentals are not directly linked to our strategic KPIs.

The 'Strategy, value creation & performance' chapter is therefore focused on the progress of the strategic

differentiators, whereas the fundamentals are discussed throughout the report.

Please note that we do not have strategic KPIs in place for all strategic differentiators. In such cases, we use non-strategic KPIs, or other metrics, some of which are available only internally. Our last full assessment took place in November 2020; in 2021, we conducted an interim pulse survey to review the results. For more details, [see page 371 →](#)



¹ For full results of this assessment, please see [page 372](#).

Our strategic targets

To support our strategy, we have set clear targets for 2024, relating to our three strategic pillars:

Strategic pillars	Metric	2024 targets	2021 results	2020 results
Customer experience				
Relational NPS				
Mortgages	> 0	-1	-1	
SMEs (incl. self-employed)	> 0	-33	-21	
Market share growth in focus segments¹				
New production mortgages	20%	16%	14%	
SMEs	20%	18%	18%	
Sustainability				
Supporting clients' transition to sustainability				
Percentage sustainability (acceleration) asset volume ²	36%	27%	20%	
Diversity & Inclusion				
Percentage of women at subtop	34%	30%	28%	
Future-proof bank				
Digitalisation				
Straight-through-processing rate of high volume processes	90%	n/a	n/a	
Financial targets				
Absolute cost base (in EUR billions) ³	<4.7	5.3	5.1	
Through-the-cycle cost of risk (in bps)	20	-7	78	
Return on equity (ambition with normalised interest rates)	8% (10%)	6%	-0.8%	
CET1 ratio (Basel IV) ⁴	13%	16%	15%	

¹ KPIs for focus segments are limited to mortgages and SMEs in 2021. KPIs for other focus segments are under investigation to be aligned with the organisational changes and will be published during the year.

² For definition of sustainability (acceleration) asset volume, see Operational sustainability targets table.

³ Excluding AML settlement and restructuring costs.

⁴ CET1 ratio (Basel IV) is rounded to the nearest whole percent. For more information about CET1 ratio Basel IV, please refer to the Capital section in the Risk, funding & capital chapter.

Definitions for above indicators and its methodological and scope changes (where applicable) can be found on page 376-378.

Operational sustainability targets

		Targets				Results	
		2024	2023	2022	2021	2021	2020
Percentage sustainability (acceleration) asset volume^{1,2}							
- ESG + impact investments ³	42%	40%	38%	26%	38%	22%	
- Mortgages	34%	31%	28%	22%	25%	23%	
- CIB (core) loans	27%	21%	16%	12%	13%	9%	
- CB loans	27%	21%	16%	11%	15%	13%	
Total	36%	32%	29%	21%	27%	20%	

External rating

S&P Global ESG Dow Jones Sustainability Index	top 5%	top 5%	top 5%	top 5%	top 15%	top 10%

¹ The definition of sustainability (acceleration) asset volume is based on ABN AMRO's Sustainability Acceleration Standards. These standards contain clear definitions with regard to clients' sustainability policies, practice and governance. The overall target for sustainability (acceleration) asset volume is calculated as the sum of sustainability (acceleration) asset volume (mortgages and corporate loans) and sustainability (acceleration) client asset volume, divided by the sum of the outstanding mortgage loan book, corporate loan book and relevant client asset volume.

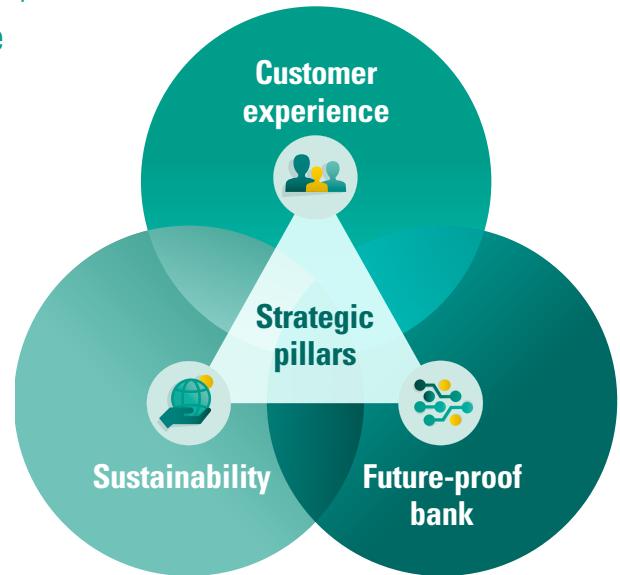
² The intensified focus on ESG, including regulation, resulted in an increase of our sustainability targets towards 2024.

³ We have aligned our definition of sustainable client assets with the definitions set in the EU SFDR regulation and therefore have changed the terminology used to ESG and Impact investments. 2020 figures have not been retrospectively adjusted for this change. For more information, see page 49.

Opportunities & risks

Our strategy brings definite opportunities: to position ABN AMRO as a personal bank in the digital age, to create a skilled, motivated workforce, a leader in sustainability and to ensure quicker, more personalised customer service. We are also aware that there are risks to our strategy – some associated with our operating environment, others with our ability to manage significant change risk.

The table below shows our strategic differentiators. Against each, we've mapped out our principal strategic business opportunities and -risks over the short, medium and long term. Information on our other risk types based on our regulatory requirements, including risk strategies, measurement approaches and risk governance framework can be found in the Risk, funding & capital chapter of this Report, [see page 83 →](#)



Customer experience

Strategic differentiators	Opportunities	Risks
Customer experience	<ul style="list-style-type: none"> ▶ Enhance our sales and service model to drive rNPS of clients leading to increased use of ABN AMRO's products ▶ Target financial advice where most needed to promote financial inclusion ▶ Innovate our products and services 	<ul style="list-style-type: none"> ▶ Clients having difficulty adapting to our new client service model ▶ Loss of face-to-face contact with clients negatively impacting client engagement ▶ Increasing regulatory pressure could influence the customer journey and experience
Digitalisation	<ul style="list-style-type: none"> ▶ Make customer service better, quicker and more reliable ▶ More targeted personalised digital approach ▶ Full digital self-service offering convenient client journeys with frictionless interaction 	<ul style="list-style-type: none"> ▶ Possible losses (incl. client data) because of increased cyber attacks ▶ Lower cross-selling rates because we interact via digital channels ▶ Delays in delivering and high investments in our digital & data infrastructure required due to the need for digitalisation
Clear and appropriate advice	<ul style="list-style-type: none"> ▶ Help clients solve problems with beyond banking propositions with (financial) expertise ▶ Ensure compliance with all regulations to protect our clients ▶ Leverage digital solution for our front-office employees to have more time to focus on client interaction 	<ul style="list-style-type: none"> ▶ Shortage of necessary skills to provide advice, particularly in niche markets ▶ Incorrect advice leading to claims from clients

Key: ⚡ Short-term 0-2 years ⚡ Medium-term 2-5 years ⚡ Long-term More than 5 years

Please note that these are indicative only. In many cases, there is an effect over the short, medium *and* long terms. In the table, we have shown the principal effects only.



Sustainability

Strategic differentiators	Opportunities	Risks
Responsible investment and financing	<ul style="list-style-type: none"> ▶ Position ABN AMRO as a leader in sustainable finance ▶ Develop new fee-based sustainability advice business ▶ Increase insight into client needs to support them on their sustainability shift and leading to new financing opportunities 	<ul style="list-style-type: none"> ▶ Additional requirements associated with new environmental, climate or social regulation ▶ Emerging climate and environmental risks with potential impact on risk profile ▶ Reputation risk if bank fails to deliver on sustainability commitments
Circular economy	<ul style="list-style-type: none"> ▶ Help clients adapt and improve existing business activities and models to become more circular ▶ As a leader, set new industry standards for circular financing ▶ Use frontrunners as inspiration for current and new clients 	<ul style="list-style-type: none"> ▶ Shortage of viable projects to finance ▶ Reduced focus on circular financing because of pandemic
Diversity and equal opportunities	<ul style="list-style-type: none"> ▶ Bring in new, diverse talent to create more inclusive working environment ▶ Strengthen reputation by better reflecting our diverse client base through our workforce ▶ Increase creativity and improve decision-making through diversity of mind 	<ul style="list-style-type: none"> ▶ Reputational risk when failing to meet publicly-stated targets ▶ Delays in implementing diversity measures due to a tight labour market



Future-proof bank

Strategic differentiators	Opportunities	Risks
Viable business model	<ul style="list-style-type: none"> ▶ Diversify income from higher fee income and growth in focus segments ▶ Simplify and rationalise current range of products and services ▶ Adapt business model to evolution of the financial services market and implement new products/services ▶ Increase efficiency through digitalisation and refocusing costs 	<ul style="list-style-type: none"> ▶ Lower profitability as a result of low interest rates ▶ Long-term risk of disintermediation in banking sector ▶ Big tech competitors ▶ Not deliver on our financial targets due to continued pressure on deposit margins, increasing competition and lack of growth in focus segments
Risk profile/management	<ul style="list-style-type: none"> ▶ Further enhance risk profile and strengthen confidence in bank's risk management ▶ Limit potential losses from increased impairments or rising credit risk ▶ Improve public confidence by strengthening performance on compliance and AML 	<ul style="list-style-type: none"> ▶ Increased compliance risk or loss of reputation if bank fails to deliver strong risk management ▶ High risk costs impacting the bank's profitability ▶ Continued regulatory pressure expanding our role as gatekeeper, leading to continued high costs ▶ Inability to (efficiently) prevent crime due to rapid technological developments used by (cyber) criminals
Financial performance	<ul style="list-style-type: none"> ▶ Improve financial performance through growth in target markets, cost discipline and improved risk profile ▶ Capital allocation geared to returns, using capital to grow where we see future returns and build on current market positions ▶ Free up resources for investment in new growth opportunities 	<ul style="list-style-type: none"> ▶ Persistently low rates reducing the bank's net interest income ▶ Underinvestment in innovation, skills and product development due to tight cost discipline ▶ Not delivering on our cost targets and as a result not deliver on our financial targets



Guide for readers

This section is devoted to value creation – it provides an overview of our approach. Our value creation model will examine how the value we create is distributed across our capitals.



"We regularly consult stakeholders – and incorporate their views, where possible, into our decisions, strategy and reporting."

Value creation

Our goal is to create long-term value for all our stakeholders: it is central to ABN AMRO's strategy. We can create value in various ways – by lending to companies, for example, we support economic growth and job creation.

We also provide mortgages so that clients can experience the benefits of home ownership. For our employees, we offer salaries and benefits, career opportunities and a safe working environment. At the same time, we are aware that, like any business, our activities may also cause harm. By financing growth, we are also indirectly damaging the environment through carbon emissions, pollution or consumption of scarce natural resources. We work to minimise these negative effects – by applying strict rules for lending and investment activities, and increasing funding for sustainable business.

Defining our stakeholders

Our stakeholders are defined as: 'any group or individual the bank affects through its activities or products and services or who, in turn, may affect the bank's ability to achieve its goals'. Using this definition, we recognise four main stakeholder groups: clients, employees, investors and society. We regularly consult stakeholders – and incorporate their views, where possible, into our decisions, strategy and reporting.



Examples of stakeholders

Clients	Retail Banking clients (including individuals and SMEs); Commercial Banking clients; Corporate & Institutional Banking clients; Private Banking clients; public sector clients; brokers, intermediaries and other distributors.
Employees	Full-time and part-time employees, subcontractors
Investors	Shareholders, bondholders
Society	Suppliers and external consultants; other business partners; local communities; governments and regulators; NGOs

Our value creation model

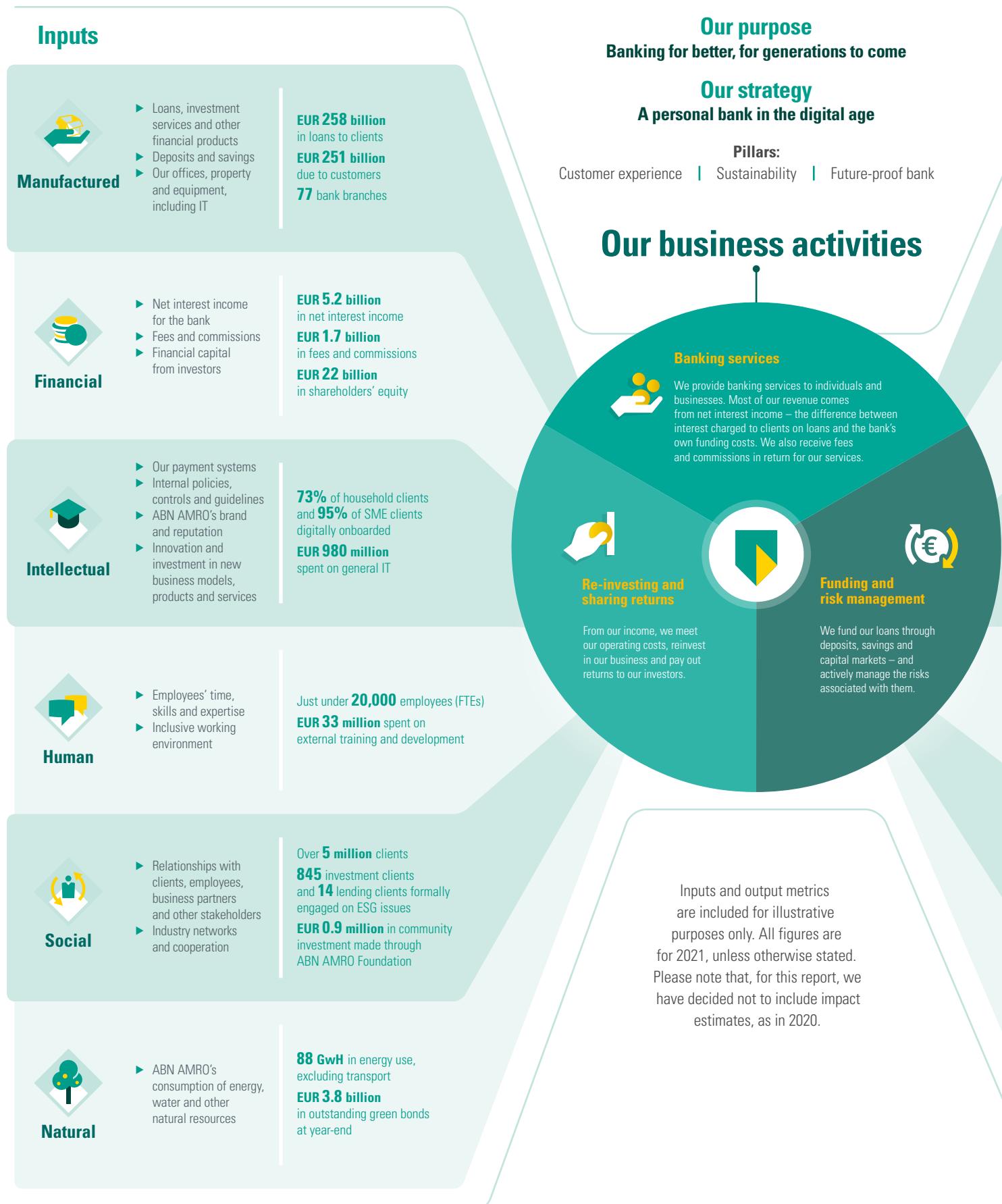
Our value creation model summarises ABN AMRO's value creation process; the model uses the Integrated Reporting <IR> Framework's six capitals. During the value creation process, these capitals may either increase or decrease as a consequence of the bank's activities. Much of the value we create is financial in nature, but it may also be social or environmental. The six <IR> capitals – manufactured, financial, intellectual, human, social and natural – reflect these different types of value.¹

Our model comprises four sections, and should be read from left to right:

- ▶ **Inputs:** These are the resources (or capitals) we need to operate our business, ranging from the time, skills and know-how of our employees to the equity provided by investors.
- ▶ **Business activities:** This is our 'engine room'; it shows, in effect, what we do with inputs to create value for stakeholders.
- ▶ **Outputs:** These show the immediate results of our activities – the salaries we pay our employees, for example, or mortgages granted to clients.
- ▶ **Outcomes:** These refer to the results of our outputs – our products, for example, help clients save and invest; mortgages, meanwhile, provide greater social security.

¹ For more information, see page 375.

Our value creation model





Outputs



Manufactured

EUR 146.4 billion
in mortgages

EUR 78 billion
in loans and advances to corporates

Market share ▶ **16%** new mortgages
▶ **18%** SMEs



Financial

EUR 1.4 billion
in interest paid to clients
and counterparties (incl ECB)

EUR 1.14 billion
in payments to investors

EUR 604 million
paid in corporate tax



Intellectual

99.90% availability
of internet and mobile banking

96% of retail client meetings
held via video banking



Human

EUR 2.3 billion
paid to employees in salaries and benefits

40 employees hired through
our reskilling programme



Social

Doubled the amount of financial
coaches to **60** in 2021

59 cases with specific human rights link
in the sustainability risk assessment



Natural

27% sustainability (acceleration) asset volume
Increased our renewable energy commitments
to **30%** of our energy loan book

Over **EUR 376 million** committed to circular
economy deals in 2021 in more than 35 deals

Outcomes

During the year, we created manufactured value for clients by providing services leading to valuable products and advice. For example through mortgage lending, which gives clients access to home ownership. In the case of the Dutch housing market, this is an asset that increases in value for clients. We also create value through our extended loans and advances to support businesses and job creation. We measure our value for specific focus segments through our Net Promoter Score.

Net Promoter Score

- ▶ **-1** NPS Mortgages
- ▶ **-33** NPS SMEs

In exchange for our services – our manufactured capital – clients and counterparties transferred considerable financial capital to ABN AMRO by paying interest on loans or mortgages and paying transaction fees. Value created for investors rose sharply, mainly driven by an increase in ABN AMRO's share price and a rebound in the bank's net profit for the year.

- ▶ **EUR 1.21** earnings per share
- ▶ **6%** return on equity
- ▶ **16%** CET 1 ratio (Basel IV)
- ▶ **EUR 5.3 billion** absolute cost base²
- ▶ **-7bps** cost of risk

We created intellectual value for clients by providing advice, by investing in innovation & technology and by maintaining the stability and reliability of the our banking payment system. We also received intellectual capital from others, including suppliers and business partners. At the same time, there were adverse effects, for instance resulting from cybercrime incidents.

- ▶ **125** client complaints relating to data privacy breaches (1 substantiated)
- ▶ **83** total client complaints relating to breaches of other regulatory or voluntary codes in the Netherlands (4 substantiated)

Throughout the year, Covid-19 continued to deplete value, affecting our employees' occupational health and safety. At the same time, we created value by providing desks and other equipment to improve home working. In 2021 our workforce grew, creating more value through contributed time, skills and knowledge. In return, we created value for our employees through salaries and benefits. In addition to skill development, we also focused on attracting and retaining talent by offering our employees reskilling and upskilling.

- ▶ **82%** employee engagement score
- ▶ **4,214** new hires in 2021, of which 2,412 were internal hires

Our social capital is impacted significantly by our relationships. We have reduced our value creation as reflected in a lower NPS for Retail Banking and a decrease in ABN AMRO's brand value. We created value in 2021 by further reducing financial distress due to difficulties in repaying loans. However, we depleted social value through discrimination, underpayment and child labour in ABN AMRO's value chains.

- ▶ **30%** D&I at subtop
- ▶ Net Promoter Score (NPS) 2021
 - ▶ **-18** Retail Banking
 - ▶ **+14** Private Banking
 - ▶ **+1** Commercial Banking
 - ▶ **+37** Corporate & Institutional Banking

We are aware that, like any business, our activities may also cause harm. By financing growth and through our own operations, we are also indirectly damaging the environment. In 2021 we continued to reduce our impact on the environment and use of natural resources, largely as a result of further winding down our C&IB non-core activities. In addition to offsetting our own operations emissions, we worked to further minimise our negative impact through, among other things, circular transactions and sustainable products. This impact is measured through our sustainability (acceleration) asset volume KPI.

- ▶ **53 kTon** of carbon emissions from own operations¹
- ▶ **26.2 million** tonnes of carbon emitted as a result of the bank's lending and investment activities¹

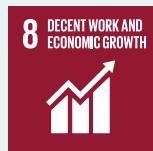
¹ For more details, see page 50.

² Excluding AML settlement and restructuring costs.



Supporting the UN Sustainable Development Goals (SDGs)

In creating value for our stakeholders, we are also contributing to the SDGs. We have identified three SDGs as most relevant for the bank – this is where we believe we contribute most to the goals: by helping protect basic human and labour rights, and by supporting the transition to a more sustainable global economy:



SDG 8

Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

ABN AMRO's contribution

- ▶ Minimum labour standards built into our Sustainability Risk Management Framework (see [page 167](#))
- ▶ Loans to businesses, including SMEs, to support economic growth and job creation (see [page 45-47](#))
- ▶ Financial support for social entrepreneurs and disadvantaged groups looking to join the labour market (see [page 54-56](#))



SDG 12

Responsible consumption and production

Ensure sustainable consumption and production patterns

ABN AMRO's contribution

- ▶ Circular economy financing to reduce waste and consumption of scarce raw materials (see [page 53](#))
- ▶ Significant financing to support businesses switching to more sustainable operating models (see [page 49-53](#))



SDG 13

Climate action

Take urgent action to combat climate change and its impacts

ABN AMRO's contribution

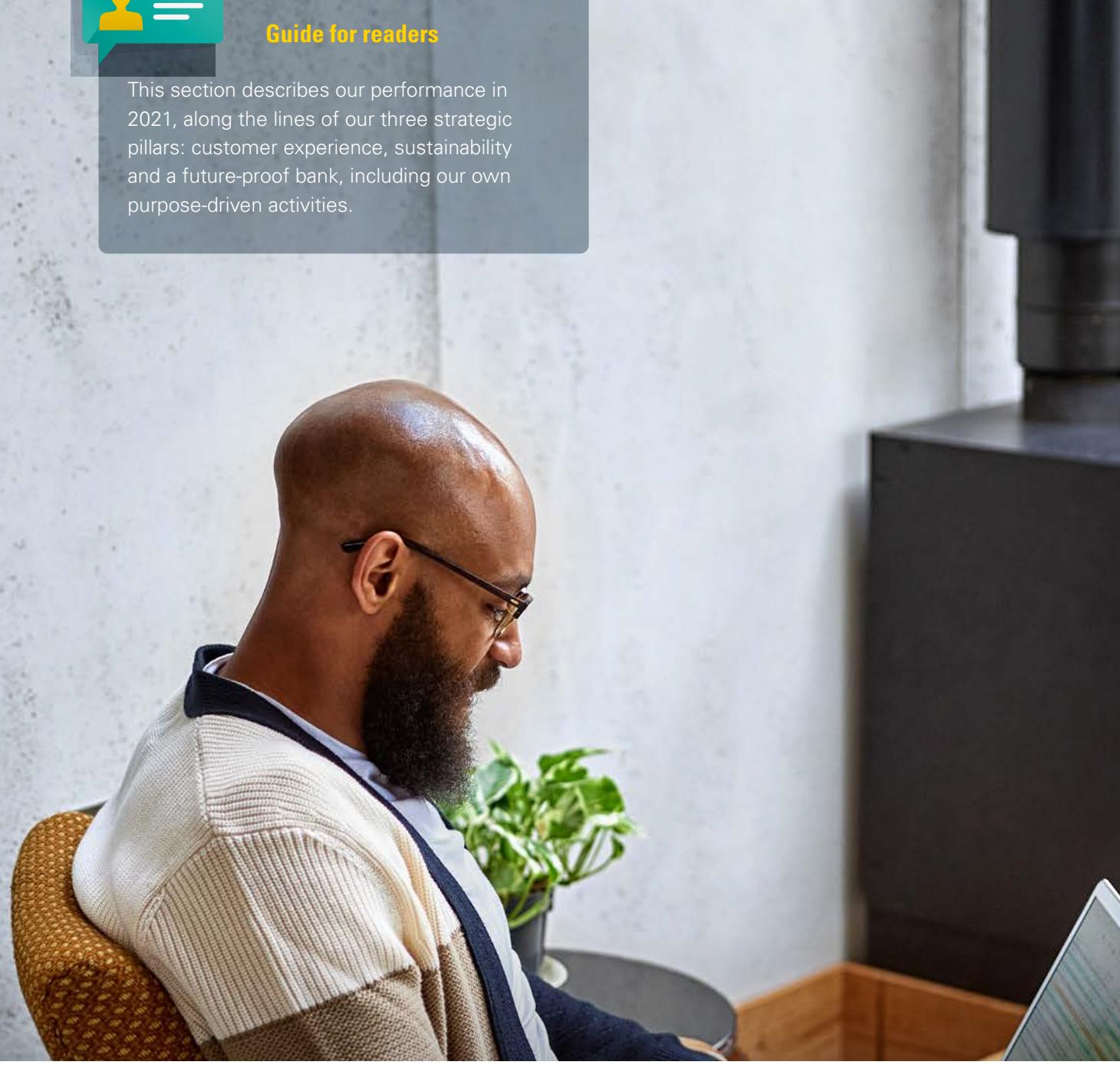
- ▶ Bringing the bank's lending and investment operations into line with the Paris Climate Agreement (see [page 51-52](#))
- ▶ Continued investment in renewables through our Sustainable Impact Fund (see [page 50](#))
- ▶ Improving energy efficiency in our portfolio of residential and commercial real estate (see [page 52](#))
- ▶ Encouraging clients to invest more in sustainable assets (see [page 51](#))





Guide for readers

This section describes our performance in 2021, along the lines of our three strategic pillars: customer experience, sustainability and a future-proof bank, including our own purpose-driven activities.



“We continued to execute our strategic agenda in 2021 across our three strategic pillars.”

Performance



Customer experience

In our drive to delivering customer experience, we bring convenience into the daily lives of our clients and expertise when it matters. Over the past year, ABN AMRO has continued its move towards more digital banking and extended video banking. At the same time, we recognise that more work is needed to improve our NPS, our main measure of customer experience, particularly for our two target areas: SMEs and mortgages.



Guide for readers

In this section we will examine the progress we are making with the first of our strategic pillars: customer experience. Our text looks at both how we're improving our offering to clients and the internal factors driving these changes. We will be covering three of our strategic differentiators: customer experience, digitalisation, and clear and appropriate advice.

Convenience & expertise

We offer both convenience and expertise: fully digital self-service through end-to-end digitalisation for a convenient daily banking experience, and tailored solutions, based on sector-specific, financial and sustainability expertise.

Over the past year, we have continued to expand digital banking. We added Google Pay to the ABN AMRO banking app. We completed our repositioning of Moneyou as a provider of online, price-competitive mortgages. Meanwhile, we are also extending video banking, which has increased in popularity during the pandemic. In recent years, Tikkie – our payments app – has become a regular feature of daily life for many of our clients. More than 100 million transactions were made through Tikkie in 2021, worth more than EUR 4.2 billion.

We also introduced Aymz, a new digital lending platform for SMEs, and extended our automatic bookkeeping service. In 2021, we launched Snel Betaald – or 'Quick Payment', which allows small businesses to be credited for amounts just 24 hours after they are invoiced.

As the use of digital services has become the preferred channel for many clients and more services become available digitally, our clients are no longer visiting our branches as often as they used to. Following client behaviour, we continued to rightsize our branch network. We closed a further 35 branches in 2021¹, leaving 77 branches across the country. At the same time we are making sure clients are still able to access the services they need. Currently, we are working to expand the use of digital signatures – providing handwritten signatures is one of the main reasons clients still visit our branches.

Chatbot Anna

By the end of 2021, Chatbot Anna – our digital helper – was handling around half of all live chat requests we receive. The chatbot is powered by AI, so it learns as it responds to requests. In 2021, we also made Chatbot Anna available on our mobile app. First launched in 2018, the chatbot speeds up processes for clients, and saves us time and resources, enabling our advisors to focus on expertise. Among clients, Chatbot Anna is one of our highest-rating services.

¹ Over the past five years, we have closed 144 – or 60% – of our bank branches in the Netherlands.

Marketshare growth in focus segments (in %)



Alongside convenience, we realise clients also need expertise – clear and appropriate advice – particularly at important moments in their lives. We provide advice through our financial coaches, tailored solutions, our sector specialists, or personal interaction using video banking. By the end of 2021, 96% of our retail clients meetings were already held using video banking, a highly rated service by our clients and resulting in more client contact – while increasing efficiency. For our SME clients, this was 75%. Video banking allows clients to speak to their bankers, even outside usual working hours and it is a highly rated service to provide advice and expertise. In 2021, the large majority of our mortgages were arranged through video banking.

Our market share in mortgages expanded during the year to 16%, up from 14% in 2020; we are making good progress towards our 20% target in 2024. Our market share for SME clients remained at 18% in 2021, in line with our expectation towards our 20% target in 2024.

For corporate clients, we have a full service offering in all sectors in the Netherlands. In Northwest Europe we focus on chosen sectors where we already have established expertise, including real estate, shipping, energy, financial institutions. Sustainability is an important cornerstone in our offering (see our feature on page 48).

We are also rolling out our Entrepreneur & Enterprise (E&E) concept, under which we serve entrepreneurs and their businesses as one team and seamlessly combining services for clients with both commercial and private banking needs. By the end of 2021, our E&E concept was already in place in France and is currently being rolled out in the Netherlands, Germany and Belgium.

Partners and intermediaries

In 2021, we continued to work with outside partners. In many cases, this allowed us to develop new ‘Beyond Banking’ services for clients. In partnership with PayDay, for example, we launched a new, instant payment service for workers in the gig economy. We are working with BRIX to help first-time house buyers – and with MySafe, which offers secure data storage. Through partnerships with HomeQoqo and

de Energiebespaarders ('the energy savers'), we advise to clients on how to make their homes more sustainable and save on energy bills. Partnerships are important to increasing our market share, particularly in our two strategic focus areas: mortgages and SMEs. In 2021, we were chosen by Dutch intermediaries as the best mortgage provider in the Netherlands in terms of improving home sustainability, combining expert advice with fast and convenient service. In addition, through our partnerships, we are strengthening our position in the growing platform economy (see page 58). We also work with others in areas where banking services are becoming more commoditised – our cash machines, for example, have been replaced by Geldmaat ATMs as part of a joint venture with ING and Rabobank.

Also for our SME clients we are continuously looking to expand our (advisory) services. We are accelerating with Impact Nation – a partnership enabling us to link clients with specific sustainability issues with other businesses which know exactly how to handle these issues. We are also keen on further developing existing propositions, releasing new features. For example in our bookkeeping proposition, where we have introduced a new feature in the ABN AMRO's bookkeeping connector – connecting an external bookkeeping program with the client's banking apps.

Customer loyalty

To measure progress with customer experience, ABN AMRO uses the Net Promoter Score, or NPS. In 2021, our aim was to maintain NPS scores at their 2020 levels. Closing of branches and negative interest affected client relations, while businesses could apply for financial support from the government, and relied less on their banks for financing. Overall, we are working to improve NPS across the bank – by continuing to provide convenience and expertise.

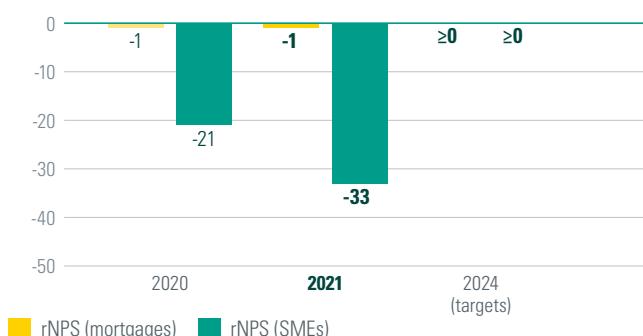
We measure NPS by business line, market and client profile. As part of our strategy, we have set targets for relational NPS (rNPS) for both mortgages and SMEs. Across our businesses, we take a ‘first-time-right’ approach to client relations – ensuring quick, flawless service. We realise that NPS, particularly for business banking, is driven by regular, personal contact between clients and our bankers.

NPS performance

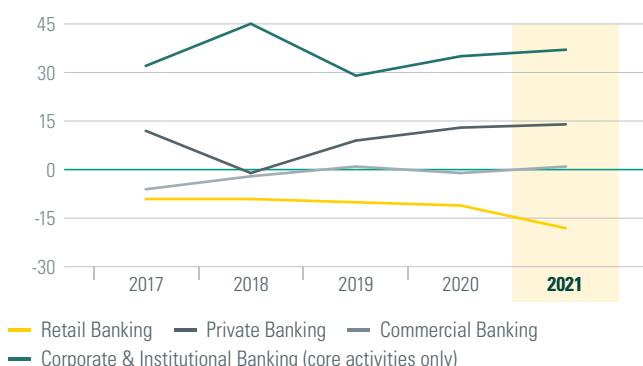
- ▶ **Retail Banking:** Despite declining for the full year, the NPS for Retail Banking improved in the second half of the year. Surveys showed clients appreciated the convenience of digital banking. However, scores were affected by clients being charged negative interest rates, increasing costs for payment packages, and a decreased availability via branches, ATMs or by telephone. We are working on making it easier for clients to contact their advisors. Relational NPS for mortgages – one of our strategic focus areas – remained unchanged, year-on-year, and close to our 2024 target despite the wider decrease in our Retail Banking NPS.

- ▶ **Private Banking:** NPS for Private Banking remained strong in 2021; scores remained stable for France, increased for our German and Belgian operations, offset by a slight decline in NPS for ABN AMRO MeesPierson in the Netherlands. In Private Banking, NPS is driven primarily by personal contact and interaction.
- ▶ **Commercial Banking:** NPS for Commercial Banking remained around 0 in 2021. Our survey suggests, however, that there is more work to do, particularly among SMEs, the second of our strategic target areas. Almost half of SME clients currently feel 'undervalued' and are influenced by the general sentiment around closing of branches, fee increases and operational changes related to the 'Know Your Client' activities. The decrease from -21 in 2020 to -33 in 2021 sets us further back on our path towards our 2024 target, but we are aware that operational improvements take some time before they affect NPS scores.
- ▶ **Corporate & Institutional Banking (core activities):** NPS for Corporate & Institutional Banking remained broadly unchanged, year-on-year. Our NPS survey showed clients appreciated new digital features and increased online access, as well as continued input on clients' strategic and sustainability issues.

NPS for targeted growth markets



NPS by business line



Definitions may be found on page 376. Please note that the business lines shown below – Retail Banking, Private Banking, Commercial Banking and Corporate & Institutional Banking – ceased to exist at the end of 2021. See page 26 for details.



"NPS for Commercial Banking remained around 0 in 2021. Our survey suggests, however, that there is more work to do, particularly among SMEs."

Negative interest rates

In recent years, because of negative rates, banks have paid interest on deposits held at the European Central Bank. Like other banks, ABN AMRO has felt obliged to pass on these rates to clients. In doing so, we have done our best to protect as many clients as possible. From the beginning of 2022, negative rates will be charged on accounts with a combined balance of EUR 100,000 or more. This threshold, previously set at EUR 150,000, applies to both retail and business clients. At this amount, only around 5% of our clients will have to pay negative interest.

Revolving consumer credits

During the year, ABN AMRO reached an agreement with the Dutch Consumers' Association for clients whose floating rate on their consumer credit did not sufficiently follow the market rate. Under the deal, ABN AMRO agreed to compensate all clients affected from 2008 onwards. Subsequently, the bank has decided proactively to compensate clients affected prior to that date (from 2001 onwards), where there is sufficient information to do so. As a result, ABN AMRO has increased its provision to cover the cost of the agreement to EUR 340 million (up from EUR 250 million previously). The first clients received their compensation before the end of 2021. Over 15% of all clients with a revolving credit facility in scope are eligible for compensation.



"The financing from ABN AMRO gave us a real incentive."



Richard Brandwijk from Egmond Plastic

Egmond Plastic manufactures components mainly for the aerospace industry. Managing Director Richard Brandwijk tells us how financing from ABN AMRO is supporting his company's drive to sustainability.



"Two years ago, we made the decision to reduce our carbon emissions. Energy consumption was our biggest issue, with our factory using around 1.5 million kilowatt hours of energy per year. That's enough to power 600 homes. So we set up a team to examine our environmental impact and find remedies. ABN AMRO helped finance this with a transition loan. It was a pilot scheme and a steep learning curve. The basic terms were straightforward enough – that our interest rate would be lowered if we cut carbon emissions by 10% in three years and that we would pay more if we didn't."

"Finding a way of comparing year-on-year emissions accurately was tough. The formula we used had to factor in business growth. The carbon footprint of a business that is expanding will naturally increase, and we wanted our targets to take that into account. In the end, together with ABN AMRO, we agreed that measuring carbon intensity against annual turnover was the fairest way."

"The financing from ABN AMRO gave us a real incentive – we started by attacking some obvious issues, from making sure coffee machines are turned off to timing the air-conditioning to shut down when the factory alarms are

switched on. But we also focused on larger impacts. We have an air compressor, for example, that generates excess heat, so we doubled up by moving it to a part of the building that needed to be kept warm. Or optimising the use of machines that dry material over the weekend in preparation for work on Mondays. One dryer consumes the same amount of energy each day as two households do."

"At the same time, we're talking to our own clients about what they can do to help. Aircraft manufacturers insist we make components with new raw materials when, for non-structural parts, we could use recycled materials instead. We are trying to set up a project with customers to see if we can do that. Aerospace businesses also use highly engineered plastics that take a lot of energy to produce. We believe about 30% of those products could be made with lower grade materials needing half as much energy to make."

"ABN AMRO also invited me to one of their workshops and that really helped open my eyes. A couple of our new initiatives came out of that. It's great to know that the bank is really thinking and working with you on these issues."



Sustainability

In 2021, we provided more financing to businesses and individuals making the shift to sustainability. We continued to align the bank with the objectives set out in the Paris Climate Agreement while also encouraging social entrepreneurship, greater diversity in our workforce and equal access to financing.



Guide for readers

This section looks at our progress in sustainability – the second of our strategic strategic pillars. It addresses both how we're helping clients make the transition to sustainability, and the changes we're making internally to lead by example in this area. We will be covering three strategic differentiators: responsible investment & financing, circular economy and diversity & equal opportunities.

Our approach to sustainability

We see sustainability as a business opportunity and a way of supporting the broader transition to a low-carbon economy. To support this transition, we are expanding financing for sustainability, and increasingly incorporating sustainability risk – including climate risk – into our approach to lending and investment services. Within sustainability, we have three main focus areas: climate change, circular economy and social impact. This section is organised in line with these areas. In 2021 we saw the focus on ESG intensifying, including regulation; in response, we have revised our targets on Sustainability (acceleration) asset volumes, [see page 35 →](#)

Sustainability (acceleration) asset volumes

	2021 target	2021 results	2020 results
ESG + impact investments	26%	38%	22%
Mortgages	22%	25%	23%
CIB (core) loans	12%	13%	9%
CB loans	11%	15%	13%
Total sustainability (acceleration) asset target volume	21%	27%	20%

In 2021 the sustainable (acceleration) volume increased compared to 2020. The increase in ESG + impact investments is partly caused by the change of definitions due to the SFDR, which came into effect in March 2021. Also positive market performance of ESG + impact securities and an increase in new contracts explain part of the increase. The mortgage volume increase is due to a relatively higher inflow and lower outflow of energy labels A or higher compared to the lower label categories. The increase in corporate loans at CB and CIB core is due to strong lending performance during the year and an increased interest in sustainability-linked loans from clients.

More details can be found on page 51-52 and definitions can be found on page 376. We have aligned our definition of sustainable client assets with the definitions set in the EU SFDR regulation and therefore have changed the terminology used to ESG and Impact investments. 2020 figures have not been retrospectively adjusted for this change given the SFDR came into effect in March 2021.

Note on Green Asset Ratio

The EU Taxonomy's objective is to provide users of the bank's financial statements with a common basis for identifying business activities as environmentally sustainable. To qualify as 'environmentally sustainable', and to therefore be included in the Green Asset Ratio (GAR), economic activities must significantly contribute to a taxonomy objective, meet the 'do no significant harm' (DNSH) criteria and meet minimum safeguards criteria.

We plan to disclose the GAR in our 2023 Annual Report. We are only permitted to include the taxonomy-aligned exposures relating to corporates bound by the EU's current Non-Financial Reporting Directive (NFRD),

certain household exposures and specific local government financing in the ratio. This means that a significant part of our portfolio (such as lending to, and investments in, non-NFRD corporates and financial institutions amounting to 30.1% of our total assets) cannot be considered for taxonomy alignment and will subsequently be excluded from the GAR in our 2023 Annual Report. In future, we will align our definitions for sustainable acceleration loans as far as possible with the EU Taxonomy definitions. However, we also see a need for additional sustainability-related metrics to cover clients and exposures – notably our SME portfolio – that cannot be directly included in the GAR from a regulatory point of view.

Climate

We are currently developing a Climate Strategy to increase ABN AMRO's efforts related to the objectives set out in the 2015 Paris Climate Agreement. As part of this strategy, we intend to steer the bank towards a maximum +1.5°C global warming target. We expect this Climate Strategy to be finalised during 2022. To achieve our goals, we are reducing our exposure to fossil fuels, encouraging clients to invest more sustainably and offering sustainability and transition loans to businesses, our mortgage clients and other consumers. We want to become net-zero by 2050; we're supporting our corporate clients in that same transition. The Dutch government's policies will help support ABN AMRO's approach in this area. The Netherlands' target is to reduce the country's greenhouse gas emissions by 2030 to less than half of their 1990 levels, and to eliminate emissions altogether by mid-century. Over the past year, ABN AMRO has again been active in international efforts to tackle climate change; the bank is a founding member of both PCAF and the Poseidon Principles, which seek to reduce emissions from global shipping. We have also committed to implementing recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).¹

In 2021, our combined emissions from our own operations amounted to 53 kTon, an increase compared to 2020 following a methodology change.² Scope 3 emissions – those from our lending and investment activities – totalled 26.2 million tonnes, down 36% from 2020, also impacted by the wind-down of our non-core Corporate & Institutional Banking operations.³ In 2021, our rating from the CDP – formerly the Carbon Disclosure Project – declined from A- to B.

In addition to our leading by example activities on climate, we are also helping clients make the transition to sustainability. We have described this on the following two pages.

"As part of this strategy, we intend to steer the bank towards a maximum +1.5°C global warming target. We expect this Climate Strategy to be finalised during 2022."

Our international commitments

To support our approach in this area, we are signatories to a series of international initiatives, allowing us to work together with other stakeholders to tackle important social and environmental challenges. These initiatives include the Equator Principles on responsible project finance, and the Principles for both Responsible Banking and Responsible Investment. We have been a member of the UN Global Compact for 17 years. In 2021, we joined Banking for Impact to help develop global standards for social and environmental impact reporting. We also signed up to the Partnership for Biodiversity Accounting Financials (PBAF), modelled on Partnership for Carbon Accounting Financials (PCAF) – biodiversity, we believe, is an issue of growing importance for the financial sector.⁴ Moreover, biodiversity has become an increasingly important topic for ABN AMRO, as many of our clients depend on the natural world. We realise that, through our lending and investment services, we are having an impact on biodiversity. Later this year we will publish a special publication on biodiversity. In addition, we also closely monitor our rating in the S&P Dow Jones Sustainability Index (DJSI), widely regarded as the most reliable external assessment of performance in this area. In 2021, five points were deducted from our DJSI score to reflect the recent anti-money laundering investigation; as a result, we fell short of our target to appear in the top 5% of DJSI-rated companies.

Sustainable Impact Fund

To support our clients in the energy transition, we have created a new Sustainable Impact Fund (SIF); this fund will make investments of up to EUR 30 million in companies with a proven sustainable business model or concept. The fund will concentrate on three main themes: the circular economy, energy transition and social impact (in line with our sustainability strategic pillar). The first investments have already been made: in Envision (which makes smart glasses for the visually impaired), Foodlogica (which provides logistics for refrigerated food), and Innax (a Dutch company that advises clients and offers solutions for improving the sustainability/energy efficiency of buildings). ABN AMRO has committed a total of EUR 425 million to the fund, of which we have invested EUR 175 million to date; the SIF incorporates the bank's previous Energy Transition and Social Impact Funds.

¹ We report annually against the TCFD recommendations; which are incorporated throughout this report.

² ABN AMRO's carbon emissions cover both scopes 1 and 2, and scope 3 emissions relating to home workplace, air travel, international business rail travel, hotel visits, mobility, public transport and IT. In 2020 we only included air travel, leading to an expanded scope and increase in emissions in 2021. We compensate all of our Tank-to-Wheel carbon emissions resulting from business travel, mobility, office and home locations and IT, by investing in VCS verified carbon emission reduction projects.

³ During 2021, we have changed the methodology for the calculation of scope 3 emissions of our lending activities. As a result, our 2020 scope 3 emissions have been restated from 32.4 million tonnes to 41.2 million tonnes. More information on this and the impact by the wind-down of our non-core operations, see section GHG measuring and steering on page 175.

⁴ In addition to those mentioned here, we also support other sustainability initiatives, including: Accounting for Sustainability (A4S), Dutch Climate Accord (for the financial services sector), the Getting to Zero Coalition, the Poseidon Principles, the Science-Based Targets initiative, the Spitsbergen ambition, and the UN Principles for both Responsible Banking and Responsible Investment.

How we embed climate considerations in our business building towards the Paris objective

Corporate loan portfolio

- ▶ Increase the portion of the corporate loan book that is aligned with the bank's Sustainability Acceleration Standards.
- ▶ Increase the proportion of renewables in our energy loan portfolio to at least 45% by 2024 by investing more in renewable sources, such as solar or wind power and supporting the energy transition. In 2021 this was 30%.
- ▶ Continue to assess all corporate loans for environmental risk, and screen out activities harmful to the climate (for example arctic drilling, shale gas, tar sands, new coal-fired power plants).
- ▶ We offer sustainability-linked loans to incentivise clients to improve their sustainability performance by linking the interest rate to sustainability KPIs.



We are engaging with our shipping clients to make their vessels more sustainable compared with the IMO emission reduction trajectory through the Poseidon Principles. On 31 December 2021, 33% of the shipping portfolio had a GHG label of A or B and we aim to increase this to 40% by 2024.

ABN AMRO has structurally embedded the dialogue with clients on sustainability-related topics, supported by the Client Assessment on Sustainability (CASY) tool. We are in regular dialogue with clients on their sustainability performance and how our dedicated sustainability advisory team and sustainable finance desk can support them. For our SME clients, for example, our internal network of 80 or so relationship managers specifically trained on climate-related topics assist clients in their sustainability transition. And so does our Subsidy expertise desk – helping our clients identify relevant sustainability subsidies for their business.

In 2021 we set up a new proposition 'Sustainability client advisory' for our corporate clients in which we share our knowledge with clients with regard to disclosure and upcoming regulations that are applicable to them (NFRD, TCFD, EU Taxonomy, etc). Our front-office colleagues have received further sustainability training for relationship managers to support clients in their transition to more sustainable business models.

Investment services

Increase clients' investments in ESG and sustainable funds and strategies by:

- ▶ Offering ESG investing as the 'default option' for clients across all Private Banking operations.
- ▶ Increasing our ESG and sustainable offering, also in smaller asset classes like structured products.
- ▶ Reporting the impact of investments to clients in Advisory and DPM mandates on carbon emissions and other ESG factors to track alignment with the Paris objectives and the UN Sustainable Development Goals (SDGs).

As part of our investment process in the Advice and DPM mandates, we regularly discuss sustainability. For execution-only clients this is still difficult as they are not in touch with one of our advisors and therefore need to look into the sustainability of their investments themselves. Improving our service in the execution-only segment in matters relating to sustainability will be one of our focus areas for the future.

Since 2020, we have been working with EOS at Federated Hermes in a proxy engagement programme allowing us to engage with more companies, on a larger scale, and in a more proactive way. This engagement programme provides an effective foundation for our increased focus on ESG Due Diligence. It enables engagement with listed companies about ESG issues, focusing on twelve themes ranging from the environment and circular enterprise to risk management and working conditions. An extensive reporting suite that includes regular case studies is then made available, giving ABN AMRO more clarity about the progress companies are making. In 2021, EOS at Federated Hermes engaged on ESG issues with 845 companies that we are invested in on behalf of our clients.





Residential and commercial real estate ('Mission 2030')

Our Mission 2030 programme contributes significantly to the Netherlands' climate targets. At the same time, we continued to make progress on it – for both residential and commercial real estate. In time, we expect to replace our 2030 objectives with targets based on carbon emissions (per m²), more in line with the Paris Climate Agreement and the EU's new sustainable finance standards.

Commercial real estate

We support our clients through renovations, increased use of glazing, solar, LED lighting etc. and by applying stricter environmental standards to the properties we finance.

Residential real estate

We help improve the energy efficiency of the homes we finance by promoting sustainability measures such as insulation and solar panels. We have also introduced an online Energy Savings Check to help homeowners identify and carry out energy-saving measures. Meanwhile, we have increased our sustainability discount.¹

Our Advice Policy states that in their meetings with clients, our advisors must always discuss additional financing options for making their homes more sustainable. To this end, we have added two standard questions on sustainability in the onboarding procedure for clients applying for a new mortgage and have by default included sustainability considerations in the advice report.



For more progress on our Mission 2030 programme, see our sustainability (acceleration) asset volume on [page 49](#). For more detailed information on our residential mortgage energy labels see [page 135](#), and [page 137](#) for our commercial mortgage energy labels.

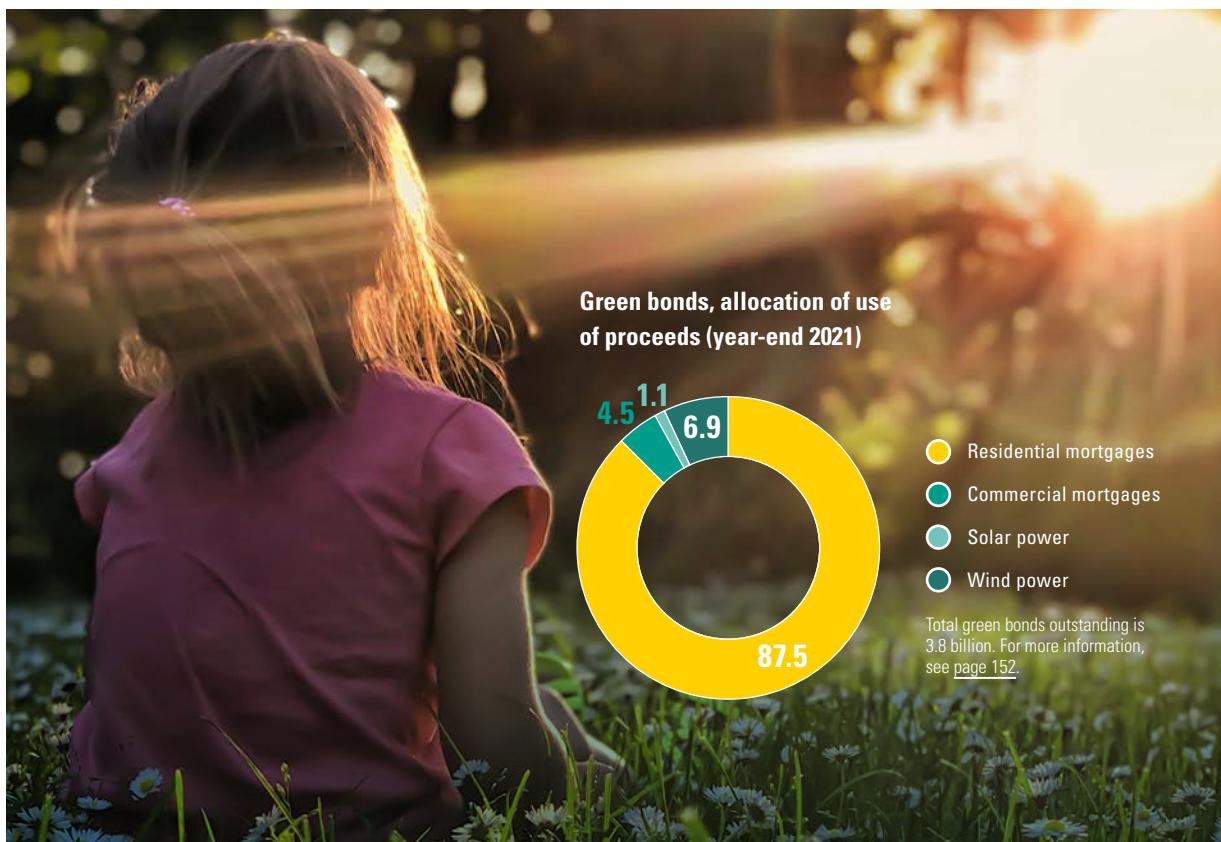
Our own business activities

Reduce our scopes 1, 2 and 3² greenhouse emissions by 80% by 2025 (vs 2015); this can be done by:

- ▶ 'Paris-proofing' all ABN AMRO offices by 2030;
- ▶ Using more electric vehicles and limiting air travel to certain international destinations.

¹ ABN AMRO expanded the sustainability discount to 0.10% for properties with energy label B and to 0.15% for an energy label A; discounts apply to new contracts or when interest rates are reset. Clients may also qualify if they make efficiency improvements and acquire an A or B label within 24 months of the date at which interest rates have been reset.

² Scope 3 emissions from our own operations relate to home workplace, air travel, international business rail travel, hotel visits, mobility, public transport and IT.



Circular economy

Supporting our approach to climate, we are also contributing to the circular economy through the advice and financing we provide to businesses. We support circular business initiatives, such as the Saltrex auction platform, which finds new ways of using rejected or damaged goods, or Schijvens Corporate Fashion, which uses fully recycled materials to produce sustainable corporate clothing. Other examples include Homie, a start-up that provides washing machines and dryers to customers, who only pay to use them, and Circular IT Resources, specialising in refurbishing used IT products for data centres and business users.

Since early 2019, we have committed over EUR 1,225 million in more than 140 circular economy deals. In 2021 alone, we committed over EUR 376 million in more than 35 deals. As a leader in this field, we now have two dedicated teams working on these deals – the first responsible for Energy & Recycling, the second for Platform-as-a-Service (PaaS) financing.

Green bonds

ABN AMRO supported its clients with green, social and sustainability (-linked) bonds. A total of over EUR 20 billion of these bonds were structured, issued and distributed on behalf of our clients in 2021. This total includes EUR 1.9 billion in green bonds issued by ABN AMRO itself in 2021, bringing the bank's total outstanding green bonds to EUR 3.8 billion. Proceeds from these bonds have been allocated to the financing of sustainable mortgages and renewable energy, saving more than 180,000 tonnes of carbon emissions.

Social impact

Social issues gained in prominence during the pandemic. For ABN AMRO, it is important that everyone has access to the financial system, including those who have financial worries, disabilities, or experience face discrimination. To do this, we play our part in supporting the most vulnerable in society.

In our approach to social impact, we have three main priorities – equal opportunities, financial resilience and financial inclusion. Below are a few examples from the wide range of initiatives ABN AMRO undertakes to support the most vulnerable in society:

- ▶ We provide financial coaches to senior citizens and clients with disabilities to ensure they continue to have access to banking services, particularly with the growth in digitalisation. As part of this, we work closely with Dutch national senior citizens' associations. In December 2021, we announced that we would be doubling the number of financial coaches – from 30 to 60 and aim to increase this to 150 in 2022.
- ▶ We are also working to tackle issues such as fair pay and poor working conditions among vulnerable migrant workers in the Netherlands. Since March 2021, we expect labour agencies that want to become a client to be certified by at least the Stichting Normering Arbeid (SNA), and by the Stichting Normering Flexwonen (SNF) if they provide housing to migrant workers. Despite SNA and SNF being proper certificates, we are also strengthening other elements of our client and credit acceptance due diligence procedures to cover the entire spectrum of issues that are relevant to this matter.¹
- ▶ Under equal opportunities, we have our 'Banking through the gender lens' programme – backed up by an Inclusive Banking team – to help break down current, often unconscious barriers to financing faced by various client groups, such as women entrepreneurs and young entrepreneurs. In 2021, we also became the first Dutch bank to join the Financial Alliance for Women.

- ▶ We promote financial resilience through awareness, education and coaching programmes as well as online tools for people to check their vulnerability, and we offer follow-up support through 150 fulltime budget coaches. Preventing financial difficulties is key in this approach. Special attention is also given to young clients (see our feature on [page 57 →](#)).

Through ABN AMRO Foundation, we promote volunteering among our employees, and fund charities and good causes, including the Young Education Fund and the Krajicek Foundation, which helps disadvantaged children take up sports. During 2021, we made a community investment of nearly EUR 1 million through this foundation.

And with our Time to Catch Up programme (De Inhaalslag), we aim to create more equal opportunities for men and women in field hockey. One of the elements of this programme is that we require the 50 or so hockey clubs we sponsor to use at least 30% of our sponsorship money for sustainability, including diversity. Another element is levelling the international playing field for men and women in hockey.



¹ In line with the recommendations of the Geen tweederangsburgers report by the Aanjaagteam bescherming arbeidsmigranten, which is available online.

Human rights

Respect for human rights is the foundation on which our social responsibility is built. As a bank, we may impact a wide range of people, from individuals and families, to the employees, communities and consumers of the companies we lend to or our clients invest in. In 2020, we identified our salient human rights issues – those issues most at risk from our business operations; these are the areas we focus on when allocating resources. For more information, see [page 167 →](#)

ABN AMRO's salient human rights issues

	What are the salient human rights issues?	Which stakeholders may be affected?
 Role as an employer	<ul style="list-style-type: none"> ▶ Workplace discrimination ▶ Workplace harassment 	ABN AMRO employees
 Role as a financial services provider	<ul style="list-style-type: none"> ▶ Impact on living standards and health caused by financial distress due to inadequate client protection ▶ Breaches of personal privacy ▶ Discrimination in banking services 	Retail Banking clients and non-profit organisations
 Role as a purchaser of goods and services	<ul style="list-style-type: none"> ▶ Violation of labour rights 	Workers of companies in the bank's supply chain
 Role as a lender and provider of investment services	<ul style="list-style-type: none"> ▶ Violation of labour rights or land-related rights ▶ Violation of right to life and health ▶ Violation of right to privacy ▶ Violation of right to freedom of opinion and expression¹ 	Workers, local communities and consumers

¹ Right to privacy and freedom of opinion & expression relate to ABN AMRO's role as a provider of investment services only.



Gender and cultural diversity

ABN AMRO is committed to creating a diverse workforce – this is important for employee engagement and a pleasant working environment. Greater diversity, we believe, makes for better decision-making, and brings us closer to our clients.

We are working to improve diversity and inclusion within ABN AMRO – we want our people to be ‘free to be who they are’ and feel confident in the workplace. To back this up, various initiatives were taken, such as launching an integrated and innovative Diversity & Inclusion strategy, a number of external and internal mentoring programmes for women and for employees with a bicultural background and in March 2021 we launched a bank-wide ‘unconscious bias’ training for all our managers. We also support a range of initiatives, including the B-Able programme (programme for employees with disabilities) and Young Talent Leadership. And in October, over 6,000 employees participated in 50 workshops during the Diversity & Inclusion Week.

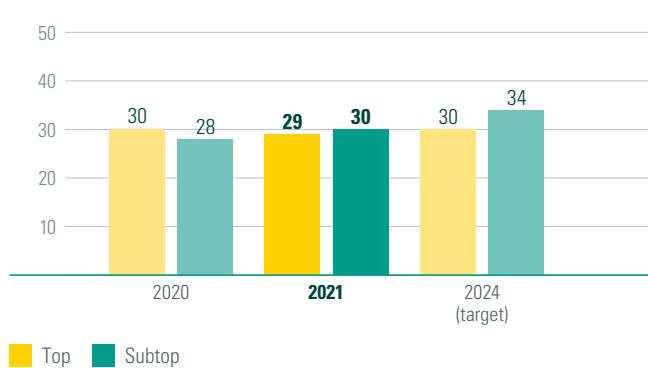
As part of our strategy, we have set very clear targets for gender diversity – overall, we want our workforce to be more representative of society, for example by bringing greater cultural diversity and more people with disabilities into the bank’s workforce. In 2021, 30% of our subtop management are now women – up from 28% in 2020, right on track towards our 2024 target. For the top management level, we fell short of our target of 30%.

In addition to these targets, ABN AMRO monitors its gender pay gap, which narrowed in 2021 to 14.7% (compared with 13.7% in the Netherlands¹); the gap reflects the fact that, proportionally, more men than women occupy high-paid positions within the bank. ABN AMRO’s goal is ultimately to reduce its gender pay gap to zero. The gender pay gap in the Netherlands corrected per salary scale is 0.27% in favour of male employees.

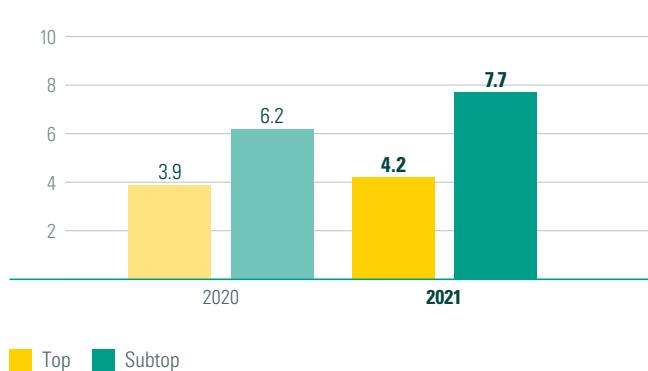
At the same time, we want to provide more job opportunities to people with disabilities, who often find it hard to remain in the labour market. Our aim is to employ at least 225 people with disabilities by 2025 – as our contribution to a Dutch government scheme to increase employment for those with disabilities.

Going into 2022, we will continue to work to improve our diversity performance and further intensify our efforts to improve on these targets, continuing our inclusively voiced job descriptions and 50/50 gender balanced inflow.

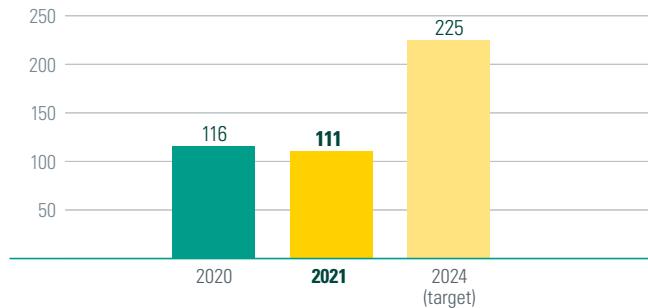
Gender diversity (in %)



Cultural diversity (in %)



Employees with disabilities (headcount)

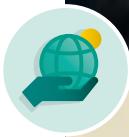


For definitions of ‘subtop’, see page 376. Cultural diversity measures the percentage of managers with a non-western background.

¹ Source: institute-genderequality.org/.



"I wish I'd called sooner. Getting things sorted was a huge relief."



'Sara'

ABN AMRO offers special budget coaches to clients in financial difficulty.

Research suggests nearly a quarter of young people in the Netherlands find it hard to keep track of their finances. We spoke to Sara – not her real name – about how her ABN AMRO budget coach helped her get her finances back in order.



"I'd been out of work for some time, when my father became seriously ill. I wanted to take care of him. I started to rack up debts – then, I made a mistake filling in my tax return, and I found I owed the tax authorities a lot of money."

"At first, my friends and family knew nothing about my money problems. I didn't want to burden my father with it during his illness, and it wasn't something I was proud of. My sister also had financial worries and I wanted to prove that I could look after myself."

"In the end, my mother really helped me. It was her idea to take a personal loan, and use that to pay off my other debts. Sadly, my father passed away. I didn't take time to grieve properly, and I started experiencing depression and panic attacks – so much so that I didn't want to go out of the house any more. It was really tough."

"Previously, I'd always worked in bars and restaurants. With Covid-19, there were no more jobs. That's when I got in touch with ABN AMRO. And the bank referred me to a budget coach. She was really sweet and understanding, and immediately put me at ease. I wasn't just a number to her – she really wanted to help. She arranged a deferment for me,

so I could put my affairs in order. I already had a good overview of my income and expenses. All I needed was a bit of breathing space – and the deferment gave me that."

"I wish I'd called sooner. Getting things sorted was a huge relief. And it's great to know my coach is still there if I have any questions about money matters."

Did you know that one in every five people between the ages of 18 and 26 cannot pay their bills?¹ In a world that is becoming more digitalised by the day, young people increasingly struggle to keep their spending in check. If you are concerned about money, remember that you are not alone.

Are you also experiencing financial difficulties? People aged under 30, whether or not they are ABN AMRO clients, can also request a free meeting with a budget coach. Visit us at abnamro.nl and make an appointment.

¹ Nibud Studentenonderzoek 2021, p. 49.



Future-proof bank

During the year, we digitalised more of our systems and processes. We continued to streamline our product portfolio, and began the move to a hybrid way of working, post-Covid. At the same time, we invested in skills, promoted greater diversity in our workforce, and pursued innovation in the use of data and new digital technologies – all to ensure a viable business model for the future.



Guide for readers

This section looks at the third strategic pillar: a future-proof bank. We look at the progress we've made over the past year streamlining our internal processes and systems to further improve service to clients. In this section, we will be covering viable business model – one of our strategic differentiators; the remaining two differentiators related to this pillar can be found in Financial and business performance and Risk, funding & capital.

Simple, future-proof bank

We are turning ABN AMRO into a bank that is *digital by design*. To do this, we are digitalising more of our client and product processes and internal processes. By 2024, we want at least 90% of our high-volume processes to be automated. As an example of our client and product processes, in September, we became the first Dutch bank to offer 'cardless' cash withdrawals from ATMs – with this, clients can simply withdraw cash using their mobile phones.

Meanwhile, we are further streamlining our product portfolio, based on client needs – and extending our full DevOps teams, where IT Development and IT Operations professionals work in integrated teams, using cloud technology. By year-end, 232 teams had made the switch to DevOps, up from 136 in 2020. We are building a future-proof bank by rigorously simplifying – the aim being to strengthen client service, improve efficiency and reduce operational risks. We continue to streamline our product

portfolio around the needs of clients and are aiming for a 60% reduction by 2024, supporting further rationalisation, harmonisation and digitalisation of our product offering.

Simplifying our organisation and reducing risk

We are not only simplifying our processes; we are also simplifying our internal organisation. For us, this is about creating a viable, long-term business model, strengthening strategy execution and improving service to clients. We started work on a new client service model – and, from the start of 2022, we have replaced our current business lines. Instead, we now have three new units, organised around client segments: Personal & Business Banking, Wealth Management and Corporate Banking. Alongside this, we have moved to a single eight-member Executive Board¹, replacing our previous Executive Board and Executive Committee.

At the same time we are continuing to wind down most of our Corporate & Institutional Banking activities outside Europe (except our global Clearing activities); the wind-down is an important part of our strategy review, announced in 2020. The CIB non-core wind-down has been largely completed, with loans and advances to customers totalling EUR 1.5 billion, down by approximately 90% since 30 June 2020 – improving the bank's risk profile.

Innovation and new technologies

In recent years, banks' traditional business models have come under increasing pressure. In response to this, we have put in place an innovation strategy. This strategy looks at how we can use recent developments to create new products – and new, more convenient ways of banking for clients. To do this, we are focusing on three main areas:

¹ The new, expanded Executive Board will consist of ABN AMRO's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Human Resources Officer, Chief Innovation & Technology Officer, and the Chief Commercial Officers, respectively, of Personal & Business Banking, Wealth Management and Corporate Banking. Christian Bornfeld, ABN AMRO's current Chief Innovation & Technology Officer, has announced he will stand down in May 2022. A new Chief Innovation & Technology Officer will be appointed in due course. For more details, see page 207.

- ▶ **Platforms** – providing value-added services to our existing or co-branded platforms, an important area given the move to open banking
- ▶ **Digital assets** – developing new opportunities in digital assets, such as tokenised securities or digital currencies – or finding ways to digitise existing assets
- ▶ **Sustainability** – developing new products and services relating to the circular economy, social impact and climate change.

Supporting our work in these areas, we have three enabling technologies: Artificial Intelligence, Cloud, and Distributed Ledger Technology (DLT), more commonly known as blockchain. We are also increasing our use of data – this helps us gain insight into client needs, and supports product development. Our data strategy focuses on three areas: making sure our data is fit for purpose; distributing authorised data quickly and securely within the bank; and unlocking the value of data by using it to create new business opportunities.

Where appropriate, we also work with external partners – this allows us to experiment, learn and innovate together. We have a partnership with Techstars, giving us access to a global network of entrepreneurs and partners. Over the past year, we have also piloted a series of new initiatives including:

- ▶ **GreenDesk**, a solution for corporate employees to book flexible workspaces close to their homes.¹
- ▶ **PayDay**, providing flex workers with instant access to their earnings.
- ▶ **Personal Communication Channel (PCC)**, an in-house system that allows highly secure and private communication between employees.¹
- ▶ **Cyber Learning**, offering a learning solution for organisations to help employees recognise cyber risks.¹

At the same time, ABN AMRO is investing in fintech, so we can learn and partner with up-and-coming companies. In 2021, our Future of Finance Accelerator – in partnership with Techstars – worked with ten early-stage companies in sustainability and digital assets. We also increased the size of ABN AMRO Ventures – our venture capital fund – to EUR 150 million in capital. ABN AMRO Ventures makes fintech investments across Europe, the US and Israel; these include data privacy specialist Privitar and Solarisbank, one of a new breed of companies offering banking-as-a-service. In 2021, ABN AMRO Ventures invested in Upvest, Bux and Penta, and also increased its shareholding in Quantexa – a data analytics firm supporting our anti-money laundering programme.

¹ For more information, see: abnamro.com/nl/nieuws/green-desk-biedt-werkplek-in-de-buurt, doorpakken.abnamro.nl/hulpmiddelen-en-diensten/personal-communication-channel, doorpakken.abnamro.nl/hulpmiddelen-en-diensten/cyber-learning.

Responsible tax

ABN AMRO sees tax as more than a cost to the company, rather as a means for social cohesion and contribution, sustainable growth and long-term prosperity. As such, we see tax as a key part of corporate social responsibility and governance. We are committed to comply with the letter, intent and spirit of tax legislation in the countries in which we operate; this means paying the right amount of tax at the right time.

We have a number of basic principles that govern our responsible tax approach which is aligned with the VNO-NCW Tax Governance Code (publication in 2022):

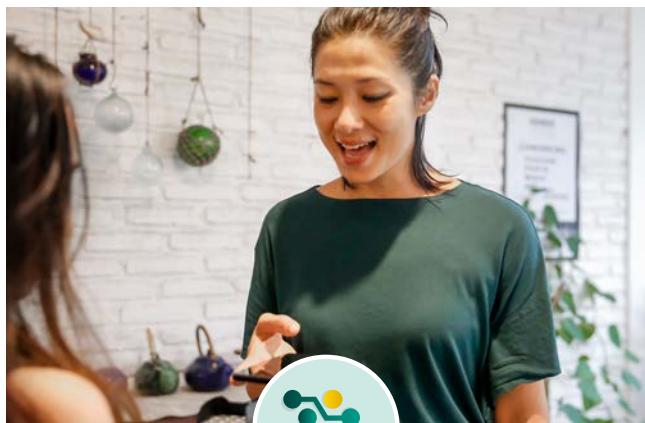
- ▶ We use legal structures that result from commercial considerations, are aligned with our business activities and have genuine commercial substance.
- ▶ Our relationships with tax authorities and other external stakeholders are characterised by mutual respect, transparency and trust.
- ▶ We provide regular information to stakeholders (including investors, policymakers, employees, civil society and the general public) on our approach to tax issues and taxes paid. This transparency is embedded in our wider values and standards.

Governance & transparency

Governance of tax issues is overseen by ABN AMRO's Executive Board. Tax is regularly discussed in the Supervisory Board's Audit Committee. For more details please refer to our Leadership & governance chapter on [pages 205-257](#). Our tax principles are published online. These principles guide our actions and responsible tax behaviour, with respect to our own tax affairs and our dealings with clients. Our tax policy has been approved by our Executive Board.

To adhere to our tax policy and principles, we take into account measures introduced into national law to increase tax transparency and reporting. We report our taxable income and income taxes paid for each country we operate in (see Note 11 to the Consolidated Annual Financial Statements on [page 287](#), showing our revenue, tax expenses and income taxes paid for each country). We also file a country-by-country report to the Dutch tax authorities.

We also comply with transparency rules with respect to our clients – these include the European Common Reporting Standard (CRS) and the US Foreign Account Tax Compliance Act (FATCA). As part of these rules, we regularly exchange information on clients with the tax authorities. From the start of 2021, we also report information under the new EU Directive on Mandatory Disclosure Rules, known as DAC6, intended to prevent tax avoidance.



"We have invested in skills, promoted greater diversity in our workforce, and pursued innovation in the use of data and new digital technologies."

Risk management and digitalisation

We have a Tax Control Framework in place, subject to constant improvement to reflect changes in regulation or stakeholders' interests. In addition, tax risk is identified as a separate risk and integrated into the bank's overall risk management cycle. Tax integrity is part of our strategic integrity risk assessment, which supports our risk-based approach to tax integrity risks. Consideration of tax risk is mandatory when preparing a risk assessment for a new product or business activity. We regularly monitor compliance with our tax policy and have process controls to ensure the bank files tax returns in good time in all jurisdictions where it is required to do so, and that tax risks and positions are promptly identified and reported. We engage proactively with tax authorities to ensure we have a complete understanding of our tax obligations.

With the rise in new technologies, we are increasingly required to exchange information with tax authorities, based on domestic and international regulations. In the coming years, we expect these rules to be extended with increased requirements for automated tax filing via full data lineage (including an automated audit trail from source to tax return – similar, for example, to the Making Tax Digital legislation in the UK).

Client tax integrity

In recent years, client tax integrity has grown in importance, with the issue of the so-called Panama and Pandora papers. Our standards in this area are based on ABN AMRO's core values and tax risk appetite. We adhere to a moderate risk appetite in line with the bank's wider risk profile. The Dutch central bank has a strong focus on client tax integrity, which resulted in the publication in 2019 of the Good Practices on Client Tax Integrity, providing guidance on structuring internal processes to identify and manage risk with respect to client tax integrity. In 2021, we finalised the implementation of these Good Practices. We support tax awareness sessions for client-facing staff to make sure they remain aware of integrity risks, particularly given rapidly changing international tax rules. With clients, we wish to steer clear of aggressive tax planning and tax avoidance; our intention is to offer products that comply with both the letter and the spirit of tax legislation, and that are commercially sound rather than tax-driven. This approach is included in our tax policy, tax principles and in our product approval process.

Crime and integrity

We have an important 'gatekeeper role' to help protect the financial system against crime and fraud. As part of this, we are constantly looking to improve our policies, processes and controls to meet regulatory obligations and minimise risk.

Due diligence

In all our business relationships, we carry out extensive due diligence on clients and third parties, including agents, intermediaries and suppliers with a view to minimising risk of the bank being involved in financial wrongdoing (money laundering, terrorism financing, corruption, tax evasion, etc.). We systematically monitor clients' activities and report any suspicious or unusual transactions to the relevant authorities.

Clients in high-risk situations (both existing and prospective clients) undergo additional due diligence; this includes politically exposed clients, those subject to adverse media coverage or living and working in countries or sectors with an inherently higher risk of financial crime. When assessing risk in this area, we also take into account geopolitical factors; unacceptable risks may lead to the rejection of the prospective client or third party or – in the case of an existing client – to an 'exit' from the bank. In 2021, we continued with our aim of being a frontrunner in Northwest Europe in managing financial crime risks. Part of this is delivering on our current remediation programme to address shortcomings in our approach to anti-money laundering ([see page 61 →](#)).

To support our efforts, all ABN AMRO staff undergo pre-employment screening; additional screening is carried out for those working in at-risk areas. In addition, employees

Settlement with Netherlands Public Prosecution Service

In April 2021, ABN AMRO accepted a settlement with the Netherlands Public Prosecution Service (NPPS) for shortcomings in the bank's anti-money laundering activities. During the investigation, the NPPS found serious shortcomings in ABN AMRO processes to combat money laundering, such as the client acceptance, transaction monitoring and client exit processes, in the Netherlands in the period from 2014-2020. As a result, in certain instances, clients were able to abuse ABN AMRO accounts. As part of the AML settlement, the bank agreed to pay EUR 480 million. ABN AMRO was informed that an individual filed a complaint against the AML settlement between the NPPS and ABN AMRO and that the complaint has been denied by the court of appeals.

To address shortcomings in its AML programme the bank has prioritised remediation and enhancement programmes in each of the business lines of the bank over the years, as well as bank-wide with respect to transaction monitoring. ABN AMRO has invested heavily in these remediation and enhancement programmes over several years, including investments in its systems and the growth of its staff. Unfortunately, ABN AMRO has to recognise that, despite all of its efforts and intentions, its improvement programmes have not always had the desired effect, and that several shortcomings, some of which serious, have been identified.

In response to the shortcomings and in order to address increasingly strict regulations and continuously evolving forms of financial crime, ABN AMRO decided to centralise the execution of all AML activities in October of 2018, bolstering AML capabilities and enabling further

take part in mandatory training to recognise warning signs of financial crime (including 'red flags' for money laundering, corruption, fraud and conflicts of interest). Employees are required to immediately report actual and suspected incidents, irregularities or breaches relating to bribery or corruption. We also encourage employees to speak up if they know of risks or behaviour not in line with our principles or standards. Where possible, employees should discuss suspicions with their manager. If not, they should report their suspicions via the bank's whistleblower process, also open to external parties.

Combating bribery, corruption and fraud

Corruption undermines fair business, restricts international trade, reduces investor confidence and may affect

specialisation and knowledge sharing across the bank. ABN AMRO set up a bank-wide AML programme and made substantial additional (financial) resources available for investments in staff, systems and processes. With the AML programme and the establishment of the AML unit ABN AMRO has implemented structural, organisational changes that are to lead to sustainable remediation. The remediation programmes have been coordinated with the Dutch central bank, which is closely monitoring progress. By the end of 2021, the total number of full-time employees involved in AML had increased to over 5,000 FTE. ABN AMRO is making progress in the execution of its AML remediation programme, but the remediation is requiring more effort and ABN AMRO expects that the remediation will continue in 2023.

ABN AMRO is also actively involved in various public-private partnerships aimed at contributing to safer society. Networks and partnerships are needed to combat the criminal networks. ABN AMRO continuously seeks new collaborations to design and adopt smarter solutions. We participate in a number of public and private partnerships, including the Terrorism Financing Taskforce, the Serious Crime Taskforce and in the area of human trafficking / corruption. Also we continue to work on public- and private cooperation, such as Transactie Monitoring NL, policy alignment, data taxonomy, taskforces and work groups.

The AML settlement marks the end of a painful and disappointing episode for ABN AMRO. The lessons we have learned from this experience drive us in our continued effort as gatekeepers to achieve a safer society and a financial system that meets the highest standards of integrity.

economic growth and stability. In accordance with regulatory requirements, we constantly monitor risks associated with money laundering, terrorism financing, bribery and corruption – we also maintain a strong framework of internal controls. These risks are included in our Systematic Integrity Risk Analysis (SIRA). SIRA is based on both internal and external qualitative and quantitative information; it provides insight into the inherent and residual risks, and enables us to fulfil our gatekeeper's role. We believe it is our corporate social responsibility to conduct business free of bribery and corruption. At the same time, we work hard to prevent fraud by taking down fake websites and emails, using two-factor authentication, and closing down accounts to known fraudsters. A copy of our anti-bribery and corruption policy is available online.

Resilience to security threats

ABN AMRO's IT infrastructure connects directly to public networks; consequently, our processes and systems are inherently exposed to cyber attack. We have a responsibility to protect our clients' data, privacy and money. To do so, we have a well-established information security framework; this ensures the confidentiality, integrity and availability of information (and associated assets) at all times. The framework sets out roles and responsibilities within the bank, organisational structure and security directives that apply to the bank, its vendors and other third parties. In addition, we have a Corporate Information Security Office (CISO), responsible for detecting fraud. Our Security & Integrity Management department, meanwhile, monitors trends relating to fraud, information security and compliance breaches, and reports incidents and any losses suffered by the bank and/or its clients. Other departments also work closely together to help manage and prevent risk of financial crime – fraud and other forms of financial crime are included in our bank-wide Emerging Risk Scanner. At the same time, we are keen to raise awareness among both clients and employees. We publish security advice online and work with the police, financial authorities and other external partners to prevent financial crime. To support this framework, we are investing more in cybersecurity. In 2021, ABN AMRO bought new, self-healing cybersecurity software, which repairs itself when under attack. Since the pandemic, we have seen an increase in cyber threats, particularly from ransomware, tech support scamming and malware. We have put blocks in place – invisible to clients – to prevent spoofing (where criminals attempt to pass themselves off as bank employees).

Future of work

Post-Covid, we are bringing in new ways of working. In 2021, we started moving to a hybrid model, where employees can split their time between working from home and at the office. This, we believe, will help improve their work-life balance and enhance well-being – a vital issue for employees following the pandemic. During the pandemic, we provided desks and other equipment to employees working from home – which again proved important during the December-January lockdown in the Netherlands. Over the past year, we have prioritised well-being; we have continued to provide regular advice and support to those working remotely. We have also expanded our range of 'MyWellBeing' programmes since the pandemic to address loneliness and working at home with children.

Hybrid working also means a change to our physical surroundings. Currently, we are refitting our Foppingadreef office in Amsterdam, creating more open spaces and meeting rooms. From 2025, Foppingadreef will become the principal hub for ABN AMRO employees in Amsterdam. During the year, we agreed the sale and leaseback of our head office at Gustav Mahlerlaan in Amsterdam.

In 2021, we also signed a new six-month collective labour agreement with the Dutch trade unions. The agreement includes new provisions on a home working allowance and an extension of parental leave.

At the same time, we are investing in new skills. Across the Netherlands, data and digital skills in particular are in demand. To implement our strategy, we need these skills – we also need expertise in other areas, such as project management and advisory. Generally, we prefer to 'reskill' or 'upskill' rather than recruit from outside (see our feature on [page 65](#)). Our spending on external training and development totalled EUR 33 million in 2021. We have extensive education programmes, including the Compliance Academy, the DFC – or Detecting Financial Crime – Academy and the Circl Academy, responsible for all sustainability training. Our approach emphasises self-learning – we are not only creating a future workforce for ABN AMRO, we are also making it easier for employees leaving the bank to find other jobs. This is important at a time when many traditional banking jobs are being lost through automation. At ABN AMRO, we expect to reduce staffing levels by around 15% by 2024, though most of this will be accomplished by natural attrition.

Our working culture

Along with new ways of working, we realise ABN AMRO is also going through a culture change. Culture is an important part of our approach to human resources. Our Leading for Better programme helps managers adjust, giving them the opportunity to discuss issues such as personal leadership styles and how to balance short and long-term considerations.

We have also rolled out an updated version of our Code of Conduct – and a new Behavioural Risk Policy – as part of our efforts to increase employees' awareness of the importance of integrity, our core values and the bank's impact on society. Our goal is to ensure the bank is ahead of regulatory developments in this area – to strengthen trust in the bank and maintain a strong licence to operate.

Employee engagement

An important part of our working culture is an engaged, motivated workforce; this is also important to ensure that we retain talent. In 2021, our annual survey showed a slight decline to 82% in overall employee engagement after a significant increase the previous year. We are still ahead, however, of the Global Financial Services Benchmark – and our own target of 80%.

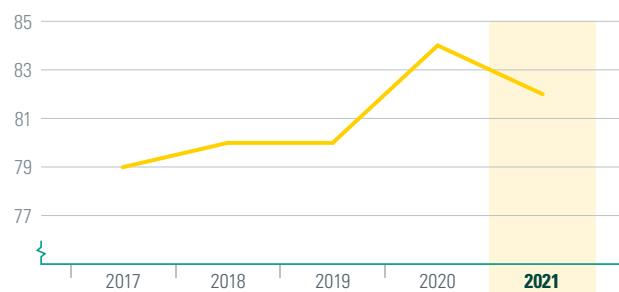
Our survey measures a range of categories (see table below). We scored strongly in inclusive environment, talent & development and efficiency. Senior management and vision & direction remain below the industry benchmark, however, motivating the Executive Board to give priority to connecting with all colleagues, at all times. Employee NPS – which measures whether employees would recommend ABN AMRO as an employer to friends and family – was also lower.

Overall, engagement rates remain high, though we believe rates have been affected by continued frustration over Covid-19 restrictions and the anti-money laundering investigation in the Netherlands. To pinpoint specific, on-the-ground issues, we will again be working in 2022 to improve our performance in this area by continuing to invest in new skills, promoting diversity and introducing hybrid working in our offices. Results are regularly discussed by the Executive Board, broken down into each client unit to determine points for action by senior management.

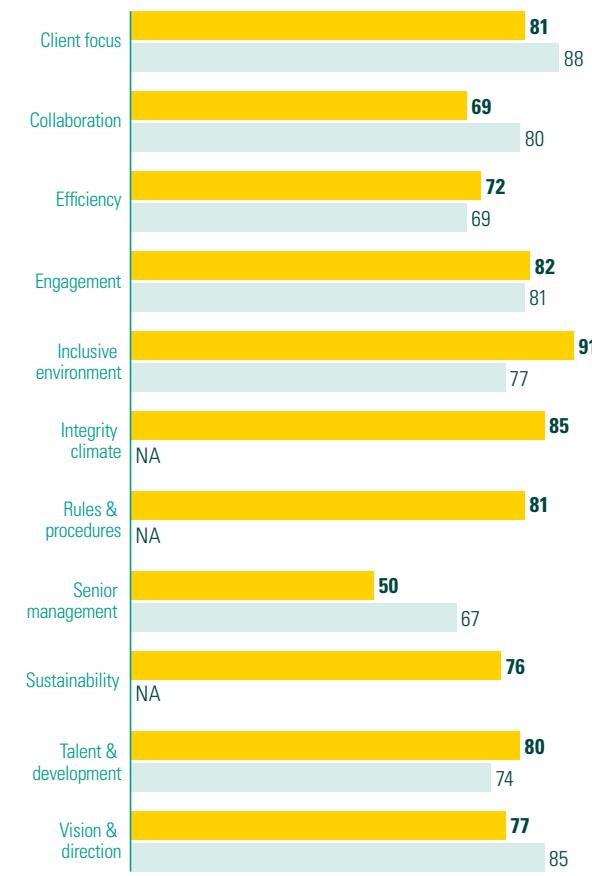


Employee engagement score

(in %)



Selected categories (ABN AMRO performance vs. Global Financial Services Benchmark)



■ ABN AMRO ■ GFS Benchmark

Scores are based on ABN AMRO's annual Employee Engagement Survey. The latest survey was conducted in October 2021; 19,039 employees responded. During the year, we also carried out a separate 'pulse survey' (covering 25% of employees).
NA – not available; these categories are not part of the Global Financial Services Benchmark.





"We have so many talented people at the bank – we need to make full use of that talent."

Ellen Blomberg-Löwenthal from ABN AMRO

For the past eighteen months, Ellen Blomberg-Löwenthal has been working in the Detecting Financial Crime (DFC) unit as Lead of the People Attraction and Strategic Workforce Management team. She talks here about how ABN AMRO's reskilling programme has brought new skills and perspectives to the bank's efforts to combat money laundering, fraud and other financial crime.



"We've really expanded over the past several years. We started with a few hundred colleagues, we're now at 3,800. At the start, it was relatively easy to find the right people – now it's become really hard. We're seeing similar skills shortages across the economy. We have so many talented people at the bank – we need to make full use of that talent. Otherwise, you're always having to bring in talent from outside."

"That's where our reskilling programme comes in. In the past year, ABN AMRO has developed different learning tracks to enable colleagues to apply to new roles where they obtain new skills. At DFC, for example, we've been looking to hire people with client experience. They may not have all the required due diligence research knowledge or experience, but they know the bank well. They know the products inside-out, and they know how to deal with clients. So they're bringing in a new valuable skill-set. That kind of combination of skills – if we can give them that technical, analytical knowledge as well – is really hard to find. And for DFC, it's invaluable. A lot of times we have to reach out to clients – if we see something unusual in their transactions, for example. Also, internally, we're working with a lot of different stakeholders – and it comes in handy there, too."

"Our reskilling programme lasts four to six months. Candidates attend the DFC Academy, and they're given a coach – a buddy – to learn from. So they acquire both the soft and hard skills they need. We've got 14 'reskillers' currently going through the programme. In 2022, we want to increase that to 30. It's all part of broader workforce planning, so it operates alongside 'upskilling' – extending current skills, instead of learning new skills. We still recruit from outside, of course – that way, we get a balance and diversity within our teams."

"When choosing candidates for reskilling, the most important test by far is motivation – that 'want-to-learn' mind-set. It's not always an easy process. We need managers to be patient with 'reskillers' coming into their teams, who won't deliver perfect results immediately. It's also a cultural change – in the way the bank views employees and the way employees view themselves. And we need these skills not just in customer experience, but in data and digital and project management – all areas that will be vital to the bank in the years ahead. For those colleagues involved in reskilling, it opens up fantastic new perspectives and new opportunities to develop their careers."

Interview with our Chief Financial Officer



Lars, how was your first year as ABN AMRO's Chief Financial Officer?

What convinced me to join ABN AMRO was the sense of direction. The strategy is very well thought-through. Nearly a year later, nothing has happened to change my mind. In fact, what we've been able to achieve has only reinforced that view. We've made real progress this past year. The wind-down of the non-core activities of Corporate & Institutional Banking has gone much more quickly than expected. We are rolling out new initiatives for clients such as the Entrepreneur & Enterprise concept in the Netherlands, Germany and Belgium. And we've just announced a new organisational set-up that truly aligns us with our clients, giving us a real client focus.

How easy was it to make these changes in an economy still overshadowed by Covid-19?

Covid-19 has undoubtedly had an impact. For the Netherlands, 2021 got off to a rough start, then things improved in the second and third quarters with the introduction of vaccines – before we were all hit by Omicron. We continued to see government support measures, and those proved very effective. But that, of course, had an impact on demand for corporate loans, particularly among SMEs and mid-sized corporates because these companies were able to get Covid-19 financing from the government. In the last quarter,

demand picked up following the economic rebound. On the consumer side, we had a good year in mortgages. There was a lot of transaction volume – and a good part of that was refinancing. The competition is tough, but we're looking to grow our market share in mortgages. Repositioning Moneyou will help in that respect – it means we can pick up more of that refinancing. In terms of our overall top line, there is still considerable pressure, also because we're very dependent on net interest income.

How can you combat that topline pressure? Banks like ABN AMRO have had to live with low interest rates for a very long time now.

We're pulling all the levers we can. Hopefully, as we come out of the pandemic, we'll see some return to normality. Through the TLTRO programme, we were able to offer lower rates to clients. That's really helped with loan volumes – but more importantly it's put us in the room when clients start to talk about their financing needs, post-pandemic. We've taken other measures, too. At the beginning of 2022 the threshold for charging negative rates has been further lowered to EUR 100,000 per client. And we're looking to increase income from fees – by growing advisory and introducing new payment packages. Interest rates have started to rise in recent months, which will benefit the bank's net interest income. However, the positive impact for 2022 is quite limited as these higher rates only slowly

"We've made a lot of progress, but the hard part starts now – mobilising the whole bank to deliver on our strategy and become a performance led organisation."

improve deposit margins. This positive impact will build in time and likely bring forward the moment our quarterly net interest income bottoms out, which we currently expect in the second half of 2023. We are also dependent on how quickly the ECB starts raising its policy rates which would raise short term interest rates.

At the same time, the bank is cutting costs. Are you still on course to meet your cost target?

We said EUR 5.3 billion in costs for 2021 (excluding settlements and reorganisation charges), and that's what we've achieved. For 2024, our commitment is to bring that down below EUR 4.7 billion. We're determined to meet that, too. It won't be easy – a lot of initiatives will have to come together. The wind-down of the non-core activities of Corporate & Institutional Banking will help, but it's also about rationalising our product suite, automating more of our processes, taking out old, inefficient legacy systems and moving onto the cloud – as well as centralising and offshoring where it makes sense to do so. At the same time, we are seeing some inflationary pressures, largely through rising energy prices and supply chain bottlenecks as the economy emerges from Covid-19 but we don't think these pressures are permanent. In the area of anti-money laundering which accounts for more than 20% of our workforce and around 10% of our cost base, we expect these costs to peak in 2021, and then to start to come down as we finalise remediation and make better use of AI and new technology.

How do you assess ABN AMRO's capital position? You've just announced the Inaugural share buyback.

If you look at our capital ratios, we're in a strong position. TRIM – the European Central Bank's review of capital models – is pretty much behind us and we're very well positioned for Basel IV. Last month we announced our first EUR 500 million share buyback programme. We have opted for a gradual release of capital, potentially resulting in

multiple buybacks over a period of time rather than a large buyback without follow-up. Going forward, share buybacks will be an integral part of our capital management practice and a tool to optimise our capital position. Over time I expect the amount of capital we hold over and above our target to gradually decrease as we work through regulatory changes and uncertainties are resolved. I trust this framework will lead to more predictable capital distributions.

What are the priorities now, for you and the bank, going into 2022?

First, 2022 should be a better year for us all than 2021 was – which, in turn, was a better year than 2020 because we're learning how to live with Covid-19, certainly in terms of avoiding the kind of lockdowns we've seen over the past two years. The economy, though, should start returning to normal, with interest rates rising. We've made a lot of progress, but the hard part starts now – mobilising the whole bank to deliver on our strategy and become a performance-led organisation. I have to say, from what I've seen ABN AMRO definitely has the ability and the people to do that. Over the next few years we'll have to show how we're improving service for our clients, how we're cutting costs, how we're rationalising our product portfolio. As the CFO, what interests me is whether we're delivering on our financial targets, particularly whether we're hitting that 8 to 10 percent return on equity figure. But we won't be able to achieve that if we don't deliver on the strategy.

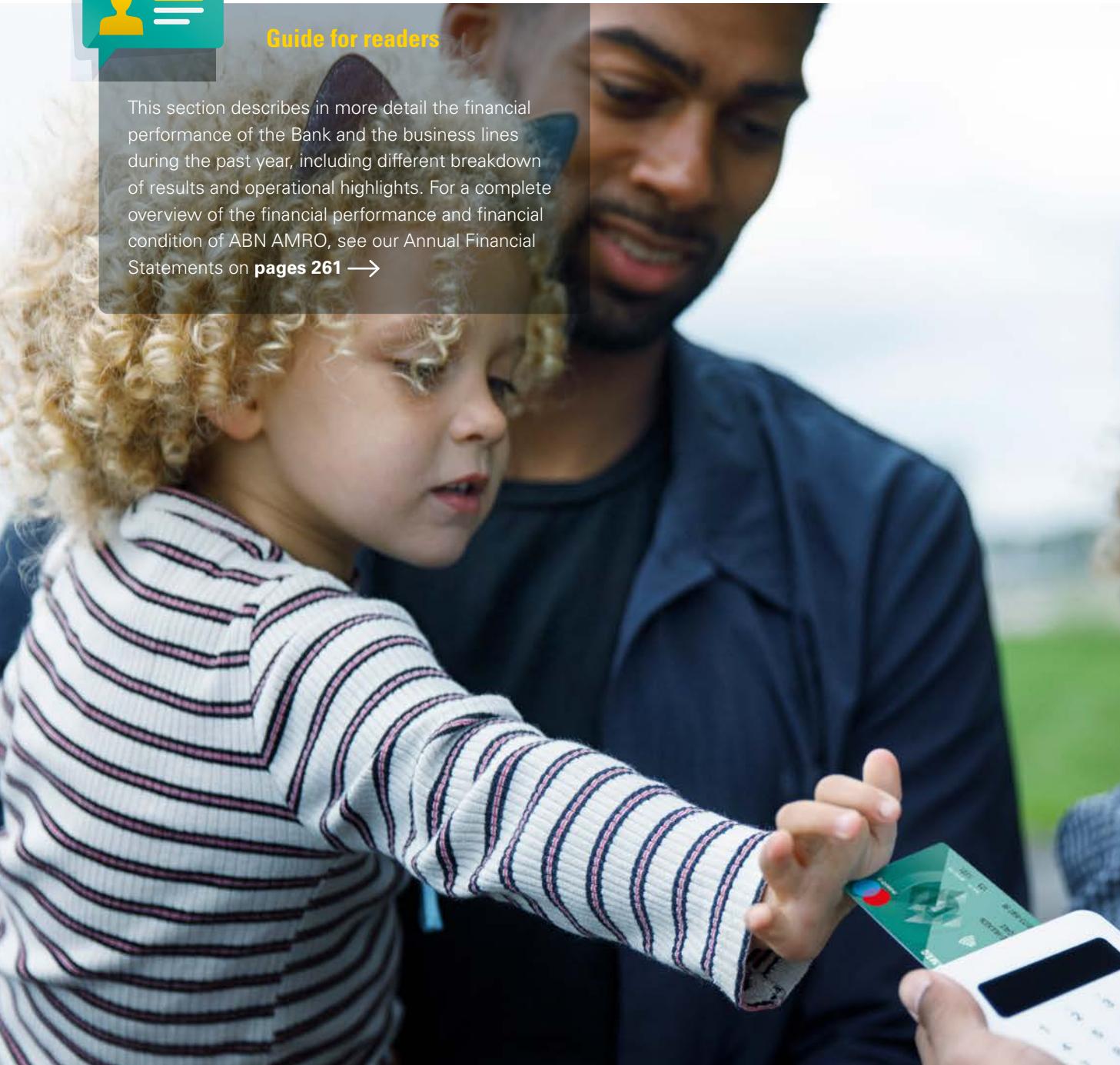
Lars Kramer

CFO of ABN AMRO Bank N.V.



Guide for readers

This section describes in more detail the financial performance of the Bank and the business lines during the past year, including different breakdown of results and operational highlights. For a complete overview of the financial performance and financial condition of ABN AMRO, see our Annual Financial Statements on **pages 261 →**



“The financial results for 2021 were marked by the low interest rate environment and low impairments.”



Financial performance

Income statement

Financial highlights

- ▶ ABN AMRO recorded a profit of EUR 1,234 million in 2021 (2020: loss of EUR 45 million), largely due to lower impairment.
- ▶ The CIB non-core wind-down is largely completed, with loans down by around 90% since 30 June 2020.
- ▶ Net interest income decreased to EUR 5,210 million (2020: EUR 5,863 million), including the negative impact of incidentals, along with continued pressure on deposit margins and the CIB non-core wind-down.
- ▶ Net fee and commission income totalled EUR 1,664 million (2020: EUR 1,558 million), mainly in Private Banking (higher asset management fee income) and CIB core (higher market volatility and capital market fees).

- ▶ Operating expenses rose to EUR 5,806 million (2020: EUR 5,256 million), mainly impacted by the AML settlement and the increase in total FTEs to support our AML activities.
- ▶ Impairment charges decreased significantly, with a net release of EUR 46 million (2020: EUR 2,303 million), mainly reflecting the improved macroeconomic environment.
- ▶ Very strong capital position, with the CET1 ratio at 16.3% under Basel III and around 16% under Basel IV.
- ▶ Final 2021 dividend of 0.61 per share proposed and a EUR 500 million share buyback programme announced in reflection of our commitment to return excess capital to our shareholders.

(in millions)	2021	2020	Change
Net interest income	5,210	5,863	-11%
Net fee and commission income	1,664	1,558	7%
Other operating income	724	494	46%
Operating income	7,597	7,916	-4%
Personnel expenses	2,324	2,280	2%
Other expenses	3,482	2,976	17%
Operating expenses	5,806	5,256	10%
Operating result	1,791	2,660	-33%
Impairment charges on financial instruments	-46	2,303	
Profit/(loss) before taxation	1,838	356	
Income tax expense	604	401	50%
Profit/(loss) for the period	1,234	-45	
Attributable to:			
Owners of the parent company	1,231		-45
Non-controlling interests	3		
Other indicators			
Net interest margin (NIM) (in bps)	127	143	
Cost/income ratio	76.4%	66.4%	
Cost of risk (in bps) ¹	-7	78	
Return on average Equity ²	5.8%	-0.8%	
Dividend per share (in EUR) ³	0.61		
Earnings per share (in EUR) ⁴	1.21	-0.17	
Client assets (in billions)	313.6	289.3	
Risk-weighted assets (in billions)	117.7	110.5	
Number of employees (in FTEs)	19,957	19,234	
Number of non-employees (in FTEs)	6,524	5,621	

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

² Annualised profit for the period excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company excluding AT1 capital securities.

³ Interim/final dividend per share for the relevant period as declared/proposed by the company, subject to approval at the annual general meeting (AGM). For more information, please refer to Capital in the Risk, funding & capital section.

⁴ Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

Large incidentals

Additional TLTRO discount

The figures for 2021 include EUR 93 million for the additional TLTRO discount recorded in net interest income at Group Functions. Now that we have met the benchmark, it can be reasonably expected that an additional discount of 50bps on the borrowing rate will be guaranteed for the period from June 2021 to June 2022. In accordance with the day count convention, the total expected discount of EUR 177 million is split into EUR 93 million for 2021 and EUR 85 million for 2022. This benefit is being entirely passed on to our clients.

Sale and leaseback of head office in Amsterdam

In 2021, ABN AMRO completed the sale and leaseback of its head office at the Gustav Mahlerlaan in Amsterdam for a total consideration of EUR 765 million. The transaction resulted in a gain of EUR 327 million (EUR 245 million net of tax) in other operating income at Group Functions.

Provision for revolving consumer credit with floating interest rates

The provision for the compensation scheme regarding revolving consumer credit with floating interest rates was recorded in 2021. This relates to the compensation of clients who paid too much interest on their revolving consumer credit in the past and ABN AMRO's decision (where possible) to proactively recalculate variable interest charged from 1 January 2001. In Q3 and Q4 2021, a cumulative provision of EUR 306 million was booked in Retail Banking, consisting of EUR 265 million for an NII provision, EUR 50 million for handling costs, and a EUR 9 million release on credit impairments.

AML settlement

In 2021, ABN AMRO accepted a settlement offer from the Netherlands Public Prosecution Service following the latter's investigation into the bank's anti-money laundering (AML) activities in the Netherlands. As part of the settlement, ABN AMRO agreed to pay a fine of EUR 300 million and a disgorgement of EUR 180 million. The total amount of EUR 480 million (not tax deductible) is recorded in other expenses at Group Functions.

Provision for repayment

The figures for 2021 include a EUR 79 million net negative impact, of which EUR 30 million was recorded in net interest income and EUR 49 million in other operating income, both at Group Functions. This mainly relates to a repayment of German dividend withholding tax credits and accrued interest. The amounts have been repaid in anticipation of a decision by the German tax authorities.

Positive revaluation of DSB claim

The figures for 2021 include a positive revaluation of EUR 26 million for the claim on the DSB bankruptcy estate, which related to the sale of the underlying mortgage portfolio to NIBC and is recorded in net interest income at Group Functions. The figures for 2020 included a positive revaluation of EUR 23 million for the claim, recorded in net interest income at Group Functions.

Revaluation of equity stake in Tink

The figures for 2021 include a EUR 41 million revaluation gain on ABN AMRO's equity stake in Tink (via ABN AMRO Ventures), recorded in other operating income at Retail Banking.

CIB non-core wind-down

The figures for 2021 include a EUR 121 million discount to book value on a loan disposal as part of the wind-down of the CIB non-core portfolio, recorded in other operating income. This related to the sale of a portfolio of energy loans that effectively ended ABN AMRO's exposure to the oil & gas industry in the USA.

The figures for 2020 included a total of EUR 160 million for one-off costs relating to the wind-down of the CIB non-core portfolio, of which EUR 103 million was recorded in personnel expenses and EUR 57 million in other expenses. Furthermore, a EUR 120 million write-off for deferred tax assets was recorded in income tax expense.

Adjusted accounting estimates for amortisation of penalty interest on mortgages

In 2020, ABN AMRO adjusted its accounting estimate for amortisation of penalty interest on mortgages to reflect client behaviour over the past years. This resulted in a one-off charge of EUR 80 million, recorded in net interest income at ALM in Group Functions.

Sale and leaseback of Paris office

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

Provision for SME derivatives-related issues

The figures for 2020 include a EUR 15 million release from the provision for client compensation for SME derivatives-related issues, recorded in other operating income (at CIB).

Restructuring provisions

The figures for 2020 include EUR 11 million net in restructuring provisions, excluding CIB non-core, recorded in personnel expenses, of which EUR 9 million was recorded at Private Banking.

Release for discretionary variable remuneration

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

Provision for AML programme

Other expenses in 2020 included an addition of EUR 44 million to the provision for the AML remediation programme (largely recorded at Group Functions).

Goodwill impairment at Private Banking Belgium

Other expenses in 2020 included a EUR 34 million goodwill and intangible impairment at Private Banking Belgium.

Release relating to tax deductibility of AT1 coupon payments

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

Analysis

ABN AMRO's full-year profit for 2021 amounted to EUR 1,234 million, compared with a loss of EUR 45 million in 2020. Profits were supported by a net release of impairments, combined with strong net fee and commission income and significantly higher equity participation results, partly offset by the AML settlement (EUR 480 million).

Return on equity in 2021 was 5.8%, compared with a negative 0.8% in 2020.

Return on assets in 2021 was 0.28% (2020: 0.04% negative), mainly due to the higher return in 2021.

Net interest income decreased by EUR 653 million to EUR 5,210 million, compared to EUR 5,863 million in 2020. Excluding large incidentals, net interest income decreased by EUR 534 million, mainly due to continued pressure on deposit margins in a low interest rate environment and to lower average corporate loan volumes following the wind-down of the CIB non-core portfolio. In order to relieve the pressure on deposit margins, ABN AMRO started charging negative rates of interest on client deposits and lowered the negative rate threshold in phases (deposit threshold Q1 2021: EUR 500,000; Q3 2021: EUR 150,000; Q1 2022: EUR 100,000).

Net fee and commission income increased to EUR 1,664 million, which was EUR 106 million higher than in 2020. This increase was mainly attributable to higher asset management fee income in Private Banking and the strong performance at Clearing and Global Markets in CIB core. The increase was partly offset by a decrease in CIB non-core in relation to the wind-down.

Other operating income amounted to EUR 724 million in 2021 (2020: EUR 494 million). The figures for 2021 include a gain of EUR 327 million on the sale and leaseback of our head office in Amsterdam, while our 2020 results included a EUR 263 million book gain on the sale of our office building in Paris. In addition, volatile items (consisting of equity participation results, CVA/DVA/FVA and hedge accounting-related results) were significantly higher in 2021 (gain of EUR 178 million versus a loss of EUR 4 million in 2020). This was partly offset by a EUR 121 million discount to book value on a loan disposal in the CIB non-core portfolio recorded in 2021.

Personnel expenses increased by EUR 44 million, totalling EUR 2,324 million in 2021 (2020: EUR 2,280 million). Excluding large incidentals, personnel expenses rose, mainly due to an increase in FTEs at the bank's AML activities, combined with overall wage inflation.

Other expenses rose by EUR 506 million to EUR 3,482 million in 2021 (2020: EUR 2,976 million), mainly due to the AML settlement (EUR 480 million in Q1 2021) and higher regulatory levies (EUR 435 million versus EUR 368 million in 2020). Excluding incidentals and regulatory levies, other expenses increased by around EUR 50 million, largely due to higher non-employee FTEs (2021: 6,524 versus 2020: 5,621), partly to support our AML activities.

Impairment releases in 2021 amounted to EUR 46 million (2020: EUR 2,303 million addition). Releases were attributable to a more favourable economic scenario during the year, partly offset by additions from management overlays. The cost of risk amounted to -7bps in 2021 (2020: 78bps).

Income tax expenses amounted to EUR 604 million in 2021 (2020: EUR 401 million). The increase was attributable to higher taxable profit recorded in 2021 compared to the previous year, mainly driven by a significantly lower level of impairment charges and the sale and leaseback of our head office. The effective tax rate in 2021 was 33%, compared with the standard Dutch rate of 25%. This was mainly driven by the AML settlement in Q1 2021, which is not tax deductible.

Balance sheet

(in millions)	31 December 2021	31 December 2020
Cash and balances at central banks	66,865	60,190
Financial assets held for trading	1,155	1,315
Derivatives	3,785	6,381
Financial investments	43,165	47,455
Securities financing	16,138	16,725
Loans and advances banks	2,801	3,394
Loans and advances customers	258,251	252,159
Other	6,955	8,005
Total assets	399,113	395,623
Financial liabilities held for trading	687	563
Derivatives	4,344	7,391
Securities financing	9,494	11,363
Due to banks	38,076	36,719
Due to customers	251,218	238,570
Issued debt	59,688	66,949
Subordinated liabilities	7,549	8,069
Other	6,059	5,010
Total liabilities	377,114	374,634
Equity attributable to the owners of the parent company	21,994	20,989
Equity attributable to non-controlling interests	5	
Total equity	21,999	20,989
Total liabilities and equity	399,113	395,623
Committed credit facilities	54,642	55,207
Guarantees and other commitments	7,598	8,981

Main developments in assets compared with 31 December 2020

Total assets increased by EUR 3.5 billion, totalling EUR 399.1 billion at 31 December 2021, mainly driven by higher cash and balances at central banks, as well as loans and advances customers (mainly at CIB core and Commercial Banking).

Cash and balances at central banks rose by EUR 6.7 billion to EUR 66.9 billion at 31 December 2021, mainly due to higher outstanding balances at central banks.

Loans and advances customers increased by EUR 6.1 billion, totalling EUR 258.3 billion at 31 December 2021. This was largely attributable to an increase in loans to professional counterparties (up EUR 7.3 billion, mainly at Clearing), partly offset by a slight decrease in client loans (down EUR 0.4 billion).

► **Client loans** declined by EUR 0.4 billion to EUR 235.1 billion at 31 December 2021. Corporate loans showed a slight decline owing to the ongoing wind-down of our CIB non-core portfolio (down EUR 8.8 billion), largely offset by an increase at our CIB core business (up EUR 5.8 billion) and Commercial Banking (up EUR 2.1 billion). Residential mortgages and consumer loans remained broadly stable.

(in millions)	31 December 2021	31 December 2020
Residential mortgages	146,351	145,672
Consumer loans	10,794	11,232
Corporate loans to clients ¹	77,965	78,587
- of which <i>Commercial Banking</i>	41,967	39,838
- of which <i>Corporate & Institutional Banking</i>	28,529	31,560
Total client loans²	235,110	235,491
Loans to professional counterparties and other loans ³	23,605	16,297
Total loans and advances customers³	258,715	251,788
Fair value adjustments from hedge accounting	1,951	3,838
Less: loan impairment allowance	2,416	3,467
Total loans and advances customers	258,251	252,159

¹ Corporate loans excluding loans to professional counterparties.

² Excluding fair value adjustment from hedge accounting.

³ Loans to professional counterparties and other loans includes loans and advances to governments, official institutions and financial markets parties.

Main developments in liabilities compared with 31 December 2020

Total liabilities increased by EUR 2.5 billion, totalling EUR 377.1 billion at 31 December 2021 (2020: EUR 374.6 billion). The increase was recorded mainly in due to customers, which was partly offset by lower issued debt securities.

Due to customers increased by EUR 12.7 billion, totalling EUR 251.2 billion at 31 December 2021 (2020: EUR 238.6 billion). The increase occurred in client deposits (mainly at Commercial Banking and CIB core) following excess liquidity in the market, and in professional deposits (largely at Clearing).

Issued debt securities decreased by EUR 7.3 billion to EUR 59.7 billion at 31 December 2021, mainly due to matured long-term and short-term funding and lower amounts of newly issued debt (due to our participation in TLTRO III). Issued debt at 31 December

2021 comprised EUR 31.3 billion in covered bonds, EUR 13.2 billion in senior preferred funding, EUR 6.0 billion in senior non-preferred funding and EUR 9.2 billion in commercial paper and certificates of deposit. A total of EUR 6.9 billion in outstanding long-term funding and EUR 9.2 billion in outstanding short-term funding will mature within 12 months.

Total equity stood at EUR 22.0 billion at 31 December 2021 (2020: EUR 21.0 billion). This increase resulted from the inclusion of profit for the period and an increase in accumulated other comprehensive income. In addition, our final 2019 dividend was paid in October 2021.

Equity attributable to owners of the parent company, excluding AT1 securities, increased by EUR 1.0 billion to EUR 20.0 billion at 31 December 2021, equivalent to a book value of EUR 21.28 per share based on 940,000,001 outstanding shares.

(in millions)	31 December 2021	31 December 2020
Retail Banking	87,284	89,038
Commercial Banking	56,331	52,537
Private Banking	63,333	61,513
Corporate & Institutional Banking	38,088	28,680
Group Functions	6,182	6,802
Total due to customers	251,218	238,570

Financial business performance

Retail Banking

Financial highlights

- ▶ Net interest income declined owing to provisioning for the settlement relating to revolving consumer credit with floating interest rates, and continued pressure on deposit margins.
- ▶ The market share of new production¹ in residential mortgages improved to 16% in 2021 (2020: 14%).
- ▶ Net fee and commission income rose to EUR 312 million (2020: EUR 303 million), reflecting recovery in credit card usage (ICS) and payment service fee income.

- ▶ Operating expenses were higher than in 2020, totalling EUR 2,163 million (2020: EUR 2,015 million), mainly due to higher regulatory levies and costs related to AML activities. The figure for 2021 also includes provisions related to the costs of handling the compensation scheme for revolving consumer credit.
- ▶ Impairments showed a net release of EUR 41 million in 2021, mainly in stages 1 and 2.

¹ Dutch Land Registry (Kadaster) has updated its methodology for determining the market shares as of 2021. Previously published data has been updated.

(in millions)	2021	2020	Change
Net interest income	2,032	2,638	-23%
Net fee and commission income	312	303	3%
Other operating income	128	68	88%
Operating income	2,471	3,009	-18%
Personnel expenses	416	408	2%
Other expenses	1,747	1,606	9%
Operating expenses	2,163	2,015	7%
Operating result	309	994	-69%
Impairment charges on financial instruments	-41	77	
Profit/(loss) before taxation	350	917	-62%
Income tax expense	85	229	-63%
Profit/(loss) for the period	265	687	-61%
Cost/income ratio	87.5%	67.0%	
Cost of risk (in bps) ¹	-3	4	
Other indicators			
Loans and advances customers (in billions)	147.7	148.5	
- <i>of which Client loans (in billions)²</i>	148.0	148.8	
Due to customers (in billions)	87.3	89.0	
Risk-weighted assets (in billions)	34.2	26.7	
Number of employees (in FTEs)	4,518	4,525	
Total client assets (in billions)	99.7	99.7	
- <i>of which Cash</i>	87.3	89.0	
- <i>of which Securities</i>	12.4	10.6	

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

² Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income declined to EUR 2,032 million in 2021 (2020: EUR 2,638 million), mainly due to provisioning for revolving consumer credit, totalling EUR 265 million in 2021, and continued pressure on deposit margins. Interest income on residential mortgages also decreased. This was driven by lower volumes and margins, resulting from fierce market competition, and by high redemption of mortgages with relatively high margins.

Net fee and commission income rose to EUR 312 million (2020: EUR 303 million), reflecting recovery in credit card usage (ICS) and payment service fee income.

Other operating income totalled EUR 128 million in 2021 (2020: EUR 68 million), reflecting a positive revaluation result on our ventures portfolio, including a EUR 41 million gain on Tink.

Personnel expenses amounted to EUR 416 million in 2021 (2020: EUR 408 million), mainly due to the continued expansion of our AML activities.

Other expenses increased by EUR 141 million in 2021 to EUR 1,747 million. This increase was mainly attributable to the upscaling of AML activities, as well as to higher regulatory levies (EUR 224 million versus EUR 192 million in 2020). The figure for 2021 also includes a charge for the cost of handling the compensation scheme for revolving consumer credit (EUR 50 million).

Impairment charges recorded a release of EUR 41 million in 2021 (2020: EUR 77 million addition), mainly in stages 1 and 2.

Other indicators

Loans and advances customers decreased by EUR 0.8 billion to EUR 147.7 billion (2020: EUR 148.5 billion), mainly driven by lower consumer loans in 2021.

Total client assets remained stable at EUR 99.7 billion in 2021.

Commercial Banking

Financial highlights

- Net interest income declined 2% to EUR 1,442 million in 2021, mainly as a result of continued pressure on deposit margins and lower average client loan volumes. Towards the end of the year, however, corporate lending volumes increased notably.
- Net fee and commission income was flat; payment service fee income, however, recovered during the second half of the year.

- Operating expenses increased, mainly due to costs related to AML activities and higher regulatory levies.
- Impairment charges were EUR 41 million in 2021, compared with EUR 542 million in 2020. The figure for 2020 included higher individual and model-based impairments, reflecting the impact of Covid-19.
- During the year we launched multiple digital initiatives, differentiating our offering and personalising our user experience, including a new set of payment packages (basic to premium) and launching a new digital lending platform (Aymz) to connect Dutch mid-sized companies to institutional investors.

(in millions)	2021	2020	Change
Net interest income	1,442	1,471	-2%
Net fee and commission income	256	256	0%
Other operating income	33	26	24%
Operating income	1,730	1,753	-1%
Personnel expenses	257	243	6%
Other expenses	877	796	10%
Operating expenses	1,134	1,039	9%
Operating result	596	714	-17%
Impairment charges on financial instruments	41	542	-92%
Profit/(loss) before taxation	555	173	
Income tax expense	150	49	
Profit/(loss) for the period	406	124	
Cost/income ratio	65.6%	59.3%	
Cost of risk (in bps) ¹	3	128	
Other indicators			
Loans and advances customers (in billions)	41.4	39.2	
- of which Client loans (in billions) ²	42.6	40.4	
Due to customers (in billions)	56.3	52.5	
Risk-weighted assets (in billions)	29.5	29.2	
Number of employees (in FTEs)	2,331	2,197	

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

² Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income decreased to EUR 1,442 million in 2021 (2020: EUR 1,471 million), mainly as a result of continued pressure on deposit margins and lower average corporate loan volumes.

Net fee and commission income remained flat at EUR 256 million in 2021, with the economic recovery lagging due to Covid-19. Payment service fee income partly recovered during the second half of the year, however.

Other operating income was broadly stable at EUR 33 million in 2021 (2020: EUR 26 million) and included a few positive one-off items.

Personnel expenses came out EUR 14 million higher, totalling EUR 257 million in 2021. The increase related mainly to FTEs for regulatory projects and strategic initiatives and, to a lesser extent, to wage inflation.

Other expenses increased to EUR 877 million in 2021 (2020: EUR 796 million), mainly due to the expansion of AML activities and higher regulatory levies (EUR 69 million versus EUR 56 million in 2020).

Impairment charges decreased significantly to EUR 41 million in 2021 (down from EUR 542 million in 2020), mainly due to model-based releases and limited individual additions during the year. In 2020, high individual stage 3 impairments (attributable mainly to the food, shipping, and industrial goods & services sectors) were recorded.

Other indicators

Loans and advances customers increased by EUR 2.2 billion to EUR 41.4 billion in 2021 (2020: EUR 39.2 billion), mainly reflecting a growth in client loans in the real estate sector.

Private Banking

Financial highlights

► Net interest income remained stable. This was despite continued pressure on deposit margins, which was mitigated by negative interest rates being charged on client deposits.

- Net fee and commission income increased to EUR 602 million, up 20% from 2020. The increase was attributable mainly to favourable stock market developments resulting in an increase in asset management fee income and a higher client asset base.
- Other operating income was lower at EUR 39 million, compared with EUR 286 million in 2020. Operating income in 2020 included a EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris that year.
- Operating expenses were slightly higher in 2021, mainly due to costs related to strategic initiatives and AML activities, which were partly offset by lower large incidentals. ESG client asset increased to EUR 43.1 billion, from EUR 26.2 billion in 2020.

(in millions)

	2021	2020	Change
Net interest income	634	637	0%
Net fee and commission income	602	502	20%
Other operating income	39	286	-86%
Operating income	1,275	1,425	-11%
Personnel expenses	391	371	5%
Other expenses	562	574	-2%
Operating expenses	953	945	1%
Operating result	322	480	-33%
Impairment charges on financial instruments	-6	26	
Profit/(loss) before taxation	328	454	-28%
Income tax expense	94	151	-38%
Profit/(loss) for the period	234	303	-23%
Cost/income ratio	74.8%	66.3%	
Cost of risk (in bps) ¹	-5	19	
Gross margin on client assets (in bps)	63	79	

Other indicators

Loans and advances customers (in billions)	15.9	14.6
- of which Client loans (in billions) ²	16.0	14.7
Due to customers (in billions)	63.3	61.5
Risk-weighted assets (in billions)	10.6	10.3
Number of employees (in FTEs)	2,886	2,848
Total client assets (in billions)	213.9	189.6
- of which Cash	63.3	61.7
- of which Securities	150.6	127.9

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

² Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income was broadly stable at EUR 634 million in 2021 (2020: EUR 637 million), despite continued pressure on deposit margins, which was mitigated to a large extent by negative rates being charged on client deposits. We also lowered the threshold at which negative rates apply from EUR 500,000 in Q1 2021 to EUR 150,000 in Q3 2021, and then to EUR 100,000 in Q1 2022.

Net fee and commission income increased significantly to EUR 602 million (2020: EUR 502 million), attributable mainly to higher asset management fee income resulting from a higher client asset base and favourable stock market developments.

Other operating income amounted to EUR 39 million in 2021 (2020: EUR 286 million), largely because 2020 included a EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris.

Personnel expenses increased to EUR 391 million in 2021 (2020: EUR 371 million), mainly due to an increase in FTEs for strategic initiatives.

Other expenses decreased to EUR 562 million in 2021 (2020: EUR 574 million). Expenses in 2020 included a one-off impairment charge of EUR 34 million. Excluding incidentals, other expenses increased due to the upscaling of AML activities.

Impairment showed a net release of EUR 6 million in 2021 (compared with a charge of EUR 26 million in 2020), mainly as a result of model-based provision releases.

Due to customers increased by EUR 1.8 billion to EUR 63.3 billion in 2021 (2020: EUR 61.5 billion), mainly in the Netherlands.

Other indicators

Client assets rose by EUR 24.3 billion to EUR 213.9 billion in 2021 (2020: EUR 189.6 billion), largely due to a positive stock market performance and an inflow of net new assets.

► **Net new assets** totalled EUR 1.5 billion (compared with a net outflow in 2020 of EUR 8.6 billion), mainly driven by a significant cash inflow throughout the year.

	31 December 2021	31 December 2020
Opening balance client assets	189.6	195.2
Net new assets	1.5	-8.6
Market performance	16.9	-3.0
Divestments/acquisitions	6.0	6.0
Closing balance client assets	213.9	189.6
Breakdown by type		
Cash	63.3	61.7
Securities	150.6	127.9
- <i>of which Custody</i>	37.2	28.1
Breakdown by geography		
The Netherlands	58%	58%
Rest of Europe	42%	42%

Corporate & Institutional Banking

Financial highlights

- Net interest income was lower than in 2020, driven mainly by progress with the non-core wind-down and partly offset by a rise in activity at Clearing.
- Net fee and commission income decreased by 3%, reflecting a solid performance at CIB core, mainly in Clearing and Global Markets, largely offsetting a decline at CIB non-core due to the wind-down.
- Other operating income in 2021 included significantly higher results from our private equity participations and CVA/DVA/FVA¹ than in 2020, partly offset by a discount to book value on loan disposals as part of the wind-down.

- Operating expenses declined by EUR 88 million to EUR 1,123 million; expenses in 2020 included a EUR 160 million provision for the wind-down of non-core.
- Impairment showed a net release of EUR 37 million in 2021. This represented a turnaround compared to the charge of EUR 1,659 million recorded in 2020 and which primarily comprised stage 3 additions for (non-core) TCF clients.
- An inaugural senior social bond issued for a UK building society, as well as an inaugural sustainability-linked derivative coupled to a sustainability-linked loan.

¹ Credit Valuation Adjustment/Debt Valuation Adjustment/Funding Valuation Adjustment(CVA/DVA/FVA).

(in millions)	2021	2020	Change
Net interest income	903	1,123	-20%
Net fee and commission income	515	529	-3%
Other operating income	163	32	
Operating income	1,581	1,683	-6%
Personnel expenses	430	484	-11%
Other expenses	693	727	-5%
Operating expenses	1,123	1,211	-7%
Operating result	458	472	-3%
Impairment charges on financial instruments	-37	1,659	
Profit/(loss) before taxation	495	-1,187	
Income tax expense	117	5	
Profit/(loss) for the period	378	-1,192	
Cost/income ratio	71.0%	71.9%	
Cost of risk (in bps) ¹	-27	250	
Other indicators			
Loans and advances customers (in billions)	50.6	45.3	
- of which Client loans (in billions) ²	28.6	31.6	
Due to customers (in billions)	38.1	28.7	
Risk-weighted assets (in billions)	39.5	39.5	
Number of employees (in FTEs)	2,298	2,480	

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

² Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income declined to EUR 903 million in 2021 (2020: EUR 1,123 million) due to lower income at CIB non-core as a result of lower corporate loan volumes following the wind-down (since 30 June 2020, we have reduced our loan book by around 90%). Meanwhile net interest income at CIB core increased.

Net fee and commission income decreased to EUR 515 million in 2021 (2020: EUR 529 million). At CIB core, net fee and commission income increased by EUR 42 million, driven mainly by Clearing (due to higher market volatility) and Global Markets (stronger capital market fees). This increase was offset by a decline at CIB non-core due to the wind-down.

Other operating income increased by EUR 131 million to EUR 163 million in 2021 (2020: EUR 32 million). The increase was mainly due to a favourable result from private equity participations (EUR 92 million versus EUR 55 million negative in 2020) and higher CVA/DVA/FVA (EUR 46 million versus EUR 8 million negative in 2020). This was partly offset by the discount on the book value of loan disposals as part of the wind-down.

Personnel expenses declined by EUR 54 million to EUR 430 million in 2021 (2020: EUR 484 million). Expenses in 2020 included a one-off provision for the CIB non-core wind-down and discretionary variable remuneration. This was partly offset by higher expenses at CIB core due to an increase in FTEs and overall wage inflation.

Other expenses decreased by EUR 34 million to EUR 693 million in 2021, compared with EUR 727 million in 2020. The latter included a one-off provision relating to the CIB non-core wind-down. The decrease in 2021 was partly offset by higher costs related to AML activities and strategic initiatives, as well as higher levies (EUR 109 million versus EUR 89 million in 2020).

Impairment charges recorded a net release of EUR 37 million in 2021 (2020: EUR 1,659 million addition). The charge for 2020 primarily comprised stage 3 additions for (non-core) TCF clients, mainly in the energy sector.

Other indicators

Loans and advances customers increased by EUR 5.3 billion to EUR 50.6 billion in 2021 (2020: EUR 45.3 billion), mainly at Clearing. This more than offset the decrease in client loans.

► **Client loans** decreased by EUR 3.0 billion to EUR 28.6 billion in 2021 (2020: EUR 31.6 billion), largely because of lower loan volumes at CIB non-core. At the same time, our core business reported an increase in client loans during the year to EUR 26.6 billion.

Due to customers increased by EUR 9.4 billion to EUR 38.1 billion (2020: EUR 28.7 billion) due to higher client deposits resulting from excess liquidity as an effect of Covid-19, and to higher professional deposits.

Group Functions

Financial highlights

► Net interest income increased significantly, mainly as a result of the additional TLTRO discount of EUR 93 million and higher mortgage prepayment penalties. In addition, 2020 included a one-off charge of EUR 80 million for adjusted accounting estimates relating to mortgage penalty interest amortisation.

- Other operating income rose to EUR 362 million, largely due to the sale and leaseback of our head office in Amsterdam, partly offset by lower hedge accounting-related results.
- Operating expenses were higher in 2021, largely because of the AML settlement of EUR 480 million.
- ABN AMRO continued to make progress on its remediation programmes. By the end of 2021, around 5,100 FTEs (approximately 20% of total FTEs) had been committed to AML activities and centralised in Group Functions.

(in millions)	2021	2020	Change
Net interest income	198	-6	
Net fee and commission income	-21	-31	32%
Other operating income	362	82	
Operating income	539	45	
Personnel expenses	831	774	7%
Other expenses	-398	-727	45%
Operating expenses	433	47	
Operating result	106	-1	
Impairment charges on financial instruments	-3	-1	
Profit/(loss) before taxation	109	-1	
Income tax expense	158	-33	
Profit/(loss) for the period	-49	33	
Other indicators			
Securities financing - assets (in billions)	10.5	11.4	
Loans and advances customers (in billions)	2.7	4.7	
Securities financing - liabilities (in billions)	9.5	11.0	
Due to customers (in billions)	6.2	6.8	
Risk-weighted assets (in billions)	4.0	4.7	
Number of employees (in FTEs)	7,922	7,184	

Net interest income increased to EUR 198 million in 2021 (compared with a loss of EUR 6 million in 2020), excluding large incidentals. This increase was due mainly to an additional TLTRO discount (EUR 93 million) and higher mortgage prepayment penalties.

Net fee and commission income showed a loss of EUR 21 million in 2021 (2020: EUR 31 million negative), resulting from lower fees paid to securities financing.

Other operating income amounted to EUR 362 million in 2021 (2020: EUR 82 million), including a gain of EUR 327 million on the sale and leaseback of the Amsterdam head office. This was partly offset by lower hedging accounting-related income (EUR 40 million in 2021, compared with EUR 59 million in 2020) and a charge of EUR 49 million regarding the repayment of German dividend withholding tax credits and accrued interest. The amounts repaid to the German tax authorities have been repaid in anticipation of a decision.

Personnel expenses increased by EUR 57 million to EUR 831 million in 2021, mainly due to the upscaling of AML activities and the resultant increase in FTEs and, to a lesser extent, to wage inflation.

Other expenses increased to EUR 398 million negative in 2021 (2020: EUR 727 million negative), including the AML settlement of EUR 480 million.



Outlook

Another year dominated by Covid-19 has made it abundantly clear that we need to collaborate. Going into 2022, the world is now better prepared and has demonstrated resilience. The economic outlook remains uncertain despite society moving to a post-pandemic situation, but we expect economies to grow. At the same time, challenges such as climate change and social inequality have intensified.

Economic and business environment

We expect the Dutch economy to continue its post-Covid-19 recovery in 2022. ABN AMRO Group Economics expects the economy to grow by 3.0%, slower than in 2021, but well above the economy's long-term growth trend. The eurozone economy shows a similar trend, with growth expected to slow to 3.7% in 2022. The economic recovery, in both the Netherlands and the eurozone, remains vulnerable, not least because of supply chain pressures. New lockdowns or a further tightening of restrictions, similar to those imposed in the Netherlands in December and January, may slow the recovery going forward.

The labour market is currently very tight. Unemployment stood at 3.8% in December. Given that there is little to no slack in the Dutch labour market and in combination with unfavourable demographics, the withdrawal of government support measures in 2022 will only lead to a small increase in unemployment in 2022. Further restructuring may be seen in sectors affected by the pandemic, including hospitality, retail, and transport.

Strong worldwide demand, coupled with rising energy prices (particularly natural gas), has caused inflation to rise in the Netherlands. These temporary factors will also drive inflation in the first half of 2022. Group Economics expects the inflationary pressures to ease mid-2022, as energy price inflation will run out of steam and supply side issues will fade since the impact of the pandemic and corresponding restrictions is expected to wane.

There is no immediate prospect of an increase in short-term interest rates. Long-term rates are set to rise slightly due to spillover effects from rising treasuries resulting from a normalisation of monetary policy in the United States.

For ABN AMRO, low interest rates will continue to put pressure on deposit margins. As the government will withdraw its support schemes in the course of 2022, bank lending to the corporate sector should steadily improve. The economy, however, still has abundant liquidity after several years of central bank intervention.

We expect house prices in the Netherlands to continue rising. Market fundamentals remain broadly unchanged, with tight housing supply and low interest rates driving demand for mortgages. Our forecast is for a further price rise of 12.5% in 2022, following a 15% increase in 2021. The housing market shows signs of overheating, but as the drop in mortgage rates has ended the market is set to ease off.

Society and climate change

Climate change is likely to remain centre stage, following the COP26 conference in Glasgow in November 2021. Governments are under pressure to take further action to limit global warming to 1.5 degrees Celsius. Across Europe, governments are stressing the importance of a green recovery. We expect continued strong demand for sustainability financing in 2022. New regulations will help support this demand. During the year, the EU will continue the roll-out of its taxonomy for sustainable activities. It is also expected to issue further guidance to accompany SFDR.

Society's expectations of ABN AMRO will remain high. Post-Covid, there is increased scrutiny of the bank's approach to social issues like diversity and equality. In the labour market, we are seeing continued skills shortages across Europe. These shortages are most noticeable in areas such as data analytics and digital marketing. Even after the pandemic, we do not expect a return to former working practices. Hybrid working will require continued adjustment – from both an operational and a cultural point of view.

Bank performance

As we begin to emerge from the pandemic going into 2022, the economy has proven flexible. We will continue to execute on our strategy in becoming a personal bank in the digital age. We will continue to invest in digital banking, improve customer experience, reduce costs and simplify our operating model. We will also continue the shift to digital banking for our clients and scale up sustainable financing. By the end of 2024, we want to increase the percentage of sustainable acceleration asset volume to at least 36%.

Based on the interest rates current economic outlook at the end of 2021 we expect pressure on net interest income, mainly from continued low interest rates and margin pressure across all business lines, to bottom out by the second half of 2023. To address this, we are looking to increase income from fees and commissions and continuing to grow in our strategic focus areas.

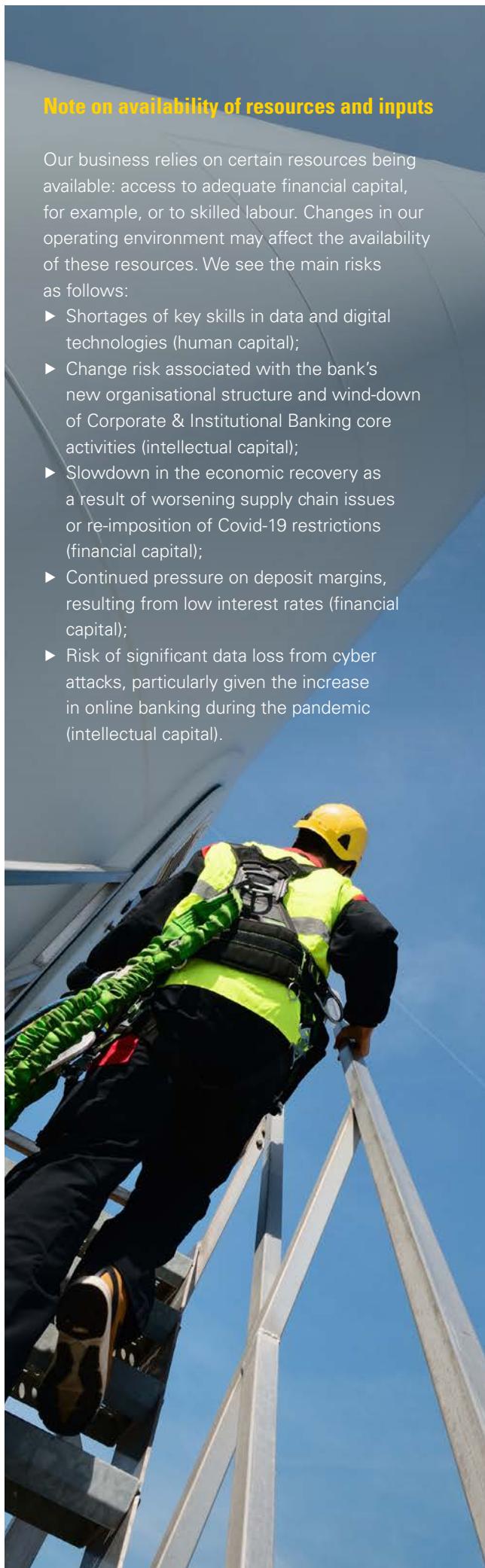
We remain focused on cost discipline and continue to execute on our well-substantiated cost saving plans, mostly from further product and process optimisation. We expect our cost base to start declining during 2022, also as AML costs have peaked in 2021. Our strategic cost savings programmes will broadly offset cost increases from inflation and other cost increases. We remain firmly on track to drive our cost below EUR 4.7 billion by 2024. We have adjusted our through-the-cycle cost-of-risk guidance to around 20bps, mainly driven by the de-risking of our balance sheet from the wind-down of CIB non-core and the tightened risk appetite.

We announced a EUR 500 million share buy-back in February 2022, which we plan to complete by June 2022. Our intention is to use similar share buy-backs in future to optimise our capital position. Overall, our capital position remains strong.

Note on availability of resources and inputs

Our business relies on certain resources being available: access to adequate financial capital, for example, or to skilled labour. Changes in our operating environment may affect the availability of these resources. We see the main risks as follows:

- ▶ Shortages of key skills in data and digital technologies (human capital);
- ▶ Change risk associated with the bank's new organisational structure and wind-down of Corporate & Institutional Banking core activities (intellectual capital);
- ▶ Slowdown in the economic recovery as a result of worsening supply chain issues or re-imposition of Covid-19 restrictions (financial capital);
- ▶ Continued pressure on deposit margins, resulting from low interest rates (financial capital);
- ▶ Risk of significant data loss from cyber attacks, particularly given the increase in online banking during the pandemic (intellectual capital).





Guide for readers

This chapter provides an oversight of bank's risk management and performance and examines what risks we face as a bank – and how we manage our risk and capital requirements.



Risk, funding & capital

This chapter provides an oversight of bank's risk management and performance and examines what risks we face as a bank – and how we manage our risk and capital requirements.

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Tanja Cuppen, Chief Risk Officer

"Less and less energy will now go into de-risking and more into building and growing the bank in the areas we've identified as part of the strategy – in Northwest Europe, among SMEs, and in the mortgage business. To say we're de-risking doesn't mean we're not taking any risks. A bank is all about taking risks to support the economy and help clients develop their businesses."

[Read more →](#)

Interview with our Chief Risk Officer



Over the past year, ABN AMRO has addressed some important risk areas, not least at Corporate & Institutional Banking. How successful has the bank been in that?

I'd say it's been a very good year in terms of de-risking. The wind-down of non-core activities in Corporate & Institutional Banking has taken some of the volatility out of our risk costs. At the same time, we completed the anti-money laundering (AML) investigation. We also reached agreement with the Dutch Consumers' Association on compensation for revolving consumer credit. These files had a long history. The AML settlement, in particular, was an important moment. We've made progress on the execution of our remediation programme, but the remediation is requiring more effort and we expect that the remediation will continue in 2023. The activities, however, are here to stay. It's part of our day-to-day business, and needs to be if we're to retain trust and our long-term licence to operate. Unfortunately, criminals will continue to try using the banking system for fraud, financial crime and drugs money. So we have to be vigilant and to play that vital role of gatekeeper.

Has the wind-down at Corporate & Institutional Banking gone much faster than originally expected?

It has – the team there has done a great job. We had a lot of interest in the assets we were selling, partly because there's so much liquidity around in the markets, and so the process has actually been more capital-accretive than we had anticipated. Most of the wind-down has now been completed. What we have left – maybe 10% – we're comfortable with. Any non-performing loans there may be are very well provisioned.

Is this phase of de-risking for the bank now over?

We're certainly approaching the end of it. So, less and less energy will now go into de-risking and more into building and growing the bank in the areas we've identified as part of the strategy – in Northwest Europe, among SMEs, and in the mortgage business. To say we're de-risking doesn't mean we're not taking any risks. A bank is all about taking risks to support the economy and help clients develop their businesses. But I feel that our risk profile is now pretty much where we'd like it to be. That's why we've recently been able to lower our cost-of-risk outlook. At the same time, a lot of the uncertainty on capital requirements has gone. The Targeted Review of Internal Models (TRIM) is complete and, you'll notice, our main capital ratios mean we've been able to bring the bank largely into line with the new rules under Basel IV.

"I feel that our risk profile is now pretty much where we'd like it to be. That's why we've recently been able to lower our cost-of-risk outlook"

What about the outlook for the corporate sector, particularly when the government withdraws the financial support it's been providing during the pandemic?

Certainly, Covid-19 has been with us throughout 2021, and for much longer than we'd hoped. Some sectors have been hit very hard, but others have been able to cope well with the pandemic. We see the same trend among our own clients. The government has also stepped in with support for those sectors worst affected. Of course, these are real people and real businesses who've suffered during the pandemic. Even so, they represent only a small part of the overall economy. Most of our clients are not at all dependent on government support. So we're not expecting any kind of cliff-edge when that support is withdrawn. If you look at our credit risk profile, we've had to make a few additional provisions, but we've also had provision releases, and these have more or less offset each other. This strong credit quality means, for 2021, that our cost of risk was just below zero. Overall, the economy has actually proved fairly resilient despite Covid-19. Going into next year, in terms of risk, we've got higher inflation, which could mean higher interest rates at the longer end. Inevitably, higher rates will impact on companies and their ability to invest.

How do you view the current boom in house prices in the Netherlands. Is the market becoming overheated?

House prices have been continuing to rise, but the outlook is still positive. One of the factors behind this is really the shortage of houses in the Netherlands. That's putting upward pressure on prices. It's always possible there will be a correction. It is not the most likely scenario, although we obviously consider that possibility, and what it would mean for our mortgage portfolio. It's our job to look at all scenarios and to be prepared for them, even those we think aren't most likely.

What about climate risk? How well integrated is this into your risk management and modelling?

It's still a work in progress. In terms of our models, we have to think through the effects of climate change, sector by sector, company by company, and look at where a transition to achieve carbon neutrality or a lower carbon footprint is needed. We also have to consider how we can work with

clients to finance that transition. And that brings us back to credit risk. There will be an EU-wide climate stress test in 2022, which will be very useful in helping banks like ABN AMRO to think through the implications. In many respects, this begins with data from companies we're lending to. And getting data that is reliable and consistent, which is not always the case right now. In credit risk management, we have a common language, and this is a language we've had for years. But in sustainability, that common language is still in development. What helps, however, is that sustainability is a key part of our purpose and strategy, and we have appropriate policies in place. In the case of higher-risk clients we already carry out additional assessments. What we need to do now is to take that approach up a notch and start looking at risk across our portfolios, and not just at the higher-risk areas. This is going to be a gradual process; it's not going to happen overnight. We have decided to set up an Executive Board Sustainability Committee to oversee our approach, both to risks and opportunities, and so are focusing strongly on this at the highest level in the bank.

As Chief Risk Officer, one of your priorities going into 2022 is climate change. But presumably that won't be the only one?

Of course we have to prepare for climate change; the climate won't wait for us. That's why we're focusing on transition sectors as part of our growth strategy, and specifically on energy, mobility and digital. AML also remains an important topic: we're committing a lot of resources to that. Cyber security, too, is very important. We appreciate the growing risk that cyber attacks and data loss represent for our clients, whether they're corporations or individuals, and we need to help these clients to become more resilient and so less vulnerable. Neither of these topics – AML or cyber security – are going to disappear any time soon. At the same time, it's important to keep focusing on our risk culture; in other words, on ensuring a continuous focus on risks within the bank. That's something we pay a lot of attention to because risks change and evolve over time, and new risks emerge – and we have to be ready for that.

Tanja Cuppen

CRO of ABN AMRO Bank N.V.

Introduction



About risk, funding & capital

This section provides an introduction to the Risk, funding & capital chapter. As this chapter of the Integrated Annual Report contains information based on EU IFRS as well as CRD V/CRR2, this section provides more information on differences in scope and consolidation.

Regulatory requirements

The Risk, funding & capital chapter presents the disclosures required under the Dutch Financial Supervision Act (Wet op financieel toezicht – Wft), title 9 book 2 of the Dutch Civil Code and EU IFRS. ABN AMRO also embraces the Enhanced Disclosure Task Force (EDTF) principles and recommendations. For non-financial disclosures required under the Dutch Decree on non-financial disclosures, ABN AMRO follows the guidance of the Task Force on Climate-related Financial disclosures (TCFD) and the Non-Financial Reporting Directive (NFRD), including its guidelines. Certain disclosures in the Risk, funding & capital chapter are an integral part of the Consolidated Annual Financial Statements (AFS) and contain audited information. The audited parts concern risk disclosures of financial instruments (IFRS 7) and capital disclosures (IAS 1). Audited information in these sections is labelled as 'Audited' in the respective headings.

Risk exposure measurement and scope differences

Risk measures vary according to the purpose for which the exposure is calculated: EU IFRS or the determination of regulatory or economic capital (CRD V/CRR2).

EU IFRS reporting scope

The objective of the financial statements is to provide financial information about the bank that is useful to the primary users of the financial statements in making decisions. Financial information is useful when it is relevant and reliably represents what it purports to represent. Financial statements provide information about the financial position of the bank and the effects of transactions and other events that change the bank's financial position. The consolidation scope of ABN AMRO is determined in accordance with IFRS 10 Consolidated Financial Statements. More information can be found in Note 1 Accounting policies in the Consolidated Annual Financial Statements.

Regulatory reporting scope

The objective of regulatory reporting is to take a credit risk view on the bank's portfolio and to ensure that 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 V and CRR2) 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 consolidated under EU IFRS but active in sectors other than banking and finance are excluded from the regulatory scope of consolidation.

Key risk developments

Key figures

(in millions)	31 December 2021	31 December 2020
Total loans and advances, gross excluding fair value adjustments¹	261,421	254,781
- of which Banks	2,811	3,399
- of which Residential mortgages	146,351	145,672
- of which Consumer loans	10,794	11,232
- of which Corporate loans ²	86,458	86,745
- of which Other loans and advances customers ³	15,007	7,733
On-balance sheet maximum exposure to credit risk	396,077	392,038
Total Exposure at Default (EAD)	417,214	407,354
- of which Retail Banking	163,222	163,948
- of which Commercial Banking	50,910	48,029
- of which Private Banking	20,521	18,942
- of which Corporate & Institutional Banking	74,262	63,984
- of which Group Functions	108,298	112,450
Credit quality indicators⁴		
Forbearance ratio	4.3%	5.1%
Past due ratio	0.8%	1.0%
Stage 3 ratio	2.6%	3.4%
Stage 3 coverage ratio	28.3%	32.7%
Cost of risk (in bps) ⁵	-7	78
Regulatory capital		
Total RWA	117,693	110,481
- of which Credit risk ³⁾	99,976	92,462
- of which Operational risk	16,049	16,685
- of which Market risk	1,668	1,334
Total RWA/total EAD	28.2%	27.1%
Liquidity and funding indicators		
Loan-to-Deposit ratio	103%	106%
LCR ⁴	168%	149%
NSFR	>100%	>100%
Capital ratios		
Fully-loaded CET1 ratio	16.3%	17.7%
MREL	27.9%	27.4%
Fully-loaded leverage ratio (incl. central bank exposure)	5.0%	5.0%

¹ Excluding loans and advances measured at fair value through P&L.

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

³ RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2021 is EUR 0.2 billion (31 December 2020 EUR 0.2 billion).

⁴ Consolidated LCR based on a 12-month rolling average.



Key risk figures per business segment

(in millions)	31 December 2021					
	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Total assets	149,466	43,807	18,392	69,282	118,165	399,113
Total Exposure at Default	163,222	50,910	20,521	74,262	108,298	417,214
RWA						
Credit risk ¹	26,584	26,908	8,611	35,198	2,676	99,976
Operational risk	7,591	2,548	1,939	2,615	1,356	16,049
Market risk			2	1,666		1,668
Total RWA	34,175	29,456	10,552	39,479	4,031	117,693
Total RWA/Total Exposure at Default	20.9%	57.9%	51.4%	53.2%	3.7%	28.2%
Economic capital						
Credit risk	2,487	3,226	1,027	3,753	690	11,182
Operational risk	995	335	255	344	177	2,105
Market risk				108	3,259	3,367
Business risk	241	204	254	333		1,032
Other risk types ²	217	46	183	56	849	1,352
Economic capital	3,939	3,811	1,719	4,595	4,975	19,039
						2021
Average risk exposure amount	27,946	28,580	10,085	39,479	4,263	110,354
Cost of risk (in bps) ³	-3	3	-5	-27		-7

¹ RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2021 is EUR 0.2 billion (31 December 2020 EUR 0.2 billion).

² Other risk types include own funding spread risk, equity risk and property risk.

³ Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(in millions)	31 December 2020					
	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Total assets	150,477	41,477	17,199	62,525	123,946	395,623
Total Exposure at Default	163,948	48,029	18,942	63,984	112,450	407,354
RWA						
Credit risk ¹	21,109	25,606	7,771	34,523	3,453	92,462
Operational risk	5,591	3,622	2,529	3,688	1,254	16,685
Market risk				1,334		1,334
Total RWA	26,700	29,228	10,300	39,545	4,707	110,481
Total RWA/Total Exposure at Default	16.3%	60.9%	54.4%	61.8%	4.2%	27.1%
Economic capital						
Credit risk	1,908	2,554	722	3,492	1,031	9,707
Operational risk	643	422	296	430	157	1,947
Market risk				58	3,462	3,520
Business risk	321	452	260	300		1,333
Other risk types ²	238	53	176	55	2,003	2,525
Economic capital	3,109	3,482	1,454	4,334	6,652	19,031
						2020
Average risk exposure amount	27,617	30,223	10,285	39,587	4,368	112,081
Cost of risk (in bps) ³	4	128	19	250		78

¹ RWA for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2021 is EUR 0.2 billion (31 December 2020 EUR 0.2 billion).

² Other risk types include own funding spread risk, equity risk and property risk.

³ Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

Loans and advances

In 2021, total loans and advances rose to EUR 261.4 billion at 31 December 2021 (31 December 2020: 254.8 billion), predominantly because of other loans and advances and, to a lesser extent, residential mortgages. This increase was partly offset by modest declines in loans and advances to banks, consumer loans and corporate loans. Higher collateral and default fund contributions for Clearing clients were the main contributor to the increase in other loans and advances. The CIB non-core portfolio was reduced to EUR 2.0 billion at 31 December 2021 (31 December 2020: EUR 11.0 billion) and consisted mainly of clients in the oil and gas, industrial goods and services, and basic resources sectors in the Netherlands, USA and Asia.

Exposure at Default

Exposure at Default (EAD) increased to EUR 417.2 billion (31 December 2020: EUR 407.4 billion), mainly due to business developments in Clearing, as well as in Commercial Banking, due to new client lending in the context of TLTO. In addition, EAD increased as a result of an update in the EAD model for corporate loans and the implementation of the standardised approach for counterparty credit risk in Global Markets. This increase was partly offset by a decline in cash and balances at central banks.

Credit quality indicators

The credit quality indicators improved modestly in 2021. During the year, the forbearance ratio gradually improved to 4.3% at 31 December 2021 (31 December 2020: 5.1%). This was mainly related to the CIB non-core wind-down and was reflected in lower forbearance corporate loans for clients in the USA, Asia and the Rest of the world, and in the oil

and gas and industrial goods and services sectors. The amount of total forbearance assets is still considerable, especially in the case of residential mortgages and corporate loans, as a result of the high inflow in 2020 due to Covid-19 and developments in the oil price.

Compared to December 2020, the past due ratio for loans and advances improved from 1.0% to 0.8%. Total arrears declined by EUR 0.5 billion to EUR 2.1 billion, particularly on the back of benign economic conditions such as low unemployment and relatively stable household earnings.

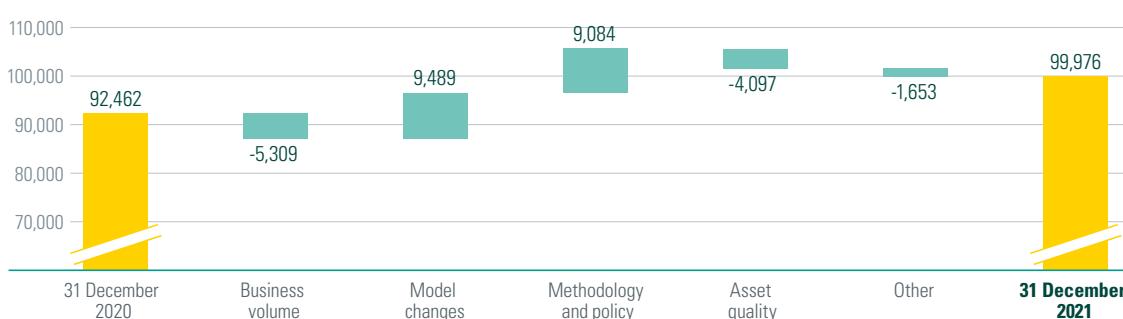
The stage 3 ratio also improved in 2021, predominantly as a result of the further reduction in the CIB non-core loan book, including the sale of the Trade & Commodity Finance portfolio and the North American oil and gas portfolio in the first six months of 2021.

Risk-weighted assets

Total RWA rose to EUR 117.7 billion (31 December 2020: EUR 110.5 billion), predominantly driven by credit risk RWA. The increase in credit risk RWA was mainly caused by model changes (including regulatory add-ons) and by new methodology and policy, predominantly in relation to the impact of the DNB mortgage floor. This increase was partly offset by lower business volumes as a result of the CIB non-core wind-down. Operational risk RWA slightly decreased, mainly due to the removal of a regulatory capital add-on relating to an ECB finding on the model validation process. Market risk RWA increased due to increases in SVaR and IRC, partly offset by a decrease in VaR resulting from position changes.

RWA flow statement credit risk

(in millions)



Economic capital

Economic capital (EC) slightly increased to EUR 19.1 billion (31 December 2020: EUR 19.0 billion), mainly reflecting a decrease in own funding spread risk (EUR 1.2 billion) and business risk EC (EUR 0.3 billion) and higher credit risk EC (EUR 1.5 billion). The decrease in own funding spread risk EC was driven by model changes related to the size of the

assumed shock to funding spread and the loss horizon. The decrease in business risk EC was mainly attributable to model changes and the removal of model risk add-ons. Credit risk EC increased, mainly due to credit model changes and add-ons mirrored by regulatory capital, partly offset by the CIB non-core wind-down. Operational risk EC increased slightly owing to re-assessed scenarios.

Liquidity and funding indicators

The Loan-to- Deposit (LtD) ratio decreased to 103% at 31 December 2021 (31 December 2020: 106%) as due to customers increased by more than loans and advances customers. The increase in due to customers reflected increased client savings in response to the Covid-19 pandemic and the related lockdowns. The liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) both remained above 100% throughout 2021.

Capital ratios

At 31 December 2021, the Basel III Common Equity Tier 1 (CET1) decreased to 16.3% (31 December 2020: 17.7%) due to an increase in RWA and a decrease in CET1 capital. The latter was driven by the settlement payment of EUR 480 million following the investigation into ABN AMRO's compliance with its obligations under the Dutch Anti-Money Laundering (AML) and Counter Terrorism Financing Act, by deductions for the announced share buyback programme and by a further increase in capital deductions for non-performing exposures (NPE), which were only partly offset by the net profit for 2021. The leverage ratio (excluding the impact of the temporary exemption of central bank reserves) remained stable at 5.0% (31 December 2020: 5.0%), while MREL improved to 27.9% (31 December 2020: 27.4%), mainly due to issuances of senior non-preferred instruments.

Risk management





Risk framework



Topics described in this section:

- ▶ Risk taxonomy
- ▶ Risk appetite
- ▶ Risk profile assessment
- ▶ Risk culture
- ▶ Risk governance
- ▶ Risk measurement

ABN AMRO is committed to being a well-capitalised and sufficiently liquid bank that focuses on delivering sustainable value to all of its stakeholders. We maintain a sound balance between risk and reward and pursue 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. Covid-19-related challenges continue to keep the management focus on the risk framework. For more information on the impact of Covid-19 on the bank's risk profile, please refer to Update on Covid-19 in the Credit risk review section.

Risk taxonomy Audited

Our risk taxonomy classifies the bank's risks into risk types to which the bank is or could be exposed to.

Risk taxonomy Audited

External causal factors

Politics, (macro)economy, society, technology, environmental, social and governance (ESG), legislation, regulation

Internal causal factors

People, processes, systems, balance sheet, products, clients, reputation and behaviour

Enterprise risk

Credit risk

Default risk
Migration risk
Collateral quality risk
Country risk
Sovereign risk
Counterparty credit risk
Settlement risk
Pre-settlement risk
Concentration risk

Market risk banking book

Interest rate risk
Credit spread risk
Foreign exchange risk

Market risk trading book

Interest rate risk
FX risk
Equity risk
Credit spread risk

Liquidity risk

Funding liquidity risk
Own funding spread risk
Market liquidity risk

Business risk

Strategic equity investments risk
Sustainability risk

Operational (non-financial) risk

HR risk
Information risk
Change risk
Legal risk
Compliance risk
Tax risk
Model risk
Behavioural risk
Fraud risk
Data & processing risk

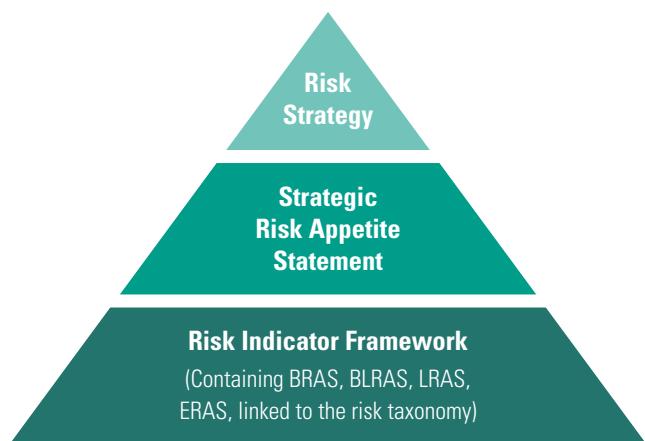
Value of the bank

- ▶ Financial
- ▶ Reputational

Risk appetite [Audited]

The risk appetite determines the level of risk that the bank is willing to take in order to pursue its strategy. As such, the bank-wide risk appetite, which safeguards a moderate risk profile, is an integral part of our corporate strategy. It is regularly evaluated and updated to ensure continuous alignment with the strategy.

Risk appetite framework [Audited]

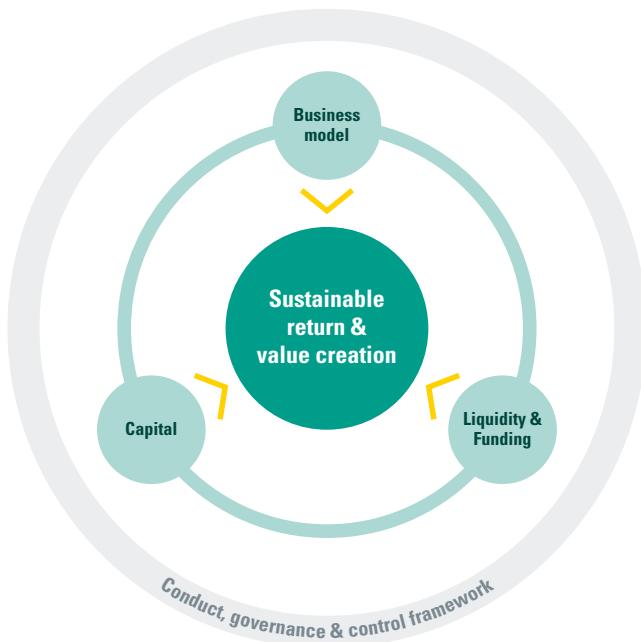


The Strategic Risk Appetite Statement expresses ABN AMRO's strategy of pursuing a moderate risk profile and cascades into the risk indicator framework at various levels of the organisation, allowing the bank to manage risks at every appropriate level: bank-wide (BRAS), business line (BLRAS), local (LRAS) and entity level (ERAS). The Strategic Risk Appetite Statement is approved by the Supervisory Board.

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

The elements of our Strategic Risk Appetite Statement ensure a coherent balance between return and value creation, supported by our client-centric business model, capital, and liquidity and funding management, while being underlined by our conduct, governance and control framework as shown in the following figure.

Strategic Risk Appetite Statement [Audited]



The 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 (KRIs). For every KRI, a limit and checkpoint 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 and/or to have a strategic discussion.

Examples of KRIs in our risk appetite include:

- ▶ Regulatory and internal capital ratios;
- ▶ Risk-adjusted return measures;
- ▶ Concentration limits for single counterparties, 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).

When setting the statements in the Strategic Risk Appetite Statement and the statements for each risk type in the risk indicator framework, the following aspects are considered: 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 incorporating these views, balancing these aspects provides

us with the means to substantiate risk statements for each risk type.

Risk profile assessment

ABN AMRO periodically assesses its risk profile in conjunction with the bank's risk appetite. The main conclusions of this assessment are summarised below and relate to business model, capital position, non-financial risks and balance sheet composition.

Client-centric business model and sustainable return and value creation

ABN AMRO targets growth, with a focus on clients and sustainability, within the boundaries of our moderate risk profile in order to achieve a healthy long-term, risk-adjusted return. At the 2021 year-end, the bank's risk profile improved, as reflected in a lower cost of risk and a considerably smaller non-core book compared to the previous year. A number of external factors have the potential to affect the bank's current business model. The Executive Board has identified these external factors in the Management Control Statement (MCS).

Capital, liquidity & funding

Comfortable buffers are in place to meet capital and liquidity requirements from a regulatory and internal (i.e. economic capital) perspective. In addition, stress testing indicates that sufficient buffers are in place for times of stress.

Conduct, governance and control framework

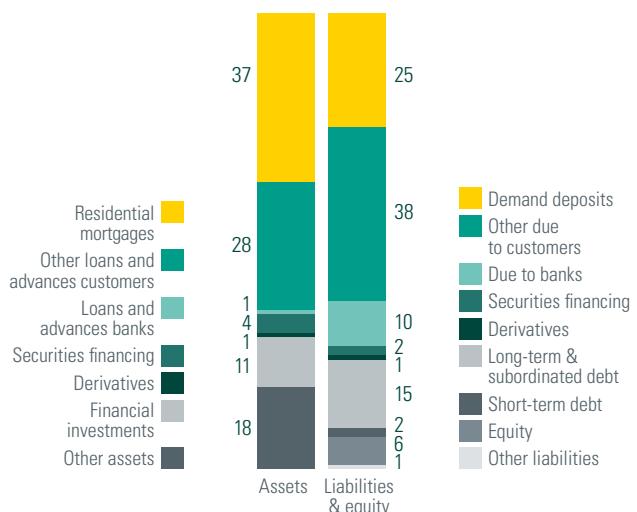
Capital buffers are also in place to cover non-financial risks. In managing these risks, we face challenges regarding our ability to fully comply with all regulatory requirements. Specific areas where the risk of non-compliance with regulations requires an ongoing and substantial effort are identified and described in the MCS at the end of this chapter.

Remediation programmes – related to Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF), Duty of Care and Credit Risk Management and aimed at improving ABN AMRO's performance – were well underway in 2021. These programmes have reduced shortcomings and aim to ensure full compliance with legislation.

Balance sheet composition

ABN AMRO is mainly active in the Dutch market and in international operations with a focus on Northwest Europe, where we have specific expertise and hold leading positions in selected activities.

Balance sheet composition at 31 December 2021 (in %)



The balance sheet composition reflects the bank's moderate risk profile. The characteristics that limit risk in the balance sheet include:

- ▶ Loan portfolio matched by deposits, long-term debt and equity;
- ▶ Strong focus on collateralised lending;
- ▶ Reducing concentration on single client exposure;
- ▶ Limited market risk and trading portfolios;
- ▶ CET1 ratio well above the regulatory requirements so as to achieve Basel IV compliance early in the phase-in period;
- ▶ Stable and diversified funding structure reflecting the composition of our loan book;
- ▶ Sufficient liquidity buffers to survive six months of severe stress.

Risk culture

Strengthening our culture in the areas of risk, compliance and integrity was an important objective of ABN AMRO's strategy review. We place strong emphasis on sound risk control in our remuneration policies, which are in line with our risk profile. More details are provided in the Remuneration report section in the Leadership & governance chapter.

ABN AMRO expects its employees to understand the need for and to be able and willing to have a continuous focus on risk, compliance and integrity as an integral part of the bank-wide culture. Pursuing a moderate risk profile is embedded in our culture by means of continuous communication, awareness, education and training, and is guided by performance management and management KPIs that help underpin our belief that mitigating risks is everybody's responsibility.

Code of Conduct

Employees are expected to adhere to ABN AMRO's culture principles and to act in accordance with the bank's Code of Conduct, which sets out standards of behaviour. These principles 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 a permanent part of our education tool. The Code of Conduct is published on our website and we are intensifying our monitoring of compliance with it. In addition, our employees are required to confirm their adherence to the Code of Conduct annually.

Risk governance Audited

The Executive Board and Supervisory Board of ABN AMRO define the governance arrangements designed to ensure effective and prudent management of the bank and oversee their implementation. They are accountable for setting, approving and overseeing the implementation of the bank's risk management framework, including:

- ▶ An adequate and effective internal governance and control framework. This includes a clear organisational structure and well-functioning independent internal control functions (Risk Management, Compliance and Group Audit) that have sufficient authority, stature and resources to perform their functions;
- ▶ The three lines of defence model at all levels of the bank;
- ▶ A risk culture that addresses risk awareness and risk-taking behaviour in the bank;
- ▶ Key policies of the bank within the applicable legal and regulatory framework;
- ▶ The bank's overall strategy, risk strategy and risk appetite;
- ▶ The amounts, types and distribution of internal capital and regulatory capital that are required to ensure that the risks the Bank is exposed to are adequately covered;
- ▶ Targets for the bank's liquidity and funding management.

The Risk Management organisation operates under the direct responsibility of the Chief Risk Officer, who is a member of the Executive Board.

To further strengthen its strategy execution and serve clients as a personal bank in the digital age, ABN AMRO Bank N.V. simplified its top management structure as at 24 November 2021 by discontinuing the Executive Committee (ExCo) and extending the composition of the Executive Board (ExBo). This change will give clients representation at the level of the bank's highest management body.

Executive risk committees

The Executive Board is responsible for setting, monitoring and reviewing the Bank's purpose, strategy, risk appetite and risk framework. The Executive Board makes a balanced assessment of the bank's commercial interests and the risks to be taken within the boundaries of the risk appetite. 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 the Chief Risk Officer. The mandates of the executive risk committees are summarised below.

Group Risk Committee

The Group Risk Committee (GRC) is mandated by the Executive Board to monitor, assess and manage the bank's risk profile within the approved risk appetite. The GRC monitors and approves all material risks as defined in the bank's risk taxonomy. The GRC has delegated specific approval powers to sub-committees, including Business Risk Committees for the bank's main business lines, the Financial Crime Risk Committee, the Methodology Acceptance Group, the Scenario and Stress Testing Committee, and the Impairment and Provisioning Committee.

Group Central Credit Committee

The Group Central Credit Committee (CCC) is mandated by the Executive Board to make decisions on the acceptance of credit and counterparty risk in respect of individual persons, legal persons and public administrative bodies relating to credit proposals falling within the scope of the risk appetite and limits determined by the Executive Board. In addition, the CCC is also responsible for approving and monitoring large intercompany credit facilities.

Group Regulatory Committee

The Group Regulatory Committee is mandated by the Executive Board to ensure a good understanding and adequate overview, making choices and taking decisions on matters relating to timely regulatory compliance to new and changing national and international legislation and regulations affecting the bank.

For further information on governance, please refer to the Leadership and governance chapter.

Three lines of defence

The three lines of defence model aims to clarify the relationship between risk takers and the different internal control functions, and provides clarity for all employees within the bank with regard to their risk management responsibilities. The three lines of defence model must be applied across all risk types and covers the whole organisation, including the client-facing business lines, functions, the Risk Management organisation, outsourced activities and distribution channels.

- ▶ The first line of defence consists of management within each business or function who must own and is responsible for managing the risks they incur in conducting their activities and for the design and execution of effective and efficient controls.

► The second line of defence consists of dedicated departments in the Risk Management organisation who are responsible for setting the risk management framework within which the first line must operate. These dedicated departments are headed by risk type owners.

► The third line of defence consists of Group Audit, which evaluates the effectiveness of the governance, risk management and control processes, in order to strengthen management's solution focus and accountability. Group Audit has a coordinating role towards the external auditor and the supervisor.

Three lines of defence Audited



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 to measure 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 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. If required, external approval is obtained from the supervisor. Supervisory approval is always required for new models and models that change materially due to redevelopment.

The modelling departments develop models in close cooperation with the relevant business and risk experts. For important models, model review takes place every 3 years, or earlier if there is a marked deterioration in performance of the model or a marked change in the risk profile of the portfolio that the model relates to. A model review includes back-testing against historical data and, where relevant, benchmarking the calibration of the models with external studies or data.

The independent model risk management department validates internal models. The model risk management framework, which includes model validation standards and procedures, ensures that models are validated independently. Model data, methodology, performance and implementation are checked according to these standards and reviewed against internal and regulatory requirements.

Capital measurement

Regulatory capital (CRD V/CRR2) Audited

Under the Basel framework as implemented in European legislation (CRD V and CRR2), banks are required to hold capital to cover for financial risks. As an intermediate step in determining the minimum level of capital, banks need to calculate risk-weighted assets (RWA) for three major risk types (credit, operational and market risk). The outcome of the internal models serve as input for this calculation. 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 a bank-specific percentage of RWA in addition to the Pillar 1 requirement.

Economic capital

For Pillar 2, we calculate economic capital (EC) in addition to regulatory required capital. 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. The confidence level is aligned with the definition of total available financial resources (total AFR). In addition, the ratio of core AFR versus EC is monitored. Core AFR is the amount of capital that is available to cover losses on a continuity-based approach (i.e. excluding AT1, Tier 2 and senior non-preferred instruments).

EC is aggregated for all risk types (without applying inter-risk diversification) to determine the total EC at a bank level and to support capital adequacy assessment, capital allocation, ex-post performance measurement and risk appetite setting, such as industry concentration risk limits.

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 in terms of risk coverage and responsiveness to internal and external developments such as in the areas of regulation and data quality. If considered necessary, an additional capital buffer ('EC add-on') is taken to cover any identified shortfalls in the EC.

Capital performance

RWA and EC are also used to evaluate capital performance at a business level, as well as at transactional level in loan-pricing tools. These tools act as a decision-making mechanism for assessing the profitability of a new or existing transaction. Both ex-ante and ex-post performance are evaluated in terms of risk-adjusted return on equity (RAROE) with a risk-adjusted return on risk-adjusted capital (RARORAC) limit to safeguard sufficient risk-sensitivity. EC is used as an ingredient in RARORAC, whereas RWA is used in RAROE.

Stress testing and scenario analysis Audited

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. The stress testing framework covers both internal as well as external stress test requirements. In addition, sub-portfolio and risk type specific stress testing and scenario analysis are performed.

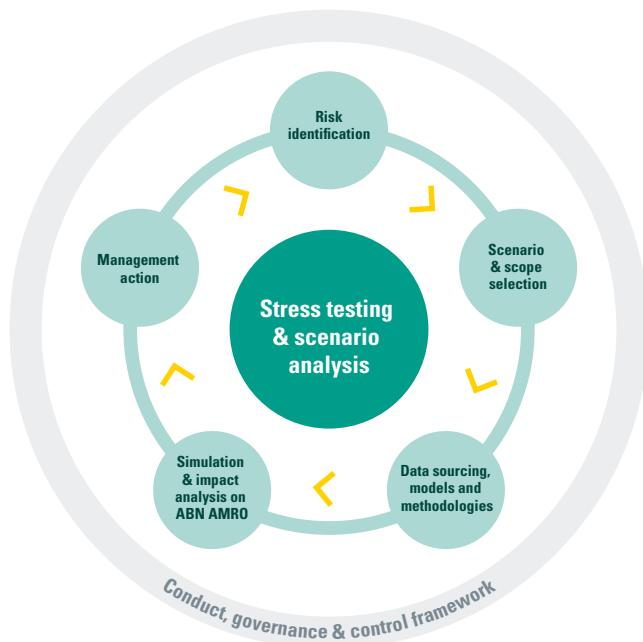
Stress testing purposes

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

- ▶ Business planning: various macroeconomic 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 deeper insight into plausible events that could put the continuity of ABN AMRO under pressure;
- ▶ Risk type specific and business line 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 test programme designed to assess banks' resilience to adverse economic or financial developments, and ECB economy-wide climate stress test aimed at evaluating the impact of alternative climate scenarios on the resilience of the bank over a time horizon of 30 years in the future.

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

Stress test & scenario analysis cycle Audited



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 of legal proceedings) are considered. Scenario projections are based on quantitative models, as well as expert opinion procedures. In general, results are presented excluding and including potential mitigating actions, taking into account contingency plans. The stress testing framework also comprises the sensitivity scenarios that address various severe events on specific portfolios, countries and/or sectors, as well as the annual reverse stress test in line with regulatory requirements. Moreover, climate related risks are also covered through the inclusion of events related both to transition and physical risks.

In 2021, we developed a process and governance approach to incorporate climate risk scenario analysis into the bank-wide stress testing and scenario framework. This was applied in the execution of the scenario analysis in four priority portfolios: residential real estate, commercial real estate, energy and shipping. ABN AMRO aims to use the outcomes of these scenario analyses as input for strategic decision-making at a bank and business line level and for risk management purposes (e.g. risk appetite setting). The four analyses in the priority sectors are therefore being used as pilots to evaluate how to structurally integrate this approach into the bank-wide and business line strategy and risk management processes.

Given the importance of stress testing in terms of sound risk management, the Executive Board (previously the Executive Committee) is involved throughout the process and its governance. The Executive Board, 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



This section contains information on:

- ▶ Credit risk management approach
- ▶ Counterparty credit risk
- ▶ Credit concentration risk
- ▶ Credit risk quality and impairment
- ▶ Credit risk measurement
- ▶ Credit risk mitigation

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 within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies and standards, which are aligned with the bank's strategy. Credit risk management is the responsibility of the first and second

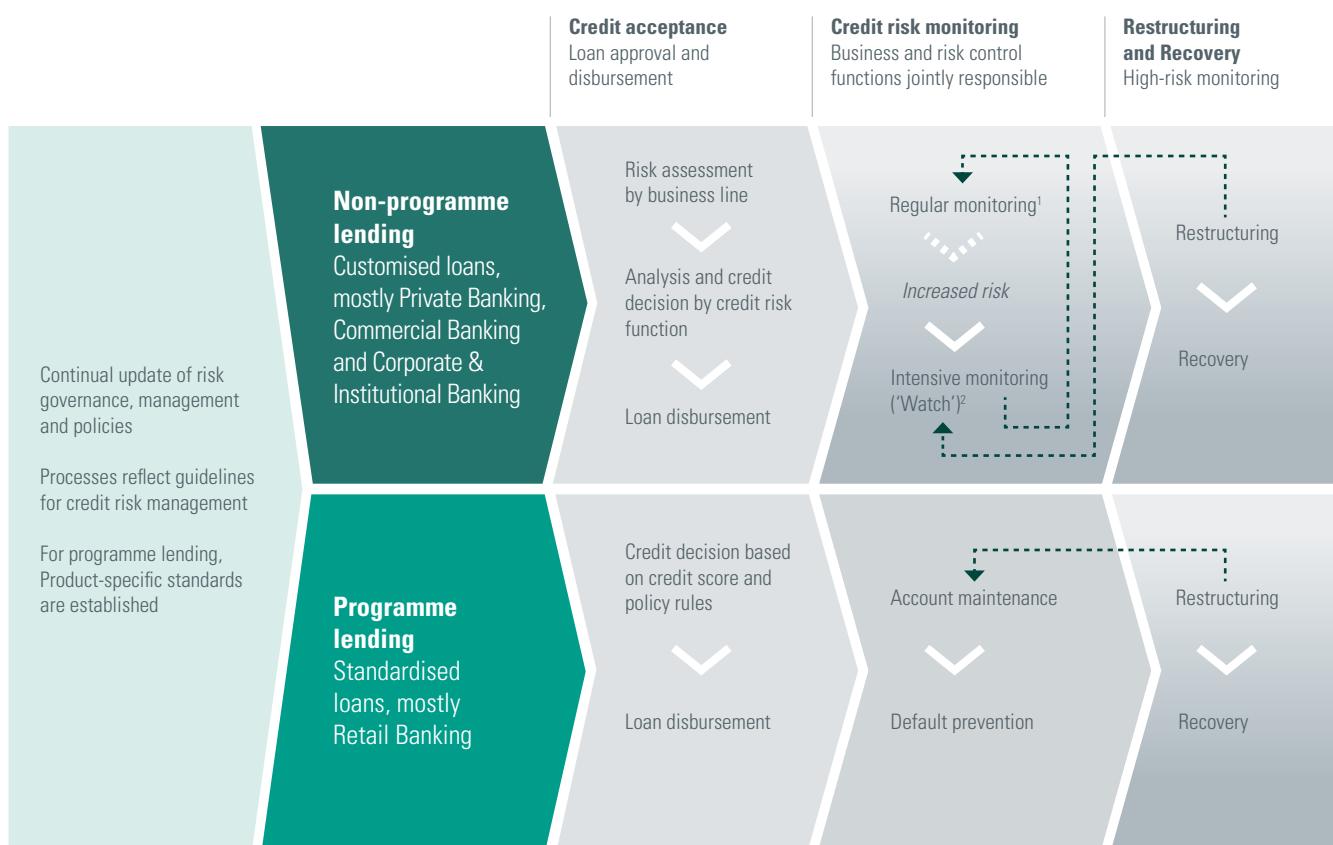
lines of defence. The primary responsibility for intake, managing and monitoring credit risk lies with the business as the first line of defence. The second line of defence has a permanent and ongoing responsibility to define the boundaries and monitor whether the type and level of credit risk exposures are within the limits of the bank's and business lines' risk appetite. The first and second lines of defence are subject to review by Group Audit (third line of defence).

Credit risk management approach Audited

ABN AMRO employs two separate approaches to managing credit risk, which reflect the bank's way of doing business. Standardised products and processes are managed on a pooled basis (programme lending), to which uniform risk criteria are assigned. For customised lending to counterparties (non-programme lending), risks are assessed on an individual basis.

The following figure presents a simplified overview of the credit risk management process.

Credit risk management process Audited



¹ Daily monitoring or (semi-) annual credit review.

² 'Watch': status assigned to counterparties with an increased risk.

→ For more insight on our credit portfolio, please refer to the Credit risk review section.

Planning

Within programme lending, the credit cycle starts with a product planning phase, during which the product is designed and/or reviewed. The goal is to optimise the key drivers of risk and return within the context of ABN AMRO's strategy, risk appetite, the client's best interests and sustainability. For non-programme lending, the lending product is customised and not subject to a product planning phase.

Credit acceptance

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.

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 are 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 is checked. After the assessment, an analysis is performed by Risk Management. The credit decision is based on independent assessments by both the commercial and the credit risk functions.

Environmental, social and governance factors

Within both programme and non-programme lending, ABN AMRO is taking steps to incorporate ESG factors and associated risks into its credit acceptance process for both programme lending and non-programme lending. In 2021, we performed various activities to gain deeper insight into how climate risk influences our customers. This included defining transmission channels for four strategically important portfolios. Transmission channels are the causal chains through which climate factors represent financial risks to ABN AMRO by directly influencing our counterparties and the assets they hold. The insights gained from defining these transmission channels will be used to adjust the credit lifecycle elements and thus integrate climate risk into the credit acceptance.

In addition, an implementation plan was developed to comply with regulatory expectations for climate risk management. This plan includes establishing a process for climate scenario analysis consistent with the bank's stress testing and scenario analysis framework and repeating and improving scenario analyses for the four priority portfolios identified. The results of these scenario analyses can be found in the Sustainability risk section.

Credit risk monitoring

Consistent and regular monitoring of counterparties, 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 is granted and continues throughout the lifecycle of the credit facility and the relationship with the counterparty until the exposure is repaid and/or the limit is cancelled.

If a situation arises in which an individual counterparty shows signs of credit risk deterioration, which requires action to avoid that the credit risk evolves to a default classification, a 'watch' status is 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 Flanderijn) 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 line.

FR&R plays a significant role in the execution of the bank's non-performing exposure (NPE) strategy. Policies on the management of NPE include valuation of collateral, monitoring of the non-performing loan (NPL) ratio and ensuring this ratio remains well below the threshold of 5%. We have set NPE targets for each business segment and specific strategies for sectors with increased levels of non-performing loans.

Counterparty credit risk

Counterparty credit risk (CCR) refers to the risk that the counterparty to a transaction defaults before final settlement of the transaction's cash flows. In line with the regulatory definition of CCR, ABN AMRO incurs counterparty credit risk in two business activities, firstly through over-the-counter (OTC) derivatives and securities financing transactions 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. These two main sources of CCR are managed separately and are subject to various different features of risk management.

Credit concentration risk [Audited]

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. 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);
- ▶ Industries (industry concentration);
- ▶ Products (product 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 credit 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. Under the new strategy for CIB announced in Q2 2020, geographical concentration continues to be relevant because we maintain a presence in multiple countries.

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. As the Netherlands is our home country, it is not included in any concentration risk appetite statement or setting of credit limits.

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 limits on economic capital (EC) for credit risk for each industry as a percentage of total EC for credit risk. 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.

Product concentration

Product concentration risk is the risk of loss arising from relatively large credit exposures in a specific asset or product class. This asset or product class concentration occurs e.g. in bridge loans, leveraged loans, project finance, subordinated debt. In line with our risk appetite, ceilings are defined per product type and breaches of these concentration ceilings are managed through credit risk insurance.

Credit risk quality and impairment [Audited]

We continuously monitor the credit portfolio for 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 the 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 (such as Covid-19-impacted clients), 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. If the contract is considered performing at the time the forbearance measure is taken, an assessment is made to determine whether the measure is likely to end in default. 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 at least two years has passed since the last forbearance measure and/or the date the forborne contract was considered performing (whichever is later);
- ▶ Regular and timely 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.

In 2021, the definitions of non-performing and default were aligned. Contracts that are forborne non-performing are classified as default.

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 credit limit. ABN AMRO starts counting days past due from the first day that a counterparty is past due on any financial obligation.

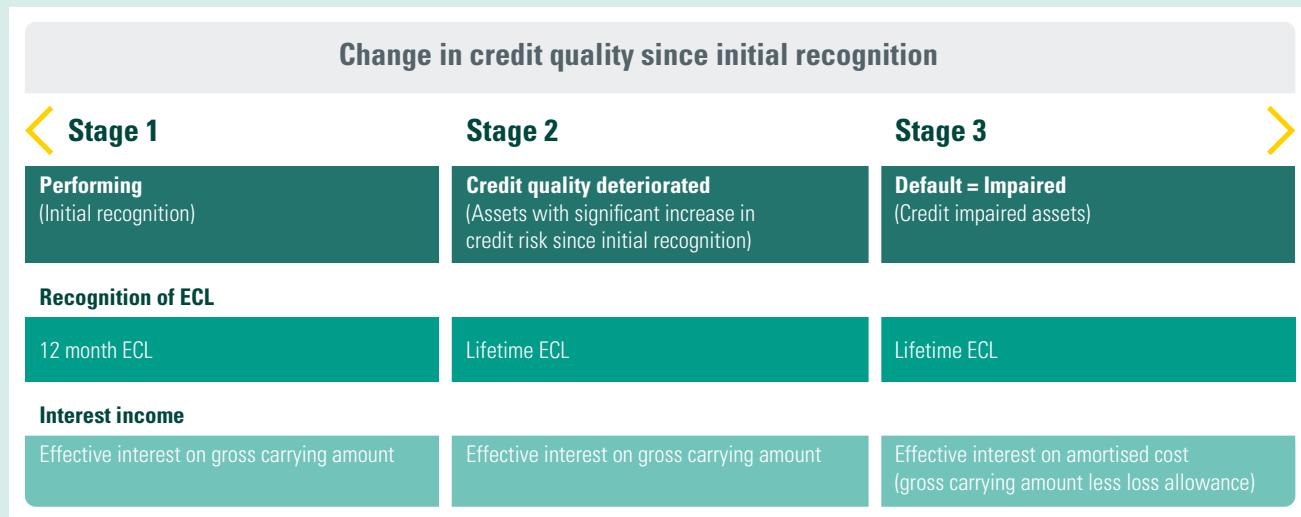
Accounting policy for measuring allowances for credit losses

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. At each reporting date, these financial instruments are classified into four risk stages, depending on current credit quality.

ABN AMRO recognises loss allowances based on the Expected Credit Loss model (ECL) of IFRS 9, which is designed to be forward-looking. Where necessary, management judgement is applied via a management overlay to reflect the credit risk dynamics not captured by our models. A management overlay is a temporary adjustment in a loss allowance until a long-term solution (e.g. model adjustment) is effective, and must be an amount commensurate to the model limitation. All overlays require a decision of the Impairment and Provision Committee (IPC). The main types of management overlays that ABN AMRO distinguishes are: in-model adjustments (adjustments to model parameters), post-model adjustments (adjustments to model outcomes), input data adjustments, adjustments in the weightings of macroeconomic scenarios and stage overrides.

Purchased or originated credit-impaired (POCI) assets, which are credit-impaired at initial recognition, are accounted for at fair value (i.e. net of the initial lifetime ECLs) and do not carry an impairment allowance. Instead, a credit-adjusted effective interest rate (EIR), which is calculated using expected cash flows including initial lifetime ECLs, is applied to the amortised cost. Subsequently, the cumulative changes in lifetime ECLs since initial recognition, which are discounted at the

credit-adjusted effective interest rate, are recognised in the profit or loss statement as an impairment gain or loss, and presented under Impairment charges on financial instruments. Once a financial asset is classified as POCI, it retains that classification until it is derecognised (in the event that a substantial modification loss larger than 10% is applicable). For this reason, POCI stage is not included in the following figure.



Classification in stage 2

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

Quantitative stage triggers

The key quantitative metric that determines 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;
- ▶ Expected developments in the economy.

The lifetime PD deterioration (LPDD) measures the relative difference between the remaining lifetime PD at reporting (LPDR) and the remaining lifetime PD at origination (LPDO) as $LPDD = LPDR/LPDO$. If the LPD

deterioration of an exposure is above a predefined threshold, the LPD is considered to be significantly deteriorated. The exposure is then transferred to stage 2 and impairment allowances equal to the lifetime expected credit loss are recognised. If the LPD deterioration subsequently reduces and falls below the threshold, the client is transferred back to stage 1. When determining the thresholds, ABN AMRO distinguishes between various portfolios within consumer lending, residential mortgages and corporate loans. A specific threshold is calculated for each portfolio, based on a statistical method. Due to limitations in the availability of historical data, ABN AMRO currently uses the 12-month PD as proxy for LPD for corporate loans and part of consumer lending.

We consider deterioration in the 12-month PD to be appropriately representative of LPD deterioration for the portfolios where the LPD is not available. The following table shows LPD deterioration thresholds that trigger transfers to stage 2 as at 31 December 2021. The table provides ranges, as each product class uses multiple ECL models and thresholds are determined for each ECL model.



Range of lifetime PD deterioration thresholds Audited

Product class	Range
Consumer lending	1.6x-5.2x
Residential mortgages	1.7x-2.0x
Corporate loans	1.6x-5.0x

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;
- ▶ 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.

Reclassification to stage 1

As a general rule, favourable changes in credit risk are recognised consistently with unfavourable changes, and a financial instrument is transferred back to stage 1 if quantitative or qualitative triggers are no longer met. In some cases, a probation period applies:

- ▶ Forborne financial instruments are transferred back from stage 2 to stage 1 only after a probation period of at least two years has ended, in line with the ABN AMRO forbearance policy. Stage 3 forborne instruments transfer back to stage 2 after a cure period of at least one year;
- ▶ For financial instruments that are 30 days past due, a three-month probation period is applied for transfers from stage 2 to stage 1.

Classification in stage 3

A transfer to stage 3 will always be the result of the default of a financial instrument. Our definitions of default and impaired are aligned and comply with the EBA guidelines on the application of the definition of default.

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

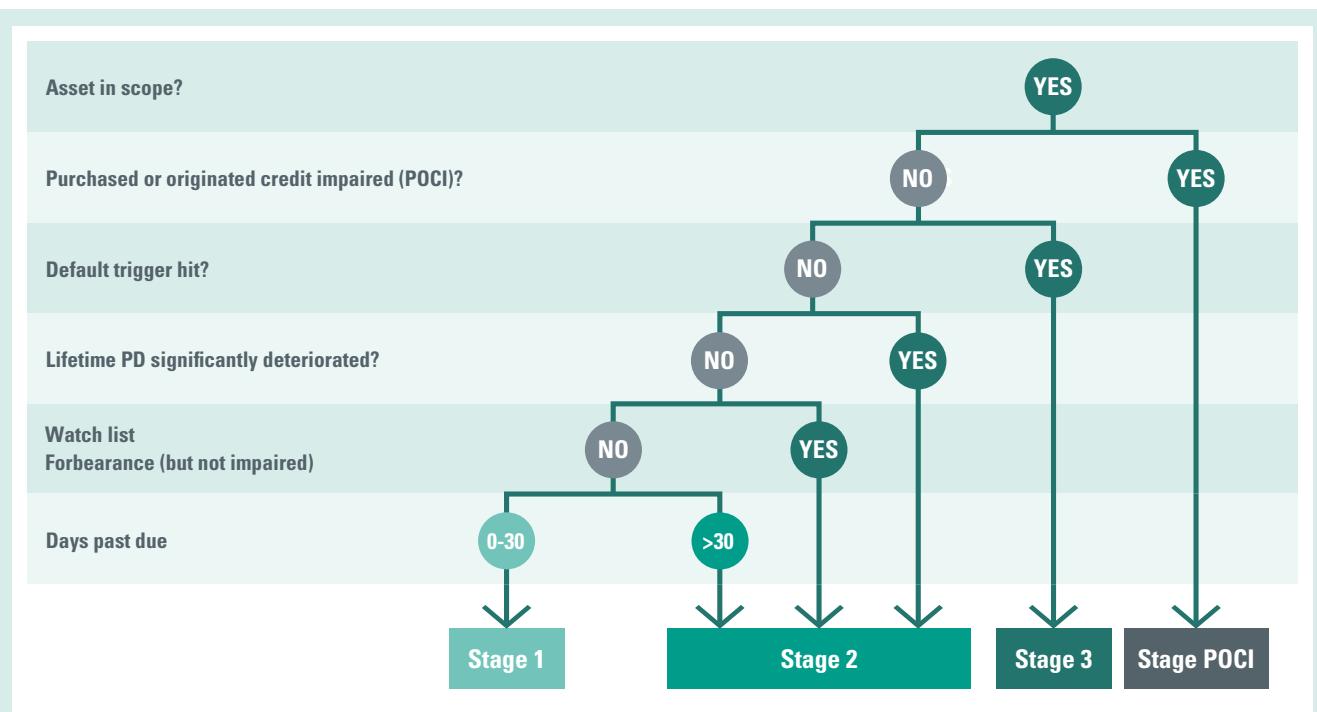
- ▶ the counterparty is past due by more than 90 days on any material financial credit obligation to the bank; or
- ▶ the bank considers the borrower to be unlikely to meet its contractual obligations (unlikely-to-pay or UTP).

The materiality of a financial obligation past due is assessed against an absolute and a relative threshold, in line with regulatory standards. To determine unlikelihood to pay, the bank has specified both mandatory default triggers (always resulting in the assignment of a default status, whereby no additional expert judgment is allowed) and judgmental triggers (requiring an assessment by credit risk managers to determine whether the UTP indications should result in a default classification).

In 2021, a distressed debt restructuring (forbearance) of the credit facility, which is likely to result in a diminished financial obligation, was added as a mandatory trigger. As a result, the definitions of non-performing and default are now aligned.

Reclassification to stage 2

The default classification for non-forborne exposures ends when the default triggers no longer apply and a (probation) cure period of at least three months has passed since the default trigger was last applied. For forborne exposures, a twelve-month cure period starts from the moment the last forbearance measure or default trigger was applied. After the cure period, an assessment is performed to establish whether the improvement in the credit quality is factual and permanent (including, for example, no remaining past due amounts).



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 and 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 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 during which the bank is exposed to credit risk; we do not apply a longer period, even if that longer period is consistent with business practice. For some contracts, such as overdraft facilities or credit cards, 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. In order to incorporate the latest economic outlook (including the macroeconomic repercussions of the Covid-19 pandemic), the scenarios and their weights are reviewed each quarter and adjusted if necessary. Details of the scenarios and their weights used in the reporting period can be found in Credit risk in the Risk, funding & capital review section.

The baseline scenario is based on Group Economics' regular macroeconomic forecasts 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 figures realised in the past few decades. The extent to which MEVs actually deviate from their historical means over time 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 forecast period is five years. It is assumed that MEVs gradually move to their potential or equilibrium values after the forecasting period. For each specific portfolio, a selection of variables is made for calculating the expected credit loss, based on statistical relevance and expert judgement.

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

► 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 financial instruments in the income statement.

Credit risk measurement

Audited

The models used for the measurement and management of credit risk vary from purely statistical to expert-based models and employ both quantitative and qualitative risk drivers. All models are subject to the bank's model risk management framework. They undergo initial validation by the independent model validation function before their first use, and annually thereafter. Independent validation is also required when a model undergoes a material change.

Probability of default

The Probability of Default (PD) indicates the likelihood that a counterparty or exposure defaults within a one-year time horizon. For the non-programme lending portfolio, the model score is mapped to and 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 following table.

Internal rating scale mapped to external ratings

Audited

Grade Category	UCR (internal rating)	Low PD%	Mid PD%	High PD%	Standard & Poor's equivalent	Moody's equivalent	Fitch equivalent
Investment grade	UCR 1	0.000	0.03	0.035	AAA to A+	Aaa to Aa3	AAA to AA-
	UCR 2+	0.035	0.04	0.045	A+	A1	AA-
	UCR 2	0.045	0.05	0.070	A	A1	A+
	UCR 2-	0.070	0.10	0.130	A-	A3	A-
	UCR 3+	0.130	0.16	0.200	BBB+	Baa1	BBB+
	UCR 3	0.200	0.25	0.300	BBB	Baa2	BBB
	UCR 3-	0.300	0.36	0.470	BBB-	Baa3	BBB-
Sub-investment grade	UCR 4+	0.470	0.60	0.780	BB+	Ba1	BB+
	UCR 4	0.780	1.00	1.290	BB	Ba2	BB
	UCR 4-	1.290	1.65	2.230	BB-	B1	BB-
	UCR 5+	2.230	3.00	4.240	B+	B2	B
	UCR 5	4.240	6.00	8.490	B-	Caa1	B-
	UCR 5-	8.490	12.00	16.970	CCC/C	Caa2	CCC/C
	UCR 6+	16.970	24.00	100.00	CCC/C	Caa-C	CCC/C
Default	UCR 6-8				D	D	D

Rating assignment

For non-programme lending, the ratings are individually assigned to each counterparty (PD) and facility (LGD) by the business account manager (first line) and approved by credit

risk (second line). For programme lending, exposures ratings are not assigned individually but assigned to pools with similar characteristics. For all exposures, the EAD

estimation is assigned automatically based on the facility type and the undrawn part of the facility.

Loss given default

Loss Given Default (LGD) models estimate the amount the bank would lose if the counterparty were to default. LGD is expressed as a percentage of the outstanding amount at default. For credit facilities that are not in default, LGD estimates are influenced by the risk mitigating techniques used by the bank (such as collateral coverage and/or third party protection), the credit facility's seniority and structure, and the bank's view of the creditor-friendliness of the relevant country's legal framework.

Exposure at default

Exposure at Default (EAD) models estimate the expected exposure at the time a counterparty defaults. If all or a 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 credit facilities when nearing default.

Capital for credit risk

Regulatory capital

For the purpose of determining capital requirements for credit risk, ABN AMRO applies the Advanced Internal Rating Based (A-IRB) approach to the vast majority of its portfolio. Under this approach, the previously described internal estimates for PD, EAD and LGD are used to calculate Credit Risk RWA. For a number of smaller portfolios, RWA is determined according to the Standardised Approach (SA). This approach prescribes the risk weights to be applied to the exposure value in order to calculate RWA.

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.

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 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 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 and guarantees represent 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 addition to minimising exposure risk, eligible collateral and guarantees 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.

Accounting policy for offsetting financial assets and liabilities Audited

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.

Accounting policy for enforceable master netting agreements or similar instruments Audited

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.

Credit risk review



This section provides information on:

- ▶ Covid-19 measures
- ▶ Credit risk exposure
- ▶ Credit risk concentration
- ▶ Forborne, past due and credit-impaired loans
- ▶ Credit risk mitigation
- ▶ Developments in specific portfolios

Update on Covid-19

This section provides more details on the measures offered to ABN AMRO clients to provide them with liquidity. The two primary relief measures offered have been deferral of interest and principal payments, and Covid-19-related credit facilities supported by public guarantee schemes.

ABN AMRO continuously monitors sectors vulnerable to Covid-19 and offers tailored support to clients with a viable business or financial case.

Payment moratoria and other Covid-19-related forbearance measures Audited

By 31 December 2021, approximately 68,500 clients had received a Covid-19-related deferral or forbearance measure, accounting for total exposure of EUR 19.2 billion (31 December 2020: EUR 22.6 billion). The reduction in the number of clients is significant since a large portion of loans

were due for repayment on 31 December 2021. Moreover, the larger part of the deferral or forbearance measures had expired by 31 December 2021. An amount of EUR 953 million was subject to measures that were still active. The active measures relate to loans where the deferral is still applicable (has not yet expired), such as loans with Covid-19-related forbearance measures. Loans that previously received a payment moratorium or other Covid-19-related forbearance measure where the moratorium/deferral has ended are reported as expired.

Credit quality remained broadly stable due to the large-scale government support schemes and the improved economic outlook. The decrease in stage 2 and 3 exposure was limited, leaving the total share of exposure with increased risk relatively unchanged at 46% of the total exposure subject to Covid-19-related measures (31 December 2020: 47%).

By 31 December 2021, 75% of the originally deferred payments within Commercial Banking had been repaid (31 December 2020: 47%). The remaining deferrals amounted to EUR 0.4 billion. The reduction was in line with our expectations regarding contractual repayments due on 31 December 2021 for current account and overdraft facilities and due on the contractual maturity date for term loans. The remaining deferred payments are expected to be repaid within five years.

	Number of clients	Gross carrying amount in millions				
		Active measure	Expired measure	Total	- of which stage 2	- of which stage 3
31 December 2021						
Retail Banking	30,386	4	2,853	2,857	1,744	243
Commercial Banking	37,704	479	14,020	14,498	4,223	1,662
Private Banking	363	6	661	667	174	44
Corporate & Institutional Banking	33	464	703	1,167	682	110
Total	68,486	953	18,236	19,189	6,823	2,058
31 December 2020¹						
Retail Banking	41,420	17	3,485	3,503	2,356	233
Commercial Banking	43,392	729	15,611	16,340	4,418	1,739
Private Banking	490	57	733	790	159	58
Corporate & Institutional Banking	60	1,607	409	2,016	1,509	96
Total	85,362	2,410	20,239	22,649	8,443	2,125

¹ As of Q1 2021, the scope of the table was extended. Revised 31 December 2020 figures have not been audited.

Compared to the figures reported in the 2020 Annual Report, the scope of the table above has been extended to cover all Covid-19-related forbearance measures, including measures not related to payment deferrals. The comparative figures for 31 December 2020 have been adjusted accordingly.

Loans and advances supported by public guarantee schemes Audited

New loan applications continued in 2021, mainly under the Klein Krediet Corona (KKC) and Borgstelling MKB-kredieten (BMKB-C) programmes. While the number of clients rose

considerably, the total amount of loans and advances benefiting from public guarantee schemes decreased significantly as a result of partial repayments. The average state guarantee coverage for these loans increased markedly to 87% (31 December 2020: 79%), due to the higher coverage of the BMKB-C and KKC programmes. Although the issuance of new public guarantees came

to an end on 31 December 2021, the Dutch government announced on 14 December 2021 that it intended to reopen the public guarantee schemes during the first quarter of 2022 and to keep them available until the second quarter of the year. We therefore expect some applications in the coming period.

	Number of clients	Gross carrying amount in millions					Maximum amount in millions of the guarantee that can be considered
		≤ 6 months	> 6 months & ≤ 12 months	> 1 year & ≤ 2 years	> 2 years	Total	
31 December 2021							
Retail Banking	1						
Commercial Banking	1,237	3	13	27	82	125	108
Private Banking	282	17	10	1	139	166	149
Corporate & Institutional Banking	4			51		51	41
Total	1,524	20	23	78	221	342	298
31 December 2020							
Commercial Banking	941			44	82	126	94
Private Banking	258	74	96			170	153
Corporate & Institutional Banking	11		19	14	73	105	69
Total	1,210	74	115	58	155	402	316

Credit risk exposure

Credit risk overview Audited

(in millions)	31 December 2021	31 December 2020
Cash and balances at central banks	66,865	60,190
Financial assets held for trading	1,155	1,315
Derivatives	3,785	6,381
Financial investments ¹	43,165	47,455
Securities financing	16,138	16,725
Loans and advances banks	2,801	3,394
Loans and advances customers	258,251	252,159
Other assets	4,263	4,925
Less: Other ¹	345	505
Other assets	3,919	4,420
On-balance sheet maximum exposure to credit risk	396,077	392,038
Off-balance sheet		
Committed credit facilities	54,642	55,207
Guarantees and other commitments	7,598	8,981
Revocable credit facilities	31,737	36,000
Off-balance sheet credit facilities and guarantees	93,977	100,188
Maximum exposure to credit risk²	490,055	492,226
Adjustments on assets ^{2,3}	167	-806
Valuation adjustments ⁴	12,550	14,202
Offsetting and netting	-20,970	-24,626
Off-balance sheet credit facilities and guarantees	-93,977	-100,188
Off-balance sheet exposure fraction expected to be drawn prior to default (credit conversion factors)	29,389	26,546
Total Exposure at Default	417,214	407,354
Credit risk RWA / Total Exposure at Default	24.0%	22.7%

¹ This contains non-credit obligation assets and assets on accounts which are out of scope for credit risk.

² Adjustment on assets includes equity positions.

³ Main adjustments on assets relate to selected financial assets held for trading and fair value adjustments from hedge accounting.

⁴ Adjustments on valuation include loan impairment allowances.

The above table shows the maximum exposure to credit risk and reconciliation with the total exposure at default.



Overall credit risk EAD and RWA Audited

(in millions)	31 December 2021						
	Original EAD	Less: Netting/EAD mitigation ³	EAD	- of which:		RWA	RWA/EAD
				Derivatives	Securities financing transactions		
Credit risk IRB							
Central governments and central banks	100,874	-2,278	103,152	272	70	840	0.8%
Institutions ¹	8,606	1,572	7,034	547	1,828	1,589	22.6%
Corporates	136,174	32,920	103,254	2,857	1,530	52,211	50.6%
Retail	175,948	6,404	169,544			16,574	9.8%
- of which secured by immovable property	164,659	1,324	163,334			14,847	9.1%
- of which qualifying revolving exposures	5,359	4,038	1,321			140	10.6%
- of which other retail	5,930	1,041	4,888			1,588	32.5%
Securitisation positions	1,016		1,016			116	11.4%
Subtotal	422,618	38,619	384,000	3,676	3,429	71,331	18.6%
Equities not held for trading	841		841			3,364	399.8%
Other ²	1,778		1,778			15,336	862.3%
Total IRB	425,238	38,619	386,619	3,676	3,429	90,030	23.3%
Credit risk SA							
Central governments and central banks	6,437	-10	6,447			2	0.0%
Institutions ¹	25,831	12,032	13,799	2,091	4,313	1,248	9.0%
Corporates	19,567	13,260	6,307	1,200	1,010	5,636	89.4%
Retail	7,562	4,142	3,421			2,495	72.9%
Secured by mortgages on immovable property	414	12	403			145	36.1%
Exposures in default	531	398	133			173	129.6%
Credit valuation adjustment						202	
Subtotal	60,343	29,833	30,510	3,290	5,323	9,900	32.4%
Other ²	84		84			46	54.0%
Total SA	60,428	29,833	30,595	3,290	5,323	9,946	32.5%
Total	485,666	68,452	417,214	6,966	8,751	99,976	24.0%

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Other includes default fund contribution under the IRB approach and non-credit obligation assets under the IRB and Standardised Approach.

³ Consists mainly of netting, secured funding trades, guarantees, credit conversion factors and impairments under the Standardised Approach.

31 December 2020

(in millions)	Original EAD	Less: Netting/EAD mitigation ³	EAD - of which:		RWA	RWA/EAD
			Derivatives	Securities financing transactions		
Credit risk IRB						
Central governments and central banks	97,011	-1,889	98,900	197	24	1,033 1.0%
Institutions ¹	12,464	1,681	10,783	1,059	2,075	1,905 17.7%
Corporates	139,224	42,867	96,357	2,350	1,251	50,985 52.9%
Retail	181,370	8,273	173,097			15,508 9.0%
- of which secured by immovable property	164,871	1,779	163,092			12,080 7.4%
- of which qualifying revolving exposures	9,313	5,551	3,762			1,240 33.0%
- of which other retail	7,186	944	6,243			2,188 35.0%
Securitisation positions	764		764			70 9.2%
Subtotal	430,832	50,932	379,900	3,606	3,350	69,501 18.3%
Equities not held for trading	898		898			3,397 378.5%
Other ²	1,114		1,114			10,432 936.7%
Total IRB	432,843	50,932	381,911	3,606	3,350	83,330 21.8%
Credit risk SA						
Central governments and central banks	6,738	-11	6,749	38		12 0.2%
Institutions ¹	21,533	12,765	8,767	3,221	3,035	846 9.7%
Corporates	16,744	10,861	5,883	941	1,271	5,309 90.2%
Retail	5,455	3,387	2,068			1,550 75.0%
Secured by mortgages on immovable property	801	137	664			233 35.0%
Exposures in default	387	276	111			146 131.9%
Credit valuation adjustment						175
Subtotal	51,657	27,415	24,242	4,199	4,306	8,272 34.1%
Other ²	1,200		1,200			859 71.6%
Total SA	52,858	27,415	25,443	4,199	4,306	9,131 35.9%
Total	485,701	78,347	407,354	7,805	7,656	92,462 22.7%

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.² Other includes default fund contribution under the IRB approach and non-credit obligation assets under the IRB and Standardised Approach.³ Consists mainly of netting, secured funding trades, guarantees, credit conversion factors and impairments under the Standardised Approach.

Credit quality by exposure class Audited

(in millions, Exposure at Default)	31 December 2021			
	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	103,059	88	5	103,152
Institutions ¹	6,697	328	9	7,034
Corporates	49,127	49,309	4,818	103,254
Retail	138,073	29,772	1,699	169,544
- <i>of which secured by immovable property</i>	134,658	27,252	1,423	163,334
- <i>of which qualifying revolving exposures</i>	1,149	144	28	1,321
- <i>of which other retail</i>	2,265	2,376	247	4,888
Securitisation positions	1,016			1,016
Total IRB²	297,972	79,497	6,531	384,000
Total SA ³				30,510
Total				414,510
31 December 2020				
	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	98,800	91	9	98,900
Institutions ¹	10,326	457		10,783
Corporates	37,652	51,824	6,881	96,357
Retail	152,993	18,322	1,782	173,097
- <i>of which secured by immovable property</i>	147,521	14,323	1,248	163,092
- <i>of which qualifying revolving exposures</i>	2,232	1,308	221	3,762
- <i>of which other retail</i>	3,240	2,691	312	6,243
Securitisation positions	764			764
Total IRB²	300,536	70,693	8,672	379,900
Total SA ³				24,242
Total				404,142

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Does not include other non-credit obligations and equities not held for trading, because these items are not subject to credit risk grading.

³ Does not include other non-credit obligations because these items are not subject to credit risk grading.

The increase in EAD in the sub-investment portfolio was solely attributable to retail and to the implementation of new credit risk models based on the new definition of default (DoD). The decline in EAD in the investment grade portfolio is visible in the exposure classes of retail and institutions and was partly offset by increases in corporates, driven by higher business activity in CIB core and Commercial Banking, and in central governments and central banks. The impaired portfolio decreased in corporates, primarily due to the reduction in the CIB non-core loan book. In 2021, EAD under the Standardised Approach increased, predominantly due to business developments in Clearing and as a result of the implementation of the Standardised Approach for counterparty credit risk in Global Markets.

Credit quality by internal rating scale mapped

to stages Audited

The following table presents the gross carrying amount of loans and the contractual amount of undrawn loan commitments, classified by internal rating and risk stage. In order to classify a client as stage 2, several qualitative triggers are needed, which are not necessarily dependent on internal ratings. Reference is made to the Credit risk management section for more information on internal ratings and stage determination.

(in millions)	PD scale	UCR range	31 December 2021				31 December 2020			
			Stage 1	Stage 2	Stage 3 ³	Total	Stage 1	Stage 2	Stage 3 ³	Total
Residential mortgages										
0.000 - < 0.035	1	107			108	10,074	176			10,250
0.035 - < 0.130	2	59,392	1,194		60,586	68,222	1,628			69,851
0.130 - < 0.470	3	55,040	1,861		56,900	48,509	2,567			51,076
0.470 - < 2.230	4	21,376	2,172		23,548	7,613	2,085			9,697
2.230 - < 16.970	5	1,119	2,294		3,413	970	2,538			3,508
16.970 - < 100	6+	28	504		532	20	147			166
	100	6-8			1,264	1,264			1,124	1,124
Total residential mortgages			137,063	8,025	1,264	146,351	135,407	9,141	1,124	145,672
Consumer loans										
0.000 - < 0.035	1	630	3		634	976	3			978
0.035 - < 0.130	2	1,459	9		1,468	1,286	18			1,305
0.130 - < 0.470	3	2,717	165		2,882	2,842	128			2,970
0.470 - < 2.230	4	3,708	291		3,999	3,776	263			4,039
2.230 - < 16.970	5	326	415		741	572	554			1,126
16.970 - < 100	6+	508	154		662	255	102			357
	100	6-8			409	409			456	456
Total consumer loans			9,348	1,037	409	10,794	9,707	1,068	456	11,232
Corporate loans										
0.000 - < 0.035	1	9,221	83		9,304	9,237	261			9,499
0.035 - < 0.130	2	9,839	343		10,182	7,669	447			8,115
0.130 - < 0.470	3	15,722	978		16,701	12,003	1,495			13,497
0.470 - < 2.230	4	28,393	5,433		33,826	30,031	6,923			36,954
2.230 - < 16.970	5	3,345	4,484		7,830	3,244	5,179			8,423
16.970 - < 100	6+	2,843	753		3,597	2,333	1,050			3,384
	100	6-8			5,019	5,019			6,873	6,873
Total corporate loans			69,364	12,075	5,019	86,458	64,517	15,356	6,873	86,745
Other loans¹										
0.000 - < 0.035	1	21,289			21,289	15,983				15,983
0.035 - < 0.130	2	9,012	1		9,012	7,538				7,538
0.130 - < 0.470	3	2,539			2,539	3,394	4			3,398
0.470 - < 2.230	4	883			883	650				650
2.230 - < 16.970	5	66	26		92	23	33			55
16.970 - < 100	6+	112	20		132	211				211
	100	6-8			9	9			21	21
Total other loans¹			33,900	47	9	33,956	27,798	37	21	27,856
Loan commitments and financial guarantee contracts²										
0.000 - < 0.035	1	5,256	6		5,262	7,885	13			7,898
0.035 - < 0.130	2	12,188	175		12,363	12,967	275			13,242
0.130 - < 0.470	3	16,688	885		17,573	13,679	809			14,488
0.470 - < 2.230	4	11,025	3,750		14,775	12,383	3,514			15,897
2.230 - < 16.970	5	1,197	1,043		2,240	1,328	1,259			2,587
16.970 - < 100	6+	3,843	161		4,004	2,952	313			3,265
	100	6-8			1,271	1,271			1,275	1,275
Total loan commitments and financial guarantee contracts²			50,199	6,019	1,271	57,488	51,194	6,183	1,275	58,653
Total										
0.000 - < 0.035	1	36,504	92		36,596	44,155	453			44,608
0.035 - < 0.130	2	91,891	1,721		93,612	97,682	2,369			100,051
0.130 - < 0.470	3	92,706	3,889		96,595	80,426	5,004			85,430
0.470 - < 2.230	4	65,385	11,646		77,031	54,453	12,785			67,238
2.230 - < 16.970	5	6,054	8,263		14,317	6,137	9,563			15,700
16.970 - < 100	6+	7,335	1,592		8,926	5,771	1,612			7,383
	100	6-8			7,971	7,971			9,749	9,749
Total			299,874	27,202	7,971	335,048	288,624	31,785	9,749	330,158

¹ Includes Banks, Securities Financing and Government and official institutions.² Total loan commitments and financial guarantee contracts exclude performance letters of credit as these facilities are not in scope of IFRS 9.³ Including POCI.

The largest part of ABN AMRO's portfolio in stage 1 is classified in the highest and medium internal rating classes. Stage 2 clients are primarily in the medium internal UCRs, primarily visible in corporate and off-balance sheet loans. Compared to 2020, the share of the portfolio with an investment grade rating (UCR 1 to UCR 3) decreased marginally, mainly due to a higher amount of sub-investment grade mortgage loans, resulting from implementation of credit risk models based on the new definition of default (DoD). Approximately 3% of the bank's portfolio is reported in UCR 6+, which is the highest risk class for performing loans, but also the default value if the rating has expired and a new rating is not yet available.

Geographic concentration by EAD Audited

(in millions, Exposure at Default)	31 December 2021					
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	70,875	22,219	6,659	2,156	1,243	103,152
Institutions ¹	1,077	4,514	675	198	570	7,034
Corporates	69,464	26,236	2,457	792	4,304	103,254
Retail	168,956	453	37	57	41	169,544
- <i>of which secured by immovable property</i>	162,809	396	37	53	39	163,334
- <i>of which qualifying revolving exposures</i>	1,321					1,321
- <i>of which other retail</i>	4,825	57		4	2	4,888
Securitisation positions	1,016					1,016
Total IRB²	311,388	53,423	9,828	3,203	6,158	384,000
Total SA ³	9,996	16,161	2,979	820	555	30,510
Total	321,384	69,583	12,807	4,023	6,713	414,510
Percentage of total	77.5%	16.8%	3.1%	1.0%	1.6%	100.0%

	31 December 2020					
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	64,973	21,685	6,501	4,526	1,215	98,900
Institutions ¹	2,729	6,448	862	364	380	10,783
Corporates	56,406	25,201	6,460	2,301	5,988	96,357
Retail	172,418	523	45	70	41	173,097
- <i>of which secured by immovable property</i>	162,555	396	42	64	34	163,092
- <i>of which qualifying revolving exposures</i>	3,722	34	1	1	4	3,762
- <i>of which other retail</i>	6,142	92	1	5	4	6,243
Securitisation positions	764					764
Total IRB²	297,290	53,856	13,868	7,262	7,624	379,900
Total SA ³	6,385	14,105	1,841	844	1,067	24,242
Total	303,674	67,961	15,709	8,106	8,692	404,142
Percentage of total	75.1%	16.8%	3.9%	2.0%	2.2%	100.0%

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Total Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

³ Exposure at Default does not include EAD calculated for other non-credit obligations.

Exposure at default (EAD) concentrated in the Netherlands increased to 77.5% of the bank's portfolio in 2021 (2020: 75.1%). EAD in the Netherlands increased to EUR 321.4 billion at 31 December 2021 (31 December 2020: EUR 303.7 billion), mainly due to business developments in Global Markets, CIB core and Commercial Banking. The non-European regions showed declines in EAD, largely attributable to the wind-down of the CIB non-core portfolio. Businesses outside the Netherlands are primarily located in neighbouring countries in Europe. Clearing and Securities financing are also located outside Europe. The remainder of the CIB non-core portfolio is partly located outside Europe.

Industry concentration

ABN AMRO applies industry concentration limits in line with the Industry Classification Benchmark (ICB). In the exposure table, non-material industry clusters are aggregated under Other. Industry concentration limits are established within the bank's risk appetite, with the thresholds for concentrations being based on relative risk, the importance of the industry to the Dutch economy and expert opinion. The table shows the industry in which the original obligor, i.e. the counterparty with whom ABN AMRO has the contractual relationship, has its main activity.

Industry concentration Audited

(in millions)	31 December 2021		31 December 2020	
	Gross carrying amount ^{3,5}	Percentage of total	Gross carrying amount ^{3,5}	Percentage of total
Loans and advances by industry sector				
Loans and advances banks	2,811	1.1%	3,399	1.3%
Financial services ¹	30,145	11.5%	20,785	8.2%
Industrial goods and services	16,918	6.5%	17,342	6.8%
Real estate	15,309	5.9%	12,070	4.7%
Oil and gas	3,162	1.2%	6,167	2.4%
Food and beverage	10,804	4.1%	12,452	4.9%
Retail	4,477	1.7%	4,677	1.8%
Healthcare	3,616	1.4%	3,651	1.4%
Construction and materials	3,041	1.2%	2,760	1.1%
Travel and leisure	3,452	1.3%	2,938	1.2%
Utilities	2,788	1.1%	2,113	0.8%
Automobiles and parts	1,545	0.6%	1,301	0.5%
Technology	1,112	0.4%	732	0.3%
Other ²	7,213	2.8%	8,717	3.4%
Total industry classification benchmark	103,581	39.6%	95,706	37.6%
Private individuals (non-industry classification benchmark)	154,593	59.1%	154,651	60.7%
Public administration (non-industry classification benchmark)	436	0.2%	1,025	0.4%
Total non-industry classification benchmark	155,029	59.3%	155,676	61.1%
Total loans and advances customers	258,611	98.9%	251,381	98.7%
Total loans and advances^{3,4}	261,421	100.0%	254,781	100.0%

¹ Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.

² Other includes personal and household goods, basic resources, media, chemicals, telecommunication and insurance, in addition to unclassified.

³ Excluding loans at fair value through P&L.

⁴ ABN AMRO changed its presentation compared to previous reports. The table now shows total loans and advances to be more consistent with other risk disclosures in this report.

⁵ Excluding fair value adjustments from hedge accounting.

The total increase in loans and advances by industry was largely explained by increases in financial services and real estate and partly offset by declines in oil and gas, food and beverage, and basic resources. These declines were predominantly achieved through the sales of the Trade & Commodity Finance portfolio in the first quarter and the North American oil and gas portfolio in the second quarter of 2021. Financial services was higher due to business developments in Clearing, while real estate rose as a result of higher business activity in Commercial Banking and CIB core.

Management of forbearance, past due and credit-impaired loans Audited

Reporting scope credit risk

Although all financial assets on our balance sheet are subject to some form of credit risk, by far the largest part is

in loans and advances. To provide a meaningful view of the credit risk in our lending book, the figures presented in this section therefore relate to loans and advances. Any credit risk outside the reported scope will be mentioned below the table.

All figures are furthermore reported gross of loan impairment allowances and exclude fair value adjustments. The following table provides a comparison with the consolidated balance sheet, in which the same items are shown net of allowances and include fair value adjustments.

	31 December 2021				31 December 2020			
	Gross carrying amount ²	Fair value adjustment from hedge accounting	Less: loan impairment allowance	Carrying amount	Gross carrying amount ²	Fair value adjustment from hedge accounting	Less: loan impairment allowance	Carrying amount
(in millions)								
Loans and advances banks	2,811		10	2,801	3,399		6	3,394
Residential mortgages	146,351	1,442	82	147,711	145,672	3,186	116	148,741
Consumer loans	10,794		276	10,518	11,232		294	10,937
Corporate loans ¹	86,458	509	2,053	84,915	86,745	652	3,053	84,344
Other loans and advances customers ¹	15,007		4	15,003	7,733	1	3	7,730
Total loans and advances customers¹	258,611	1,951	2,416	258,146	251,381	3,838	3,467	251,753
Total loans and advances¹	261,421	1,951	2,426	260,947	254,781	3,838	3,472	255,146
Other	138,178		12	138,166	140,489		13	140,477
Total assets	399,599	1,951	2,437	399,113	395,270	3,838	3,485	395,623
Loans and advances customers ¹	258,611	1,951	2,416	258,146	251,381	3,838	3,467	251,753
Corporate loans at fair value through P&L	99			99	400			400
Other loans at fair value through P&L	5			5	6			6
Total loans and advances customers¹	258,715	1,951	2,416	258,251	251,788	3,838	3,467	252,159

¹ Excluding loans at fair value through P&L.

² Excluding fair value adjustments from hedge accounting.

Forborne exposures Audited

Clients in (or potentially in) financial difficulty and whose contracts have been amended in ways that are regarded as concessions on the part of the bank are accounted for as

forborne assets. The following table provides an overview of forborne assets, broken down into performing and non-performing assets, and classified by the type of forbearance measure.

Overview of forborne assets Audited

(in millions)	Gross carrying amount ²	31 December 2021									
		Performing assets			Total performing forborne assets	Non-performing assets			Total non-performing forborne assets	Total forborne assets	Forbearance ratio
		Temporary modification	Permanent modification	Refinancing		Temporary modification	Permanent modification	Refinancing			
Loans and advances banks	2,811										0.0%
Residential mortgages	146,351	2,445	18	1	2,464	590	24	2	616	3,080	2.1%
Consumer loans	10,794	60	47	4	111	86	26	12	124	235	2.2%
Corporate loans ¹	86,458	1,173	2,937	484	4,594	380	2,237	659	3,276	7,870	9.1%
Other loans and advances customers ¹	15,007										0.0%
Total loans and advances customers¹	258,611	3,678	3,002	490	7,170	1,057	2,287	673	4,016	11,186	4.3%
Total loans and advances¹	261,421	3,678	3,002	490	7,170	1,057	2,287	673	4,016	11,186	4.3%

¹ Excluding loans at fair value through P&L.

² Gross carrying amount excludes fair value adjustments from hedge accounting.

(in millions)	Gross carrying amount ³	31 December 2020									
		Performing assets			Total performing forborne assets	Non-performing assets			Total non-performing forborne assets	Total forborne assets	Forbearance ratio
		Temporary modification	Permanent modification	Refinancing		Temporary modification	Permanent modification	Refinancing			
Loans and advances banks	3,399										0.0%
Residential mortgages	145,672	2,723	11	1	2,735	581	14	4	599	3,334	2.3%
Consumer loans	11,232	47	52	32	131	25	23	81	129	260	2.3%
Corporate loans ¹	86,745	1,789	2,924	525	5,238	689	2,461	911	4,060	9,298	10.7%
Other loans and advances customers ¹	7,733				5					5	0.1%
Total loans and advances customers^{1,2}	251,381	4,559	2,991	558	8,108	1,294	2,499	996	4,788	12,896	5.1%
Total loans and advances^{1,2}	254,781	4,559	2,991	558	8,108	1,294	2,499	996	4,788	12,896	5.1%

¹ Excluding loans at fair value through P&L.

² ABN AMRO changed its presentation compared to previous reports. The table now shows total loans and advances to be more consistent with other risk disclosures in this report.

³ Gross carrying amount excludes fair value adjustments from hedge accounting.

Forborne exposures decreased to EUR 11.2 billion at 31 December 2021 (31 December 2020: EUR 12.9 billion). This movement related mainly to the CIB non-core wind-down and was reflected in lower forborne corporate loans. The amount of total forborne assets is still substantial, especially in the case of residential mortgages and corporate loans, due to the high inflow in 2020 caused by the Covid-19 pandemic and developments in the oil price.

The forborne portfolio of residential mortgages decreased in 2021 by EUR 0.3 billion to EUR 3.1 billion. As the main part of this portfolio consists of loans to which a collective payment deferral was applied in 2020, these loans are expected to cease to be forborne during the coming year. Forborne exposure of corporate loans decreased by EUR 1.4 billion to EUR 7.9 billion, mainly owing to repayments and to the sale of assets as part of the CIB non-core wind-down.

Past due exposures Audited

When a counterparty is past due or exceeds its credit limit, all loans and advances (total gross carrying amount) in the related credit arrangement are considered to be past due. The absolute and relative materiality thresholds used for

determining a defaulted status do not apply for the purposes of classification as past due. Below these thresholds, arrears of more than 90 days are reported as past due.

Past due not classified as stage 3 Audited

(in millions)	Gross carrying amount ²	Assets not classified as stage 3 or POCI	Days past due			31 December 2021	
						Total past due but not stage 3 or POCI	
			≤ 30 days	> 30 days & ≤ 90 days	> 90 days		
Loans and advances banks	2,811	2,811					0.0%
Residential mortgages	146,351	145,087	759	49	12	820	0.6%
Consumer loans	10,794	10,385	133	29	26	188	1.7%
Corporate loans ¹	86,458	81,439	874	178	23	1,075	1.2%
Other loans and advances customers ¹	15,007	14,998	24			24	0.2%
Total loans and advances customers¹	258,611	251,910	1,789	256	61	2,106	0.8%
Total loans and advances^{1,2}	261,421	254,720	1,789	256	61	2,106	0.8%

¹ Excluding loans at fair value through P&L.

² Gross carrying amount excludes fair value adjustments from hedge accounting.

(in millions)	Gross carrying amount ³	Assets not classified as stage 3 or POCI	Days past due			31 December 2020	
						Total past due but not stage 3 or POCI	
			≤ 30 days	> 30 days & ≤ 90 days	> 90 days		
Loans and advances banks	3,399	3,399					0.0%
Residential mortgages	145,672	144,548	858	69	9	936	0.6%
Consumer loans	11,232	10,775	206	64	59	329	2.9%
Corporate loans ¹	86,745	79,872	756	348	243	1,348	1.6%
Other loans and advances customers ¹	7,733	7,712					0.0%
Total loans and advances customers^{1,2}	251,381	242,907	1,821	482	311	2,614	1.0%
Total loans and advances^{1,2}	254,781	246,307	1,821	482	311	2,614	1.0%

¹ Excluding loans at fair value through P&L.

² ABN AMRO changed its presentation compared to previous reports. The table now shows total loans and advances to be more consistent with other risk disclosures in this report.

³ Gross carrying amount excludes fair value adjustments from hedge accounting.

Compared to 31 December 2020, total arrears declined by EUR 0.5 billion to EUR 2.1 billion, mainly due to reductions in the corporate loans, consumer loans and residential mortgages segments. While the past due ratio for residential mortgages remained stable at 0.6%, the past due ratios for corporate loans and consumer loans went down from 1.6% to 1.2% and from 2.9% to 1.7%, respectively. The overall declining trend in arrears on residential mortgages and consumer loans continued

on the back of benign economic conditions such as low unemployment and relatively stable household earnings. In the corporate loans segment, declines in arrears of Asset-Based Finance clients more than offset the rise in arrears of Commercial Banking and Corporate & Institutional Banking clients, particularly in the short-term bucket. Furthermore, a significant part of the rise in short-term corporate loan arrears was short-lived, given that the relevant clients returned to current status in January 2022.

Coverage and stage ratios Audited

(in millions)	31 December 2021				31 December 2020			
	Gross carrying amount ³	Allowances for credit losses ⁴	Coverage ratio	Stage ratio	Gross carrying amount ³	Allowances for credit losses ⁴	Coverage ratio	Stage ratio
Stage 1								
Loans and advances banks	2,808	10	0.4%	99.9%	3,399	6	0.2%	100.0%
Residential mortgages	137,063	8	0.0%	93.7%	135,407	14	0.0%	93.0%
Consumer loans	9,348	23	0.2%	86.6%	9,707	38	0.4%	86.4%
Corporate loans ¹	69,364	130	0.2%	80.2%	64,517	243	0.4%	74.4%
Other loans and advances customers ¹	14,954		0.0%	99.6%	7,675		0.0%	99.3%
Total loans and advances customers¹	230,729	162	0.1%	89.2%	217,305	296	0.1%	86.4%
Stage 2								
Loans and advances banks	3		0.5%	0.1%				
Residential mortgages	8,025	22	0.3%	5.5%	9,141	44	0.5%	6.3%
Consumer loans	1,037	45	4.4%	9.6%	1,068	41	3.8%	9.5%
Corporate loans ¹	12,075	291	2.4%	14.0%	15,356	316	2.1%	17.7%
Other loans and advances customers ¹	44	1	3.2%	0.3%	37		0.3%	0.5%
Total loans and advances customers¹	21,181	360	1.7%	8.2%	25,602	400	1.6%	10.2%
Stage 3 and POCI								
Loans and advances banks								
Residential mortgages	1,264	52	4.1%	0.9%	1,124	58	5.2%	0.8%
Consumer loans	409	208	50.8%	3.8%	456	215	47.2%	4.1%
Corporate loans ¹	5,019	1,632	32.5%	5.8%	6,873	2,494	36.3%	7.9%
Other loans and advances customers ¹	9	3	32.0%	0.1%	21	3	14.6%	0.3%
Total loans and advances customers¹	6,701	1,894	28.3%	2.6%	8,474	2,771	32.7%	3.4%
Total of stages 1, 2, 3 and POCI								
Total loans and advances banks	2,811	10	0.4%		3,399	6	0.2%	
Residential mortgages	146,351	82	0.1%		145,672	116	0.1%	
Consumer loans	10,794	276	2.6%		11,232	294	2.6%	
Corporate loans ¹	86,458	2,053	2.4%		86,745	3,053	3.5%	
Other loans and advances customers ¹	15,007	4	0.0%		7,733	3	0.0%	
Total loans and advances customers¹	258,611	2,416	0.9%		251,381	3,467	1.4%	
Total loans and advances^{1,2}	261,421	2,426	0.9%		254,781	3,472	1.4%	

¹ Excluding loans at fair value through P&L.² ABN AMRO changed its presentation compared to previous reports. The table now shows total loans and advances to be more consistent with other risk disclosures in this report.³ Gross carrying amount excludes fair value adjustments from hedge accounting.⁴ The allowances for credit losses excludes allowances for financial investments held at FVOCI (31 December 2021: EUR 1 million; 31 December 2020: EUR 1 million).

In 2021, the stage 3 ratio improved to 2.6% (31 December 2020: 3.4%), predominantly as a result of the CIB non-core wind-down, including the sale of the Trade & Commodity Finance portfolio and the North American oil and gas portfolio, and, to a lesser extent, the decline in corporate loans to Commercial Banking clients, which was mostly due to repayments. The stage 3 coverage ratio declined to 28.3% (31 December 2020: 32.7%) owing to write-offs and, following the CIB non-core wind-down, releases for CIB clients for which relatively high provisions had been made.

The stage 2 ratio declined to 8.2% (31 December 2020: 10.2%), mainly due to a reduction in stage 2 exposures in the CIB non-core loan book and a decline in residential

mortgages resulting from improved risk parameters. As a result, the stage 2 coverage ratio increased slightly to 1.7% (31 December 2020: 1.6%).

Purchased or Originated Credit Impaired (POCI)

On 31 December 2021, loans classified as POCI amounted to EUR 16 million, including impairments of EUR 3 million. Due to the immateriality of the amount, this is included in the amount shown for stage 3 throughout this report.

Exposure and impairment flows Audited

This section provides more details on the exposure and impairment flows underlying the change in coverage and stage ratios shown in the previous section.

Total loans and advances Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ^a	Total	Stage 1	Stage 2	Stage 3 ^b	Total
Balance at 1 January	220,705	25,602	8,474	254,781	246,631	17,066	6,740	270,437
Transfer to stage 1	5,607	-5,517	-90	5,250	-5,202	-48		
Transfer to stage 2	-7,863	8,412	-549	-18,455	19,122	-667		
Transfer to stage 3	-890	-1,432	2,322	-2,451	-2,140	4,591		
Additional drawdowns and partial repayments	-20,683	1,029	11	-19,643	-11,199	1,110	797	-9,292
Originated or purchased	71,356			71,356	35,887			35,887
Matured or repaid	-36,312	-7,148	-2,538	-45,998	-32,568	-4,035	-1,521	-38,123
Write-offs	-11	-19	-1,087	-1,117			-1,194	-1,194
Foreign exchange	1,774	281	159	2,214	-2,385	-289	-209	-2,883
Other movements	-145	-24	-1	-171	-6	-29	-15	-51
Balance at 31 December	233,537	21,183	6,701	261,421	220,705	25,602	8,474	254,781

¹ Excluding loans at fair value through P&L.

² Gross carrying amount excludes fair value adjustments from hedge accounting.

³ Including POCI.

Total loans and advances increased compared to 31 December 2020, mainly due to an increase in other loans as a result of increased margin contributions to Eurex and European Commodity Clearing (ECC) for Clearing clients (EUR 9.1 billion) and to Commercial Banking (EUR 1.8 billion) as a result of new client lending relating to TLTRO, which was drawn largely in November and December. The increase was off-set by a decrease in CIB (EUR -2.7 billion) and Markets (EUR -1.3 billion), which was visible mostly in corporate loans and is explained by the strategy review to wind down CIB activities outside Northwest Europe and by a net decrease in derivatives as a result of fair value changes, respectively.

New client lending in the context of TLTRO also impacted on the observed increase in originated or purchased loans (EUR 35.5 billion) and additional drawdowns (EUR -10.4 billion), mainly visible in corporate loans. The remainder of the increase in originated or purchased loans is explained by new mortgage production.

Exposure flows per product class are presented in the section Additional risk, funding & capital disclosures.

Loan impairment charges and allowances Audited

(in millions)	31 December 2021						
	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Balance at 1 January 2021	6	116	294	3,053	3	3,472	48
Transfer to stage 1		-6	-7	-21		-33	-1
Transfer to stage 2			-3	31		27	7
Transfer to stage 3		21	51	107		179	
Remeasurements ¹	10	5	39	425	1	480	101
Changes in models	-2	-1	1	-15		-17	
Changes in risk parameters	-4	-31	-12	-54		-101	
Originated or purchased		4	5	46		55	6
Matured or repaid		-19	-27	-563		-610	-18
Impairment charges (releases) on loans and advances	5	-28	47	-44	1	-20	94
Write-offs		-6	-69	-1,042		-1,117	-3
Unwind discount / unearned interest accrued		1	4	16		22	
Foreign exchange and other movements		-1		69		69	14
Balance at 31 December 2021	10	82	276	2,053	4	2,426	153
							2021
Impairment charges (releases) on loans and advances	5	-28	47	-44	1	-20	94
Recoveries and other charges (releases)		-18	-44	-79		-141	22
Total impairment charges for the period	5	-46	3	-124	1	-161	116

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

(in millions)	31 December 2020						
	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Balance at 1 January 2020	5	140	298	1,982	6	2,431	16
Transfer to stage 1		-7	-4	-12		-23	1
Transfer to stage 2		4	5	110		119	6
Transfer to stage 3		27	91	518		636	179
Remeasurements ¹	-2	-49	42	1,922	-3	1,910	5
Changes in models		6				6	
Changes in risk parameters	2	28	3	132		165	11
Originated or purchased		4	4	31		40	20
Matured or repaid	-1	-13	-11	-668		-692	-9
Impairment charges (releases) on loans and advances	-1	1	130	2,033	-3	2,161	214
Write-offs		-16	-143	-1,035		-1,194	
Unwind discount / unearned interest accrued		2	-1	31		31	
Foreign exchange and other movements	1	-10	11	42		43	-182
Balance at 31 December 2020	6	116	294	3,053	3	3,472	48
							2020
Impairment charges (releases) on loans and advances	-1	1	130	2,033	-3	2,161	214
Credit-related modifications				36		36	
Recoveries and other charges (releases)		-19	-38	-33		-90	-17
Total impairment charges for the period	-1	-18	92	2,035	-3	2,106	197

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

Loan impairment charges and allowances per stage Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ²	Total	Stage 1	Stage 2	Stage 3 ²	Total
Balance at 1 January	301	400	2,771	3,472	180	258	1,993	2,431
Transfer to stage 1	40	-62	-11	-33	39	-53	-9	-23
Transfer to stage 2	-35	112	-50	27	-45	200	-36	119
Transfer to stage 3	-12	-38	228	179	-13	-76	725	636
Remeasurements ¹	-108	41	547	480	472	50	1,388	1,910
Changes in models	-3	-11	-3	-17	1	2	4	6
Changes in risk parameters	-34	-35	-32	-101	100	46	19	165
Originated or purchased	55			55	40			40
Matured or repaid	-19	-18	-573	-610	-479	-19	-195	-692
Impairment charges (releases) on loans and advances	-117	-10	107	-20	115	149	1,896	2,161
Write-offs	-11	-19	-1,087	-1,117			-1,194	-1,194
Unwind discount / unearned interest accrued			22	22			31	31
Foreign exchange and other movements	-2	-11	82	69	7	-8	44	43
Balance at 31 December	172	360	1,894	2,426	301	400	2,771	3,472
Impairment charges (releases) on loans and advances	-117	-10	107	-20	115	149	1,896	2,161
Credit-related modifications						29	7	36
Recoveries and other charges (releases)			-141	-141			-90	-90
Total impairment charges for the period	-117	-10	-34	-161	115	179	1,813	2,106

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

² Including POCI.

A release of EUR 46 million in impairments was recorded for 2021 (2020: addition of EUR 2,303 million), resulting in a cost of risk of -7bps in 2021, compared to 78bps in 2020. Releases were attributable to a more favourable economic scenario during the year, partly offset by additions from management overlays. Additions for individual files classified in stage 3 during 2021 were limited. Additions for existing stage 3 files were attributable to the oil and gas and energy-offshore sectors in CIB.

A release of EUR 37 million was recorded for CIB in 2021, while an increase in impairment charges of EUR 1,659 million was recorded in 2020. In 2020, three exceptional client files contributed EUR 629 million, while the other impairment charges were attributable to additions from individual files in the oil and gas and energy-offshore sectors. The CIB wind-down continued in 2021, resulting in a large outflow of exposure and the release of associated impairments in our CIB non-core portfolio. In addition, a more favourable economic scenario compared to the insights in Q4 2020 led to releases in impairments. Inflows from individual files were limited in 2021, but additions on existing files were recorded in the oil and gas and energy-offshore sectors.

Additions for Commercial Banking amounted to EUR 41 million in 2021 (2020: EUR 542 million) and were attributable to management overlays, including one for stage 3 collateralised loans and one for vulnerable sectors. The net impact on individual files resulted in a small release, mainly contributed to by the food sector and offset by additions for several sectors.

For residential mortgages, a release of EUR 46 million was recorded in 2021, compared to a release of EUR 18 million in 2020. The main contributor was the improvement in the economic outlook during the year as the Dutch economy recovered more quickly than had been expected at the end of 2020. This, together with an improved risk perception and decreasing volumes in our mortgages portfolio, resulted in a release of impairments in 2021.

Based on an expected loss analysis of the current and projected portfolio, including the wind-down of CIB non-core, we revised our long-term expectations of the cost of risk from 25-30bps to around 20bps.

Individual and collective loan impairment allowances and management overlays [Audited]

	31 December 2021						
(in millions)	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Individual impairments							
Stage 3 ¹		46	1,389	3	1,438		116
Total individual impairments		46	1,389	3	1,438		116
Collective impairments							
Stage 1	10	8	23	130		172	17
Stage 2		22	45	291	1	360	20
Stage 3 ¹		52	162	243		456	
Total collective impairments	10	82	230	664	1	988	37
- <i>of which management overlay</i>		24	46	354		424	
Total impairments	10	82	276	2,053	4	2,426	153
Carrying amount of loans, determined to be impaired, before deducting any assessed impairment allowance		1,264	409	5,019	9	6,701	

¹ Including POCI.

	31 December 2020						
(in millions)	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total loans and advances	Off-balance
Individual impairments							
Stage 3 ¹		2	58	2,296	3	2,359	19
Total individual impairments		2	58	2,296	3	2,359	19
Collective impairments							
Stage 1	6	14	38	243		301	16
Stage 2		44	41	316		400	10
Stage 3 ¹		56	158	198		412	2
Total collective impairments	6	114	237	757		1,113	29
- <i>of which management overlay</i>		15	33	242		290	
Total impairments	6	116	294	3,053	3	3,472	48
Carrying amount of loans, determined to be impaired, before deducting any assessed impairment allowance		1,124	456	6,873	21	8,474	

¹ Including POCI.

Total collective impairments amounted to EUR 988 million at 31 December 2021. These impairments included expected credit losses (ECL) as calculated by our IFRS 9 models and the management overlays we recorded. The ECL is calculated taking into account a probability-weighted average of three economic scenarios. As the ECL model outcomes do not always reflect the current economic environment and circumstances, additional management overlays are applied to incorporate potential risks not fully captured by the model outcomes. During 2021, management overlays increased by EUR 134 million, rising to a total of EUR 424 million at the year-end (EUR 290 million at 31 December 2020). These were mainly recorded for risks in the corporate loans portfolios, which increased by EUR 110 million to EUR 354 million and comprised the following:

- ▶ In the first half of 2021, an overlay was recorded for clients in vulnerable sectors within Commercial Banking to reflect the risk of loans in these sectors until borrowers' updated financial information has been reviewed.
- ▶ Government support had a positive effect on clients' payment behaviour and led to an all-time low number of bankruptcies. An overlay taken in 2020 for Commercial Banking clients, to capture any credit risk deterioration that can be expected after government support measures end, was maintained and extended to our CIB portfolio in H1 2021.
- ▶ The existing overlay for the CIB non-core portfolio, which covers anticipated additional risk costs relating to the wind-down, decreased over the year, in line with the decreasing exposure of this portfolio.
- ▶ In H2 2021, an overlay for collateralised loans in stage 3 was recorded for Commercial Banking.

Compared to 31 December 2020, management overlays for our mortgage portfolio increased by EUR 9 million owing to an overlay for the impact of excessive increases in property prices on the outcome of the IFRS 9 models. A management overlay to cover the refinancing risk of interest-only mortgages was maintained.

The management overlays within consumer lending portfolios increased by EUR 14 million owing to the overlay taken for tail risk in the wind-down of a retail banking portfolio.

All management overlays represent best estimates of the risks involved. Underlying reasoning and calculations are documented and discussed and approved by the Impairments and Provisioning Committee (IPC). Relevant experience related to the impact of Covid-19 on the model outcomes will be used to improve the models over time and reduce the management overlays.

Macroeconomic scenarios and ECL sensitivity

The tables below show the scenarios used for calculating the expected credit loss (ECL) at 31 December 2021 and 31 December 2020. At the end of 2021, ABN AMRO economists increased their 2021 eurozone and Dutch growth forecasts upwards, based on the stronger economic recovery and supported by a quicker than expected rebound in global trade, continued fiscal and monetary support from governments, low unemployment and the continued rise in residential real estate prices in the Netherlands. Inflationary pressures linked to energy prices and supply disruptions are expected to be limited to the first half of 2022. The resilience of the Dutch economy to successive lockdowns is positively noted as a risk-mitigating factor for the year ahead. On the back of these favourable economic conditions, the weight of the negative scenario was reduced from 40% to 30%.

Macroeconomic scenarios in 2021 Audited

(in millions)	Weight	Macroeconomic variable	2022	2023	2024	2025	Unweighted ECL ⁴	Weighted ECL ⁴
Positive	10%	Real GDP Netherlands ¹	4.5%	2.9%	2.5%	1.6%		
		Unemployment ²	2.7%	2.3%	2.3%	2.2%	495	
		House price index ³	12.5%	5.0%	3.5%	3.0%		
Baseline	60%	Real GDP Netherlands	3.8%	2.4%	2.0%	1.4%		
		Unemployment	3.1%	2.8%	2.8%	2.8%	510	533
		House price index	10.0%	4.0%	3.0%	3.0%		
Negative	30%	Real GDP Netherlands	2.7%	0.7%	2.3%	1.6%		
		Unemployment	4.0%	4.2%	3.4%	3.2%	591	
		House price index	0.0%	-7.5%	-10.0%	-2.5%		

¹ Real GDP Netherlands, % change year-on-year.

² Unemployment Netherlands, % of labour force.

³ House price index Netherlands - average % change year-on-year.

⁴ Excluding ECL for stage 3 and POCI.

Macroeconomic scenarios in 2020 Audited

(in millions)	Weight	Macroeconomic variable	2021	2022	2023	2024	Unweighted ECL ⁴	Weighted ECL ⁴
Positive	10%	Real GDP Netherlands ¹	4.4%	4.3%	2.0%	1.7%		
		Unemployment ²	6.2%	6.2%	5.6%	4.8%	653	
		House price index ³	5.0%	3.0%	2.0%	3.0%		
Baseline	50%	Real GDP Netherlands	3.0%	3.6%	2.3%	1.8%		
		Unemployment	6.4%	7.9%	6.9%	6.1%	688	703
		House price index	0.0%	0.0%	2.0%	3.0%		
Negative	40%	Real GDP Netherlands	0.7%	3.0%	1.0%	1.4%		
		Unemployment	6.8%	8.4%	7.8%	6.8%	734	
		House price index	-3.0%	-5.0%	0.0%	3.0%		

¹ Real GDP Netherlands, % change year-on-year.

² Unemployment Netherlands, % of labour force.

³ House price index Netherlands - average % change year-on-year.

⁴ Excluding ECL for stage 3 and POCI.

Forborne, past due and credit-impaired loans by geography and industry**Forborne, past due and credit-impaired loans by geography**

		31 December 2021			
(in millions)	Forborne exposure	Exposures past due, but not stage 3 or POCI	Stage 3 exposures ¹	Allowances for stage 3 ¹	Stage 3 charges for the period ¹
The Netherlands	9,473	1,645	5,220	1,190	-157
Rest of Europe	1,293	367	930	349	101
USA	106	70	107	18	-30
Asia	3		220	190	-1
Rest of the world	311	24	223	147	52
Total loans and advances	11,186	2,106	6,701	1,894	-35

		31 December 2020			
(in millions)	Forborne exposure	Exposures past due, but not stage 3 or POCI	Stage 3 exposures ¹	Allowances for stage 3 ¹	Stage 3 charges for the period ¹
The Netherlands	9,631	1,811	5,706	1,429	565
Rest of Europe	1,622	764	1,126	428	369
USA	781	4	491	157	397
Asia	197	4	662	489	307
Rest of the world	666	32	489	268	175
Total loans and advances	12,896	2,614	8,474	2,771	1,812

¹ Including POCI.

The ongoing reduction in the CIB non-core loan book led to a decline in forborne loans and stage 3 exposures and allowances in all geographies outside the Netherlands. The decline in forborne exposures in the Netherlands also reflects residential mortgages that were repaid or ceased to be forborne. Stage 3 exposures and allowances in the Netherlands decreased due to a decline in Commercial Banking, mostly as a result of repayments. Contrary to the general declining trend, arrears in the USA rose by EUR 64 million owing to a single client. The respective client returned to current status in January 2022.

Forborne, past due and credit-impaired loans by industry

(in millions)	31 December 2021								
	Gross carrying amount ^{3,4}	Forborne exposures	Forborne ratio	Exposures past due, but not stage 3 or POCI	Past due ratio	Stage 3 exposures ⁵	Stage 3 ratio ⁵	Allowances for impairments for identified credit risk	Stage 3 impairment charges for the period ⁶
Loans and advances by industry sector									
Loans and advances banks	2,811								
Financial services ¹	30,145	121	0.4%	208	0.7%	170	0.6%	94	5
Industrial goods and services	16,918	2,201	13.0%	398	2.4%	1,382	8.2%	457	-41
Real estate	15,309	506	3.3%	229	1.5%	325	2.1%	68	2
Oil and gas	3,162	126	4.0%		0.0%	428	13.5%	315	113
Food and beverage	10,804	1,328	12.3%	103	1.0%	854	7.9%	160	-65
Retail	4,477	742	16.6%	21	0.5%	519	11.6%	182	13
Healthcare	3,616	370	10.2%	13	0.4%	206	5.7%	36	-9
Construction and materials	3,041	250	8.2%	16	0.5%	299	9.8%	136	-12
Travel and leisure	3,452	1,416	41.0%	6	0.2%	480	13.9%	84	-2
Utilities	2,788	147	5.3%	1	0.0%	58	2.1%	9	-5
Automobiles and parts	1,545	151	9.8%	13	0.9%	5	0.3%	2	
Technology	1,112	56	5.0%	24	2.2%	36	3.3%	18	4
Other ²	7,213	442	6.1%	54	0.8%	330	4.6%	94	-9
Subtotal industry classification benchmark	103,581	7,857	7.6%	1,086	1.0%	5,091	4.9%	1,654	-5
Private individuals (non-industry classification benchmark)	154,593	3,296	2.1%	996	0.6%	1,599	1.0%	238	-31
Public administration (non-industry classification benchmark)	436	33	7.7%	24	5.5%	10	2.4%	2	1
Total non-industry classification benchmark	155,029	3,330	2.1%	1,020	0.7%	1,610	1.0%	240	-30
Total loans and advances customers	258,611	11,186	4.3%	2,106	0.8%	6,701	2.6%	1,894	-35
Total loans and advances	261,421	11,186	4.3%	2,106	0.8%	6,701	2.6%	1,894	-35

¹ Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.

² Other includes personal and household goods, basic resources, media, chemicals, telecommunication and insurance, in addition to unclassified.

³ Excluding loans at fair value through P&L.

⁴ Excluding fair value adjustments from hedge accounting.

⁵ Including POCI.

	31 December 2020								
(in millions)	Gross carrying amount ^{3,5}	Forborne exposures	Forborne ratio	Exposures past due, but not stage 3 or POCI	Past due ratio	Stage 3 exposures ⁶	Stage 3 ratio ⁶	Allowances for impairments for identified credit risk	Stage 3 impairment charges for the period ⁶
Loans and advances by industry sector									
Loans and advances banks									
Financial services ¹	20,785	263	1.3%	104	0.5%	209	1.0%	96	219
Industrial goods and services	17,342	2,684	15.5%	444	2.6%	1,764	10.2%	516	262
Real estate	12,070	425	3.5%	182	1.5%	381	3.2%	67	27
Oil and gas	6,167	1,204	19.5%		0.0%	1,120	18.2%	637	521
Food and beverage	12,452	1,299	10.4%	95	0.8%	1,283	10.3%	399	155
Retail	4,677	741	15.8%	172	3.7%	400	8.6%	185	110
Healthcare	3,651	432	11.8%	20	0.6%	293	8.0%	44	-9
Construction and materials	2,760	338	12.2%	78	2.8%	268	9.7%	154	43
Travel and leisure	2,938	1,112	37.8%	26	0.9%	393	13.4%	84	66
Utilities	2,113	139	6.6%	18	0.8%	65	3.1%	21	6
Automobiles and parts	1,301	152	11.7%	63	4.8%	6	0.4%	1	
Technology	732	47	6.4%	10	1.4%	36	4.9%	5	159
Other ²	8,717	472	5.4%	135	1.6%	747	8.6%	312	149
Subtotal industry classification benchmark	95,706	9,307	9.7%	1,347	1.4%	6,966	7.3%	2,522	1,710
Private individuals (non-industry classification benchmark)	154,651	3,576	2.3%	1,248	0.8%	1,482	1.0%	248	100
Public administration (non-industry classification benchmark)	1,025	13	1.3%	18	1.8%	26	2.5%	1	3
Total non-industry classification benchmark	155,676	3,589	2.3%	1,266	0.8%	1,508	1.0%	249	103
Total loans and advances customers	251,381	12,896	5.1%	2,614	1.0%	8,474	3.4%	2,771	1,812
Total loans and advances^{3,4}	254,781	12,896	5.1%	2,614	1.0%	8,474	3.3%	2,771	1,812

¹ Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.

² Other includes personal and household goods, basic resources, media, chemicals, telecommunication and insurance, in addition to unclassified.

³ Excluding loans at fair value through P&L.

⁴ ABN AMRO changed its presentation compared to previous reports. The table now shows total loans and advances to be more consistent with other risk disclosures in this report.

⁵ Excluding fair value adjustments from hedge accounting.

⁶ Including POCI.

The continued reduction in the non-core loan book was reflected in the decrease in forborne and stage 3 exposures in the industrial goods and services, food and beverage, basic resources, and oil and gas sectors. The decrease in stage 3 exposures in industrial goods and services, food and beverage, healthcare and real estate was also related, albeit to a lesser extent, to the decrease in corporate loans in Commercial Banking, mostly due to repayments. Compared to the previous year, the largest declines in arrears were in the private individuals and retail sectors, offset by an increase in arrears in financial services.

Credit risk mitigation Audited

Collateral reporting is based on the net collateral value (NCV). The NCV represents the amount expected to be recovered from the collateral pledged to the bank if the client defaults. Where necessary, certain discounts are applied. The NCV is approached by an average recovery rate observed for the specific type of collateral and, where applicable, by applying haircuts, for example in the event of currency mismatches. Surplus collateral is the amount of over-collateralisation, calculated on an individual basis. A surplus is not included for guarantees as the debtor cannot be held liable for more than the maximum debt.

Financial assets: offsetting, netting, collateral and guarantees [Audited]

	31 December 2021							
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure ⁵
	Carrying amount before balance-sheet netting	Less: balance sheet netting with gross liabilities	Carrying amount ²	Master netting agreement ³	Financial instruments collateral	Property & equipment	Other collateral and guarantees	
(in millions)								
Financial assets held for trading	1,155		1,155					1,155
Derivatives	3,785		3,785	2,312	85		2,397	1,388
Financial investments	43,165		43,165					43,165
Securities financing	19,659	3,521	16,138	85	18,808		18,893	2,915
Interest-bearing deposits	1,538	349	1,189	36	1		282	318
Loans and advances	1,355		1,355	967	927		1,893	923
Other	257		257					257
Total loans and advances banks	3,150	349	2,801	1,002	927		282	2,211
Residential mortgages	146,269		146,269		2,779	262,635	355	265,768
Consumer loans	10,519	1	10,518		3,856	6,465	28	10,349
Corporate loans	88,038	3,632	84,405	2,943	26,669	50,828	3,693	84,132
Other loans and advances customers	15,003		15,003		163		75	28
Fair value adjustment from hedge accounting	1,951		1,951				267	44
								1,951
Total loans and advances customers¹	261,779	3,633	258,146	3,105	33,304	320,003	4,103	360,516
Loans at fair value through P&L	104		104					155,525
Total loans and advances customers	261,884	3,633	258,251	3,105	33,304	320,003	4,103	360,516
Other assets	3,330		1	3,330	2	370	69	441
Total on-balance sheet subject to netting and pledged agreements	336,127		7,504	328,624	6,508	53,494	320,003	4,454
Assets not subject to netting and pledged agreements	70,490		70,490					384,459
								159,693
Total assets	406,617		7,504	399,113	6,508	53,494	320,003	4,454
Total off-balance sheet	93,977		93,977			4,683	8,130	1,961
								14,774
Total on- and off-balance sheet	500,594		7,504	493,091	6,508	58,178	328,133	6,415
								399,233
								164,714
								258,572

¹ Excluding loans at fair value through P&L.² Carrying amount includes loan impairment allowances where applicable.³ Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.⁴ Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.⁵ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

	31 December 2020									
	Offset in the statement of financial position			Not offset in the statement of financial position			Net exposure ⁵			
(in millions)	Carrying amount before balance-sheet netting	Less: sheet netting with gross liabilities	Carrying amount ²	Master netting agreement ³	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation - of which surplus collateral ⁴		
Financial assets held for trading	1,315		1,315					1,315		
Derivatives	6,381		6,381	4,209			4,209	2,172		
Financial investments	47,455		47,455					47,455		
Securities financing	18,423	1,699	16,725	144	22,255		22,399	5,899	225	
Interest-bearing deposits	2,056	316	1,739	20	244		264		1,475	
Loans and advances	1,339		1,339	890	87	98		1,075	129	394
Other	315		315						315	
Total loans and advances banks	3,710	316	3,394	910	331	98		1,339	129	2,184
Residential mortgages	145,555		145,555		2,799	228,790	826	232,415	90,618	3,759
Consumer loans	10,938		10,937		6,504	7,010	55	13,570	7,523	4,891
Corporate loans	84,956	1,264	83,692	3,534	24,951	53,992	6,768	89,244	28,069	22,517
Other loans and advances - customers	7,729		7,729	709		95	13	817	43	6,954
Fair value adjustment from hedge accounting	3,838		3,838							3,838
Total loans and advances customers¹	253,017	1,264	251,753	4,243	34,255	289,887	7,662	336,046	126,252	41,959
Loans at fair value through P&L	406		406				347	347	1	60
Total loans and advances customers	253,423	1,264	252,159	4,243	34,255	289,887	8,008	336,393	126,253	42,019
Other assets	3,813		3,813	2			64	66		3,747
Total on-balance sheet subject to netting and pledged agreements	334,521	3,279	331,242	9,508	56,840	289,985	8,072	364,405	132,281	99,118
Assets not subject to netting and pledged agreements	64,381		64,381							64,381
Total assets	398,902	3,279	395,623	9,508	56,840	289,985	8,072	364,405	132,281	163,499
Total off-balance sheet	100,188		100,188		6,901	9,071	4,499	20,470	6,476	86,194
Total on- and off-balance sheet	499,091	3,279	495,811	9,508	63,741	299,056	12,571	384,876	138,758	249,693

¹ Excluding loans at fair value through P&L.² Carrying amount includes loan impairment allowances where applicable.³ Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.⁴ Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.⁵ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Except for residential mortgages, total risk mitigation decreased. The main reason for the increase in property and equipment for residential mortgages was indexation attributable to the tight housing market. As a result, surplus collateral also increased. For consumer loans, the decrease in total risk mitigation was mainly the result of a more conservative collateral reporting approach in Germany. This did not affect net exposure, which decreased in line with the portfolio. The decline in total risk mitigation for corporate loans was evidenced by a decline in property and equipment, as well as in other collateral and guarantees. This was mainly driven by the exit of clients in line with the wind-down of CIB non-core.

The total net exposure of loans and advances customers increased to EUR 53.2 billion in 2021 (31 December 2020: EUR 42.0 billion). This was primarily driven by other loans and advances and related to Clearing activities (i.e. posting cash collateral and default fund contributions). The increase in net exposure of corporate loans was related to new client lending in the context of TLTRO.



Financial assets: offsetting, netting, collateral and guarantees for credit-impaired assets Audited

Collateral and guarantees for credit-impaired assets (stage 3 and POCI) represent credit risk mitigation based on the NCV for clients in default. The carrying amount includes expected credit loss allowances, 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. The Financial Restructuring & Recovery department identifies the most likely scenarios for non-programme lending defaulted clients (going concern or gone concern) and estimates the amounts and timing of expected future cash flows. This explains why a net exposure remains after collateral pledged to the bank is taken into account.

	31 December 2021							
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure ⁴
	Carrying amount before balance-sheet netting	Less: balance sheet netting with gross liabilities	Carrying amount ¹	Master netting agreement ²	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation - of which surplus collateral ³
(in millions)								
Loans and advances banks								
Residential mortgages	1,212		1,212		12	1,821	1	1,834
Consumer loans	201		201		12	103	3	118
Corporate loans	3,387		3,387	5	648	2,504	333	3,491
Other loans and advances customers	6		6				2	2
Total loans and advances customers	4,806		4,806	5	672	4,428	340	5,445
Total loans and advances	4,806		4,806	5	672	4,428	340	5,445
	31 December 2020							
Loans and advances banks								
Residential mortgages	1,066		1,066		10	1,379	5	1,394
Consumer loans	241		241		49	126	8	182
Corporate loans	4,379		4,379		756	3,152	644	4,552
Other loans and advances customers	18		18				9	9
Total loans and advances customers	5,703		5,703		815	4,656	666	6,137
Total loans and advances	5,703		5,703		815	4,656	666	6,137

¹ Carrying amount includes loan impairment allowances where applicable.

² Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.

³ Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.

⁴ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

In line with the decrease in the stage 3 carrying amount to EUR 4.8 billion (31 December 2020: EUR 5.7 billion), total risk mitigation decreased to EUR 5.4 billion in 2021 (31 December 2020: EUR 6.1 billion). This decrease was mainly observed in property and equipment and, to a lesser extent, in financial instruments and other collateral and guarantees. The decline in property and equipment for corporate loans was partly offset by an increase for residential mortgages due to indexation. The main reason why other collateral and guarantees decreased was lower intangibles and other non-financial collateral from CIB clients in the United States. Financial instruments in corporate loans recorded lower collateral in the form

of receivables from Commercial Banking and CIB clients. As the decrease in the stage 3 portfolio (including POCI) exceeded the decline in total risk mitigation, net exposure decreased by EUR 100 million to EUR 735 million at 31 December 2021.

During 2021 ABN AMRO obtained property and equipment by taking possession of collateral held as security for loans and advances. The total amount of such assets held on 31 December 2021 amounted to EUR 4 million (2020: EUR 3 million). ABN AMRO does not intend to use these assets in its operations and will pursue timely and orderly realisation of the collateral.

Financial liabilities: offsetting, netting, collateral and guarantees Audited

(in millions)					31 December 2021			
	Offset in the statement of financial position			Not offset in the statement of financial position			Net exposure ³	
	Carrying amount before balance-sheet netting	Less: sheet netting with gross assets	Carrying amount	Master netting agreement ¹	Financial instruments collateral	Total risk mitigation	- of which surplus collateral ²	
Financial liabilities held for trading	687	687	687	3,706	3,706	3,706	687	
Derivatives	4,344	4,344	4,344	78	11,042	11,120	3,306	638
Securities financing	13,015	3,521	9,494	507				1,680
Deposits	38,133	67	38,066					37,558
Other	10		10					10
Due to banks	38,143	67	38,076	507		507		37,568
Deposits	254,468	3,915	250,553	1,732		1,732		248,821
Other borrowings	665		665	484		484		181
Due to customers	255,133	3,915	251,218	2,216		2,216		249,002
Other liabilities	4,758	1	4,757					4,757
Total liabilities subject to netting arrangements	316,079	7,504	308,575	6,508	11,042	17,550	3,306	294,332
Remaining liabilities not subject to netting	68,538		68,538					68,538
Total liabilities	384,617	7,504	377,114	6,508	11,042	17,550	3,306	362,870

¹ Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.

² Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.

³ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

(in millions)					31 December 2020			
	Offset in the statement of financial position			Not offset in the statement of financial position			Net exposure ³	
	Carrying amount before balance-sheet netting	Less: sheet netting with gross assets	Carrying amount	Master netting agreement ¹	Financial instruments collateral	Total risk mitigation	- of which surplus collateral ²	
Financial liabilities held for trading	563	563	563	6,653	6,653	6,653	563	
Derivatives	7,391	7,391	7,391	144	12,344	12,488	3,801	738
Securities financing	13,061	1,699	11,363	731				2,676
Deposits	36,782	73	36,709					35,978
Other	10		10					10
Due to banks	36,792	73	36,719	731		731		35,988
Deposits	239,112	1,508	237,604	1,221		1,221		236,383
Other borrowings	966		966	758		758		208
Due to customers	240,078	1,508	238,570	1,979		1,979		236,591
Other liabilities	4,054		4,053					4,053
Total liabilities subject to netting arrangements	301,938	3,279	298,659	9,508	12,344	21,851	3,801	280,609
Remaining liabilities not subject to netting	75,975		75,975					75,975
Total liabilities	377,913	3,279	374,634	9,508	12,344	21,851	3,801	356,583

¹ Collateral in the column Master netting agreement is mainly markets related and consists of master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of master netting agreements has been reported under the column Financial instruments.

² Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.

³ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Developments in specific portfolios

The following section provides a more detailed overview of developments in specific portfolios and products.

Residential mortgages

The Dutch housing market is very tight, with only 1.3 houses available for sale for every potential buyer at the end of 2021 (2020: 1.9 houses). Property prices reached a record high during the year, mainly due to low interest

rates. Despite these low interest rates, cost levels for home buyers were pushed up by the high property prices.

The housing price index published by Statistics Netherlands (CBS) at the end of 2021 was 20.3% higher than at the end of 2020. According to the Dutch Land Registry (Kadaster), the number of transactions in the Dutch housing market in 2021 was 4.0% lower than in 2020, and 6.5% lower than the peak in 2017.

Residential mortgage indicators

(in millions)

	31 December 2021	31 December 2020
Gross carrying amount excluding fair value adjustment from hedge accounting	146,351	145,672
- of which <i>Nationale Hypotheek Garantie (NHG)</i>	31,557	33,367
Fair value adjustment from hedge accounting	1,442	3,186
Carrying amount excluding fair value adjustment from hedge accounting	146,269	145,555
Exposure at Default ¹	163,737	163,756
RWA ¹	24,099	16,459
RWA/Exposure at Default	14.7%	10.1%
Forbearance ratio	2.1%	2.3%
Past due ratio	0.6%	0.6%
Stage 3 ratio	0.9%	0.8%
Stage 3 coverage ratio	4.1%	5.2%
Cost of risk (in bps) ²	-3	-1
Average LtMV (indexed) ³	56%	61%
Average LtMV - excluding NHG loans (indexed) ³	56%	59%
Total risk mitigation	265,768	232,415
Total risk mitigation/carrying amount excluding fair value adjustment from hedge accounting	181.7%	159.7%

¹ The RWA and Exposure at Default amounts are based on the exposure class Secured by immovable property. This scope is slightly broader than the residential mortgage portfolio.

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

³ As of Q4 2021, the indexation of collateral values is based on Calcasa information instead of the CBS index. This is applied prospectively in our mortgage portfolio indicators, previously published data are not updated.

The residential mortgage portfolio increased by 0.5% to EUR 146.4 billion in 2021 (31 December 2020: EUR 145.7 billion). ABN AMRO's market share in new mortgage production in 2021 came out at 16% (2020: 14%), reflecting strong operational capabilities and well-balanced pricing strategy in a competitive market.

The proportion of amortising mortgages continued to increase, totalling 41% at 31 December 2021 (31 December 2020: 37%). Total redemptions were 7% higher than in 2020. Contractual redemptions gradually increased in line with changes in the portfolio composition. Extra repayments in 2021 amounted to EUR 2.4 billion, an increase of 9% compared to 2020. The share of mortgages covered by the National Mortgage Guarantee (NHG) scheme decreased slightly compared to 31 December 2020, from 23% to 22%.

Credit quality indicators

In general, the credit quality indicators for residential mortgages improved in line with the performance of the Dutch housing market. The implementation of the new definition of default (DoD) and associated credit risk models follows from EBA guidelines aimed at improving consistency in the measurement of credit risk across institutions and jurisdictions in the EU.

The past due ratio remained stable. Affordability of mortgages remained good this year, due to the government's prolonged Covid-19 support measures, combined with lower consumer spending. Stage 3 exposure increased as a result of the implementation of the new DoD. The coverage ratio for stage 3 decreased as a result of improved credit quality and higher collateral values.

Risk-weighted assets

The RWA for the residential mortgage portfolio increased to EUR 24.1 billion (2020: EUR 16.5 billion). The increase in the

RWA was mainly caused by the impact of the DNB mortgage floor. Exposure at default was stable at EUR 163.7 billion (31 December 2020: EUR 163.8 billion).

Residential mortgages to indexed market value

(in millions)	31 December 2021					31 December 2020		
	Gross carrying amount	Percentage of total	- of which		Gross carrying amount	Percentage of total	- of which	
			guaranteed ²	unguaranteed			guaranteed ²	unguaranteed
LtMV category¹								
<50%	55,593	38.0%	7.3%	30.7%	42,205	29.0%	3.6%	25.3%
50% - 80%	69,993	47.8%	11.8%	36.1%	73,972	50.8%	13.9%	36.9%
80% - 90%	11,803	8.1%	1.6%	6.4%	17,859	12.3%	3.4%	8.8%
90% - 100%	6,932	4.7%	0.8%	3.9%	9,983	6.9%	1.8%	5.0%
>100%	1,953	1.3%	0.1%	1.3%	1,347	0.9%	0.2%	0.8%
Unclassified	77	0.1%			306	0.2%		
Total	146,351	100%			145,672	100%		

¹ As of Q4 2021, the indexation of collateral values is based on Calcasa information instead of the CBS index. This is applied prospectively in our mortgage portfolio indicators, previously published data are not updated.

² NHG guarantees.

With effect from Q4 2021 the indexation of collateral values has been based on Calcasa¹ information instead of on the CBS index. This is reflected in the mortgage portfolio indicators. The long-term loan-to-market value (LtMV) of the bank's portfolio is expected to decrease further as a combined result of rising housing prices, contractual and extra redemptions, and the gradual reduction in mortgage interest tax relief.

The gross carrying amount of mortgages with an LtMV in excess of 100% increased due to the changed indexation method in Q4 2021 and totalled EUR 2.0 billion at year-end 2021 (31 December 2020: EUR 1.3 billion). It should be noted that LtMVs in excess of 100% do not necessarily indicate clients in financial difficulties. ABN AMRO actively approaches clients with an interest-only mortgage in combination with a high LtMV level to discuss changing their mortgage product. Mortgages with an LtMV >100% account for 1.3% of total mortgages, while approximately 2% of the extra repayments relate to this category.

Breakdown of residential mortgage portfolio by loan type

(in millions)	31 December 2021		31 December 2020	
	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Interest only (partially)	41,953	29%	43,174	30%
Interest only (100%)	21,995	15%	22,847	16%
Redeeming mortgages (annuity/linear)	60,183	41%	54,084	37%
Savings	10,788	7%	12,240	8%
Life (investment)	7,223	5%	8,571	6%
Other ¹	4,208	3%	4,756	3%
Total	146,351	100%	145,672	100%

¹ Other includes hybrid and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

Fully interest-only mortgages decreased from 16% to 15% of the total mortgage portfolio in 2021, while approximately 20% of the extra repayments related to this type of loan.

We have almost no fully interest-only mortgages with an LtMV >100%. The only category that increased in volume during the year was redeeming mortgages.

¹ Calcasa is the leading automated valuation model provider in the Netherlands and provides estimation of the current open market and foreclosure value of residential property based on comparable sales and hedonic regression techniques.

Residential mortgages to indexed market value for 100% interest-only

	31 December 2021 Percentage of total	31 December 2020 Percentage of total
Loan-to-Market Value category¹		
<50%	12%	11%
50% - 70%	2%	4%
70% - 100%	1%	1%
>100%	0%	0%
Total²	15%	16%

¹ As of Q4 2021, the indexation of collateral values is based on Calcasa information instead of the CBS index. This is applied prospectively in our mortgage portfolio indicators, previously published data are not updated.

² Percentages of the total mortgage portfolio.

Residential mortgages - energy labels

Energy labels provide information about properties' energy consumption. The most energy-efficient category is 'higher than A' and the least energy-efficient category is label G.

(in millions)	31 December 2021		31 December 2020	
	Gross carrying amount ¹	Percentage of total	Gross carrying amount ¹	Percentage of total
Higher than A	3,313	2%		0%
A	32,940	23%	31,959	22%
B	21,274	15%	22,180	15%
C	31,716	22%	32,766	22%
D	11,630	8%	11,607	8%
E	8,795	6%	8,881	6%
F	13,044	9%	13,550	9%
G	15,327	10%	15,954	11%
No label	3,166	2%	3,131	2%
Unknown label	5,145	4%	5,643	4%
Total	146,351	100%	145,672	100%

¹ Including both energy labels based on the applicable regulation before and after 1 January 2021.

The proportion of residential mortgages with energy label A increased compared to 2020 and a new category ('higher than A') was introduced. This new category derives from a new nationwide energy label methodology introduced at the start of 2021. This new methodology includes energy labels A+ to A++++. The increase in A and higher-than-A labels was mainly due to a relatively higher inflow and relatively lower outflow in these categories, with opposite movements in the inflows and outflows of lower energy labels (i.e. labels B to G). These movements are consistent with ABN AMRO's ambition to expand the proportion of A and higher-than-A labels in the portfolio.

Commercial Real Estate (CRE)

The size of the Dutch commercial real estate investment market decreased in 2021 as a result of the economic uncertainty caused by Covid-19 and newly introduced policies limiting investors' options for investing in residential real estate. A total of EUR 17.1 billion was invested in 2021, a decrease of 9.4 per cent compared to 2020, marking a decline for the second year in a row. Although rents

decreased in 2021, the value of offices increased as a result of economic growth, the low unemployment rate and low interest rates. Owing to Covid-19, the work-from-home trend continued; the market expectation is that this will result in office space being used differently in future, with more space for collaborations and fewer work spaces. However, this will not necessarily reduce demand for office space in the long run.

The residential market saw a small decline in value in the first quarter of 2021, but increased again in the following quarters. The highest growth is currently outside the major cities. The residential market will benefit from the low unemployment rate. Demand for private rental properties remains high due to rising housing prices, stricter mortgage rules, lack of new-builds and the more limited access to social housing rentals.

The industrial market benefited in 2021 from the continued strong rise in e-commerce. This trend had already been visible in the past few years, especially in 2020, but gained

even more traction in 2021 as retail premises were again closed for longer periods in response to the need to get Covid-19 under control. At the same time, the continuing rise of e-commerce is putting pressure on the retail market, which is struggling. Both rents and values of retail real estate have fallen and will continue to do so.

CRE portfolio

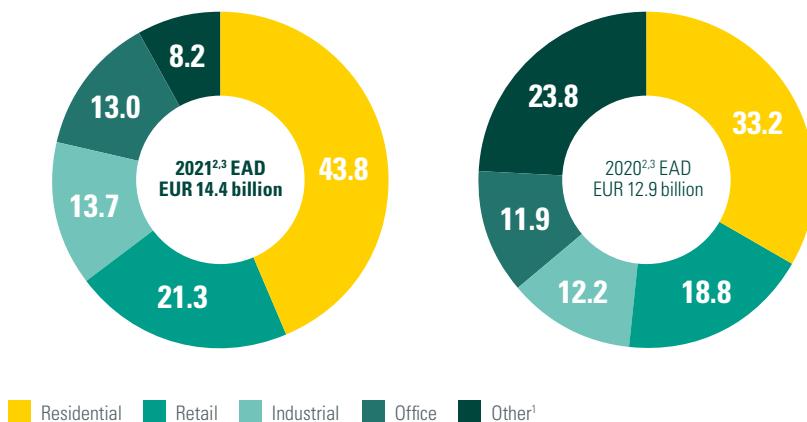
Exposure in the CRE portfolio is reported in line with the EBA guidelines on loan origination and monitoring and includes all loans aimed at acquiring CRE property or secured by CRE property, whereby CRE means any income-producing real estate, either existing or under development or renovation. It excludes social housing, property owned by end-users, buy-to-let housing below a market value of EUR 2 million and unsecured general purpose lending. The credit exposure relating to the above definition is monitored on a quarterly basis and subject to an EAD limit.

Compared to 2020, the gross carrying amount in 2021 increased markedly by 9% to EUR 13.6 billion

(31 December 2020: EUR 12.4 billion) as a result of new client lending in the context of TLTRO. This also had a positive effect on the credit quality indicators. The stage 3 impaired ratio decreased marginally to 2.6% (31 December 2020: 3.5%). The impairment rate was mainly seen in clients with retail properties. This was expected, given the impact of Covid-19.

The CRE loan portfolio is largely collateralised by Dutch properties and consists primarily of investment loans that are well diversified across different asset types. To maintain a well-balanced portfolio and manage the total exposure to CRE within our risk appetite, we have limits and sub-limits in place in terms of EAD. The overview below per asset type is therefore expressed in EAD. Compared to 2020, and in line with the gross carrying amount, the EAD increased markedly by 12% in 2021 to EUR 14.4 billion (31 December 2020: EAD 12.9 billion). During 2021, the asset type 'other' was refined (it previously included mixed asset types), resulting in a redistribution between existing asset types, and mostly to residential and retail properties.

Breakdown of CRE portfolio by asset type (in %)



CRE energy labels

With more focus on ESG and sustainability, ABN AMRO's mission is to have an average A label in the CRE portfolio (Mission 2030). In the coming years, ABN AMRO will be working towards this goal by seeking to increase the A and higher than A labels in the CRE portfolio and lowering the exposure to E-G energy labels.

In line with this mission, the distribution of energy labels has slightly improved, compared to 2020, with an increase in higher than A labels, and 64% of the CRE portfolio now having an energy label of D or higher (31 December 2020: 61%). Moreover, more than 90% of assets in the CRE

portfolio have an energy label (31 December 2020: 87%). Assets that are out of scope (e.g. land and parking spaces) are assigned to 'No label'. Most labels reported are based on energy labels from EP-Online and are the officially registered labels of the properties. A small portion of the labels are calculated labels, and approximately 10% is unknown owing to the property being under development or not yet registered.

(in millions)	31 December 2021		31 December 2020	
	Gross carrying amount ³	Percentage of total	Gross carrying amount ³	Percentage of total
Higher than A	641	5%	131	1%
A	4,110	32%	3,619	31%
B	962	7%	1,029	9%
C	1,658	13%	1,329	11%
D	910	7%	1,029	9%
E	720	6%	616	5%
F	493	4%	426	4%
G	1,973	15%	1,615	14%
No label ¹	201	2%	335	3%
Unknown label ²	1,257	10%	1,517	13%
Total⁴	12,924	100%	11,646	100%

¹ No label relates to Parking and Land for which no energy labels are applicable.² Unknown label relates to property types which are expected to have an energy label.³ Excluding Private Banking International.⁴ Including both energy labels based on the applicable regulation before and after 1 January 2021.

Market risk in the trading book



This section provides information on the market risk in traded assets and covers the following topics:

- ▶ Total market risk exposure
- ▶ Market risk management for the trading book
- ▶ Market risk measurement for the trading book
- ▶ Valuation adjustments
- ▶ Review of 2021 results
- ▶ Market risk banking book metrics

Total market risk exposure

Market risk exposure traded and non-traded risk

ABN AMRO is exposed to market risk in its trading book and banking book. The following table presents the market risk factors to which the assets and liabilities in the balance sheet are sensitive.

(in millions)			31 December 2021		31 December 2020			
	Carrying amount		Market risk measure		Carrying amount		Market risk measure	
			Traded risk	Non-traded risk			Traded risk	Non-traded risk
Assets subject to market risk								
Cash and balances at central banks	66,865		66,865		60,190		60,190	
Financial assets held for trading	1,155		1,155		1,315		1,315	
Derivatives	3,785		2,975	810	6,381		5,040	
Financial investments	43,165			43,165	47,455		47,455	
Securities financing	16,138			16,138	16,725		16,725	
Loans and advances banks	2,801			2,801	3,394		3,394	
Loans and advances customers	258,251			258,251	252,159		252,159	
Other assets	6,955			6,955	8,005		8,005	
Total assets	399,113		4,130	394,983	395,623		6,355	389,268
Liabilities subject to market risk								
Financial liabilities held for trading	687		687		563		563	
Derivatives	4,344		3,545	799	7,391		6,159	
Securities financing	9,494			9,494	11,363		11,363	
Due to banks	38,076			38,076	36,719		36,719	
Due to customers	251,218			251,218	238,570		238,570	
Issued debt	59,688			59,688	66,949		66,949	
Subordinated liabilities	7,549			7,549	8,069		8,069	
Other liabilities	6,059			6,059	5,010		5,010	
Total liabilities	377,114		4,231	372,882	374,634		6,722	367,912
Equity	21,999			21,999	20,989			20,989
Total liabilities and equity	399,113		4,231	394,882	395,623		6,722	388,901

Market risk management for the trading book Audited

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. 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 changes in the 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;
- ▶ Foreign exchange risk, arising from adverse changes in FX spot and forward rates and/or FX volatility.

ABN AMRO has a detailed risk management framework in place to identify, measure and control market risk in the trading book. This risk management framework is in line with the three LoD model and provides assurance that the bank's trading activities are consistent with its client-focused business strategy and moderate risk profile. In accordance with the strategy, the Business Risk Committee Trading annually approves trading mandates and limits, which define the nature and amount of the permitted transactions and risks, as well as the associated constraints. The limit utilisation is monitored and discussed by first and second LoD on a daily basis. The Business Risk Committee Trading is a subsidiary committee of the Group Risk Committee.

Market risk measurement for the trading book Audited

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 on a daily basis. 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.

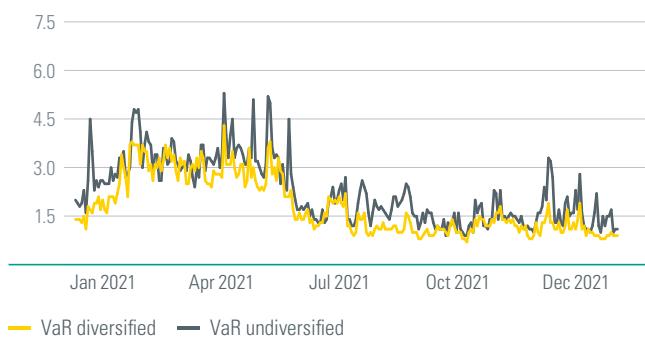
Review of 2021 results

Internal aggregated diversified and undiversified VaR for all trading positions Audited

(in millions)	31 December 2021					
	Commodities	Equity	Foreign exchange	Interest rate	Total undiversified VaR	Diversified VaR
VaR at last trading day of the period			0.1	1.0	1.1	0.9
Highest VaR	0.3	0.4	0.8	4.9	5.3	4.3
Lowest VaR			0.1	0.7	0.9	0.7
Average VaR	0.1		0.1	2.0	2.3	1.8
31 December 2020						
VaR at last trading day of the period	0.1	0.1	0.2	1.4	1.8	1.2
Highest VaR	0.5	0.3	0.8	5.7	6.1	3.9
Lowest VaR	0.1		0.1	0.6	0.9	0.7
Average VaR	0.2	0.1	0.2	2.4	2.8	2.2

ABN AMRO applies a diversified portfolio VaR approach that takes into account the fact that returns across risk factors may offset one another to a certain extent and consequently reduce risk. As long as these returns are not perfectly correlated to one another, VaR figures based on a diversified portfolio approach will be lower than if the figures are calculated using undiversified VaR. Undiversified VaR means that the VaR figures computed for the different risk factors are summed up without taking into account any offset across risk factors, and therefore negates the potential for risk reduction. The following graph shows the total one-day VaR at a 99% confidence level ('VaR diversified') and aggregation of the stand-alone risk factors ('VaR undiversified').

VaR diversified and undiversified (in millions)



The average 1-day VaR at a 99% confidence level moved from EUR 2.2 million to EUR 1.8 million, comparing 2020 to 2021. The decrease was mainly due to the volatile scenarios in the first six months of 2020 falling out of the 250-day VaR window. The volatility in the first half of 2020 was related to the Covid-19 outbreak.

The average 1-day undiversified VaR at a 99% confidence level moved from EUR 2.8 million to EUR 2.3 million, comparing 2020 to 2021. The cause was the same as the one explaining the move in diversified VaR. In 2021 and 2020, interest rates were the largest VaR component. The interest rate component includes both specific risk (i.e. credit spread risk) and generic risk.

Regulatory capital

Market risk regulatory capital increased to EUR 133 million (31 December 2020: EUR 106 million) as risk-weighted assets increased to EUR 1.3 billion (31 December 2020: EUR 1.7 billion). The increase was due to increases in the SVaR and IRC, partly offset by a decrease in the VaR. The strongest effect was for the SVaR, due to position changes. The 1-day SVaR increased from EUR 4 million to EUR 6 million, which resulted in an increase in the SVaR RWA from EUR 0.5 billion to EUR 0.8 billion.

IBOR reform

In 2014, at the request of the G20, the Financial Stability Board issued a report on 'Reforming Major Interest Rate Benchmarks'. This report set out several recommendations for strengthening existing benchmarks for key interbank offered rates (IBOR) in unsecured lending markets, and for promoting the development and adoption of alternative nearly risk-free reference rates, where appropriate. These recommendations led to a fundamental review of the key interest rate benchmarks used in global financial markets. In 2021, public authorities in various jurisdictions continued to make progress on reforming or replacing the existing benchmarks in order to ensure a smooth transition.

ABN AMRO introduced a bank-wide project, under the responsibility of the CFO and led by ALM and Treasury, to prepare the bank for the forthcoming changes in IBOR. Whereas the switch in the discounting regime for centrally cleared swaps was completed in 2020, work on the change in the discounting regime for bilateral counterparties continued throughout 2021. The changes required to move away from benchmark rates that will cease to exist were executed successfully during the year. Centrally cleared swaps denominated in CHF, JPY and GBP were migrated in December 2021. Financial instruments referencing benchmark interest rates that have been reformed, such as EURIBOR, will not need to transition.

Market risk in the banking book



This section provides information on:

- ▶ Market risk management
- ▶ Interest rate risk
- ▶ Credit spread risk
- ▶ Funding spread risk
- ▶ Foreign exchange risk
- ▶ Market risk banking book metrics

Market risk in the banking book is the risk that the economic value of equity or the income of the bank declines because of unfavourable market movements. Market risk in the banking book consists predominantly of interest rate risk and credit spread risk in the liquidity portfolio. Funding spread risk and foreign exchange risk are also recognised as market risks in the banking book. However, these are relatively immaterial.

Market risk management for the banking book Audited

ABN AMRO has a detailed risk management framework in place 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 day-to-day management is delegated from the Asset & Liability Committee to Asset and Liability Management, while Treasury is responsible for the execution of hedge transactions. These departments form the first line of defence. Market & ALM/T Risk Management acts as the second line of defence.

The risk appetite is articulated in terms of net interest income, 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.

Interest rate risk in the banking book

Interest rate risk is the risk of losses in the economic value of equity or the bank's net interest income (NII) due to yield curve developments. In order to measure interest rate risk, models are used and assumptions on client behaviour are made, 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.

To manage the interest rate sensitivity in the banking book and keep in line with the bank's strategy and risk appetite, ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges. 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.

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 may 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 prevailing mortgage rates. Future mortgage rates are simulated using a Monte Carlo approach. In addition to the interest rate incentive, other drivers such as loan age, seasonality and house price developments are also taken into account;
- ▶ 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 metrics used for market risk in the banking book are dependent upon the assumptions made in the behavioural models. Models must therefore be based on extensive research, including historical data regarding 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

Interest rate risk is measured by NII at risk, the present value of one basis point (PV01), and the economic value of equity (EVE) at risk. To ensure a comprehensive approach to risk management and identify potential weaknesses, the metrics are complemented by stress testing and scenario analysis. Stress testing and scenario analyses 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 reviewed periodically.

For management purposes, the interest rate risk position is monitored by the Asset & Liability Committee (ALCO) on a monthly basis. The above metrics are also regularly reported to the Executive Board.

Credit spread risk in the banking book

Credit spread risk is the risk of losses due to adverse movements in the credit spread of assets. The main source is from bonds held for liquidity purposes. It 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.

Market risk in the banking book metrics

Interest rate risk

(in millions)	31 December 2021	31 December 2020
NII impact from an instantaneous increase in interest rates of 100bps	98	61
NII impact from an instantaneous decrease in interest rates of 100bps	-218	-39
NII impact from a gradual increase in interest rates of 200bps	268	234
NII impact from a gradual decrease in interest rates of 200bps	-251	-81
PV01	-5.9	-3.9

NII-at-Risk is the difference in NII between a base scenario and an alternative scenario observed over a 1-year horizon. 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.

Funding spread risk

Funding spread risk is 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. Funding spread movements can arise 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 by 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, the projected net interest income will decrease. The funding spread risk is measured using an NII-at-risk approach whereby the funding spread increases.

Foreign exchange risk Audited

Foreign exchange (FX) risk is the risk arising from adverse movements in FX spot and forward rates and/or FX volatility. It is managed within the bank by ALM and Treasury. As a general rule, foreign exchange risk is hedged by using cross-currency swaps to swap the exposure in foreign currency to EUR. If, for operational reasons, it is inefficient to hedge exposures in foreign currencies, an open currency position (OCP) remains. This is measured by the aggregated net position per currency, except for EUR.

Economic capital

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 resulting from adverse movements in interest rates, client behaviour for mortgages and non-maturing deposits, volatility, credit spreads and foreign exchange rates.

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 NII-at-Risk in absolute terms in 31 December 2021 increased to EUR 251 million (31 December 2020: EUR 81 million), reflecting a reduction of NII in the scenario of a gradual decrease of 200bps in interest rates. The most positive NII occurs in the scenario where interest rates rise gradually by 200bps, in which case the NII would be EUR 268 million higher than the base scenario. The increase in NII-at-Risk is attributable to market movements, business developments and alignment of mortgage prepayment compensation fees with the accounting treatment.

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

The PV01 exposure in absolute terms increased by EUR 2 million to EUR 6 million in 2021. This increase was the aggregate result of various developments in markets and the balance sheet, such as an increase in interest rates, the longer average maturity of the mortgage portfolio and volume increases in saving deposits. ABN AMRO actively manages interest rate risk to keep it within the risk appetite.

Open currency position

The OCP is monitored regularly, and limits apply at a local and aggregate level. USD is the largest non-EUR exposure for assets as well as liabilities.

	31 December 2021	31 December 2020
Total OCP (long, in EUR million)	428	95
OCP as % total capital	1.6%	0.4%

The OCP position showed a moderate increase throughout 2021, but remained well within limits.

Operational (non-financial) risk



This section provides information on:

- ▶ Operational risk management
- ▶ Specific operational risk areas
- ▶ Operational risk measurement
- ▶ Review of 2021 results

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition is in line with the definition applied by the Basel Committee on Banking Supervision (BCBS). Operational risk covers multiple non-financial risks, such as HR risk, information risk, compliance risk, legal risk and model risk.

Operational risk management

ABN AMRO has a holistic approach to operational risk management, providing the business with a clear and fair view on the operational risks that the bank faces and the way these should be managed. For this purpose, ABN AMRO has in place a framework that enables operational risks to be managed within its moderate risk profile. The Information and Operational Risk Management (I&ORM) department sets this framework for the bank in line with the requirements of the BCBS and the Advanced Measurement Approach (AMA). This framework evolves and is kept current as experience gained is incorporated. The main components of the framework are shown in the following diagram.

Framework for operational risk



ABN AMRO's operational risk management framework is supported by the three lines of defence (3LoD) model. The division and clarity in roles and responsibilities across the three lines of defence reflect the bank's view that managing operational risk requires a concerted effort from all. Operational risk views are provided in risk reports at various levels within the bank, up to the Executive Board and Supervisory Board.

Framework for operational risk management

Risk identification, assessments, response and monitoring activities are at the heart of our operational risk management framework. Despite preventive measures being in place, incidents and operational losses are inherent to our business. ABN AMRO systematically tracks and analyses such events in order to learn from them and use them as early warnings. We scan external developments and identify emerging risks for further assessment. Key Risk Indicators (KRIs) are monitored to signal adverse risk developments.

Managers in the first line perform assessments to identify and assess risks, including scenarios for rare events. Assessments are executed for business-as-usual activities and for new initiatives. Assessments also enhance risk awareness throughout the organisation. If a risk exceeds or is predicted to be outside the risk appetite, the manager in the first line takes appropriate actions.

At least once a year, managers in the first line monitor the effectiveness of the controls in their areas of responsibility and update them as necessary. Management may also decide to avoid risks by terminating certain operations, consciously tolerate a certain risk or transfer a risk to insurance companies or within the group. With respect to the latter option, the bank has in place a global insurance programme which is reviewed annually by the Group Risk Committee.

Once a year, senior management also reviews the strategic business objectives and the measures taken from a risk perspective. At the end of each year, based on the effectiveness of the control environment and the strategic risk outlook, senior management signs a Management Control Statement (MCS), which is published in this Report directly after the Sustainability risk section.

Specific operational risk areas

The bank has in place a dedicated organisation for operational risk areas that require specific knowledge, such as compliance risk, information security, business continuity management and model risk management.

Compliance risk

Compliance risk is defined as the risk of failure to comply with legislation and regulations, self-regulatory organisational standards, values and business principles, and codes of conduct or generally accepted market standards applicable to the bank's services and activities. It can result in security risks and incidents and in financial and reputational damage arising from financial or other types of crime and misconduct or illegal conduct on the part of clients, the bank or its employees.

ABN AMRO must continuously live up to regulatory expectations. It is expected to act as a gatekeeper in detecting financial and economic crime, and to fulfil obligations arising under its duty of care to clients and society. An effective compliance culture, programme and function are essential for ABN AMRO's licence to operate and for protecting our integrity and reputation.

In 2021, ABN AMRO focused on further enhancing the maturity of the Compliance function and its operating practices, as part of the priorities of Risk Management. The objectives of the Compliance function, which acts as a servant leader with countervailing power, are synchronised with the strategic objectives of ABN AMRO.

Information security

Information is one of the bank's most valuable assets. Our clients rely increasingly on digitalisation and online banking, even more so since the Covid-19 outbreak. This means proper functioning of the bank's IT systems is crucial. These systems run in complex information infrastructures, connecting the bank's networks to public networks. Banking processes and their supporting information systems are therefore inherently vulnerable to threats to the security of client data and services. Examples of such threats include social engineering and phishing, computer-assisted fraud, unauthorised disclosure of confidential information, virus infections and ransomware, and distributed denial of service attacks (DDoS).

In recognition of the vital importance of protecting its information, systems and infrastructure at all times, ABN AMRO has established a structured IT risk management approach to ensure the confidentiality, integrity and availability of information. This approach defines the organisational framework, management and staff responsibilities, and the information security directives that apply to ABN AMRO, its vendors and third parties with whom the bank exchanges information.

The Covid-19 pandemic meant that remote working remained the norm in 2021. We consequently continued to secure and expand remote capabilities for clients, vendors and employees, including digital signing and execution of our digital workplace strategy. As part of being a personal

bank in a digital age, we increasingly embedded video conferencing into our daily business to enable ABN AMRO to continue offering a seamless service to clients.

In line with the bank's strategy, the IT transformation continued through the adoption of Cloud services and DevOps ways of working. These were accompanied by improvements to safeguard ABN AMRO's overall security position and to foster security by design. We also increased our efforts to keep pace with evolving cyber threats such as phishing and ransomware, while ensuring regulatory compliance. Our improved defences against Distributed Denial of Service (DDoS) proved to be effective, thus helping to mitigate attacks and limit disruption for our customers. We are continuing to invest in the overall stability of our digital payment services and maintain the operating effectiveness of our risk and control framework.

The availability of the bank's internet banking services during prime time was an average of 99.90% in 2021. Availability was impacted by a few operational incidents during the year, but these incidents were fully resolved and the results of the root-cause analyses served as input for continuous improvement. Overall, information risk management remains a prominent area of attention for senior management and our supervisor. The robustness of the control environment, the stability and availability of systems, and the underlying infrastructure and architecture are focus points for strengthening our cyber posture and for future-proofing our organisation.

Fraud risk

Fraud risk is the risk of financial loss or reputational damage resulting from internal or external fraud incidents committed by - or with the involvement of - an employee, agent, broker, intermediary, external party or the bank's clients.

In 2021, our clients and the bank faced a rise in payment frauds and losses, in particular related to impersonation scams. In these types of scams, fraudsters impersonate someone the client trusts. Social media scams, where a fraudster poses as a family member, were another frequently seen type of fraud. Multiple explanations for this rise have been identified: accelerated digitisation due to the pandemic has created chances for fraudsters by enabling them to reach more potential victims online, while data leaks have also increased the opportunities for deception and crime tools are often easily accessible. Meanwhile, fraudsters have proved continually able to devise new scams.

The vulnerabilities of digitisation require the bank to continuously improve the efficacy of its efforts to prevent fraud and improve its detection and response. The bank is also pursuing an integrated approach with public and private partners by, for example, strengthening its cooperation with

law enforcement agencies through the Electronic Crimes Taskforce and the Landelijk Meldpunt Internet Oplichting (National Reporting Line for Internet Fraud). Collaboration is crucial if we are to continue being able to adapt to the rapidly-changing fraud landscape, to protect our clients and the bank itself against fraud and to enhance digital resilience among our clients and, by extension, in society in general.

Business continuity management

Business continuity management (BCM) ensures organisational resilience at all levels within ABN AMRO. It focuses on setting up and maintaining ABN AMRO's crisis management capability (i.e. framework, process, tooling, people) to enable the organisation to remain well-prepared and able to respond by way of a controlled and effective crisis mode in the face of severe threats and calamities such as the ongoing Covid-19 pandemic. Our key tasks include the following:

- ▶ Scanning the operating environment for threats that could trigger a calamity and/or crisis;
- ▶ Analysing threats and the business impact of a (potential) calamity and/or crisis;
- ▶ Determining the strategies and solutions to be applied in the event of a calamity and/or crisis – such as emergency management, business recovery, crisis management and IT disaster recovery planning – to ensure the safety of our employees, clients and visitors and enable continuity of business operations;
- ▶ Documenting, periodically assessing and testing these strategies and solutions.

Mitigations such as business continuity plans, crisis management, business relocation plans and IT disaster recovery plans are in place to prepare for and deal with incidents and crises threatening the continuity of critical business processes. Evaluations and root cause analyses are also performed to analyse incidents and implement lessons learned.

Physical security

ABN AMRO's Physical Security Policy (PSP) enables a fit-for-purpose framework that safeguards people, information, buildings and company assets against damages and disruptions. We operate a multidisciplinary approach by combining insights from key areas such as Business Continuity Management, Security & Integrity Management, HR/Workplace Management, Corporate Information Security and business lines.

The PSP includes governance procedures that distribute roles and responsibilities across various internal departments, branches, (critical) corporate buildings and foreign offices with the aim of coordinating (complex) physical security issues such as events associated with chronic or acute climate changes. Evaluations such as physical security risk assessments are regularly executed on data centers, (critical) corporate buildings and sites in the Netherlands and abroad. ABN AMRO did not experience any material financial loss due to extreme weather linked to climate change in 2021.

Change risk

Change is fundamental to the bank's strategy. And a key factor in our desire to succeed as a personal bank in a digital age. Being agile and adaptable is crucial for our customer-centric approach. Responding to change is what makes us commercial, progressive and entrepreneurial. Implementing the bank's strategy requires multiple change initiatives. We currently have multiple programmes in operation. These are instrumental in resolving identified weaknesses within the bank. In 2021, we therefore continued our efforts to further mature our change management framework by providing ongoing second-line opinions on all strategic programmes.

Data management

Data is increasingly important for a 'personal bank in a digital age'. ABN AMRO fully recognises that inadequate data management poses significant risks to innovation, risk management and decision-making, as well as to regulatory compliance. We are continuing the various bank-wide initiatives that have been started in order to address these risks in a sustainable manner and remain within focus of senior management and stakeholders.

Model risk management

Models are developed and applied to quantify the risk for most of the risk types listed in the risk taxonomy. We define model risk as the potential for adverse consequences from decisions based substantially or partly on incorrect output of models, due to errors in the development, implementation or use of such models. This definition is in line with the definition in the EU Capital Requirements Directive (CRD). To monitor and mitigate risks arising from the use of these models, the model risk management department acts as the second line of defence. As an independent department, it sets the framework for the bank in line with regulatory requirements for model risk and independently validates models before they can be used. For this purpose, ABN AMRO has in place independent model validation standards and procedures as part of its model risk management framework.

Operational risk measurement

In line with the Advanced Measurement Approach (AMA), the bank has in place an internally developed model to define the own funds required in relation to operational risk (i.e. operational risk capital). The AMA model estimates potential operational risk losses (annually aggregated) by combining forward-looking and backward-looking views on operational risk events.

Risk self-assessments and scenario analyses provide a forward-looking view. Experts use these tools to build scenarios to evaluate future risks and estimate the severity of potential losses that could occur. The resulting estimates are used as data input for the model. In these scenarios, experts take into consideration the quality of the bank's control environment, its processes, systems and people, as well as external circumstances and changes that may have an influence. The ongoing relevance of the estimations (and hence of the capital) is safeguarded by reviewing the scenarios at regular intervals as well as when major changes occur in the risk profile.

Alongside these expert-based estimations, the model also uses historical loss data from ABN AMRO and the banking industry. Historical loss data are included as these are assumed to provide some level of predictive information about future losses.

Capital for operational risk

The level of AMA capital is derived from the results of the model calculations. The bank applies a 99.95% confidence level to the annually aggregated losses when calculating the operational risk economic capital, whereas a 99.9% confidence level is applied to calculate regulatory operational risk capital. The adequacy of the capital levels is monitored on a quarterly basis; if issues occur – for example, regarding the reliability of data – add-ons can be applied.

Operational risk Risk Weighted Assets (RWA), calculated using the Advanced Measurement Approach (AMA), slightly decreased in 2021 to EUR 16.0 billion (2020: EUR 16.7 billion). The decrease was mainly attributable to the removal of a regulatory capital add-on. As the ECB's finding on the model validation process was resolved by ABN AMRO, the associated capital add-on could be

removed. During 2021, some drivers of capital decrease (e.g. exclusion from capital of the estimated AML fine) were also offset by drivers of capital increase (legacy cases, claim risk).

ABN AMRO's current operational risk capital level (measured against the bank's gross income) is in line with that of peer banks with a moderate risk profile (based on updated ORX benchmark data).

Operational risk by event category

Operational losses include direct losses, as well as provisions for legal claims. The net operational loss may be negative, meaning provisions formed in the past have been released because no payments to claimants were ultimately made. Losses are reported according to event categories such as External Fraud; Internal Fraud; Clients, Products & Business Practices; Execution, Delivery & Process Management; Employee Practices & Workplace Safety; Disaster & Public Safety, and Technology & Infrastructure Failures.

A high total net operational loss was recorded in 2021. This was mainly attributable to the event category of Clients, Products & Business Practices, and predominantly caused by two large operational losses, accounting for approximately 92% of the total net operational loss:

- ▶ The settlement of EUR 480 million agreed with the Netherlands Public Prosecution Service in connection with the AML investigation;
- ▶ The provision that was formed for a compensation scheme for clients who in the past paid too much interest on their revolving consumer credits.

The second largest event category, which accounts for nearly 3% of the total net operational loss, was Execution, Delivery & Process Management. Risk awareness, continued strengthening of controls and attention to learning from events are helping to limit these losses.

External Fraud caused nearly 2% of the total net operational loss. More than 50% of this loss was caused by compensation that was paid, following an agreement with the Dutch Ministry of Finance, to victims of spoofing.

Funding & liquidity

Liquidity risk is the risk that actual and potential payments or collateral posting obligations cannot be met on a timely basis, or only at excessive costs. There are two types of liquidity risk:

- ▶ Funding liquidity risk is the risk of not being able to accommodate both expected and unexpected current and future cash outflows and collateral needs because insufficient cash is available. Eventually, this can affect the bank's daily operations or its financial condition;
- ▶ Market liquidity risk is the risk that the bank cannot sell an asset in a timely manner at a reasonable market price due to insufficient market depth (insufficient supply and demand) or market disruption. Market liquidity risk includes the sensitivity in liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty about the time required to liquidate assets in periods of stress.

Framework

Liquidity risk management

We have a liquidity risk management framework in place that helps us maintain a moderate risk profile and safeguards the bank's reputation from a liquidity perspective. This framework enables us to meet regulatory requirements and payment obligations at a reasonable cost, even under severely adverse conditions. A set of liquidity risk metrics and limits help manage the liquidity position. By maintaining a smooth long-term maturity profile, managing dependence on wholesale funding and holding a solid liquidity buffer in our main currencies, we maintain a prudent liquidity profile. The liquidity position is monitored on a daily basis.

Funding strategy

Our main source of funding is our strong client deposit base. The remainder of our funding is raised largely through various types of long-term and short-term wholesale funding instruments. Our wholesale funding strategy targets a moderate risk profile with a stable and diversified funding mix that reflects the composition of our loan book. This strategy aims to optimise the bank's funding sources in order to maintain market access and the targeted funding position with a diverse, stable and cost-efficient funding base. The maturity profile of wholesale funding is optimised to avoid a concentration of outflows and to control repricing risks. The funding strategy takes the following guidelines into account:

- ▶ Maintain market access by diversifying funding sources in different funding markets (Europe, the US and the Asia-Pacific region);
- ▶ Continually monitor attractive funding opportunities and maintain strong relationships with the investor base through active marketing;
- ▶ Optimise the balance between public benchmark deals and private placements;
- ▶ Optimise funding costs within the targets set for volumes and maturities and manage credit curves in different funding programmes and currencies;
- ▶ Optimise the planning and execution of funding in different market windows and currencies.

Risk management approach Audited

The natural maturity mismatch between our loan book and funding portfolio requires liquidity risk management. We consider maturity transformation to be an integral part of the business model, which is why we closely monitor our liquidity position and the resulting risks. We hold a portfolio of highly liquid assets that can be converted into cash in the event of unforeseen market disruptions, thus allowing us to meet payment and collateral obligations at all times. Funding and liquidity risk are managed centrally. We incorporate liquidity costs into the pricing of our day-to-day business activities. In managing these risks, a clear distinction is made between going-concern and contingency risk management.

Going-concern management

The most important metrics for going-concern risk management and the management of the day-to-day liquidity position within specified limits are:

- ▶ **Stress testing:** in monthly and ad hoc stress tests we evaluate the impact of cash inflows and outflows under plausible stress scenarios. Market-wide as well as bank-specific stress scenarios are defined and analysed. The goal of stress testing is twofold. Firstly, it helps us to review our risk framework, i.e. the liquidity buffer size, risk appetite and risk limits. Secondly, it allows us to identify ways to reduce outflows in times of crisis;
- ▶ **Liquidity Coverage Ratio (LCR):** The objective of the LCR is to assess the short-term resilience of the liquidity position by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days;
- ▶ **Survival period:** this is the period the liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and clients withdraw a material proportion of their deposits;

- ▶ **Net Stable Funding Ratio (NSFR):** The objective of this ratio is to assess resilience over a longer time horizon. The NSFR requires banks to hold sufficient stable funding to cover the duration of their long-term assets on an ongoing basis;
- ▶ **Loan-to-Deposit ratio (LtD):** The LtD ratio measures the relationship between the loan book (loans and advances customers) and deposits from clients (due to customers), and includes all client-related loans and deposits. The ratio gives an indication of our dependence on wholesale funding for financing client loans.

Contingency risk management

Contingency risk management aims to ensure that, in the event of either a bank-specific or general market stress event, the bank is able to generate sufficient liquidity to withstand a short or long-term liquidity crisis. Contingency risk management entails:

- ▶ **Contingency Funding Plan:** this plan sets out the guidelines and responsibilities for addressing possible liquidity shortfalls in emergency situations. This only comes into effect if the liquidity position is threatened or if there are strong indications that liquidity stress

is imminent. The Contingency Funding Plan is aligned with the Recovery Plan, as required by the regulators. It enables us to manage our liquidity without unnecessarily jeopardising commercial activities, while limiting excessive funding costs in severe market circumstances;

- ▶ **Collateral posting in the event of a rating downgrade:** if our credit rating is downgraded, collateral requirements may increase. We monitor these potential additional collateral postings in the liquidity risk management framework;

- ▶ **Liquidity buffer:** Group Treasury manages our liquidity buffer, of which the liquidity portfolio comprises a substantial part. At all times, this portfolio should be highly liquid to accommodate liquidity outflows during stress. The buffer consists of unencumbered, high-quality liquid assets, including government bonds, retained securities (RMBS and covered bonds) and cash.

Liquidity risk

The objective of liquidity management is to manage our liquidity position and to comply at all times with internal, regulatory and other relevant liquidity requirements. Various indicators are used to measure the liquidity objectives.

Liquidity risk management

Liquidity risk indicators

	31 December 2021	31 December 2020
Available liquidity buffer (in billions) ¹	101.5	106.3
Survival period (moderate stress)		
LCR ²	> 12 months	> 12 months
NSFR ³	168%	149%
Loan-to-Deposit ratio	>100%	>100%
	103%	106%

¹ The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

² Consolidated LCR based on a 12-month rolling average.

³ The NSFR is based on the CRR2 regulation since June 2021.

The survival period reflects the period that the liquidity position is expected to remain positive in an internally developed (moderate) stress scenario. This scenario assumes wholesale funding markets deteriorate and retail, private and corporate clients withdraw part of their deposits. The survival period was consistently above 12 months in 2021. The liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) both remained above 100% throughout 2021.

Loan-to-Deposit ratio Audited

Loans and advances customers increased to EUR 258.3 billion at 31 December 2021 (31 December 2020: EUR 252.2 billion) due to an increase in the CIB loan book. Due to customers increased to EUR 251.2 billion at 31 December 2021 (31 December 2020: EUR 238.6 billion), reflecting a continued increased trend in client savings in response to the Covid-19 pandemic and its related lockdowns. The Loan-to-Deposit (LtD) ratio decreased to 103% at 31 December 2021 (31 December 2020: 106%) as due to customers increased more than loans and advances customers.

Liquidity buffer composition Audited

(in billions)	31 December 2021			31 December 2020		
	Liquidity buffer		LCR eligible	Liquidity buffer		LCR eligible
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Cash & central bank deposits ¹	64.3	64.3		58.0	58.0	
Government bonds	27.5	31.9	1.1	35.8	33.6	2.5
- <i>of which green bonds</i>	0.9	0.9		0.8	0.8	
Covered bonds	2.8	2.6		3.1	2.8	0.2
- <i>of which green bonds</i>	0.2	0.1		0.2	0.1	
Retained issuances				2.9		
Other	6.9	7.4	0.1	6.5	6.5	0.1
Total liquidity buffer	101.5	106.3	1.2	106.3	100.9	2.8
- <i>of which in EUR</i>	89.6%			88.2%		
- <i>of which in other currencies</i>	10.4%			11.8%		

¹ The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and retained RMBS. Most of the securities in the liquidity buffer, with the exception of retained RMBS and retained covered bonds, qualify for the LCR. The liquidity buffer faces haircuts based on the market value. These haircuts are used to determine the liquidity value. Haircuts may vary between the liquidity buffer and the LCR eligible buffer as the internal assessment of the liquidity buffer may deviate from the LCR definition. The liquidity buffer decreased by EUR 4.8 billion to EUR 101.5 billion at 31 December 2021 (31 December 2020: EUR 106.3 billion). Total green bonds in our liquidity buffer remained stable at

EUR 1.0 billion at 31 December 2021, which is 1% of the total liquidity buffer (31 December 2020: EUR 1.0 billion). In March 2020, a commitment was made to target investments in green bonds within the liquidity portfolio of up to EUR 2.5 billion by the end of 2022. This commitment underpins our strategy to support the transition to sustainability. Targeted investments are bonds with use of proceeds aligned with the Green Bond Principles. Eligible green bonds are also in line with the EBA's Delegated Act HQLA criteria and so preserve the high quality and liquidity of the portfolio. The amounts of green bonds held in the liquidity portfolio are reported semi-annually.

Liquidity buffer currency diversification Audited

(in billions, liquidity value)	31 December 2021	31 December 2020
EUR	91.0	93.7
USD	8.5	8.0
JPY	1.0	2.5
GBP	0.3	0.3
Other	0.8	1.7
Total	101.5	106.3

The above table shows the breakdown per currency in the liquidity buffer. The currency composition reflects the composition of the balance sheet, which mainly consists of EUR and USD exposures. The monthly averages of the liquidity buffer are shown in the following table.



Liquidity buffer composition – monthly average Audited

(in billions, liquidity value)	2021	2020
Cash & central bank deposits ¹	64.6	43.3
Government bonds	29.1	36.6
Covered bonds	3.0	3.2
Retained issuances	0.7	7.6
Other	7.1	7.6
Total	104.5	98.3

¹ The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

Funding

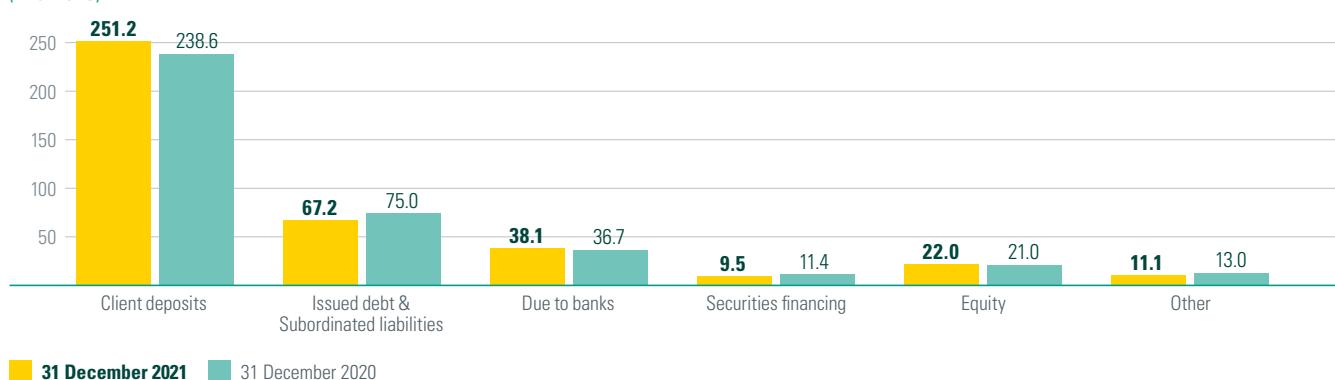
Liability and equity breakdown Audited

Client deposits are our main source of funding, complemented by a well-diversified book of wholesale funding. The graph below shows the liability and equity breakdown for the full balance sheet. The increase in

client deposits reflects the continued increased trend in client savings in response to the Covid-19 pandemic and its related lockdowns. This increase, in combination with the increased TLTRO III participation, resulted in a lower wholesale funding need, as reflected in the decrease in Issued debt & Subordinated liabilities.

Liability and equity breakdown Audited

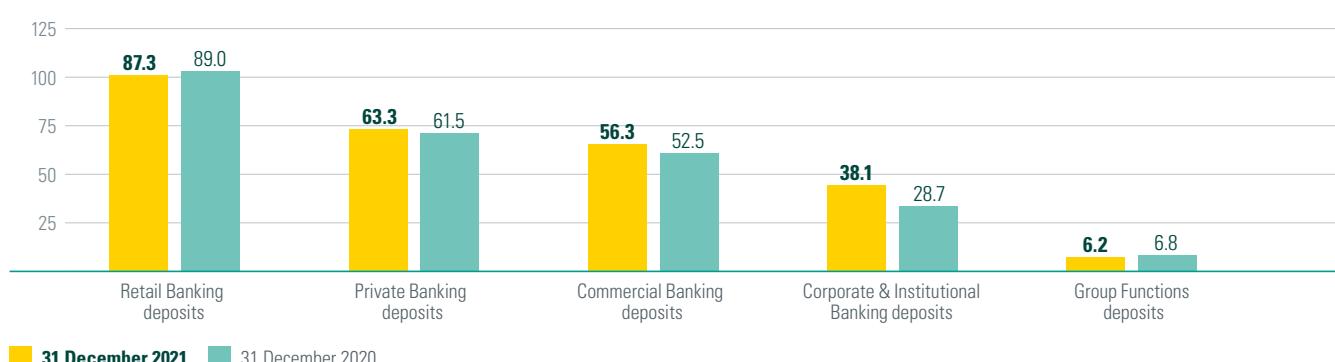
(in billions)



The graph below shows the breakdown of client deposits by segment.

Breakdown of client deposits Audited

(in billions)



Available funding instruments Audited

A key goal of the funding strategy is to diversify funding sources. Our funding programmes allow us to issue various

instruments in different currencies and markets, enabling us to diversify our investor base. The following table shows a breakdown of total funding instruments.

Overview of funding types Audited

(in millions)	31 December 2021	31 December 2020
Total Commercial Paper/Certificates of Deposit	9,177	9,283
Covered bonds	31,338	34,443
Secured funding (long term)	31,338	34,443
Senior preferred (medium-term notes)	13,209	20,679
- <i>of which green bonds</i>	1,995	2,047
Senior non-preferred	5,964	2,544
- <i>of which green bonds</i>	1,853	
Unsecured funding (long term)	19,172	23,223
Total issued debt	59,688	66,949
Subordinated liabilities	7,549	8,069
Wholesale funding	67,236	75,018
Other long-term funding ¹	35,221	32,755
Total funding instruments²	102,457	107,773
- <i>of which matures within one year</i>	18,419	21,213

¹ Includes TLTRO funding (recorded in due to banks) and funding with the Dutch State as counterparty (recorded in due to customers).

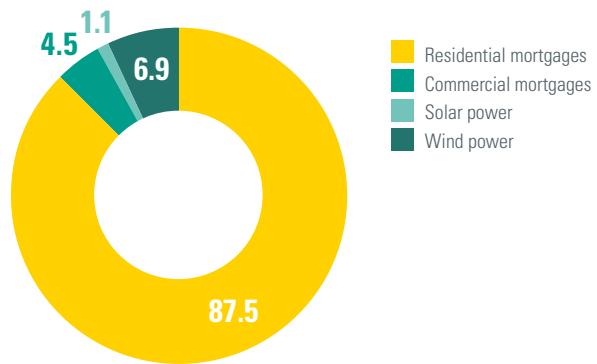
² Includes FX effects, fair value adjustments and interest movements.

Total funding instruments decreased to EUR 102.5 billion at 31 December 2021 (31 December 2020: EUR 107.8 billion) due to the lower funding need. Total issued debt decreased to EUR 59.7 billion at 31 December 2021 (31 December 2020: EUR 66.9 billion). The decrease reflects a decline in covered bonds and senior preferred funding. This was partly offset by an increase in senior non-preferred funding. Subordinated liabilities decreased to EUR 7.5 billion at 31 December 2021 due to redemptions at call date (31 December 2020: EUR 8.1 billion). Senior non-preferred funding and subordinated liabilities were issued for MREL requirements. Other long-term funding increased to EUR 35.2 billion at 31 December 2021 due to a EUR 3.0 billion increase in the TLTRO III participation (31 December 2020: EUR 32.8 billion).

Total green bonds outstanding increased to EUR 3.8 billion at 31 December 2021, which is 6% of total issued debt (31 December 2020: EUR 2.0 billion). Our Green Bonds Framework determines a set of criteria applicable to issuing green bonds, including how we allocate the issue proceeds from green bonds to eligible assets, the evaluation and selection of eligible assets, the independent assurance on the allocation of proceeds to eligible green assets, as well

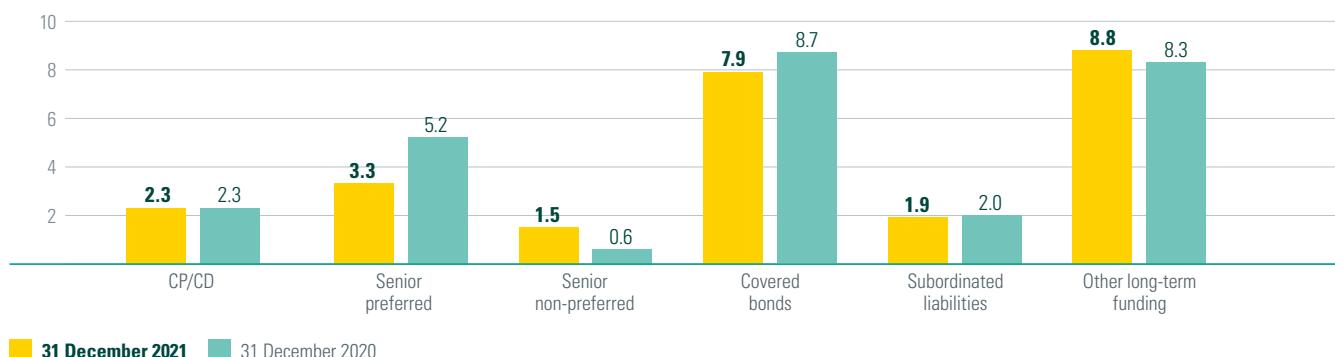
as the external reporting requirements, in order to keep investors updated. Green bonds have been issued since 2015, with a focus on sustainable real estate and renewable energy. These green bonds enable investors to invest in, for example, energy efficiency through residential mortgages, loans for solar panels on existing homes, sustainable commercial real estate and wind energy. The following graph shows the allocation of green proceeds at 31 December 2021.

Green bonds, allocation of use of proceeds (year-end 2021) (in %)



The following graph shows the development of the total funding instruments relative to the balance sheet totals at 31 December 2021 and 31 December 2020.

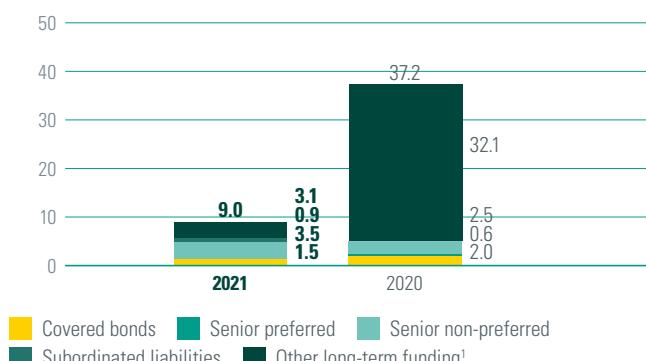
Funding vs balance sheet total [Audited] (as % of total assets)



Funding issuance in 2021 [Audited]

Total long-term funding raised in 2021 amounted to EUR 9.0 billion. This included EUR 1.5 billion of covered bonds, EUR 0.9 billion of subordinated liabilities, EUR 3.5 billion of senior non-preferred funding, EUR 0.9 billion of subordinated liability funding and EUR 3.0 billion of increased TLTRO III participation. The total TLTRO III participation at 31 December 2021 was EUR 35.0 billion. The subordinated liabilities and senior non-preferred funding replaced the redemption of EUR 1.5 billion of subordinated liabilities. Capital instruments are excluded in the long-term funding overview and included in the capital section, which provides a complete overview of all outstanding capital instruments.

Long-term funding raised in 2021 and 2020 [Audited] (notional amounts at issuance, in billions)

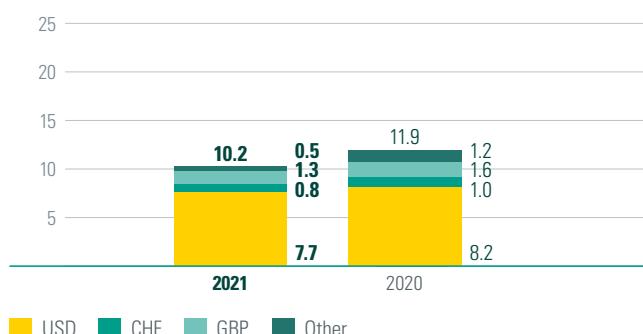


¹ The issuance of the EUR 1.0 billion of additional Tier 1 capital instrument is excluded from the graph above. An overview of the Capital instruments is provided in the Capital section.

Long-term wholesale funding in non-euro currencies declined to 18.3% of total outstanding long-term wholesale funding, compared with 19.7% at 31 December 2020. In

2021, the bank raised its long-term wholesale funding in euros and dollars. The diversification of the outstanding long-term funding in non-euro currencies is shown in the following graph.

Non-euro currency diversification of total outstanding long-term funding [Audited] (in billions)



Maturity calendar [Audited]

We target a maturity profile where redemptions of funding instruments are well spread over time. The average remaining maturity of newly issued wholesale funding increased to 11.2 years at year-end 2021 (8.6 years at year-end 2020), not taking into account other long-term funding. The average remaining maturity of outstanding long-term funding decreased to 4.2 years at year-end 2021 (down from 4.6 years at year-end 2020). The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date, which does not mean that the instruments will be called at the earliest possible call date. Early redemption of subordinated instruments is subject to approval by the regulator.

Maturity calendar Audited

(notional amounts, in billions)	31 December 2021											
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	≥ 2032	Total
Covered bonds	2.7	1.9	1.8	0.5	1.6	0.6	0.7	0.4	1.9	3.0	14.0	29.2
Senior preferred	4.6	2.4	1.8	3.0	0.8	0.2	0.1		0.1	0.2	0.1	13.2
Senior non-preferred				1.3	0.7	1.3	0.9	1.0			1.0	6.0
Subordinated liabilities	1.5	2.4		1.3	0.9					1.1		7.3
Other long-term funding ^{1,2}	0.1	32.0	3.0		0.3	0.2						35.6
Total long-term funding	8.9	38.8	6.6	6.1	4.3	2.2	1.6	1.4	2.0	4.4	15.1	91.4

	31 December 2020											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	≥ 2031	Total
Total long-term funding	11.7	8.6	38.7	3.6	5.9	3.5	2.2	0.7	0.4	2.0	16.1	93.5

¹ Other long-term funding includes Targeted Long-Term Refinancing Operations (TLTRO) III and funding with the Dutch State as counterparty.² The TLTRO III of EUR 35.0 billion is reported at the legal maturity of three years, although there is a voluntary repayment option after one year.

Capital

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 supervisors, 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 bank's fiscal unity. Apart from prevailing statutory and regulatory legislation, there are no specific material impediments for prompt transfer of the bank's regulatory capital.

Dividend policy

The dividend policy takes into account matters including current and pending regulatory capital requirements, our risk profile, growth in commercial activities and market factors. The dividend payout ratio is set in light of the bank's moderate risk profile and regulatory changes, and to ensure that dividend payments can be maintained in the future.

From 2021 onwards, the dividend payout has been set at 50% of reported net profit, after deduction of AT1 coupon payments and minority interests. Interim dividends will be considered at 40% of the reported H1 net profit, provided profit is expected to be sustainable throughout the year, at the discretion of the Board.

Our CET1 capital target ratio is 13% under Basel IV. When our Basel IV CET1 ratio is above the threshold of 15%, we will consider share buybacks, subject to conditions and

regulatory approval. Our threshold of 15% reflects current uncertainties, as well as a buffer for potential M&A. We intend to review the threshold when current uncertainties have reduced.

Any distribution of dividend remains discretionary, and ABN AMRO may propose deviations from the above policy.

Capital measurement and allocation

Capital adequacy is measured and monitored on an ongoing basis against target capital ratios, which are derived from the bank's overall risk appetite and strategy. Capital projections and stress test scenarios, both market-wide and bank-specific, are used to ensure that actual and future capital levels remain above the targets. Capital is allocated to businesses in a way that optimises the long-term value of the bank while serving the bank's strategic objectives. In the capital allocation process, both risk-based and non-risk-based return parameters are considered, taking into account economic and regulatory capital requirements. This process ensures that the bank meets its return targets while maintaining a moderate risk profile in line with its risk appetite.

Contingency capital management

Contingency plans are in place to address any capital issues. The Contingency Capital Plan provides a framework to detect capital adequacy stress by setting out various early warning indicators. The plan also sets out a range of actions that can be undertaken, based on the level of severity and urgency of the issues.

Recovery and resolution planning

The Bank Recovery and Resolution Directive requires a recovery plan and a resolution plan to be in place. ABN AMRO submitted a reviewed and updated version of its bank recovery plan to the ECB in December 2021. The Single Resolution Board (SRB) has prepared a resolution plan, in which it concluded that the preferred resolution strategy is a Single-Point-of-Entry strategy, with ABN AMRO Bank N.V. as the resolution entity, and bail-in is the preferred resolution tool.

Capital structure

Regulatory capital structure Audited

(fully-loaded, in millions)	31 December 2021	31 December 2020
Total equity (EU IFRS)	21,999	20,989
Cash flow hedge reserve	1,540	1,854
Dividend reserve	-573	-639
AT1 capital securities (EU IFRS)	-1,987	-1,987
Share buyback reserve	-500	
Regulatory and other adjustments	-1,273	-669
Common Equity Tier 1	19,206	19,548
AT1 capital securities (EU IFRS)	1,987	1,987
Regulatory and other adjustments	-5	-5
Tier 1 capital	21,188	21,530
Subordinated liabilities (EU IFRS)	7,549	8,069
Regulatory and other adjustments	-2,413	-3,405
Tier 2 capital	5,136	4,664
Total regulatory capital	26,324	26,195

Regulatory capital flow statement Audited

(fully-loaded, in millions)	2021	2020
Common Equity Tier 1 capital		
Balance at 1 January	19,548	19,913
Addition of net profit attributable to owners of the parent company	1,231	-45
Reserved dividend	-573	
Interim dividend paid		
Other, including regulatory adjustments	-999	-320
Balance at 31 December	19,206	19,548
Additional Tier 1 capital		
Balance at 1 January	1,982	1,982
Newly issued Tier 1 eligible capital instruments		992
Redeemed Tier 1 eligible capital instruments		-994
Other, including regulatory adjustments		1
Balance at 31 December	1,982	1,982
Tier 1 capital	21,188	21,530
Tier 2 capital		
Balance at 1 January	4,664	6,536
New issued Tier 2 eligible capital instruments	879	
Redeemed Tier 2 ineligible capital instruments	-278	-1,493
Other, including regulatory adjustments	-129	-379
Balance at 31 December	5,136	4,664
Total regulatory capital	26,324	26,195

MREL

(fully-loaded, in millions)	31 December 2021	31 December 2020
Regulatory capital	26,324	26,195
Other MREL eligible liabilities ¹	6,568	4,127
Total MREL eligible liabilities	32,893	30,322
Total risk-weighted assets	117,693	110,481
MREL ²	27.9%	27.4%

¹ Other MREL eligible liabilities consists of subordinated liabilities that are not included in regulatory capital.

² MREL is calculated as total regulatory capital plus other MREL eligible subordinated liabilities divided by total risk-weighted assets.

RWA Audited

(in millions)	31 December 2021	31 December 2020
Credit risk	99,976	92,462
- of which standardised	9,946	9,131
- of which advanced	90,030	83,330
Operational risk	16,049	16,685
- of which standardised	604	678
- of which advanced	15,444	16,007
Market risk	1,668	1,334
- of which standardised	6	8
- of which advanced	1,662	1,327
Total RWA	117,693	110,481

Main developments in capital position

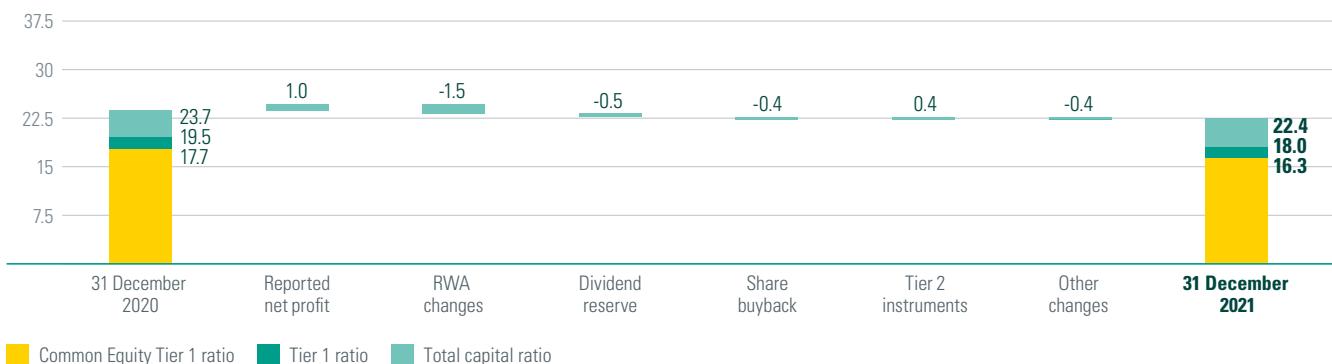
At 31 December 2021, the Basel III Common Equity Tier 1 (CET1), Tier 1 and total capital ratios were 16.3%, 18.0% and 22.4%, respectively (December 2020: 17.7%, 19.5% and 23.7%, respectively). The CET1 capital ratio decreased compared to 31 December 2020, due to an increase in RWA and a decrease in CET1 capital. The RWA increase was mainly driven by model updates, regulatory add-ons and the impact of the DNB mortgage floor, which were only partly offset by the CIB non-core wind-down. The CET1

capital position decreased, mainly due to deductions for the share buyback programme and a further increase in the non-performing exposures (NPE) capital deductions. These deductions were only partly offset by the net profit for 2021 (after dividend and AT1 coupon payments). All capital ratios were in line with the bank's risk appetite and were comfortably above regulatory requirements.

The following chart shows the primary drivers of the Basel III capital ratios in 2021.

Developments impacting capital ratios in 2021

(in %)



The maximum distributable amount (MDA) trigger level remained at 9.6% (excluding the AT1 shortfall), including the reconfirmed Pillar 2 requirement as part of the SREP requirements for 2022. The AT1 shortfall was 0.2% on 31 December 2021. As the economy improves, the Dutch central bank is expected to gradually raise the countercyclical capital buffer requirement from 0% to 2% of risk-weighted exposures in the Netherlands. The MDA trigger level will then increase. The reported CET1 ratio of 16.3% under Basel III is well above the MDA trigger level. The bank remains committed to maintaining a significant buffer in excess of the regulatory requirements at all times.

Although Basel III is the applicable regulatory framework, our primary metric for capital management purposes is a Basel IV CET1 target of 13%. This includes a management buffer on top of the capital requirements for SREP and Pillar 2 guidance. The European Commission's draft Basel IV proposal, published in October 2021, expects Basel IV implementation in the EU by January 2025, with temporary measures mainly aimed at gradually phasing in the impact of the output floor. Reflecting our latest views on this proposal, the bank's fully-loaded Basel IV CET1 ratio was estimated comfortably above target, at around 16%, on 31 December 2021. The Basel IV CET1 ratio at implementation remains subject, however, to other

uncertainties, including data limitations, management actions and other portfolio developments.

The wind-down of the non-core portfolio in CIB is contributing to our current strong capital ratios under Basel III and Basel IV and strengthening our future outlook. The finalisation of TRIM and the settlement agreement reached with the Netherlands Public Prosecution Service have provided greater clarity on our capital and RWA outlook. However, several other capital headwinds and uncertainties remain, including ongoing model reviews and the impact of NPE capital deductions.

MREL

Our intermediate MREL target is set at 27.1% of Basel III RWA, of which 26.6% must be met by own funds, subordinated instruments and senior non-preferred (SNP) notes. This includes the currently applicable combined buffer requirement (CBR) of 4% and applies with effect from 1 January 2022. ABN AMRO aims to continue operating with a prudent buffer above the fully-loaded MREL requirements.

If ABN AMRO fails to meet CBR as part of its MREL requirements, the Single Resolution Board (SRB) has the power to prohibit or limit distributions of more than the Maximum Distributable Amount related to the minimum requirement for own funds and eligible liabilities (M-MDA). Based on own funds, subordinated instruments and SNP notes, MREL was 27.9% at 31 December 2021 (31 December 2020: 27.4%). The increase in MREL compared to 31 December 2020 was mainly due to issuances of senior non-preferred instruments, partly offset by RWA increases and CET1 deductions.

Developments impacting capital ratios in 2021

Common Equity Tier 1 capital

CET1 capital decreased in 2021, mainly reflecting the deductions for the EUR 0.5 billion share buyback programme and a further increase in the non-performing exposures (NPE) capital deductions of EUR 0.2 billion. Those deductions were only partly offset by the net profit for 2021. The reported CET1 ratio of 16.3% under Basel III is considerably above the MDA trigger level of 9.6%. The bank remains committed to maintaining a significant buffer in excess of the regulatory requirements at all times.

Additional Tier 1

A total of EUR 2.0 billion of AT1 instruments is currently outstanding. The AT1 instruments have triggers at the bank consolidated level (7.0% CET1) and solo level (5.125% CET1). If the CET1 ratio drops below the trigger level, the AT1 is temporarily written down. ABN AMRO is comfortably above the trigger levels, with a bank consolidated CET1 ratio of 16.3% and a bank solo CET1 ratio of 15.9%.

Available distributable items at 31 December 2021 amounted to EUR 18.7 billion (December 2020: EUR 17.9 billion).

Tier 2 capital

The fully-loaded total capital ratio (22.4%) decreased by 1.3 percentage points compared to 31 December 2020 (23.7%). This was mainly due to the RWA increases and CET1 capital developments and, to a lesser extent, to the redemption of a Tier 2 instrument on 1 April 2021. A USD 1.0 billion T2 instrument was issued in December 2021. The T2 layer is rebalanced to 4.4% in favour of SNP. Going forward, the focus is on maintaining the T2 layer above 2.5%.

Senior non-preferred instruments

A total of EUR 6.0 billion of senior non-preferred instruments is currently outstanding. The bank issued multiple senior non-preferred notes during the year under review: EUR 1.0 billion in February 2021, USD 0.8 billion in June 2021, EUR 1.0 billion in September 2021 and USD 1.0 billion in December 2021. ABN AMRO issued its first green SNPs this year, both in EUR and in USD.

Risk-weighted assets

Total RWA rose to EUR 117.7 billion (31 December 2020: EUR 110.5 billion), predominantly driven by credit risk RWA. The increase in credit risk RWA was mainly caused by model updates, regulatory add-ons and the impact of the DNB mortgage floor, partly offset by the acceleration of the CIB non-core wind-down in the first six months of 2021. Operational risk RWA slightly decreased, mainly owing to the removal of a regulatory capital add-on relating to an ECB finding on the model validation process. Market risk RWA increased as a result of increases in SVaR and IRC, partly offset by a decrease in the VaR resulting from position changes.

Further information on share capital, dividend and capital instruments

Share capital

The share capital remained unchanged in 2021. At 31 December 2021, the authorised share capital amounted to EUR 2,400 million, distributed as 2,200 million class A ordinary shares and 200 million class B ordinary shares. Class A and B ordinary shares have a nominal value of EUR 1.00 each.

At 31 December 2021, issued and paid-up capital amounted to EUR 940 million and consisted of 940 million class A ordinary shares. Further information is provided in Note 33 Equity attributable to owners of the parent company in the Consolidated Annual Financial Statements.

Dividend

No interim dividend was paid in 2021, in line with the ECB recommendation to refrain from distributing interim dividends until 30 September 2021. On 23 July 2021, the ECB supervisory board decided not to extend its recommendation beyond September 2021. As a result, ABN AMRO paid the final 2019 dividend of EUR 639 million in October 2021.

Based on the dividend policy, a net profit of EUR 1,138 million (after deduction of AT1 payments and minority interests) for 2021 and the absence of an interim dividend over 2021, a final cash dividend of EUR 0.61 per share is proposed for 2021. This will be equivalent to EUR 573 million, based on the number of outstanding shares at year-end 2021. The ex-dividend date is 22 April 2022, while the record date is 25 April 2022 and

the dividend payment will be executed on 18 May 2022. No dividend was paid for 2020.

Our capital position remains very strong, with a fully-loaded Basel III CET1 ratio of 16.3% and a Basel IV CET1 ratio of around 16%. In line with our capital framework we have announced an inaugural share buyback programme of EUR 0.5 billion. This programme commenced on 10 February and is expected to end no later than June 2022. Through this programme we have added share buybacks as an instrument to manage our capital position. The Basel IV threshold for share buybacks remains unchanged for the time being as our capital buffer is sufficient to consider future share buybacks. Over time, we are aiming for a gradual reduction, in constructive dialogue with our regulator.

Capital instruments Audited

(in millions)	ISIN/CUSIP	Maturity date	First possible call date	31 December 2021		31 December 2020	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount
Tier 1¹							
EUR 1,000 million 4.375% per annum	XS2131567138	Perpetual	September 2025	1,000	993	1,000	993
EUR 1,000 million 4.75% per annum	XS1693822634	Perpetual	September 2027	1,000	994	1,000	994
Total Tier 1 capital instruments				2,000	1,987	2,000	1,987
Tier 2							
USD 595 million 6.250% per annum	XS0619547838	April 2022		525	537	484	508
EUR 1,000 million 7.125% per annum	XS0802995166	July 2022		1,000	1,045	1,000	1,061
USD 113 million 7.75% per annum	US00080QAD79 / USN0028HAP03	May 2023		100	101	92	96
USD 1,500 million 4.75% per annum	US00080QAF28 / XS1264600310	July 2025		1,324	1,402	1,221	1,354
USD 1,000 million 4.8% per annum	US0008DAL47 / XS1392917784	April 2026 January		883	901	814	869
EUR 1,000 million 2.875% per annum	XS1346254573	2028	January 2023	1,000	1,035	1,000	1,045
USD 1,500 million 4.4% per annum	XS1586330604	March 2028	March 2023	1,324	1,358	1,221	1,284
USD 300 million 5.6% per annum	XS1385037558	April 2031		265	279	244	274
USD 1,000 million 3.324% per annum	XS2415308761 / US00084DAV29	March 2037	December 2031	883	876		
EUR various smaller instruments		2023 -2025		14	15	15	16
EUR 1,228 million 6.375% per annum	XS0619548216	April 2021				1,228	1,280
SGD 450 million 4.7% per annum	XS1341466487	April 2026	April 2021			277	281
Total Tier 2 capital instruments				7,317	7,549	7,595	8,069
<i>- of which eligible for regulatory capital:</i>							
Basel III, Tier 1 (fully-loaded)				2,000		2,000	
Basel III, Tier 2 (fully-loaded)				5,136		4,664	

¹ AT1 capital securities. For both AT1 instruments, the CET1 Trigger levels are 7.0% for ABN AMRO Bank level, and 5.125% for ABN AMRO Bank solo level. The amount of available distributable items for ABN AMRO Bank N.V. per 31 December 2021 totals EUR 18.7 billion (31 December 2020: EUR 17.9 billion).

Movements in subordinated liabilities Audited

(in millions)	2021	2020
	Carrying amount	Carrying amount
Balance as at 1 January	8,069	10,041
Cash flows		
Issuance	910	35
Redemption	-1,514	-1,669
Non-cash changes		
Foreign exchange differences	367	-445
Other	-283	108
Balance as at 31 December	7,549	8,069

Minimum capital requirements Audited

The Pillar 1 capital requirement is the absolute minimum amount of capital required to cover the three major types of risk a bank faces: credit risk, operational risk and market

risk, as determined in the Capital Requirements Directive (CRD) IV Pillar 1 framework. The following table provides an overview of RWA and minimum capital requirements per risk type, category of exposure and regulatory approach.

(in millions)	31 December 2021	31 December 2020		
	Capital requirement	RWA	Capital requirement	RWA
Credit risk IRB				
Central governments and central banks	67	840	83	1,033
Institutions ¹	127	1,589	152	1,905
Corporates	4,177	52,211	4,079	50,985
Retail	1,326	16,574	1,241	15,508
- <i>of which secured by immovable property</i>	1,188	14,847	966	12,080
- <i>of which qualifying revolving exposures</i>	11	140	99	1,240
- <i>of which other retail</i>	127	1,588	175	2,188
Equities not held for trading	269	3,364	272	3,397
Securitisation positions	9	116	6	70
Credit valuation adjustment				
Other ²	1,227	15,336	835	10,432
Total credit risk IRB	7,202	90,030	6,666	83,330
Credit risk SA				
Central governments and central banks		2	1	12
Institutions ¹	100	1,248	68	846
Corporates	451	5,636	425	5,309
Retail	200	2,495	124	1,550
Secured by mortgages on immovable property	12	145	19	233
Exposures in default	14	173	12	146
Credit valuation adjustment	16	202	14	175
Other ²	4	46	69	859
Total credit risk SA	796	9,946	730	9,131
Other risks				
Market risk	133	1,668	107	1,334
- <i>of which Standardised Approach</i>	1	6	1	8
- <i>of which Internal Model Approach</i>	133	1,662	106	1,327
Operational risk	1,284	16,049	1,335	16,685
- <i>of which Standardised Approach³</i>	48	604	54	678
- <i>of which Advanced Measurement Approach</i>	1,236	15,444	1,281	16,007
Total other risks	1,417	17,717	1,442	18,019
Total	9,415	117,693	8,838	110,481

¹ Institutions include exposures to banks and investment companies, regional and local governments and pension funds.

² Other includes non-credit obligations.

³ Including Basic Indicator Approach.

Main regulatory developments

The European Commission's draft Basel IV proposal, published in October 2021, expects Basel IV implementation in the EU by January 2025, with temporary measures mainly aimed at gradually phasing in the impact of the output floor.

The CRR fully-loaded CET1 ratio at 31 December 2021 was 16.3%, which was equal to the CRR phase-in CET1 ratio. Under the CRD IV/CRR fully-loaded rules, the amount of CET1 capital and RWA are equivalent to those under the phase-in rules. Due to the grandfathering of some T2 capital instruments, the fully-loaded total capital ratio was slightly

lower than the phase-in ratio, but both ended up at 22.4%. The fully-loaded total capital ratio was lower than the phase-in ratio because the non-CRR-compliant Tier 2 capital ('grandfathered') instruments were excluded from the fully-loaded ratio. The grandfathering provisions were introduced in the CRR to ensure that institutions had sufficient time to meet the requirements set by the new definition of 'own funds', which relates to the total regulatory capital. Certain capital instruments that did not comply with the new definition were grandfathered for a transitional period, with the objective of phasing them out from the total regulatory capital. The transitional period expired on 1 January 2022.

Impact of CRD V/CRR2 fully-loaded rules on capital ratios

	Fully-loaded
31 December 2021	
Common Equity Tier 1 capital	19,206
Common Equity Tier 1 ratio	16.3%
Common Equity Tier 1 ratio (Basel IV) ¹	16%
Tier 1 capital	21,188
Tier 1 ratio	18.0%
Total regulatory capital ²	26,324
Total capital ratio ²	22.4%
RWA	117,693
Leverage ratio (SA-CRR)	5.9%

¹ Basel IV results are based on fully-loaded figures, rounded to the nearest whole percent and subject to the implementation of Basel IV standards into EU legislation.

² Under the current CRD IV/CRR phased-in rules the total regulatory capital is EUR 26,386 million and the total capital ratio is 22.4% per 31 December 2021 as reported in the prudential returns to DNB.

Leverage ratio

	31 December 2021	31 December 2020
(in millions)	Fully-loaded	Fully-loaded
Tier 1 capital	21,188	21,530
Exposure measure (CRR2)		
On-balance sheet exposures	399,113	395,623
Off-balance sheet exposures	30,637	32,781
On-balance sheet netting ¹	8,186	5,419
Derivative exposures ¹	3,582	2,462
Securities financing exposures	2,502	3,115
Other regulatory measures	-83,240	-65,801
Exposure measure	360,779	373,599
Central bank exposure	66,922	56,133
Exposure measure (incl. central bank exposure)	427,702	429,732
Leverage ratio	5.9%	5.8%
Leverage ratio (incl. central bank exposure)	5.0%	5.0%

¹ As from 28 June 2021, the exposure measure includes CRR2. Comparative figures have been adjusted accordingly.

The Capital Requirements Regulation (CRR) includes a non-risk-based leverage ratio. The leverage ratio requirements were amended by CRR2, which introduced a binding leverage ratio requirement of at least 3% and amended the requirements for calculating the exposure measure. The amendment includes the application of SA-CCR to clearing guarantees on derivative exposures. The leverage ratio remained stable at 5.0% at 31 December 2021 (31 December 2020: 5.0%). The temporary capital relief measure that exempts central bank reserves from the exposure measure, which was originally expected to end on 27 September 2021, has been extended until 31 March 2022. This currently has a positive impact of 0.9 percentage points, resulting in a leverage ratio of 5.9%. The exposure measure is reported to the Asset and Liability Committee (ALCO) at the business line level and monitored closely in order to ensure the leverage ratio remains within the bank's risk appetite. The leverage ratio outlook takes account of business-specific plans, as well as macroeconomic conditions, regulatory developments and capital-related uncertainties. In the event of risk appetite breaches of the leverage ratio, the bank-wide escalation paths for capital and funding are followed.



Business risk

Volatility of earnings

Business risk is the risk that business earnings and franchise value declines and/or deviates from expectations because of uncertainty in business income or in expenses incurred to generate business income. ABN AMRO strives to preserve its business earnings, independent of (external) developments. Business risk therefore needs to be managed in order to limit the actual and forecasted volatility in business earnings.

ABN AMRO manages business risk by seeking to minimise the effect of unexpected internal and/or external developments. The key criteria for classifying a risk as a business risk are:

- ▶ An unexpected event that leads to uncertainty in present or future business earnings and/or franchise value;
- ▶ Changes in the drivers of future business earnings such as uncertainty in volumes, margins, fee and commission rates and/or business expenses.

Drivers of earnings volatility

Earnings are affected by various internal and external factors, such as changes in client preferences, competition and regulation. In addition, earnings are affected by technical, societal, geopolitical and economic developments, such as the outbreak of Covid-19 and subsequent lockdowns. Our risk assessments are based on the long-term uncertainty in expected business earnings and take into account internal and external developments, scenarios and market movements. When assessing the pressure from external factors contributing to an increase or decrease in the business risk, at least the following elements are considered:

- ▶ The key macroeconomic variables within which the bank operates or will operate based on its main geographies. Examples of key variables include gross domestic product (GDP), unemployment rates, interest rates and house price indices;
- ▶ The competitive landscape and how it is likely to evolve, considering the activities of the bank's peers;
- ▶ Expected growth in target markets, and the activities and plans of key competitors in these target markets;
- ▶ Overall trends in the market that may have an impact on performance and profitability. This should include, as a minimum, regulatory trends, technological trends and societal/demographic trends;
- ▶ The contamination effects that risks may have on other risk types, and risks downstream or upstream in client supply chains that may have knock-on effects (this includes the impact of Covid-19).

Business risk appetite

The thresholds are set at the expected one-year profit horizon and form the basis for a quantitative Red, Amber, Green (RAG) status. The qualitative RAG status is based on expert judgements, taking into account elements such as pressure from external factors and strategic objectives.

Monitoring of earnings drivers

ABN AMRO continually monitors and responds to the key external and internal factors and elements within these factors. The disclosure and monitoring of the business risk drivers is based, among other things, on the ERM report. ABN AMRO's business risk management framework is supported by the three lines of defence (3LoD) model. The bank mitigates sensitivity to business risk drivers through discussions at senior management and board level that address developments in these drivers in an effective and timely manner. Business risk is also included in the capital buffer that is meant to safeguard our position in the case of extreme events.

The bank's strategy and business risk are related. The strategy incorporates mitigation of unexpected events and changes in business risk drivers. Regular review of the strategy ensures alignment with developments in business risk. To ensure that the bank's strategy is pursued and the long-term strategic goals (financial and non-financial) are met, our business plans and budgets take these strategic goals into account.

Strategic equity investment risk

As part of business risk, strategic equity investment risk is the risk of deviation in the value of strategic equity investments. These investments are not fully consolidated in the bank's financial accounts, but are represented as an equity investment on the balance sheet. Investments related to clients and involving unlisted private equity or held for trading purposes are not considered to be strategic equity investments.

Economic capital as a buffer for business risk

Economic capital is used to mitigate the negative effects of unexpected business risk events. The economic capital for business risk reflects the maximum downward deviation of actual versus expected net operating profit in one year, excluding any impact already covered by other risk types (e.g. impairments for credit risk).

To determine the economic capital for business risk, a combination of historical and forward-looking scenarios is collected from experts in each business line and from Group Economics. These scenarios determine the sensitivity of the business lines' income to macroeconomic variables or industry performance indicators. This sensitivity is used to determine the volatility of income for each business line, as well as any correlation between business lines. Based on the individual volatilities, we use simulation to calculate bank-wide volatility.

Further to this, economic capital as a buffer for strategic equity investment risk is also considered. This is the maximum downward deviation of a strategic equity investment's economic value from the current book value, with 99.95% certainty.

Sustainability risk

Sustainability risk management

Sustainability risk is defined as the risk that Environmental, Social or Governance-related (ESG) factors will have a financial and/or non-financial impact on ABN AMRO. Sustainability risk management is a fundamental part of safeguarding a moderate risk profile and supporting ABN AMRO's strategic objectives. ESG factors relate to (but are not limited to) the following:

- ▶ Environmental: climate change, biodiversity loss, natural resources depletion and pollution. The climate-related and environmental risks (CER) can refer to so-called inside-out risks or outside-in risks:

- ▶ Inside-out risks refer to the financial and non-financial (or pre-financial) risks that may occur when clients of the bank impact people or planet.
- ▶ Outside-in risks refer to the financial and non-financial risks that may occur when climate-related or environmental factors impact the bank's clients or portfolios. Outside-in risks are divided into transition and physical risks.
- ▶ Transition risks are the financial and non-financial risks that result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy (e.g. changes in regulation, consumer preferences and technology).
- ▶ Physical risk refers to the financial risk of a changing climate and environmental degradation. Physical risk can be acute, for example when it relates to extreme weather events, or chronic, relating to progressive shifts such as rising temperatures and biodiversity loss.
- ▶ Social: substandard working conditions, forced labour and child labour, human trafficking, indigenous peoples' rights, privacy, animal welfare and public health.
- ▶ Governance: corporate governance (e.g. remuneration, diversity and balancing the interests of stakeholders), corporate behaviour (e.g. corruption and bribery) and ethical business conduct.

Although ESG risks – predominantly inside-out – have been on the agenda of ABN AMRO since the 1990s, attention from regulators and society and from within the bank has increased significantly in recent years, especially in relation to outside-in environmental risks. ESG risks and our sustainable strategy are also clearly understood to go hand in hand, given that the bank is faced with developments

such as strengthened government commitments to phasing out fossil fuel investments, increasing societal expectations and changing investor preferences, resulting in both risks and opportunities for our clients and the bank.

In the bank's risk taxonomy, ESG risks are recognised as 'external causal factors'. Causal factors may be a driver of risk types, in particular those identified below. The expected impact of these external causal factors is continuously assessed and monitored, and mitigating actions are considered as part of the management of these risk types:

- ▶ Business risk, e.g. unexpected fluctuations in volumes/margins due to lower market volumes in a specific business segment affected by transition risk. The changes in government policies, societal expectations and investor preferences mentioned above are expected to present the bank with a potentially material business risk in, for example, carbon-intensive sectors in the medium and long term. We expect the transition to a low-carbon economy also to present opportunities that could potentially mitigate business risk.
- ▶ Reputational and legal risk, e.g. damage to the bank's reputation due to perceived 'greenwashing' or not meeting our sustainability commitments, or the risk that the bank may be subject to legal action or litigation because of a contribution (alleged or otherwise) to adverse sustainability impacts. Climate-related reputational and litigation risk in the short term is therefore monitored continuously so that we can take appropriate mitigating actions (see sections on risk response and client assessment below).
- ▶ Credit risk, e.g. deterioration in a client's creditworthiness or collateral resulting from physical or transition risk. The potential impact is assessed by means of scenario analysis and analysis of transmission channels. See also the section below on scenario analysis and the Credit risk review section for more information on transmission channels relating to credit risk.

Sustainability risk can occur in all the bank's capacities, i.e. as a lender, investor, asset manager, service provider, purchaser, operator and employer. Sustainability risk can also be amplified if the bank's performance does not match with its sustainable strategy and commitments, with regulatory requirements or with investor, rating agency or societal expectations.

Sustainability risk policy framework

ABN AMRO applies its sustainability risk policy framework, which is an integral part of the Enterprise Risk Management Framework. It defines the conditions under which the bank does business with its clients, suppliers and investors, ensuring sustainability risk is properly identified, measured, managed, mitigated, monitored and reported in line with the bank's risk appetite.

The sustainability risk policy framework is subject to an annual review to incorporate new insights, practices, internal and external developments, and views of stakeholders, and to align with the latest regulatory guidance, including ECB and EBA requirements and definitions.

To support the general principles defined in the sustainability risk policy framework, exclusions, statements and standards underpin the way the bank executes its sustainability risk management.

Sustainability risk policy framework



Our Exclusion List specifies the activities we exclude from our financial services because of their adverse ESG impact. The Controversial Weapons List (CWL), in turn, specifies the companies that we exclude because of their involvement in these types of activities. The CWL is in line with the ban on investments in cluster munition, as specified in the Dutch Financial Supervision Act, supplemented with the exclusion of companies involved in other controversial weapons, including white phosphorus. By regularly reviewing and updating the Exclusion List and the CWL, ABN AMRO ensures that it operates in line with its purpose, values and risk appetite. New developments and scientific insights within and outside the bank are taken into consideration.

Our statements set out ABN AMRO's commitment, responsibilities and expectations for ourselves and for our business associates including our clients, investee companies and suppliers on three important themes: climate, human rights and animal welfare. The statements also describe the key activities we undertake to meet our responsibilities.

Our standards include requirements for managing sustainability risk in different processes (including investment, lending and classifying sustainability acceleration finance). We also have standards specifying the minimum ESG requirements (such as the management of risk associated with climate change, biodiversity loss and human rights) for our corporate lending clients operating in specific sectors and our corporate clients with links to defence activities.

The bank also maintains a sustainability risk classification for all sectors and countries. These lists classify sectors and countries as low, medium or high risk from a sustainability perspective and include climate-related, environmental (ecosystem dependencies), social and governance-related aspects. The sector and country risk classifications are updated annually.

Sustainability risk management framework

Governance

The Executive Board, under the supervision of the Supervisory Board, is accountable for the establishment of an effective sustainability risk management framework in the bank and for setting, approving and overseeing the bank's sustainable strategy. It has delegated responsibility for the management of sustainability risk, including CER, to the Group Risk Committee. The Chief Risk Officer is the ExBo member responsible for the management of sustainability risk. A dedicated Sustainability Risk team has been appointed within the Central Risk Management department and is responsible for setting up and maintaining the sustainability risk management framework. In line with the Enterprise Risk Management Framework, the "three lines of defence" principle is applied to sustainability risk management.

The following committees are involved in internal control and strategic decision-making:

- ▶ Group Risk Committee (GRC) for oversight on sustainability risk through the Enterprise Risk Management Report (containing the status of the Bank Risk Appetite Statement) and approval on sustainability risk issues;
- ▶ Business Risk Committees (BRC) for oversight on sustainability risk within the specific business lines and approval on business line-specific sustainability risk issues (e.g. scenario analysis);
- ▶ Engagement Advisory Committee (EAC) for oversight on client engagement;
- ▶ Sustainability Advisory Committee (SAC) for internal advice on sustainability matters affecting the bank and the business environment;
- ▶ Scenario Analysis and Stress-test Committee (SSC) for oversight on climate-related and environmental risks scenario analyses and stress testing.

Risk appetite

In line with the moderate risk profile of the bank, the sustainability risk appetite is set using indicators that address all ESG aspects of sustainability and both the inside-out and outside-in perspectives of sustainability risk at bank and business line levels. The risk indicators have both quantitative (e.g. sustainable and acceleration volumes and GHG emission intensity) and qualitative (e.g. whether human rights are adequately managed) elements. The latter reflects the fact that not enough data are yet available in this relatively new risk category. Our Strategic Risk Appetite (SRA) references the alignment of our portfolio with the Paris Agreement.

Risk identification & measurement

The risk identification process for sustainability risk is done at different levels: through the categorisation or classification of exposures across asset classes, sectors,

geographies and counterparties, and/or on the basis of their length of maturity and/or the position in the lifecycle of the asset. The process includes climate risk heatmapping, sector risk classifications (including ecosystem dependency, climate and human rights risks), country risk classifications and transmission channels. These tools feed into the bank-wide risk identification processes. By also performing due diligence at client level and (scenario) analysis at portfolio level, and through stress testing, we measure the materiality of risks, and assess and develop appropriate mitigating measures, based on the outcomes.

A Risk Register has been developed for human rights risks. This includes all kinds of human rights risks we can be connected to, in any capacity, and helps us record and aggregate our observations on these risks over time. The Risk Register feeds into our Enterprise Risk Management process and results in more robust governance and more involvement from senior management. Human rights risks are managed across a range of departments within the bank.

Risk response

To ensure sustainability risk is in line with the bank's risk appetite and strategy, mitigating actions are defined at both portfolio and counterparty level. This includes concentration limits at sector level on certain high-risk and/or sensitive economic sectors and subsectors, and exclusion of some specific sectors and subsectors from credit-granting in line with our Exclusion List and Controversial Weapons List. In accordance with the sustainability risk standard with sector requirements, minimum conditions are set for clients in certain sectors with a higher risk from a sustainability perspective. Those conditions include climate, biodiversity loss and human rights. More information on client assessment can be found below.

Risk monitoring and reporting

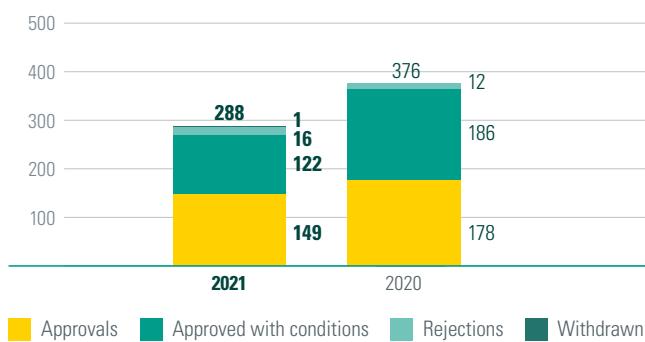
To ensure that identified sustainability risk remains within the approved risk appetite limits and checkpoints, we monitor sustainability risk, including environmental and climate-related risks, at bank-wide and business line level. Sustainability risk at bank level is monitored and reported to the GRC and to the Executive Board in the Enterprise Risk Management (ERM) report. At business line level, sustainability risk is monitored and reported through the business line risk reports, which are discussed regularly in the respective Business Risk Committees.

Sustainability risk and client assessment

Each credit proposal with an OOE of more than EUR 1 million needs to be assessed by the first line of defence against the bank's Sustainability Risk Policies. This is done using the Global Sustainable Index (GSRI) tool, and increasingly in the new CASY tool. These tools consist of questionnaires that are based on the bank's ESG criteria and hence help

the first line in the Sustainability Risk assessment. The tools also include a classification mechanism that leads to a low, medium or high sustainability risk profile of the client. The latter category is additionally assessed by the second line, being the sustainability risk experts in the Credit Risk department. Certain industries face more sustainability risks than others, while the nature of these risks also varies considerably. During 2021, the sustainability risk analysts in Credit Risk provided advice on clients operating in industries with a higher sustainability risk profile on 288 occasions (2020: 376).

Conclusion of advice



The cases for which advice was given in 2021 comprised 16 rejected cases, 149 approved cases and 122 cases in which approval was subject to conditions. The conditions imposed include requesting additional information, monitoring sustainability performance and engagement aimed at substantially improving sustainability performance. In 2021, second-line sustainability advice included 74 information conditions, 39 monitoring conditions and 106 engagement conditions. Approximately 5% of the requests for advice in 2021 received a negative response.

Advice on sustainability risk is provided either in the context of the client relationship as a whole or in the context of a lending relationship. The Client Acceptance, or Know Your Client (KYC), process takes place at the moment of onboarding new clients and is repeated in periodic and sometimes event-driven client reviews. These assessments are usually done for non-lending clients, given that a more extensive sustainability assessment is performed for lending relationships. Here, too, assessments are performed at the time of loan origination and repeated in periodic (usually annual) monitoring.

ABN AMRO applies specific policy requirements for its lending clients in nine high-risk sectors. Each sector is divided into multiple subsectors and activities at different places in the supply chain and matched with specific requirements. The first line assesses the level of clients' compliance with these policies, and the second line in Sustainability Risk validates these assessments. If a client does not fully meet our sustainability risk policy framework, the second line will either advise negatively on the

relationship/credit or accept it subject to conditions. In most cases, conditions are set. This is in line with the bank's inclusive strategy. Conditions are set in order to become or remain comfortable that the client is moving towards full compliance and usually consist of monitoring or client engagement, or a combination of the two. In the absence of sufficient comfort, for example due to a major policy gap or incident, a high-intensity engagement trajectory for a maximum of three years can be started or the second line will issue a negative advice.

Climate risk management

In managing climate-related and environmental risks (CER), ABN AMRO is building on our sustainability risk management framework. ABN AMRO is also working on incorporating regulatory and supervisory guidance, such as the Taskforce on Climate-related Financial Disclosures (TCFD) framework of the Financial Stability Board and the ECB Guide on climate-related and environmental risks.

The guidance mentioned above supports the acceleration of the internal review and implementation of climate risk management in the bank's governance, policies and processes. Continuous improvement is being made, based on new knowledge, tools and data that become available in the market.

Improvements in relation to sustainability risk management in general and CER in particular are built on a structured, multi-year implementation plan. This structured approach initially focuses on several pilot portfolios, enabling the bank to build knowledge and skills that can be further leveraged throughout the organisation, in addition to leveraging on other ESG-related projects currently underway.

Climate-related and environmental risk is managed in line with the bank's defined Enterprise Risk Management cycle and forms an integrated part of our sustainability risk management, as described above. The following section describes in more detail how climate risk is integrated into sustainability risk management, particularly in relation to business strategy, risk appetite, risk identification and risk measurement.

Business strategy

In defining its strategy and the structured approach for effectively including CER, ABN AMRO uses a combination of qualitative and increasingly quantitative assessments of climate-related and environmental risks and opportunities. CER are included, for example, in risk opinions for all strategic decisions. By incorporating the outcomes of the climate scenario analysis performed for the priority portfolios, the bank also ensures that strategic decision-making at bank and business line levels considers the impact of CER on the business environment in which the bank operates.

ABN AMRO is committed to aligning its business with the Paris Agreement on Climate Change. By aligning CER-related Key Risk Indicators (described below) with Key Performance Indicators we also ensure that CER management supports this commitment.

Risk appetite

As part of the structured multi-year implementation plan, the inclusion of CER in the Risk Appetite Framework is based on new insights and knowledge gained. An analysis of the impact of CER on the Strategic Risk Appetite Statement (SRAS) combined with an assessment on CER as a driver in existing key risk indicators (KRIs) and/or whether new CER-related KRIs are needed, is ongoing. The analysis is initially being undertaken for sustainability and credit risk types (in line with the EBA loan origination requirements). Analysis for other existing risk types will follow. On CER, the risk appetite includes both quantitative and qualitative KRIs. Quantitative elements include a carbon footprint metric that measures the change in carbon intensity of the lending and investment portfolios. Qualitative elements include progress on climate-related KPIs of the business lines and progress on science-based target setting per sector.

Risk identification: heatmap

To identify climate risk, we follow the enterprise risk (ERM) framework, as described in the Sustainability Risk framework section. In 2021, the bank's approach focused on updating the existing risk identification processes and policies to expand the scope with CER.

For climate risk identification, a climate risk heatmap is used to scan ABN AMRO's lending portfolio on sector sensitivity and vulnerability to physical and transition risks in order, among other things, to determine priority sectors for performing portfolio scenario analyses so as to assess the magnitude of the impact on selected risk types. As a formal risk identification tool, the climate risk heatmap contributes to:

- ▶ other risk identification processes (e.g. the Risk Event Register, which incorporates green policy and the transition to sustainability, extreme weather events, and public attention to matters involving ESG issues and relating to our clients);
- ▶ directing the assessment of whether certain climate-related factors should be included in the credit risk ESG transmission channel framework;
- ▶ strategic decision-making by enhancing the understanding of sensitivities to climate risk in our portfolios.

The 2021 climate risk heatmap analyses the sensitivity of sub-sectors in ABN AMRO's corporate lending and residential mortgages portfolios to transition and physical climate risks. Improvements to the climate risk heatmap were introduced based on an internal update to the indicators in the previously used UNEP FI methodology, targeting ABN AMRO's portfolio instead of generic sectors and so measuring the characteristics of the sub-sectors and their value chains better. The heatmap is based on quantitative and qualitative data. Around 40% of the total score is now measured via externally available and quantitative data. The quantitative data covers greenhouse gas (GHG) emission intensity and data from the ENCORE database on ecosystem services and natural capital. A questionnaire is used to collect the qualitative data on the corporate lending and residential mortgages portfolios from sector experts within the bank.

A specific set of sectors is in scope of the analysis. As the aim is to align with EU Sustainable Finance Regulation as much as possible, NACE classification is used as a starting point. The scope of the heatmap includes sectors that were included in the 2020 heatmap, as well as carbon-intensive sectors (NACE A-H and L). Within that scope, sub-sectors with significant exposures or a moderate to high sensitivity score in the 2020 heatmap are assessed on a more granular NACE level. The following table shows the aggregated sensitivity score of the sub-sectors for NACE level 1. The infographic shows the sub-sectors with moderate to high sensitivity scores in this year's heatmap on a more granular level.

The results in the high-level climate risk heatmap show that the highest sectoral sensitivities to climate-related risk are in the agriculture, mining and transportation sectors. The specification of sub-sectors shows that the largest part of the moderate to highly sensitive sectors (~10%) is represented by two sectors ('Raising of cattle' and 'Sea coastal freight transport'). However, other sensitive sub-sectors with smaller EAD (including 'Extraction of crude petroleum and natural gas' and 'Fossil electricity production') can still pose significant reputational and financial risks. The 'Not specified' box consists of corporate loans out of scope of the heatmap exercise, including exposure to financial corporations.

Residential mortgages were also included in the analysis as part of the real estate portfolio, but are not included in the figures. This sub-sector has a low sensitivity score to transition risk and a moderately low sensitivity score to physical risk.

High-level climate risk heatmap for corporate loans, showing aggregated sensitivity scores

Sub-sector	Gross carrying amount ³ (in EUR million)	Aggregated sensitivity to transition risk	Aggregated sensitivity to physical risk
A Agriculture, forestry and fishing	5,556	MH	MH
B Mining and quarrying	2,919	MH	ML
C Manufacturing	7,464	ML	M
D Electricity, gas, steam and air conditioning supply	2,126	L	ML
E Water supply; sewerage, waste management and remediation activities	630	M	M
F Construction	4,029	ML	ML
G Wholesale and retail trade; repair of motor vehicles and motorcycles	8,951	L	ML
H Transport and storage	9,444	MH	ML
L Real estate activities	10,282	L	ML
Exposure to other sectors and counterparties ¹	35,057		
Total corporate loans²	86,458		

■ High sensitivity (H) ■ Moderately high (MH) ■ Moderate (M) ■ Moderately low (ML) ■ Low sensitivity (L) ■ Not specified

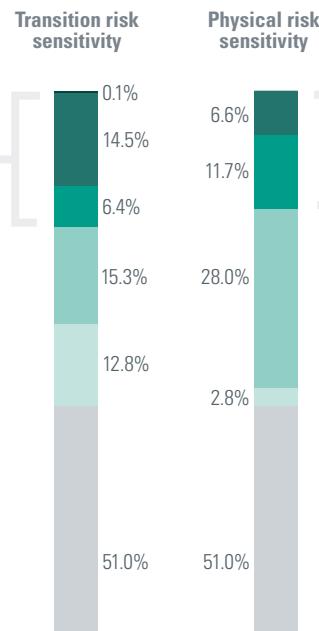
¹ Exposures to other sectors includes exposures to the NACE sectors not listed here, and corporate loans to counterparties where NACE does not directly apply to, for example governments.

² Excluding loans at fair value through P&L.

³ Gross carrying amount excludes fair value adjustments from hedge accounting.

Specification of sub-sectors in the corporate loan portfolio sensitive to transition risk and physical risk

Sub-sector (incl. NACE sector letter)	% of total corporate loans
High sensitivity to transition risk	
Fossil electricity production (D) ¹	0.1%
Moderately high sensitivity to transition risk	
Sea and coastal freight water transport (H)	6.6%
Raising of cattle (A) ¹	3.7%
Support activities for petroleum and natural gas extraction (B)	2.0%
Extraction of crude petroleum and natural gas (B)	1.2%
Inland freight water transport (H)	0.6%
Manufacture of basic metals (C)	0.2%
Air transport (H)	0.2%
	14.5%
Moderate sensitivity to transition risk	
Indoor growing of crops (A) ¹	1.4%
Raising of poultry and swine/pigs (A) ¹	0.9%
Manufacture of fabricated metal products, except machinery and equipment (C)	0.9%
Freight transport by road (H)	0.8%
Manufacture of chemicals and chemical products (C)	0.8%
Water supply; sewerage, waste management and remediation activities (E)	0.7%
Manufacture of animal protein food products (C) ¹	0.5%
Manufacture of construction materials (C) ¹	0.4%
	6.4%



Sub-sector (incl. NACE sector letter)	% of total corporate loans
Moderately high sensitivity to physical risk	
Raising of cattle (A) ¹	3.7%
Indoor growing of crops (A) ¹	1.4%
Raising of poultry and swine/pigs (A) ¹	0.9%
Manufacture of construction materials (C) ¹	0.4%
Air transport (H)	0.2%
	6.6%
Moderate sensitivity to physical risk	
Construction (F) ¹	2.1%
Manufacture of other food products and beverages (C)	1.6%
Support activities for transportation (H)	1.1%
Manufacture of fabricated metal products, except machinery and equipment (C)	0.9%
Arable farming (A) ¹	0.8%
Warehousing and storage (H)	0.8%
Manufacture of machinery and equipment (C)	0.8%
Manufacture of chemicals and chemical products (C)	0.8%
Water supply; sewerage, waste management and remediation activities (E)	0.7%
Inland freight water transport (H)	0.6%
Manufacture of animal protein food products (C) ¹	0.5%
Wholesale of agricultural raw materials and live animals (G)	0.4%
Manufacture of rubber and plastic products (C)	0.3%
Manufacture of basic metals (C)	0.2%
Fossil electricity production (D) ¹	0.1%
	11.7%

■ High sensitivity ■ Moderately high ■ Moderate ■ Moderately low ■ Low sensitivity ■ Not specified

¹ Some sub-sectors deviate from NACE. This is due to the fact that for some sub-sectors NACE classification was not useful for sector experts to provide relevant input about the sub-sector characteristics.

The sensitivity scores in the heatmap inform the scope of portfolio scenario analysis, which will be used for further analysis of the climate risk in the portfolios. The scope of this analysis will be based on sub-sectors' sensitivity scores and the extent of the bank's exposure in these sub-sectors. ABN AMRO will continuously improve the methodology to consider other elements such as time horizons, geography, and sensitivity to non-climate environmental risks, such as biodiversity.

Risk measurement: scenario analysis

ABN AMRO uses climate risk scenario analysis as one of the tools for understanding the CER impact on traditional risk types (e.g. credit risk and business risk) in specific sectors, using various climate scenarios. Priority sectors identified as part of the climate risk heatmap exercise are further assessed, using scenario analysis. In 2021, by applying a combination of qualitative and quantitative assessments, the materiality of the climate risk impact under specific scenarios materialising in the medium term (within ten years) and the long term (up to 30 years) was established for the credit risk of the portfolios in these priority sectors. For other relevant risk types (e.g. operational risk, market/liquidity risk and business risk), a qualitative assessment was conducted.

In 2021, a process and governance approach was developed in line with the bank-wide stress testing and scenario framework. This approach was applied to perform the scenario analysis in four priority portfolios selected on the basis of the 2020 climate risk heatmap – residential real estate, commercial real estate, energy and shipping – covering approximately 60% of the bank's loans to clients.

Climate scenarios issued in June 2021 by the Network for Greening the Financial System (NGFS) have been selected for performing the climate scenario analysis on the four priority portfolios. These scenarios are fit for use in the tools applied in these scenario analyses and are widely recognised in the sector. The aim is to provide a common starting point for analysing climate risks under different future temperature pathways.

For the energy and shipping portfolios, the focus is on two transition risk scenarios: (a) NGFS Net Zero 2050 (orderly) and (b) NGFS Divergent Net Zero (Disorderly). For the physical risk scenario in the real estate sectors, the NGFS's Current Policies scenario has been chosen. It is acknowledged, however, that there is a dependency on the availability of data relevant for the Dutch market, where the bank's portfolio is concentrated. Information from external parties is used for this purpose. This includes climate scenarios built on the IPCC (Intergovernmental Panel on Climate Change) assumptions, as well as data from the Royal Netherlands Meteorological Institute (KNMI), Climate Adaptation Services (CAS) and KCAF (the Dutch expertise centre on

foundation issues). Analyses will be updated when new data from these external sources become available.

ABN AMRO aims to use the outcomes of the scenario analyses as input for strategic decision-making at bank and business line levels and for risk management purposes (e.g. risk appetite setting). The analyses performed in the four priority sectors are therefore being used as pilots to evaluate how to structurally integrate climate scenario analysis into the bank-wide and business line strategy and risk management processes.

When performing the internal stress-testing exercise for budgeting and capital planning, we also include climate- and environment-related events in the stress scenario assumptions. These events include the Dutch government's adopting of nitrogen measures and substantially increased financing of climate change mitigation investments.

ABN AMRO is currently participating in the ECB's climate stress test 2022 exercise covering the three modules, namely the questionnaire, data collection and the bottom-up stress test. The ECB considers the stress test to be a learning exercise for banks and supervisors alike, with an aim to identify vulnerabilities, best practices and the challenges banks are facing in relation to climate-related risk management. Simultaneously, ABN AMRO has developed a new climate stress test methodology, which will be embedded in internal processes to strengthen our internal climate stress test framework. The initial results of the climate stress test will be submitted to the ECB in March 2022. The ECB has communicated that the output of the climate stress test exercise will be integrated into the Supervisory Review and Evaluation Process (SREP), using a qualitative approach.

Scenario analysis – physical risk

Residential real estate

The 2021 scenario analysis for residential real estate assessed the materiality of credit risk driven by physical risk (i.e. flood risk and drought risk causing foundation problems due to lower ground water levels) in the Netherlands in the long term. ABN AMRO has improved the methodology used in 2020. The probability of flooding and drought problems, and the associated damage, was examined for each house in the bank's mortgage portfolio in the Netherlands (see graphs below). The bank has assessed climate risk at a loan level, with a distinction being made between direct potential repair costs (decreasing collateral value) and perception effects (negative impact on market prices).

The flooding probabilities originate from the Climate Effect Atlas (CEA), where national climate data is available at a more granular level, while the calculations of damage are based on the standard method provided by Deltares. The CEA data is based on the KNMI's WH-scenario to 2050, which is the worst-case scenario for most effects and closest to the NGFS Current Policies scenario. The

probabilities for foundation issues originate from KCAF, where 30-year probabilities are used to calculate the expected damage per house in the portfolio. This same source is used to determine the repair costs associated with foundation problems. Data on the expected damage enabled the bank to test the portfolio's resilience to the identified climate risks.

The analysis identified certain vulnerable properties that, due to their energy label and low market value, are potentially not worth repairing if damage occurs. Two groups of clients who may be of particular concern were also identified: clients who may not be able to cover the costs of climate-related damage, and clients with vulnerable collateral (i.e. collateral that is not worth repairing if climate-related damage occurs).

The flooding in the province of Limburg in July 2021 provided further data and insights on flooding risks with a limited impact for the bank, given the government's decision to declare this area a disaster zone and the financial support provided to the impacted households.

In 2021, the bank applied the initial insights to its risk reports for monitoring purposes. Particular focus was given, and will continue to be given, to determining mitigating actions, ranging from prudential measures such as provisioning and capitalisation to further securing consistent availability of high-quality data, ensuring appropriate forms of engagement with new and existing clients and mortgage advisors and assessing the underwriting criteria. We are also assessing potential mitigation measures, with the aim of creating a positive impact for the above-mentioned vulnerable clients as well as for new clients.

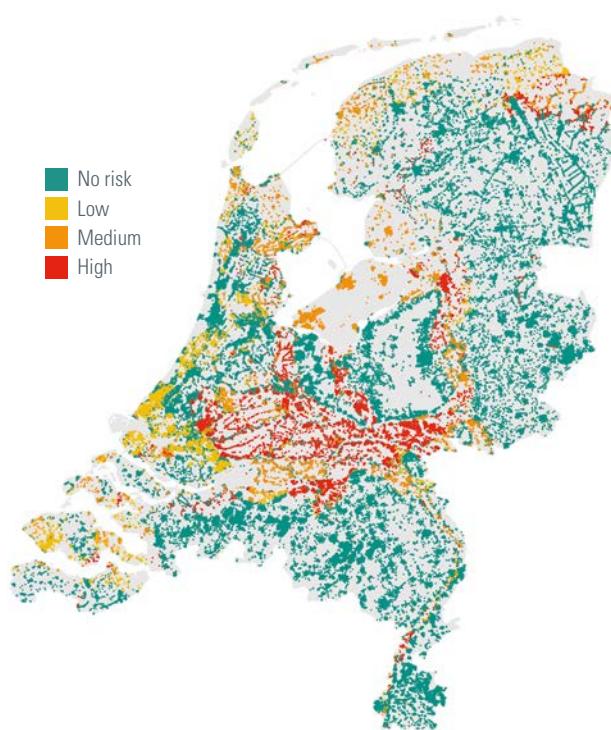
As a significant part of the RRE portfolio (mortgage loans) is used as collateral for the bank's liquidity management, the potential impact of climate risk is considered to be relevant from a liquidity perspective. For that reason, further evaluations in the context of liquidity risk management will be conducted.

As the availability and quality of data are continually improving, the 2021 analysis provides an updated overview of our portfolio. Most notably, the effect of foundation issues at a portfolio level requires further research. In Q4 2021, therefore, we initiated a new cycle of climate scenario analysis for the mortgage portfolio, which will benefit from updated data and more insights. The scope of the 2022 analysis will also cover additional physical risk hazards (such as wildfires and heat stress) and transition risks.

Flooding

The map shows all the properties in our RRE portfolio in the Netherlands and their risk of flooding within the next 30 years.

Flooding probabilities in 2050 – RRE

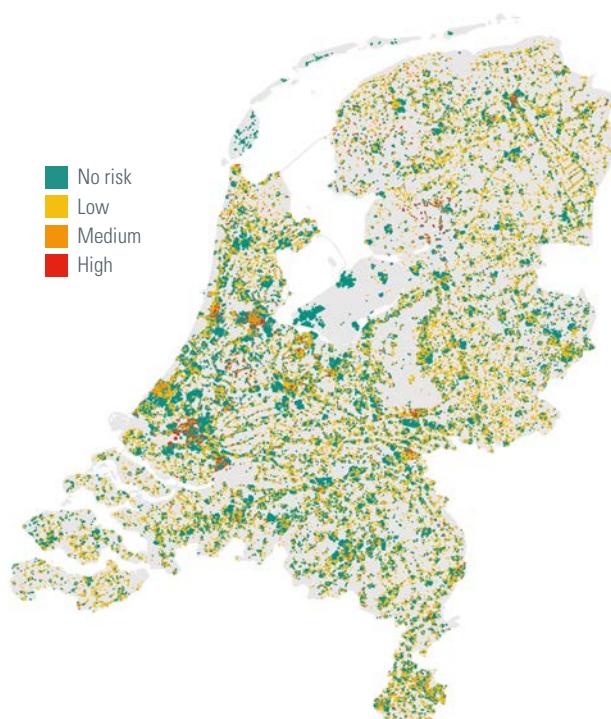


In the scenario analysis, the probabilities of flooding are grouped into 4 buckets: no risk, low risk, medium risk and high risk. Areas around rivers have the highest risk of flooding, with an estimated probability of 1/30 per year until 2050.

Drought, subsidence and pole rot

This map shows all the properties in our RRE portfolio in the Netherlands and the risk of pole rot and subsidence occurring within the next 30 years.

Foundation problems probabilities – RRE



In the scenario analysis, the probabilities of foundation problems are grouped into 4 buckets: no risk, low risk, medium risk and high risk. Most properties with foundation problems are built on peat soil and were built before 1970. High-risk properties have an estimated 30% probability of foundation problems until 2050 and, in exceptional cases, a higher probability. As foundation risk is a slowly progressing risk, the deterioration caused by foundation problems could translate into lower market value and thus impact on LGD and RWA.

Commercial real estate

The 2021 scenario analysis for commercial real estate assessed the materiality of credit risk driven by physical risk (i.e. flood risk and foundation problems, caused by decreasing ground water levels) in the corporate banking, private banking and retail portfolios. As in the case of RRE, ABN AMRO also improved the methodology used for CRE in 2020. Once again, the bank assessed the impact on the collateral value of the properties in our portfolio, but this time extended the analysis to include an assessment of the revenue loss of real estate clients impacted by actual or potential damage from flooding or drought.

The data on the probabilities of flooding and foundation issues was the same as used in the RRE analysis: flooding data from Climate Effect Atlas (CEA), data on foundation issues from KCAF and calculations of damage based on the Deltares method.

To calculate the decline in revenue, we took a decline in rental income due to business interruption. For this we chose to assume an average of six months, based on:

- the flooding risk data from CEA, showing a flood duration of up to six months for a large part of the Netherlands, and
- the maximum interruption duration estimate of one year, according to Deltares.

The analysis estimates that the CRE portfolio will be impacted in the chosen scenario by a value reduction in the properties in our portfolio, increasing the average LtV of the portfolio by a few percentage points. The impact on a small part of our client base will be more significant, with calculated damage of around 28% (flooding) and 20% (foundation problems) of the market value.

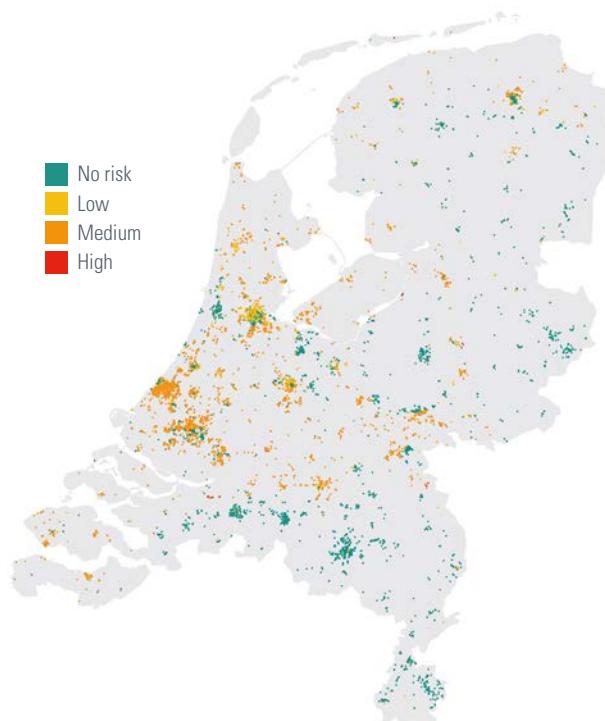
The analysis of clients' revenue loss predicted that around half of our CRE portfolio will be impacted to some extent by a decline in rental income. This is due to our portfolio being concentrated in the most populous region of the Netherlands ('the Randstad'), which is relatively highly exposed to flooding risks and foundation problems. Further in-depth analysis of the impact on business activities, macroeconomic effects and transition risk is therefore needed.

The impact on credit risk at a portfolio and bank level may seem relatively low due to the relatively low occurrence probabilities and long-time horizons. In the event, however, of actual flooding in the area where ABN AMRO's portfolio is concentrated, the potential impact can be considered material. This risk is therefore being monitored by performing periodic scenario analysis.

Flooding

The following figure shows the flood risk for the building units in our portfolio (no risk is shown in green, low risk in yellow, medium risk in amber and high risk in red).

Flooding probabilities in 2050 – CRE

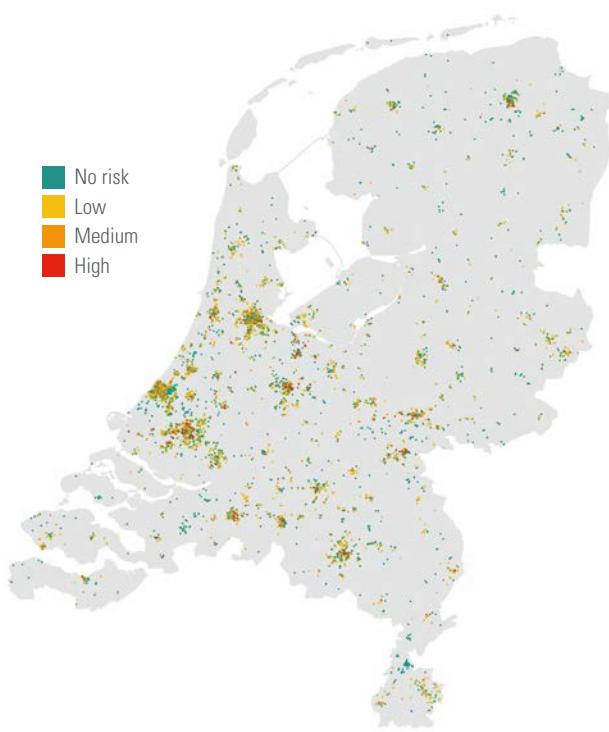


The estimated maximum probability of flooding occurring before 2050 is 0.13% for low risk, 13.75% for medium risk, and higher than 30% for high risk. Only 0.2% of the building units in our portfolio are located in a high-risk area.

Drought, subsidence and pole rot

The following figure shows the building units and their associated risk of foundation issues (no risk is shown in green, low risk in yellow, medium risk in amber and high risk in red).

Foundation problems probabilities – CRE



Our analysis predicts that approximately 20.53% of the properties in the CRE portfolio have a medium or high risk of climate change-related foundation problems up to 2050. As foundation risk is a slowly progressing, rather than directly occurring risk, the deterioration caused by foundation problems can translate into lower market value and thus impact on LGD and RWA.

Scenario analysis – transition risk

Shipping

The 2021 shipping analysis focused on the short-, medium- and long-term credit risk driven by transition risks (resulting from such things as carbon taxation, technological innovation and the decreasing demand for fossil fuel transportation) for seagoing vessels in the Corporate Banking portfolio. The analysis assessed how these risks would impact on the financial performance of clients in different shipping segments (i.e. gas tankers, oil tankers, product tankers, dry bulk ships, container ships and multipurpose (MPP) vessels) by applying the Transition Risk Tool developed by the UNEP FI.

The Transition Risk Tool calculates expected losses and probability to default based on: a) the respective vessel segments' sensitivities to risk factors, and b) the transition readiness of individual clients, translated into an individual

probability of default calibration. The risk factors are direct and indirect emission costs, low carbon capital expenditure and change in revenue. These were qualitatively assessed based on expert opinion, the climate risk heatmap and the ESG Transmission Channel Framework. The transition readiness was based on company-specific information on investments in new technologies, ESG reporting and strategy, and the average greenhouse gas (GHG) emissions rating of a client's fleet. The tool did not assess the impact on loss given default (LGD), which is key in credit risk assessments in this sector. LGD-focused tools are not yet available in the market, but we will continue to monitor developments in this respect.

In both scenarios, the increase in expected losses for all shipping segments was considered acceptable. The tanker segments would be impacted most because the current world fleet would be larger than projected demand for fossil fuel transportation in the chosen scenario. Exposure in this segment needs to be particularly closely monitored to ensure the potential losses remain acceptable. The medium-term impacts (within 10 years) were greater, but still limited relative to our total exposure to the sector in the NGFS Divergent Net Zero scenario. This scenario projects accelerated decarbonisation in Europe and the transportation sector, thus exposing our portfolio to higher risk than in the orderly NGFS Net Zero scenario.

The results will be used as input for multiple processes. Trends in alternative fuels and emission-reducing ship design will be part of our intensified engagement with clients. In addition, climate transition risks and identified criteria for adaptive capacity will be integrated into the credit analysis and decisioning process. The main outcomes will also be translated into the sector's climate transition strategy.

Energy

In 2020, the energy climate scenario analysis focused on the upstream oil and gas portfolio. In 2021, we extended the scope of this scenario analysis to include the off-shore services and power generation portfolios. The purpose of the analysis was to assess the materiality of credit and business risk driven by transition risk in these portfolios for the short, medium and long term. The Net Zero 2050 and Divergent Net Zero scenarios of the NGFS that were chosen for this analysis allowed us to assess the impact of a more 'extreme' decarbonisation scenario than the IEA Sustainable Development Scenario used in the 2020 analysis.

The scenario analysis consists of both a quantitative and a qualitative analysis. For the quantitative analysis we used the same Transition Risk Tool as used in the shipping analysis to assess the impact on creditworthiness (PD) and expected loss (EL) of the portfolio. The purpose of

the qualitative analysis was to assess our clients' adaptability to the energy transition, based on criteria such as diversification in renewables and energy transition technologies, the CO₂ intensity of activities and committed energy transition plans. The output of this qualitative analysis served as borrower-level input for the Transition Risk Tool calculations.

The analysis of the three energy sectors predicted a limited impact of transition risk on credit risk in our energy portfolio. This is mainly explained by the geographical characteristics of the client portfolio, which translate into a portfolio with low operational costs, low CO₂ intensities and limited exposure to exploration, all of which seem to mitigate transition risk factors. The analysis also showed that a number of our clients are already diversifying or are due to start activities in renewable energy technologies, suggesting that they are well-positioned for the energy transition.

As ABN AMRO has strategic ambitions to grow its renewable energy project finance portfolio in solar, wind and biomass, an assessment was performed on the renewable energy portfolio to identify potential risks (merchant and technology risks) and the potential impact on the business model associated with portfolio growth on the pathway to becoming Paris-aligned. The analysis also provided insights into the conditions and choices needed (in terms of growth, risks and policy framework) to support further growth in the renewable energy portfolio. The scenario analysis results will be considered in strategic decision-making on our energy business and its impact on our business model.

Considering the pace of market developments and the ever-changing scenario assumptions, we will perform a follow-up scenario analysis on the oil and gas upstream, midstream and offshore portfolio in order to monitor exposure to transition risk. We will further refine the criteria defined for client level

adaptability (based on materiality) and consider including these criteria in our client sustainability due diligence and our credit-decisioning process.

In conclusion

Based on the chosen scenarios, climate risk drivers and time horizons (2030 and 2050), the outcome of the climate scenario analyses of the four priority portfolios indicates that it is unlikely that climate risk will have a material impact on credit risk in the priority portfolios.

GHG measuring and steering

In line with the bank's climate objectives and strategic risk appetite on the alignment of our portfolio with the Paris Agreement, we measure the greenhouse gas (GHG) emissions of our activities. This includes the direct (scope 1 and 2 and partly scope 3) emissions of our own operations and the indirect emissions in our lending and asset management portfolios. In doing so, we focus on GHG/carbon-intensive sectors in particular, and assess the alignment of certain GHG-intensive portfolios with Paris and net zero emissions scenarios.

The lending portfolio's emissions are calculated in accordance with the principles set by the Platform Carbon Accounting Financials (PCAF). These combine various sources of information, including company-level emissions data (for stock exchange-listed corporate clients) and average carbon intensities by energy label (for residential mortgages and commercial real estate) and by sector (for other corporates). We updated our methodology and data sources in 2021. Among other changes, we now use emission estimates on NACE level 4 for some carbon-intensive sectors and apply an attribution factor for residential mortgages. This resulted in an overall increase in estimated GHG emissions. The comparative figures on GHG emissions have been adjusted accordingly.

GHG emissions summary

(in ktons)	2021	2020	Delta
Total scope 1¹	3	6	-2
Total scope 2²	3	3	
Total scope 3 - own operations³	47	1	45
Total scope 3 - emissions of lending portfolio⁴	19,743	34,536	-14,793
Total scope 3 - emissions of client assets⁵	6,498	6,633	-135
Total GHG emissions	26,294	41,180	-14,886

¹ Natural gas/biogas, solar energy (the Netherlands and rest of world) and mobility lease cars (Netherlands).

² Electricity (excluding solar energy) and heating & cooling, location based figures provided by energy suppliers (the Netherlands and rest of world).

³ Compared to 2020, there is an increase as scope 3 GHG emissions now include GHG emissions for home workplace, air travel, international business rail travel, hotel visits, mobility, public transport and IT. Scoping is based on GHG Protocol. Reported 2020 emissions relate to air travel only.

⁴ Based on PCAF methodology, using total assets as the denominator and gross carrying amount as attribution metric.

⁵ Calculation based on PCAF methodology listed companies, using Enterprise value including cash as the denominator. The scope of the calculation includes equities and corporate bonds, both direct and indirect in funds.

Scope 3 emissions in the lending portfolio

(in millions)	31 December 2021				31 December 2020			
	GHG emissions (ktCO ₂ e)	Data quality indicator ⁵	Gross carrying amount ⁶	Carbon intensity (tons of GHG per million EUR)	GHG emissions (ktCO ₂ e)	Data quality indicator ⁵	Gross carrying amount ⁶	Carbon intensity (tons of GHG per million EUR)
Scope 3 emissions lending portfolio ¹	19,743	n.a.	261,421	76	34,536	n.a.	254,781	136
- of which residential mortgage ²	1,366	5	146,351	9	1,586	5	145,672	11
- of which corporate loans ^{3,4}	18,377	5	86,458	213	32,950	5	86,745	380
- of which commercial real estate	386	4	12,924	30	389	4	11,646	33

¹ Estimates of green house emissions exclude loans to banks, consumer loans and other loans to financial counterparties.

² In 2021, ABN AMRO changed the attribution method for residential mortgages. Emissions are now attributed to ABN AMRO according to the loan-to-market value (previously full attribution). Figures for 2020 were adjusted accordingly.

³ In 2021, ABN AMRO changed the estimation of GHG emission for carbon intensive sectors. For sectors mining and quarrying, manufacturing and electricity, gas, steam and air conditioning supply, emissions are now estimated on level 4 of the NACE classification. 2020 figures have been changed retrospectively.

⁴ Excluding loans at fair value through P&L.

⁵ Based on criteria of the Partnership for Carbon Accounting Financials (PCAF).

⁶ Excluding fair value adjustments from hedge accounting.

Carbon-intensive sectors

(in millions)	31 December 2021				31 December 2020			
	GHG emissions (in kton)	Gross carrying amount ⁴	- of which carbon-related	GHG emissions (in kton)	Gross carrying amount ⁴	- of which carbon-related		
Corporate loans to non-financial corporations								
Agriculture	4,446	5,556		4,628	5,775			
Mining and quarrying	3,622	2,919	2,661	15,937	4,514	3,937		
Manufacturing	831	7,464	507	2,074	7,848	957		
Electricity, gas, steam and air conditioning supply	2,768	2,126	89	3,676	1,492	508		
Water supply	342	630		350	577			
Construction	115	4,029		97	2,815			
Wholesale and retail trade	247	8,951		645	11,376			
Transport and storage	2,320	9,444		2,663	10,182			
Real estate activities	558	10,282		400	8,233			
Corporate loans in carbon-intensive sectors								
Other sectors ¹	15,249	51,401	3,256	30,470	52,810	5,402		
Total corporate loans to non-financial corporations	3,127	15,458		2,480	15,659			
Corporate loans to other counterparties ^{2,3}	18,377	66,859	3,256	32,950	68,470	5,402		
Corporate loans ⁴	18,377	86,458	3,256	32,950	86,745	5,402		

¹ Includes exposures to all other NACE sectors.

² Includes households, governments, credit institutions and other financial corporations.

³ Excluding loans at fair value through P&L.

⁴ Gross carrying amount excludes fair value adjustments from hedge accounting.

Compared to the previous year, the bank's exposure to carbon-related sectors and associated scope 3-emissions reduced significantly, primarily due to the wind-down of the CIB non-core loan book. The largest decline was in the mining and quarrying sector (EUR 1.3 billion), mainly because of sales of oil and gas assets in the USA, followed by a decline of EUR 0.8 billion and EUR 0.4 billion in the manufacturing and electricity sectors. The year-on-year

change in the total corporate loan book was much smaller, at EUR 0.3 billion. This was due to growth in the commercial real estate (EUR 2 billion), construction (EUR 1.2 billion) and renewable energy (EUR 0.6 billion) loan books, which exceeded the decline in the trade and commodity finance (EUR 2.4 billion) and shipping (EUR 0.7 billion) non-core loan portfolios.

Carbon-intensive client assets

(in millions)	31 December 2021	
	Amount	Percentage of total
Carbon-intensive client assets ¹	54,571	60%
Non-carbon-intensive client assets	35,865	39%
Subtotal	90,436	100%
No data available	392	0%
Total	90,828	100%

¹ Please refer to the definitions on page 378 for the definition of carbon-intensive assets.

Carbon-related client assets

(in millions)	31 December 2021	
	Amount	Percentage of total
Carbon-related client assets ¹	6,396	7%
Non-carbon-related client assets	79,752	88%
Subtotal	86,148	95%
No data available	4,680	5%
Total	90,828	100%

¹ Please refer to the definitions on page 378 for the definition of carbon-related assets.

Taxonomy eligible and non-eligible assets

The objective of the EU taxonomy is to provide users of financial statements with a common basis for identifying business activities as environmentally sustainable. As a first step in this process, we disclose our eligible assets as required by Article 8 of the Delegated Act in the table below.

Eligibility indicates whether the activities that ABN AMRO finances are in scope of the EU taxonomy, but does not take account of the different technical criteria required to qualify as environmentally sustainable ('taxonomy aligned').

	31 December 2021
	Proportion (%) of total assets
Eligible economic activities ¹	37%
Non-eligible economic activities	38%
- of which non-NFRD counterparties	28%
- of which derivatives (on-balance)	1%
- of which assets held for trading	0%
- of which on-demand interbank loans	0%
Central governments, central banks and supra-national issuers	25%
Total	100%

¹ Includes only eligible household activities, as official information on the eligibility of the activities of our corporate clients was not available when preparing this report and ABN AMRO does not have eligible local government exposures

The eligibility figure in the table above includes only exposures to households that are eligible on our balance sheet. In the case of corporate clients, ABN AMRO is only allowed to use actual information that has been disclosed by clients reporting under the Non-Financial Reporting Directive (NFRD). These clients have not yet reported on eligibility or will do so around the same time as ABN AMRO has to issue this report. Due to the above data limitations, exposures to corporate counterparties have been assessed as zero in our mandatory EU taxonomy disclosure.

The following voluntary disclosure below shows the portion of our portfolio that is potentially eligible, with eligibility

estimated in order to provide better insight into our portfolio breakdown in anticipation of the EU Taxonomy evolution. The NACE code of the client was used as a guide to indicate the principal economic activity of our corporate counterparties. We distinguish between NFRD and non-NFRD corporates, as the former will provide actual eligibility information on which to base our mandatory disclosures next year, while the latter will not as they do not yet have a regulatory obligation to do so. We have included our non-NFRD corporates in the following figure to indicate the nature of our exposures to these counterparties, given that financing provided to this population will remain crucial in transitioning to a lower-carbon economy.

		31 December 2021
(in millions)	Gross carrying amount	- of which eligible
Potentially eligible assets¹		
Non-financial corporations subject to the NFRD	4,263	1,358
- of which loans and advances ²	4,260	1,358
- of which debt securities	2	
- of which equity instruments ³	2	
Non-financial corporations not subject to the NFRD:	65,413	32,741
- of which loans and advances ²	64,895	32,294
- of which debt securities	1	
- of which equity instruments ³	517	447
Exposures to households	149,114	149,114
- of which loans collateralised by residential immovable property	148,236	148,236
- of which building renovation loans	606	606
- of which motor vehicle loans	272	272
Exposures to local governments		
- of which collateralised loans by (residential) real estate		
- of which specific purpose (project finance) where available		
Collateral by taking possession to residential and commercial immovable property		
Total	218,789	183,212
Non-eligible assets		
Financial corporations subject to the NFRD ⁵	10,439	
- of which loans and advances ²	5,423	
- of which debt securities	5,008	
- of which equity instruments ³	8	
Financial corporations not subject to the NFRD	45,560	
- of which loans and advances ²	43,817	
- of which debt securities	1,149	
- of which equity instruments ³	594	
Other non-eligible assets	29,338	
- of which on-balance derivatives ⁶	3,785	
- of which assets held for trading	1,155	
- of which on-demand interbank loans ⁷	1,174	
- of which other ⁸	23,224	
Total	85,337	
Exposures to governments and central banks and supra-national issuers	98,957	
- of which loans and advances ²	67,577	
- of which debt securities	31,380	
Total assets	403,083	183,212

¹ Eligibility for corporate clients is estimated based on the principal economic activity of the counterparty.² Including securities financing.³ Including equity-accounted investments.⁴ Corporates not subject to the NFRD may only be included in the GAR from the 2025 annual report, subject to positive assessment of this by the European Commission.⁵ In this year's disclosure financial corporations are in the non-eligible category as ABN AMRO base our eligibility on the principal NACE code of the counterparty. Next year, these clients and their exposures will be included in the eligibility percentage based on their actual reported information.⁶ Including derivatives held for trading.⁷ Defined as overdrafts and current accounts with other credit institutions.⁸ Including loans and advances to households and other assets that are not eligible for the EU taxonomy.



Looking ahead: Green Asset Ratio

In order to qualify as 'environmentally sustainable', and therefore be included in the numerator of the Green Asset Ratio (GAR), economic activities must be aligned with the taxonomy criteria. This means that these activities significantly contribute to a taxonomy objective, meet the 'do no significant harm' (DNSH) criteria and meet the minimum safeguards criteria. To assess whether the activities that we finance are aligned we are highly dependent on the information that our clients disclose, as required by the NFRD, and in the future as required by the CSRD when it comes into force.

Based on the information that our clients disclose, and in line with current regulatory requirements, we aim to disclose the GAR in our 2023 Annual Report. We are only allowed to include the taxonomy-aligned exposures to NFRD corporates, certain household exposures and specific local government financing in the numerator. This means that a significant amount of our portfolio (such as lending

to and ABN AMRO's investments in non-NFRD corporates and financial institutions, amounting to 30.1% of our total assets) cannot be considered for taxonomy alignment and will subsequently be excluded from the GAR numerator in the 2023 Annual Report. Non-NFRD corporates may only be included in the numerator from the 2024 Annual Report, subject to positive assessment of this by the European Commission.

The denominator of the GAR is based on the concept of covered assets, which includes total on-balance sheet assets less exposures to central governments, central banks and supranational issuers and assets held for trading. This amounted to EUR 302.9 billion at 31 December 2021. In future, we will aim to align our definitions for sustainable acceleration loans as much as possible with the EU taxonomy definitions. However, we also see the need for additional sustainability-related metrics to cover the clients and exposures, such as our SME portfolio that cannot be included in the GAR from a regulatory point of view.

Client asset portfolio

(in millions)

31 December 2021

Potential eligible assets ¹	90,828
- of which NFRD clients	36,702
- of which eligible ²	13,340
- of which non-eligible	23,362

¹ Scope consists of corporate debt and equity securities, including lookthrough of funds.

² Eligibility is based on the principal economic activity of the counterparty.

Given the materiality and strategic importance of our client asset portfolio, ABN AMRO has chosen to also disclose the potential eligibility for this portfolio and the share of client assets invested in NFRD clients, ahead of the future KPI from the Taxonomy Delegated Act with regard to assets under management.

Management Control Statement



ABN AMRO publishes this Management Control Statement to demonstrate its accountability for Risk Management and Culture, as stipulated in Principles 1.4 and 2.5 of the Dutch Corporate Governance Code.

- ▶ By virtue of Principle 1.4 (Risk management accountability) of the Dutch Corporate Governance Code, ABN AMRO's Executive Board is required to account for the effectiveness of the design and operation of the bank's internal risk management and control systems.
- ▶ By virtue of Principle 2.5 (Culture) of the Code, the Executive Board is responsible for promoting a culture aimed at creating long-term value for the company and its affiliated enterprises.
- ▶ By virtue of Principle 2.5.4 (Accountability regarding culture), the Executive Board is required to explain the bank's values and how these values are incorporated into the activities of the company and its affiliated enterprises, and to account for the effectiveness of and the bank's compliance with the Code of Conduct.

The Management Control Statement consists of four sections:

- A. Insights into our Risk management governance processes and control systems for 2021.
- B. External factors that potentially impact ABN AMRO's current business model.
- C. Areas at risk of non-compliance with regulations and heightened regulatory scrutiny.
- D. Areas of attention for ABN AMRO identified by senior management.

Section A: Risk Management Governance

ABN AMRO's internal risk management and control process is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- ▶ Strategic and business objectives;
- ▶ Compliance with laws, regulations and internal policies;
- ▶ Reliability of financial and non-financial information;
- ▶ Effectiveness and efficiency of operations; and
- ▶ Safeguarding of assets, and identification and management of liabilities.

ABN AMRO's first and second lines of defence perform a variety of tests and controls – risk assessments, stress tests, evaluations on effectiveness of controls, and reporting – on risk management and control systems. The results are reported in formal risk reports and discussed at senior management level.

Group Audit, as the third line of defence, evaluates the design and effectiveness of ABN AMRO's governance, as well as its Risk Management and Control Systems. In 2021, the Audit reports were discussed with relevant Executive Committee members. Group Audit attended the Executive Board and/or Executive Committee meetings every quarter to discuss the Quarterly Audit Opinions.

Last year, the evaluation of the adequacy of ABN AMRO's internal risk management and control systems was regularly discussed with the Audit Committee, the Risk & Capital Committee and the full Supervisory Board.

On an annual basis the Executive Board makes the following Statements and provides clear substantiation regarding the internal risk management and control systems. This is always done in accordance with ABN AMRO's moderate risk profile (in compliance with best practice provision 1.4.3 of the Corporate Governance Code and based on ABN AMRO's risk management processes):

- ▶ An integral part of the Integrated Annual Report 2021 is the Executive Board's Report, which provides insight into any failings in the effectiveness of the Internal Risk Management and Control Systems (best practice 1.4.3.i);
- ▶ The internal risk management and control systems provide reasonable assurance that the financial reporting for 2021 does not contain any material inaccuracies (best practice 1.4.3.ii);
- ▶ Based on the current state of affairs, preparation of the financial reporting for 2021 on a going-concern basis is justified (best practice 1.4.3.iii). For further information, please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements;
- ▶ The Executive Board's report states those material risks and uncertainties that may affect ABN AMRO's continuity for the 12-month period following the preparation of this report (best practice 1.4.3.iv);
- ▶ The Executive Board's report outlines the bank's values, and how they are incorporated into the activities of the bank and its affiliated enterprises. It discusses the bank's compliance with the Code of Conduct (best practice 2.5.4). For more information, please refer to the Risk framework section.

Section B: Potential external factors

External factors have the potential to affect the bank's current business model. In addition to the impact of Covid-19, the Executive Board has identified the following external factors as potential risks:

- ▶ Covid-19 update:
 - ▶ The economic growth that took place in 2021 was higher than expected. However, at the end of 2021 the bank was again confronted with new (economic) uncertainties.
 - ▶ The bank's strong digital backbone, combined with the dedication and flexibility of its staff, ensured services to clients remained consistent.
 - ▶ The bank strengthened its risk management activities and reporting during this period, partly in response to increased regulatory requirements.

Additionally, the bank's models are being recalibrated in response to these exceptional circumstances.
- ▶ The bank's business continuity measures with respect to Covid-19 were effective in 2021.
- ▶ In December 2021, the rising number of infections due to the Omicron variant pushed the Netherlands and other countries where the bank operates, back into partial lockdowns. Due to the new variant, economic uncertainty has increased, and complete recovery will take longer. The bank remains concerned about the long-term impact on society.
- ▶ However, on a positive note, high vaccination rates in the eurozone/US have weakened the link between cases and hospitalisations.
- ▶ Adverse macroeconomic and monetary conditions could hinder the bank in achieving its planned growth strategies. Developments include:
 - ▶ Persistently low or negative interest rates.
 - ▶ Reformed fiscal policies.
 - ▶ Geopolitical uncertainty (such as the Russia-Ukraine war and trade tensions between the US and China).
 - ▶ Competition (for instance pressure on the bank's market share in mortgages).
 - ▶ A degree of economic recovery has taken place since the beginning of the pandemic. But to date, supply cannot keep up with growing demand, resulting in increasing inflation.
- ▶ A number of new laws and regulations could have an impact on the bank's strategy, revenues, costs and capital adequacy. Examples include:
 - ▶ GDPR and more specifically clarity provided by the Schrems II verdict.
 - ▶ Sustainable finance regulations.

▶ Given that sustainability is an important pillar of ABN AMRO's purpose and strategy, it was encouraging to see an increase in sustainable developments. These developments are closely monitored as regulators continue to challenge banks to comply with all emerging legislation.

Similarly, all stakeholders are increasingly expecting companies to transition to sustainability.

The bank welcomes the first part of the EU Taxonomy guidance to assess the relevant asset categories against the new green standards.

The EU Taxonomy is expected to provide a common methodology and language in the market to define which activities from the bank are sustainable. When calculating the Green Asset Ratio (in line with the definitions included in the EU Taxonomy Regulation) ABN AMRO may be perceived as less sustainable compared to previous disclosures, which are based on the current internal definitions used for determining sustainable (acceleration) assets. It is expected that this development will be industry-wide, as these stricter sustainability criteria will apply to all banks.

In addition, the bank needs time to adapt, validate and audit its processes and systems to facilitate the sourcing of data to determine the extent to which the bank and our clients' activities are sustainable.

Finally, developments in the field of sustainability could impact several risk types in the short to long term. For more information, please refer to the Sustainability risk section.

The Executive Board took a strategic decision to define client segments and develop value propositions to compensate and minimise the impact of these external factors.

For example:

- ▶ A more client centric fee-based business model;
- ▶ Simplifying and centralising the operating model.

Not being compliant with laws and regulations may lead to reputational damage, fines and changes in ABN AMRO's income, costs or capital basis, all of which could endanger its long-term goals.

Ensuring demonstrable compliance requires robust risk governance, enhanced data management and a substantial share of the bank's resources.

Section C: Areas with a risk of non-compliance with regulations and heightened regulatory scrutiny

► Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) including Customer Due Diligence/ Know Your Client.

Know Your Client. In 2021, ABN AMRO Bank accepted the settlement offer from the Netherlands Public Prosecution Service (NPPS) in connection with their investigation into ABN AMRO's shortcomings in Anti-Money Laundering activities from 2014 to 2020.

In 2021, the bank made progress in addressing compliance issues and strengthening its compliance function. NPPS also acknowledged that in 2018 ABN AMRO created the AML programme to remediate all identified shortcomings. ABN AMRO will continue to make every effort to fulfil its role as gatekeeper.

For more information, please refer to the Performance section in the Strategy, value creation & performance chapter.

► **Duty of care towards the bank's clients.** In regard to the bank's duty of care, the goals of ABN AMRO and expectations of external stakeholders - including clients, politicians and media - are increasingly high. The bank is working hard to meet these expectations, and has responded by implementing a bank-wide Duty of Care Programme and bank-wide Client Centricity Principles.

Variable interest rates. The bank is seeing an increased risk of claims and liability regarding loan products with variable interest rates. This has resulted in client compensation arrangements for certain revolving consumer credits. Residual claim and liability risks remain, both in relation to revolving credits and other types of loan products with variable interest rates. The bank continues to monitor these risks and the use of variable interest rates going forward.

For more information, please refer to Customer experience in the Strategy, value creation & performance chapter.

► **Credit Risk Management.** Collateral management, credit risk monitoring, credit modelling and reporting all require remediation.

More information on this is provided in the Credit risk management section.

Remediation programmes - related to Anti-money laundering (AML) and Counter-Terrorism Financing (CTF), Duty of Care and Credit Risk Management - aimed at improving ABN AMRO's performance were well underway in 2021. These programmes have reduced shortcomings and aim to ensure full compliance with legislation.

In 2019, the bank has amongst others:

1. Established a centralised AML Department.
2. Set up programmes to address potential issues involving products sold in the past (such as consumer credit and mortgages).
3. Improved the monitoring of regulatory changes and implementation.

The remediation requires a substantial, ongoing effort, especially the regulatory areas mentioned above.

In addition to its remediation programmes, the bank continues to improve compliance in all operational processes.

In the past, ABN AMRO's legal predecessor, Fortis Bank (Nederland) N.V., ABN AMRO and several (former) subsidiaries were directly or indirectly involved in transactions relating to equity trading extending over dividend record dates, including several forms of tainted dividend arbitrage, i.e. dividend stripping.

It cannot be excluded that ABN AMRO or subsidiaries may face financial consequences as a result of their involvement in these transactions. This could include penalties and other measures under both criminal and civil law claims. The bank has been implementing measures to prevent any future involvement in tainted dividend arbitrage.

For more information, please refer to Note 35 Commitments and contingent liabilities in the Consolidated Annual Financial Statements.

Section D: Areas of attention identified by senior management

The Executive Board has identified and agreed on the following 6 areas of improvement, which are being actively managed by senior management:

1. **Increased cyber risks:** Cyber-attacks are an increasing external threat. They have the potential to lock or destroy our systems, steal data or (temporarily) put us out of service for clients and third parties. To reduce this risk, the bank is focusing on 3 key issues:
 - Making sure ABN AMRO has the correct controls to protect the bank's systems. For example identity and access management;
 - Making sure ABN AMRO can detect and respond to an attack;
 - Making sure ABN AMRO can recover quickly if an attack happens.

Achieving this will make our systems much more robust. However, substantial efforts are still required to improve the IT infrastructure, which is complex due to the existing number of legacy systems and multiple third party applications.

2. **Data management and privacy:** The financial services industry is becoming increasingly data driven. In order to meet the Principles for Effective Risk Data Aggregation and Risk Reporting, the bank urgently needs to improve its data quality and availability.

Additionally the quality of (historical) data, data ownership, data knowledge and a complex IT infrastructure all need to be addressed. Otherwise, these data issues may result in poor decision-making and poor business process execution, as well as elevated model risk causing capital add-ons.

Data management and data leakage play an important role in addressing privacy risk and will require sustained, ongoing efforts.

3. **Change accumulation:** The complexity, and inter-dependencies of the bank's transformation programmes – including improvement of Risk Management capabilities – are leading to an accumulation of change risk. The recent changes in the bank's top structure and the announced changes in the Client Unit organisation (for instance implementation of Clients Units, Product Engines) should simplify and enhance change execution in the future. However, these changes could have a negative impact on the people side in the short term.
For example: role changes, key knowledge gaps, job uncertainty, lack of focus on execution, etc.

This may potentially cause delays, increase operational costs and time-to-market issues - all of which would put ABN AMRO at a competitive disadvantage. To mitigate this, the new Leadership Team needs to:

- ▶ Prioritise key change requests to deliver on time;
- ▶ Improve Change Portfolio management capabilities.

To finish on a positive note, the wind-down of the Corporate & Institutional Banking non-core client portfolio to pursue the bank's moderate risk profile is progressing ahead of plan.

4. **External fraud:** The bank as well as its clients were confronted with payment and loan/credit frauds and losses in 2021, in particular related to impersonation scams.

ABN AMRO collaborates with public and private partners in order to adapt to the rapidly-changing fraud landscape and protect our clients and the bank itself against fraud.

This should improve the digital resilience of our clients. For more information, please refer to the Operational (non-financial) risk section.

In early 2021, the banking sector agreed to compensate consumers who are victims of certain types of payment fraud, even when banks are formally not liable. An extended and voluntary compensation scheme was agreed by the sector, following appeals by various stakeholders such as members of parliament, media and consumer organisations.

The exact scope and application of the compensation scheme has differed between banks throughout 2021, leading to increased attention for banks (including ABN AMRO) that allegedly were less generous than others. ABN AMRO decided in late 2021 to extend its offer to affected consumers, and compensate certain additional fraud victims despite these victims having breached the security clauses in their contracts.

Extensive additional awareness campaigns have been launched by ABN AMRO and by the sector. However, the course of public debate around payment fraud remains uncertain.

To strengthen our fraud risk management framework for internal and external fraud we issued a new Fraud risk policy and will continue to improve our fraud controls and fraud risk reporting.

5. **People and culture:** The difficulties of attracting, developing and retaining qualified and diverse staff remain a challenge, especially in areas of IT and data. This is especially true in the current context of strategic change and pandemic fatigue.

This combination, plus the ongoing urgencies of safeguarding our license to operate **and** working remotely, demands huge efforts to ensure staff resilience, motivation and wellbeing.

Efforts are being made to mitigate these risks through carefully managed HR programmes which focus on strategic workforce management, reskilling and well-being.

HR also works closely with the business lines to:

- ▶ Enhance performance management practices;
- ▶ Ensure strategy execution also focuses on leadership and supporting people during change;
- ▶ Strengthen client-centric ways of working;
- ▶ Define the new departments following the new top structure;
- ▶ Improve hybrid ways of working.

6. **Risk Control Framework:** The effectiveness of the Risk Control Framework is under continuous improvement via the Risk Management Foundation Plan. More attention is also being paid to the underlying conduct drivers, such as clarity, achievability and engagement.

In the meantime, measures have been taken to minimise and mitigate the risks with regard to all areas of improvement.

It should be noted that ABN AMRO's internal risk management and control systems **do not provide complete assurance** on the realisation of business objectives, nor do they prevent or detect inaccuracies, fraud and non-compliance with rules and regulations at all times.

Additional risk, funding & capital disclosures



Credit quality by exposure class under the Internal Ratings-Based (IRB) approach

The following tables provide an overview of the EAD, RWA and LGD buckets by exposure class and grade category.

IRB approach: credit quality by exposure class

		31 December 2021					
(in millions)		Total	RWA	RWA/EAD	LGD 0-20%	LGD 20-50%	LGD >50%
		EAD		EAD (%)	EAD (%)	EAD (%)	
Exposure class	Grade category						
Central governments and central banks	Investment grade	103,059	663	1%	95%	4%	1%
	Sub-investment grade	88	124	141%	21%		79%
	Impaired	5	53	1003%			100%
	Total	103,152	840	1%	94%	4%	1%
Institutions ¹	Investment grade	6,697	1,078	16%	47%	53%	0%
	Sub-investment grade	328	501	153%	4%	93%	3%
	Impaired	9	10	110%	100%		
	Total	7,034	1,589	23%	45%	55%	1%
Corporates	Investment grade	49,127	18,024	37%	32%	63%	5%
	Sub-investment grade	49,309	29,385	60%	25%	73%	2%
	Impaired	4,818	4,802	100%	42%	43%	15%
	Total	103,254	52,211	51%	29%	67%	4%
Retail	Investment grade	138,073	7,802	6%	98%	2%	1%
	Sub-investment grade	29,772	7,197	24%	92%	6%	2%
	Impaired	1,699	1,575	93%	80%	18%	2%
	Total	169,544	16,574	10%	97%	2%	1%
Securitisation positions	Investment grade	1,016	116	11%	77%	21%	2%
	Sub-investment grade						
	Impaired						
	Total	1,016	116	11%	77%	21%	2%
Total	Investment grade	297,972	27,684	9%	85%	14%	1%
	Sub-investment grade	79,497	37,207	47%	50%	48%	2%
	Impaired	6,531	6,439	99%	52%	36%	12%
	Total²	384,000	71,331	19%	77%	21%	2%

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Exposure at Default does not include other non-credit obligations and equities not held for trading, because these items are not subject to credit risk grading.

IRB approach: credit quality by exposure class

(in millions)		31 December 2020					
		Total		RWA	RWA/EAD	LGD 0-20%	LGD 20-50%
		EAD	EAD (%)			EAD (%)	EAD (%)
Exposure class	Grade category						
Central governments and central banks	Investment grade	98,800	803	1%	92%	7%	0%
	Sub-investment grade	91	123	136%	20%	44%	36%
	Impaired	9	107	1187%			100%
	Total	98,900	1,033		1%	92%	7%
Institutions ¹	Investment grade	10,326	1,568	15%	46%	53%	1%
	Sub-investment grade	457	337	74%	4%	94%	1%
	Impaired						
	Total	10,783	1,905		18%	44%	55%
Corporates	Investment grade	37,652	21,242	56%	36%	63%	1%
	Sub-investment grade	51,824	22,752	44%	59%	41%	0%
	Impaired	6,881	6,991	102%	29%	53%	18%
	Total	96,357	50,985		53%	48%	50%
Retail	Investment grade	152,993	7,471	5%	96%	3%	1%
	Sub-investment grade	18,322	6,682	36%	77%	15%	8%
	Impaired	1,782	1,355	76%	61%	31%	8%
	Total	173,097	15,508		9%	94%	4%
Securitisation positions	Investment grade	764	70	9%	100%		
	Sub-investment grade						
	Impaired						
	Total	764	70		9%	100%	0%
Total	Investment grade	300,536	31,155	10%	86%	14%	1%
	Sub-investment grade	70,693	29,894	42%	63%	34%	2%
	Impaired	8,672	8,452	97%	36%	48%	16%
	Total²	379,900	69,501		18%	80%	18%
							1%

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Exposure at Default does not include other non-credit obligations and equities not held for trading, because these items are not subject to credit risk grading.

Additional information on exposure flows

Gross carrying amount of residential mortgages Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ³	Total	Stage 1	Stage 2	Stage 3 ³	Total
Balance at 1 January	135,407	9,141	1,124	145,672	140,244	6,943	1,038	148,225
Transfer to stage 1	3,383	-3,362	-20		3,223	-3,205	-18	
Transfer to stage 2	-4,285	4,639	-355		-7,002	7,402	-400	
Transfer to stage 3	-293	-492	785		-280	-460	740	
Additional drawdowns and partial repayments	-6,011	1	1	-6,010	-5,228	50	17	-5,161
Originated or purchased	22,178			22,178	14,325			14,325
Matured or repaid	-13,317	-1,903	-265	-15,484	-9,875	-1,589	-226	-11,691
Write-offs			-6	-6			-16	-16
Foreign exchange				1				
Other movements							-10	-10
Balance at 31 December	137,063	8,025	1,264	146,351	135,407	9,141	1,124	145,672

¹ Excluding loans at fair value through P&L.

² Gross carrying amount excludes fair value adjustments from hedge accounting.

³ Including POCI.

Gross carrying amount of consumer loans Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Balance at 1 January	9,707	1,068	456	11,232	10,999	928	368	12,294
Transfer to stage 1	219	-205	-15		253	-249	-3	
Transfer to stage 2	-455	458	-3		-731	740	-9	
Transfer to stage 3	-53	-28	80		-116	-88	204	
Additional drawdowns and partial repayments	-1,203	-16	19	-1,201	-623	-27	107	-543
Originated or purchased	2,538			2,538	1,690			1,690
Matured or repaid	-1,403	-250	-57	-1,710	-1,761	-234	-67	-2,063
Write-offs			-69	-69			-143	-143
Foreign exchange	4	1		5	-4			-5
Other movements	-7	9	-2					
Balance at 31 December	9,348	1,037	409	10,794	9,707	1,068	456	11,232

¹ Including POCI.**Gross carrying amount of corporate loans** Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ³	Total	Stage 1	Stage 2	Stage 3 ³	Total
Balance at 1 January²	64,517	15,356	6,873	86,745	84,155	9,125	5,331	98,610
Transfer to stage 1	2,002	-1,947	-55		1,773	-1,747	-27	
Transfer to stage 2	-3,102	3,293	-191		-10,721	10,980	-258	
Transfer to stage 3	-540	-909	1,449		-2,055	-1,575	3,630	
Additional drawdowns and partial repayments	-19,948	1,047	11	-18,889	-7,344	1,096	675	-5,573
Originated or purchased	46,463			46,463	19,699			19,699
Matured or repaid	-21,258	-4,992	-2,216	-28,466	-19,003	-2,206	-1,227	-22,437
Write-offs	-11	-19	-1,012	-1,042			-1,035	-1,035
Foreign exchange	1,357	280	159	1,795	-1,975	-289	-209	-2,473
Other movements	-116	-33	1	-149	-11	-29	-5	-45
Balance at 31 December	69,364	12,075	5,019	86,458	64,517	15,356	6,873	86,745

¹ Excluding loans at fair value through P&L.² Gross carrying amount excludes fair value adjustments from hedge accounting.³ Including POCI.**Gross carrying amount of off-balance** Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ¹	Total	Stage 1	Stage 2	Stage 3 ¹	Total
Balance at 1 January	51,194	6,183	1,275	58,653	61,172	2,918	1,329	65,419
Transfer to stage 1	995	-968	-27		975	-965	-10	
Transfer to stage 2	-1,352	1,430	-79		-3,585	3,644	-59	
Transfer to stage 3	-26	-261	287		-169	-246	415	
Additional drawdowns and partial repayments	-6,593	-248	-111	-6,952	-6,763	1,054	-369	-6,078
Originated or purchased	8,251			8,251	5,593			5,593
Matured or repaid	-3,122	-182	-99	-3,403	-4,577	-151		-4,728
Write-offs								
Foreign exchange	854	65	23	942	-1,450	-71	-31	-1,552
Other movements	-3			-3	-1			-1
Balance at 31 December	50,199	6,019	1,271	57,488	51,194	6,183	1,275	58,653

¹ Including POCI.

Additional information on impairment charges

Loan impairment charges and allowances – residential mortgages Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ²	Total	Stage 1	Stage 2	Stage 3 ²	Total
Balance at 1 January	14	44	58	116	7	68	65	140
Transfer to stage 1	12	-15	-3	-6	6	-10	-3	-7
Transfer to stage 2	-1	15	-14		-2	20	-14	4
Transfer to stage 3	-1	-5	27	21	-1	-21	49	27
Remeasurements ¹	-10		15	5	-10	-22	-17	-49
Changes in models			-1	-1	1	2	4	6
Changes in risk parameters	-8	-11	-12	-31	10	13	5	28
Originated or purchased	4			4	4			4
Matured or repaid	-1	-6	-13	-19	-1	-7	-5	-13
Impairment charges (releases) on loans and advances	-6	-21	-1	-28	7	-25	19	1
Write-offs			-6	-6			-16	-16
Unwind discount / unearned interest accrued			1	1			2	2
Foreign exchange and other movements				-1			-11	-10
Balance at 31 December	8	22	52	82	14	44	58	116
Impairment charges (releases) on loans and advances	-6	-21	-1	-28	7	-25	19	1
Credit-related modifications								
Recoveries and other charges (releases)			-18	-18			-19	-19
Total impairment charges for the period	-6	-21	-19	-46	7	-25		-18

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

² Including POCI.

Loan impairment charges and allowances – consumer loans Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ²	Total	Stage 1	Stage 2	Stage 3 ²	Total
Balance at 1 January	38	41	215	294	30	70	198	298
Transfer to stage 1	9	-12	-3	-7	16	-18	-1	-4
Transfer to stage 2	-8	25	-19	-3	-4	17	-8	5
Transfer to stage 3	-2	-8	61	51	-1	-11	103	91
Remeasurements ¹	-7	13	33	39	-9	-11	62	42
Changes in models		-4	5	1				
Changes in risk parameters	-3	-2	-6	-12	1	1	1	3
Originated or purchased	5			5	4			4
Matured or repaid	-4	-2	-21	-27	-3	-3	-5	-11
Impairment charges (releases) on loans and advances	-11	8	50	47	4	-25	151	130
Write-offs			-69	-69			-143	-143
Unwind discount / unearned interest accrued			4	4			-1	-1
Foreign exchange and other movements	-4	-3	8		4	-4	11	11
Balance at 31 December	23	45	208	276	38	41	215	294
Impairment charges (releases) on loans and advances	-11	8	50	47	4	-25	151	130
Credit-related modifications								
Recoveries and other charges (releases)			-44	-44			-38	-38
Total impairment charges for the period	-11	8	6	3	4	-25	113	92

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

² Including POCI.

Loan impairment charges and allowances – corporate loans Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ²	Total	Stage 1	Stage 2	Stage 3 ²	Total
Balance at 1 January	243	316	2,494	3,053	137	119	1,727	1,982
Transfer to stage 1	19	-36	-5	-21	17	-25	-4	-12
Transfer to stage 2	-26	73	-16	31	-39	163	-14	110
Transfer to stage 3	-9	-24	140	107	-10	-45	573	518
Remeasurements ¹	-101	27	500	425	492	84	1,345	1,922
Changes in models	-1	-6	-8	-15				
Changes in risk parameters	-19	-22	-13	-54	87	32	14	132
Originated or purchased	46			46	31			31
Matured or repaid	-14	-10	-539	-563	-474	-8	-185	-668
Impairment charges (releases) on loans and advances	-104	2	59	-44	104	200	1,728	2,033
Write-offs	-11	-19	-1,012	-1,042			-1,035	-1,035
Unwind discount / unearned interest accrued			16	16			31	31
Foreign exchange and other movements	2	-7	74	69	2	-4	43	42
Balance at 31 December	130	291	1,632	2,053	243	316	2,494	3,053
Impairment charges (releases) on loans and advances	-104	2	59	-44	104	200	1,728	2,033
Credit-related modifications						29	7	36
Recoveries and other charges (releases)			-79	-79			-33	-33
Total impairment charges for the period	-104	2	-21	-124	104	229	1,702	2,035

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

² Including POCI.

Loan impairment charges and allowances – off-balance Audited

(in millions)	2021				2020			
	Stage 1	Stage 2	Stage 3 ³	Total	Stage 1	Stage 2	Stage 3 ³	Total
Balance at 1 January	16	10	21	48	8	4	5	16
Transfer to stage 1	1	-3		-1	1			1
Transfer to stage 2	-2	9		7	-5	11		6
Transfer to stage 3					-1	-1	180	179
Remeasurements ¹		7	94	101	-10	-4	19	5
Changes in risk parameters					9	2		11
Originated or purchased	6			6	20			20
Matured or repaid	-5	-3	-11	-18	-6	-2		-9
Impairment charges (releases)	1	10	83	94	9	6	198	214
Write-offs	-1		-2	-3				
Foreign exchange and other movements			14	14			-182	-182
Balance at 31 December	17	20	116	153	16	10	21	48
Impairment charges (releases) on off-balance	1	10	83	94	9	6	198	214
Other charges (releases) ²			22	22			-17	-17
Total impairment charges for the period	1	10	105	116	9	6	181	197

¹ Remeasurements represents the current year change of expected credit loss allowances mainly attributable to changes in volumes such as partial repayments and changes in the credit quality of existing loans remaining in their stage.

² These charges (releases) relate to the off-balance sheet items that do not fall within the scope of IFRS 9 and for which stage information is not applicable.

³ Including POCI.

Additional information on forbearance, past due and impaired (stage 3) loans

Forbearance credit quality Audited

(in millions)	31 December 2021						
	Total forborne assets	Forborne assets not past due and not stage 3 or POCI	Forborne assets past due, but not stage 3 or POCI	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and advances banks							
Residential mortgages	3,080	2,524	93	464		29	29
Consumer loans	235	109	8	118	4	80	85
Corporate loans ¹	7,870	4,582	13	3,276	724	186	910
Other loans and advances customers ¹							
Total loans and advances customers¹	11,186	7,215	114	3,857	729	295	1,024
Total loans and advances¹	11,186	7,215	114	3,857	729	295	1,024

¹ Excluding loans at fair value through P&L.

(in millions)	31 December 2020						
	Total forborne assets	Forborne assets not past due and not stage 3 or POCI	Forborne as- sets past due, but not stage 3 or POCI	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and advances banks							
Residential mortgages	3,334	2,738	194	401		33	33
Consumer loans	260	134	11	115	3	70	73
Corporate loans ¹	9,298	5,222	141	3,935	1,176	144	1,320
Other loans and advances customers ¹	5	5					
Total loans and advances customers¹	12,896	8,099	346	4,452	1,179	247	1,426
Total loans and advances¹	12,896	8,099	346	4,452	1,179	247	1,426

¹ Excluding loans at fair value through P&L.

Forborne assets by geography Audited

(in millions)	31 December 2021					
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and advances banks						
Residential mortgages	3,073	7			1	3,080
Consumer loans	213	21		1		235
Corporate loans ¹	6,186	1,265	106	3	310	7,870
Other loans and advances customers ¹						
Total loans and advances customers¹	9,473	1,293	106	3	311	11,186
Total loans and advances¹	9,473	1,293	106	3	311	11,186

¹ Excluding loans at fair value through P&L.

(in millions)	31 December 2020					
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and advances banks						
Residential mortgages	3,308	20	3	3	1	3,334
Consumer loans	199	60		1		260
Corporate loans ¹	6,124	1,542	779	188	664	9,298
Other loans and advances customers ¹				5		5
Total loans and advances customers¹	9,631	1,622	781	197	666	12,896
Total loans and advances¹	9,631	1,622	781	197	666	12,896

¹ Excluding loans at fair value through P&L.



Forborne assets by business segment

(in millions)	31 December 2021	31 December 2020
Retail Banking	3,259	3,547
Commercial Banking	5,413	4,929
Private Banking	229	355
Corporate & Institutional Banking	2,285	4,065
Total forbome assets	11,186	12,896

Maturity overview of assets and liabilities

The following table shows financial assets and liabilities arranged by the earliest possible contractual maturity.

Contractual maturity of assets and liabilities Audited



Maturity based on contractual undiscounted cash flows

The following tables show financial assets and liabilities arranged by the earliest possible contractual maturity.

Expected maturity based on behavioural models Audited

The following table provides an overview of the amounts expected to be settled within twelve months and after twelve months, based on the behavioural maturity profile.

(in millions)	31 December 2021			31 December 2020		
	Up to one year	More than one year	Total	Up to one year	More than one year	Total
Assets						
Cash and balances at central banks	66,865		66,865	60,190		60,190
Financial assets held for trading	1,155		1,155	1,315		1,315
Derivatives	2,975	810	3,785	5,040	1,341	6,381
Financial investments	10,596	32,568	43,165	11,422	36,034	47,455
Securities financing	15,827	311	16,138	15,784	940	16,725
Loans and advances banks	1,766	1,034	2,801	2,470	924	3,394
Residential mortgages	14,385	133,326	147,711	27,202	121,539	148,741
Consumer loans	3,279	7,240	10,518	2,641	8,297	10,937
Corporate loans at amortised cost	36,117	48,797	84,915	28,906	55,438	84,344
Corporate loans at fair value through P&L	42	57	99	400		400
Other loans and advances customers	13,331	1,677	15,008	5,736	2,000	7,736
Equity-accounted investments		564	564		593	593
Property and equipment	545	627	1,172	516	739	1,255
Goodwill and other intangible assets	25	102	127	26	102	128
Assets held for sale	89		89	254		254
Tax assets	739		739	851		851
Other assets	1,306	2,957	4,263	1,625	3,299	4,925
Total assets	169,044	230,069	399,113	164,378	231,245	395,623
Liabilities						
Financial liabilities held for trading	687		687	563		563
Derivatives	3,545	799	4,344	6,159	1,233	7,391
Securities financing	8,397	1,097	9,494	9,742	1,621	11,363
Due to banks	2,033	36,043	38,076	2,879	33,840	36,719
Current accounts	47,577	85,406	132,983	39,046	71,987	111,033
Demand deposits	18,208	80,582	98,790	17,730	89,804	107,534
Time deposits	11,174	7,606	18,780	11,358	7,680	19,037
Other due to customers	89	576	665	251	715	966
Issued debt	16,530	43,158	59,688	19,261	47,688	66,949
Subordinated liabilities	1,563	5,985	7,549	1,537	6,532	8,069
Provisions	1,201		1,201	926		926
Tax liabilities	101		101	30		30
Other liabilities	1,644	3,113	4,757	1,588	2,465	4,053
Total liabilities	112,749	264,365	377,114	111,069	263,564	374,634

The behavioural maturity profile is based on internally developed liquidity risk models. These models cover residential mortgages, consumer and corporate loans, non-maturing assets (mainly current accounts), credit cards, non-maturing liabilities (demand deposits and current accounts) and term deposits. The liquidity risk models predict the behavioural cash flows, which can differ from the contractual cash flows as a result of, for example, prepayments or because some products do not have a defined contractual maturity date. The models are based on historically observed client behaviour and use a combination of internal and external risk drivers. The models are used for monitoring the bank's liquidity mismatch position.

The liquidity risk models are included in the bank's model risk management framework. This means that the models have to follow a regular monitoring and validation schedule. Approval of the models is given by the Methodology Acceptance Group (MAG) ALM/T, based on independent advice from Model Validation.

Total assets overview

This table provides a detailed overview of the ABN AMRO portfolio by EAD, based on the Industry Classification Benchmark (ICB) and the bank's internal industry classifications.

(in millions)			31 December 2021		31 December 2020	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)		Original	Resultant	Original	Resultant
Automobiles and parts	Leasing motor vehicles		856	856	915	915
	Manufacturing automotive components		75	62	81	81
	Manufacturing motor vehicles		214	214	3	3
	Manufacturing tires		3	3	1	1
Banks	Commercial banks		16,273	16,237	15,277	15,429
Basic resources	Forestry		5	5	6	6
	Manufacturing and wholesale diamonds		1	1	2	2
	Manufacturing other non-ferrous metals		159	158	477	445
	Manufacturing pulp and paper		60	58	52	52
	Manufacturing steel		185	184	184	184
	Mining and manufacturing gold				20	20
	Mining and manufacturing other basic materials		281	281	290	290
	Mining and manufacturing other precious metals		17	1	11	1
	Mining bauxite and manufacturing aluminium		63	63	144	144
	Wholesale other basic materials		439	437	568	521
	Wholesale other non-ferrous metals		175	103	336	331
	Wholesale raw lumber, pulp and paper		9	9	25	25
Chemicals	Wholesale steel		185	180	219	216
	Manufacturing basic chemicals		434	433	448	447
	Manufacturing industrial gasses		31	31	30	30
	Manufacturing specialty chemicals		479	433	485	435
Construction and materials	Wholesale chemicals		248	245	242	222
	Construction of residential and non-residential buildings		934	917	847	826
	Heavy construction		858	852	552	514
	Manufacturing non-metallic mineral products		251	249	257	257
	Manufacturing other building materials		438	432	396	385
	Manufacturing wood products		167	166	135	133
	Sub-contractors		1,238	1,161	1,221	1,193
Financial services	Wholesale building materials		700	688	658	601
	Asset managers		580	582	1,502	1,541
	Commercial finance		370	370	859	867
	Consumer finance		606	606	679	678
	Exchanges and clearing		811	811	3,145	3,145
	Hedge funds		93	93	1	1
	Investment bank		42	42	10	10
	Leveraged funds - non-hedge funds		36	36	21	21
	Mortgage finance		1,511	1,511	1,445	1,445
	Other funds		258	258	253	253
	Pension funds		800	1,698	272	585
	Private equity investment and venture capital		1,615	1,615	1,248	1,251
Specialty finance	Securities brokers and dealers		9,766	8,928	3,660	2,793
	Specialty finance		1,970	2,262	1,841	2,028
	Unleveraged funds		5,662	5,675	3,886	3,831

continued>

(in millions)		31 December 2021		31 December 2020	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Food and beverage	Arable farming	1,813	1,809		
	Auctions for agriculture and fish products	64	64	63	63
	Agriculture			1,803	1,801
	Farming cattle			3,014	3,011
	Farming other animals			774	765
	Fishery	402	402	443	443
	Floriculture	664	656	709	699
	Horticulture (primary food products, fruit and vegetables)	779	771	864	854
	Manufacturing beer	133	135	118	118
	Manufacturing meat	287	284	282	281
	Manufacturing other food products	1,663	1,654	1,658	1,633
	Manufacturing soft drinks	94	93	150	149
	Manufacturing sugar	59	59	354	329
	Manufacturing wine and spirits	68	66	89	82
	Other agriculture	113	112	121	120
	Processing of live animal feed and commodity trading	481	467		
	Raising of calves/live cattle	165	165	164	164
	Raising of dairy cattle/dairy	3,187	3,185		
	Raising of poultry/eggs	234	230	237	234
	Raising of swine/lean hogs	1,076	1,066		
Healthcare	Support activities for agriculture	46	46	51	51
	Wholesale agriculture			1,475	1,447
	Wholesale food	1,578	1,520	2,253	2,202
	Wholesale of live cattle	1	1	1	1
Industrial goods and services	Biotechnology drugs	38	38	32	32
	General health services	1,573	1,471	1,653	1,549
	Manufacturing and wholesale medical and surgical equipment	164	161	154	152
	Manufacturing drugs	165	143	139	138
	Medical practices	1,215	1,214	1,193	1,192
	Nursing and personal care services	950	931	942	913
	Retail drugs	175	175	178	175
	Wholesale drugs	141	136	137	132

continued>

(in millions)		31 December 2021		31 December 2020	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Industrial goods and services	Manufacturing defense equipment	1	1	1	1
	Manufacturing electrical machinery	225	213	204	204
	Manufacturing electronic equipment	6	6	6	6
	Manufacturing general machinery	424	406	459	452
	Manufacturing lifting and handling equipment	69	68	48	47
	Manufacturing measuring and control machinery	82	78	80	75
	Manufacturing metal products	215	170	198	198
	Manufacturing optical instruments	9	8	9	8
	Manufacturing other transportation equipment	62	56	99	99
	Manufacturing plastic products	155	150	174	172
	Manufacturing rubber products	18	17	18	18
	Manufacturing ships	352	316	536	534
	Manufacturing special industrial machinery	276	275	297	295
	Metal working	367	354	352	347
	Other commercial services	977	925	1,168	1,127
	Research and engineering	71	70	88	86
	Transport services air	467	467	153	153
	Transport services land	1,824	1,739	1,954	1,863
	Transport services water	347	310	412	363
	Wholesale commercial vehicles	298	300	273	272
	Wholesale machinery and metal products	524	521	433	431
Insurance	Insurance brokers	63	89	105	148
	Insurance composite	160	160	190	194
	Life insurance	610	706	555	594
	Non-life insurance	439	1,310	621	1,485
	Reinsurance	10	220	22	339
Media	Marketing communications	112	106	178	166
	Motion picture production and distribution	797	797	642	594
	Printing	152	146	195	190
	Publishing	373	373	356	354
	Publishing sound recordings	20	20	34	34
	Radio, TV and cable	184	148	159	154
Oil and gas	Fuel pipelines	1	1	3	3
	Non-integrated oil and gas	1,382	1,177	3,373	3,157
	Oil and gas services	2,479	2,233	2,798	2,505
	Wholesale fuels	336	335	2,578	2,482
Personal and household goods	Manufacturing accessories	23	23	42	37
	Manufacturing apparel and sportswear	13	12	50	48
	Manufacturing consumer electronics	64	64	55	55
	Manufacturing domestic appliances	27	27	15	15
	Manufacturing footwear	2	2	2	2
	Manufacturing furniture	53	47	56	56
	Manufacturing leather			2	2
	Manufacturing non-durable household products	57	53	118	118
	Manufacturing other durable household products	111	105	116	115
	Manufacturing other furnishings	109	109	108	108
	Manufacturing other recreational products	159	159	135	135
	Manufacturing personal care	37	37	26	26
	Manufacturing photographic equipment	2	2	3	3

continued>

(in millions)		31 December 2021		31 December 2020	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)	Original	Resultant	Original	Resultant
Personal and household goods	Manufacturing textiles	124	86	146	135
	Manufacturing tobacco				
	Manufacturing toys and games	10	10	17	17
	Renting recreational products	4	4	7	7
	Wholesale hides, skins and leather	18	18	21	21
Private individuals	Private individuals	174,197	174,197	174,979	174,979
Public administration (non-icb)	Central administration and public services	30,971	32,198	28,388	30,211
	Central bank	69,992	69,992	68,019	68,017
	Educational services	168	168	165	165
	Export credit agency/insurance	15	359	13	268
	International and supranational organisations	3,235	3,235	2,822	2,822
	Multilateral finance institutions	188	188	132	132
	Regional administration and public services	8	8	27	27
Real estate	Buying and selling of own real estate	3,223	3,211	2,726	2,721
	Housing associations and corporations	1,233	846	983	773
	Management of real estate on a fee or contract basis	1,881	1,866	1,482	1,472
	Real estate agencies	613	612	442	440
	Real estate developments (project development)	2,941	2,935	1,813	1,805
	Real estate investment entities	4,033	4,025	3,657	3,656
	Renting of non-residential buildings	3,103	3,095	2,009	2,010
Retail	Renting of other residential buildings	810	810	656	656
	Automotive service	111	110	97	95
	Independent fuel stations	54	54	44	44
	Personal services	196	196	194	194
	Renting of personal and household goods	64	63	70	69
	Retail accessories	90	90	150	150
	Retail apparel, footwear and sports goods	293	287	333	324
	Retail broadline	110	89	108	82
	Retail car parts and accessories	28	28	14	14
	Retail consumer appliances	76	75	78	78
	Retail food	1,862	1,858	1,495	1,490
	Retail home decoration	350	346	352	327
	Retail motor vehicles	468	467	514	512
	Retail other household goods	367	365	303	301
	Wholesale accessories	124	124	242	238
	Wholesale apparel, footwear and sports goods	381	350	428	408
Technology	Wholesale broadline	224	220	182	179
	Wholesale car parts and accessories	139	124	184	184
	Wholesale consumer appliances	153	135	128	106
	Wholesale home decoration	153	132	151	147
	Wholesale motor vehicles	37	37	52	52
	Wholesale other household goods	305	281	352	348
	Internet services	434	422	302	282
	IT services	887	854	582	563
	Leasing technology goods	14	13	15	14
	Manufacturing computer hardware	125	122	125	125

continued>

(in millions)			31 December 2021		31 December 2020	
Industry classification benchmark (ICB)	ABN AMRO global industry classification (AGIC)		Original	Resultant	Original	Resultant
Telecommunications	Fixed line telecom		1,055	1,021	649	649
	Mobile telecom		324	324	161	160
Travel and leisure	Commercial sports and facilities		265	246	312	286
	Cultural activities		132	127	152	145
	Gambling and casino facilities		85	85	95	95
	Hotels and resorts		1,527	1,518	1,336	1,304
	Passenger transport air		296	222	267	194
	Passenger transport rail, road and water		1,972	1,970	245	244
	Recreational services		427	423	421	416
	Restaurants and bars		542	537	436	432
Unclassified	Travel & tourism related services		201	186	163	162
	Unclassified		2,556	2,556	4,966	4,960
Utilities	Activities of head office		43	43	160	160
	Financial holdings		115	115	299	294
	Gas distribution				69	69
	Integrated power		175	175	132	132
	Power distribution and transportation		2,507	2,493	589	589
	Power generation		1,491	1,465	1,788	1,758
	Waste and disposal services		570	559	510	509
Total	Water collection, treatment and distribution		355	355	248	248
			413,494	413,494	404,142	404,142



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Guide for readers

This section presents ABN AMRO's leadership and corporate governance framework. It provides information on ABN AMRO's Executive Board and Supervisory Board, as well as on its legal structure and remuneration policy. This section also presents the Report of the Supervisory Board for 2021.



Leadership & governance

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Tom de Swaan, Supervisory Board Chair

I cannot emphasise enough how exemplary the bank's employees are in their flexibility. Some employees - for instance young people - are finding it difficult to continuously work from home, though. Management is alert to these signals and the bank has programmes in place that devote attention to the wellbeing of our staff. In line with the bank's values a lot of attention is being paid to open communication and being able to speak your mind. [Read more →](#)

Leadership & governance structure



Executive Board and Executive Committee composition

Changes to the corporate governance structure

On 11 October 2021, ABN AMRO announced its intention to further strengthen its strategy execution and serve its clients as a personal bank in the digital age by simplifying its organisational setup and appointing new Executive Board members. ABN AMRO transformed its former four business lines (Retail Banking, Private Banking, Commercial Banking and Corporate & Institutional Banking) into three client units, each headed by a Chief Commercial Officer (CCO).

As part of the new simplified organisational setup, the former Executive Committee ceased to exist as of the Extraordinary General Meeting of 24 November 2021 in favour of an extended composition of the Executive Board, simplifying the top management structure of the bank. Until the Extraordinary General Meeting of 24 November 2021, ABN AMRO's management structure included an Executive Board and an Executive Committee.

The former CEOs of Private Banking and Retail Banking, Pieter van Mierlo and Frans van der Horst respectively, left the Executive Committee concurrent with the discontinuation of the Executive Committee.

On 9 June 2021, Daphne de Kluis, the CEO of Commercial Banking and a member of ABN AMRO's Executive Committee at that time, announced her intention to pursue her career outside ABN AMRO as of 1 September 2021. Patrick Pfaff was subsequently appointed as interim CEO of Commercial Banking and member of the Executive Committee as of 1 September.

On 11 October 2021, the CEO of Corporate & Institutional Banking and a member of ABN AMRO's Executive Committee at that time, Rutger van Nouhuijs, announced that he would pursue his career outside ABN AMRO and handed over his responsibilities on an interim basis to Dan Dorner, the intended CCO of Corporate Banking, to ensure a smooth transition.

On 24 November 2021, the Supervisory Board made the following appointments as of the close of the Extraordinary General Meeting on that day:

- ▶ Choy van der Hooft-Cheong as the new CCO of Wealth Management and member of the Executive Board of ABN AMRO;
- ▶ Dan Dorner as CCO of Corporate Banking and member of the Executive Board of ABN AMRO; and
- ▶ Gerard Penning (already Chief Human Resources Manager at the time) as member of the Executive Board of ABN AMRO.

The Employee Council and NLFI issued a positive advice on the aforementioned appointments.

In 2021, a search process for a new CCO of Personal & Business Banking and member of the Executive Board was initiated and resulted in the appointment of Annerie Vreugdenhil as of 1 March 2022. Interim arrangements were put in place for the period until the appointment (and start) of Annerie Vreugdenhil as the new CCO of Personal & Business Banking and member of the Executive Board to ensure continuity of decision-making.

In addition, on 7 January 2022, ABN AMRO announced that Christian Bornfeld, CI&TO of ABN AMRO and Vice-Chair of the Executive Board, will leave ABN AMRO with effect from 1 May 2022. He will pursue a new opportunity that will allow him to work closer to his family in Denmark. The Supervisory Board has initiated the process of finding a new CI&TO.

Role and responsibilities of the Executive Board

The Executive Board is the statutory managing board of ABN AMRO within the meaning of Section 2:129 of the Dutch Civil Code. It is responsible for (i) the general course of business of ABN AMRO, ensuring compliance with laws and regulations and the adequate financing of its activities; (ii) the continuity of ABN AMRO and its business, aimed at long-term value creation for ABN AMRO and taking into account interests of stakeholders, and (iii) setting ABN AMRO's mission, vision, strategy, risk appetite, corporate standards and values, risk framework, main policies, budgets, financial and non-financial targets, and for the realisation thereof.

Until the discontinuation of the Executive Committee, in respect of these duties, and to the extent they related to ABN AMRO and its subsidiaries, the Executive Board consulted the Executive Committee, without prejudice to the Executive Board's statutory collective management responsibilities. The Executive Board was also required to consult the Executive Committee regarding the strategic direction of the bank.

The Executive Board ensures close cooperation with the Supervisory Board in the discharge of its responsibilities and seeks the approval of the Supervisory Board for the bank-wide strategy (in line with the pursued culture aimed at long-term value creation) and targets. The Executive Board is accountable to the Supervisory Board and to the General Meeting for the performance of its duties. In performing its duties, the Executive Board develops a view on long-term value creation for ABN AMRO and its business and considers relevant stakeholder interests.

Role and responsibilities of the former Executive Committee

With the simplification of our top structure, the former Executive Committee ceased to exist as of the Extraordinary General Meeting of 24 November 2021. The Executive Board has taken over the duties and responsibilities of the Executive Committee.

Until, however, the discontinuation of the Executive Committee, the Executive Committee was part of ABN AMRO's 'management body' (together with the Executive Board and Supervisory Board), as defined in CRD, and had duties and responsibilities that had been delegated to it by the Executive Board. The Executive Committee was entrusted with the effective direction of ABN AMRO and its subsidiaries. The Executive Committee was specifically mandated to ensure that ABN AMRO's mission, vision, strategy, policies, annual budget, risk appetite, standards and values, and financial and non-financial targets were translated into specific group-aligned strategies, policies, budgets, risk appetites, standards and performance targets for each business line, with the aim of contributing to long-term value creation by ABN AMRO, and building and maintaining the culture required for that purpose.

The respective members of the Executive Committee were also responsible for the daily management of their own business lines.

In addition, the Executive Committee helped define the strategic direction of the bank: the Executive Board was required to consult the Executive Committee in respect of decisions regarding the bank's (i) mission, vision and strategy, and (ii) risk policies, risk appetite framework and statement. The Executive Committee ensured an open dialogue with the Supervisory Board, both on specific issues and in general, in order to inform the Supervisory

Board adequately. The Executive Committee provided the Supervisory Board and its committees with all the information they needed for the proper performance of their supervisory duties and as requested by the Supervisory Board through the Chair of the Executive Committee.

Composition and diversity

As of 24 November 2021, the Executive Board consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Innovation & Technology Officer (CI&TO), the Client Unit representatives (CCO of Personal & Business Banking, CCO of Corporate Banking and CCO of Wealth Management) and a Chief Human Resources Officer (CHRO).

The Executive Board's composition is based on ABN AMRO's guiding principle that diversity of thought, expertise, background, competences and interpersonal styles is a prerequisite for effective management and, by extension, for long-term value creation. The vision set by ABN AMRO is for it to become a company that mirrors, at all levels, the diversity of the communities in which it operates. This means fostering a variety of views and experiences and facilitating independent opinions and sound decision-making within the Executive Board. To that effect, the following diversity aspects have been identified as relevant for the composition of the Executive Board: gender, age, educational and professional background and geographical provenance. These aspects were also taken into consideration for appointments and reappointments in 2021.

In line with ABN AMRO's diversity policy, ABN AMRO strives to meet the applicable gender target. In 2021, this target was at least 30% for the Executive Board. As of 1 January 2022, the Act on Gender Balance in Management and Supervisory Boards (Wet evenwichtiger verhouding tussen mannen en vrouwen in bestuur en raad van commissarissen) came into force. The Act imposes an ingrowth quota of at least one-third male and one-third female members on the supervisory boards of Dutch companies listed in the Netherlands. In addition, ABN AMRO has to have drawn up appropriate and ambitious targets to promote gender diversity across the organisation and is required to report on the above targets and plans, and the progress made in this regard. ABN AMRO is in the process of implementing the new targets in its diversity policy. Gender diversity within the Executive Board at 8 March 2022 is 37.5%. When vacancies arise and in succession planning, ABN AMRO gives due consideration to any applicable diversity requirements in its search for suitable new members who meet the fit and proper requirements stipulated in the Dutch Financial Markets Supervision Act.

The Rules of Procedure of the Executive Board are available on abnamro.com. Due to the changes in the corporate governance structure, the Executive Board amended these rules in 2021 to reflect the new organisational structure.

Appointment, suspension and dismissal

Members of the Executive Board are appointed and reappointed by the Supervisory Board for a term of up to four years, provided that the term of office continues up to and including the first General Meeting to be held after expiry of the term. When preparing the appointment and reappointment of the members of the Executive Board, the Selection and Nomination Committee and the Supervisory Board consider the diversity objectives laid down in ABN AMRO's internal policies. Only candidates who meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment.

The Employee Council provides advice on the appointment of members of the Executive Board. The Supervisory Board notifies the General Meeting of the intended appointment or reappointment of a member of the Executive Board, accompanied by a short résumé of the candidate, including the candidate's age, gender, educational and professional background and geographical provenance.

The Supervisory Board may appoint one of the members of the Executive Board as Chair (to be awarded the title of Chief Executive Officer). Pursuant to the relationship agreement with NLFI, the Supervisory Board will give NLFI the opportunity to advise on the decision to appoint or reappoint a member of the Executive Board and on the decision to appoint the Chair of the Executive Board, as long as NLFI directly or indirectly holds at least 10% of the issued share capital of the bank. The Supervisory Board may at all times suspend or dismiss a member of the Executive Board.

Further information on the suspension and dismissal procedure of the Executive Board is provided in ABN AMRO's Articles of Association and the Executive Board Rules of Procedure as published on the ABN AMRO website.

Personal details of the members of the Executive Board

The information below refers to the members of the Executive Board as at 8 March 2022.



Robert Swaak
CEO

Dutch, male, 1960

Chief Executive Officer and Chair of the Executive Board

Robert Swaak was appointed as CEO and Chair of the Executive Board of ABN AMRO on 22 April 2020. As CEO, Robert Swaak is also responsible for Group Audit, Legal & Corporate Office, Strategy & Innovation, and Brand, Marketing & Communications. His current term ends at the close of ABN AMRO's Annual General Meeting in 2024.

Relevant positions pursuant to CRD V: Chief Executive Officer and Chair of the Executive Board of ABN AMRO Bank N.V.

Other relevant ancillary positions: Chairman ad interim of the Supervisory Council of Stichting Nationale Opera & Ballet, member of the Supervisory Council of Stichting Paleis Het Loo, member of the Board of Stichting Amerika-Europese Gemeenschap (Nederland) of Stichting American European Community Association (Netherlands), member of the Management Board of the Nederlandse Vereniging van Banken (NVB), non-executive director of the Value Reporting Foundation.



Christian Bornfeld
CI&TO and Vice-Chair



Tanja Cuppen
CRO



Lars Kramer
CFO



Choy van der Hooft-Cheong
CCO Wealth Management



Dan Dorner
CCO Corporate Banking



Annerie Vreugdenhil
CCO Personal & Business Banking



Gerard Penning
CHRO

Danish, male, 1976

Christian Bornfeld

Chief Innovation & Technology Officer and Vice-Chair of the Executive Board

Christian Bornfeld was appointed to the Executive Board of ABN AMRO as CI&TO on 1 March 2018. As CI&TO, he is responsible for Innovation and Technology including IT, Platforms & Technology, Data Management, the Corporate Information Security Office, the Execution Office, Procurement, Customer Care & Operations, Detecting Financial Crime, and Change Management & Consultancy. As his term was due to expire at the close of the Annual General Meeting in 2021, the Supervisory Board reappointed Christian Bornfeld with effect from the Annual General Meeting in April 2021 for a period of four years. Christian Bornfeld was appointed as Vice-Chair of the Executive Board with effect from 1 March 2021. His current term ends at the close of ABN AMRO's Annual General Meeting in 2025.

Relevant positions pursuant to CRD V: Chief Innovation & Technology Officer and Vice-Chair of the Executive Board of ABN AMRO Bank N.V.

Dutch, female, 1969

Tanja Cuppen

Chief Risk Officer of the Executive Board

Tanja Cuppen was appointed to the Executive Board of ABN AMRO on 1 October 2017 and was appointed CRO with effect from 1 November 2017. As CRO, she is responsible for Risk including Risk Management, Financial Restructuring & Recovery, Compliance, Security & Intelligence Management and Regulatory Execution Oversight. As her term was due to expire at the close of the Annual General Meeting in 2021, the Supervisory Board reappointed Tanja Cuppen as with effect from the Annual General Meeting in April 2021 for a period of three years. Her current term ends at the close of ABN AMRO's Annual General Meeting in 2024.

Relevant positions pursuant to CRD V: Chief Risk Officer of the Executive Board of ABN AMRO Bank N.V., Member of the Supervisory Board Coöperatie Menzis U.A.

Other relevant ancillary positions: Commissioner of the Financial Sector Commission on Modern Slavery and Human Trafficking.

Dutch, male, 1967

Lars Kramer

Chief Financial Officer of the Executive Board

Lars Kramer was appointed as CFO of the Executive Board of ABN AMRO on 1 June 2021. As CFO, Lars Kramer is responsible for Finance, including Asset & Liability Management, Controlling, Financial Accounting, Tax, Treasury and investor Relations. His current term ends at the close of ABN AMRO's Annual General Meeting in 2025.

Relevant positions pursuant to CRD V: Chief Financial Officer of the Executive Board of ABN AMRO Bank N.V.

Dutch, female, 1971

Choy van der Hooft-Cheong

Chief Commercial Officer Wealth Management and member of the Executive Board

Choy van der Hooft-Cheong was appointed to the Executive Board of ABN AMRO as CCO Wealth Management on 24 November 2021. As CCO Wealth Management, she is responsible for the client unit Wealth Management. Her current term ends at the close of ABN AMRO's Annual General Meeting in 2026.

Relevant positions pursuant to CRD V: Chief Commercial Officer Wealth Management and member of the Executive Board of ABN AMRO Bank N.V.

Other relevant ancillary positions: Founder and board member of Stichting Children's Khazana Foundation.

Dutch, male, 1976

Dan Dorner

Chief Commercial Officer Corporate Banking and member of the Executive Board

Dan Dorner was appointed to the Executive Board of ABN AMRO as CCO Corporate Banking on 24 November 2021. As CCO Corporate Banking, he is responsible for the client unit Corporate Banking. His current term ends at the close of ABN AMRO's Annual General Meeting in 2026.

Relevant positions pursuant to CRD V: Chief Commercial Officer Corporate Banking and member of the Executive Board of ABN AMRO Bank N.V.

Other relevant ancillary positions: member of the Advisory Board of Euronext, member of the Executive Board of Vereniging VNO-NCW (Confederation of Netherlands Industry and Employers).

Dutch, female, 1963**Annerie Vreugdenhil****Chief Commercial Officer Personal & Business Banking and member of the Executive Board**

Annerie Vreugdenhil was appointed to the Executive Board of ABN AMRO as CCO Personal & Business Banking on 1 March 2022. As CCO Personal & Business Banking, she is responsible for the Personal & Business Banking client unit. Her term ends at the close of ABN AMRO's Annual General Meeting in 2026.

Relevant positions pursuant to CRD V: Chief Commercial Officer Personal & Business Banking and member of the Executive Board of ABN AMRO Bank N.V.

Dutch, male, 1963**Gerard Penning****Chief Human Resources Officer and member of the Executive Board**

Gerard Penning was appointed as CHRO with effect from 1 August 2020. He was appointed to the Executive Board of ABN AMRO as CHRO on 24 November 2021. His current term ends at the close of ABN AMRO's Annual General Meeting in 2025.

Relevant positions pursuant to CRD V: Chief Human Resources Officer and member of the Executive Board of ABN AMRO Bank N.V., member of the Supervisory Board of Alliander N.V.

Other relevant ancillary positions: Member of the Supervisory Board of Sustainable Energy for All.

Committees

The Executive Board has established a number of committees that are responsible for preparing the decision-making on certain subjects, taking certain delegated decisions and advising the Executive Board on certain matters. The committees include three risk-related committees:

- ▶ the Group Risk Committee;
- ▶ the Group Regulatory Committee;
- ▶ the Group Central Credit Committee.

More information on the delegated authority of these committees is provided in the Risk, funding & capital management section.

In addition, the Executive Board has installed a Group Disclosure Committee and a Group Asset & Liability Committee.

The Group Disclosure Committee's responsibilities include advising and supporting the Executive Board in relation to (i) supervision of the accuracy, effectiveness and timeliness of public disclosures by the group, and (ii) integrity with regard to the financial statements and other public disclosures as required by Dutch and European legislation, in particular (but not limited to) financial and non-financial disclosures, changes to group target ratios, prospectus disclosures, stress tests, public corporate governance statements, changes in key capital requirements (SREP), changes in dividend policy, changes in ratings and disclosures about environmental, social and governance (ESG) performance, social and employee matters, human rights performance and anti-corruption and anti-bribery matters.

The Group Asset & Liability Committee has been mandated by the Executive Board to decide on matters relating to the interest rate and liquidity risk profile, as well as the solvency of the group, within the parameters set by the Executive Board.

Supervisory Board composition

Role and responsibilities of the Supervisory Board

The Supervisory Board supervises, advises, challenges and supports the Executive Board (and until its discontinuation also did so with respect to the Executive Committee) in the exercise of its powers and duties. Together with the Executive Board, the Supervisory Board is responsible for ABN AMRO's long-term value creation, requiring members to execute their duties in a sustainable manner with due observance of the long-term viability of the strategy being pursued. In discharging its task, the Supervisory Board takes into account the dynamics and the relationship between the Executive Board (and until its discontinuation also the Executive Committee) and its members. The Supervisory Board's early and close involvement with the Executive Board is required when formulating the bank-wide strategy and targets in line with the pursued culture aimed at long-term value creation.

In performing their duties, the members of the Supervisory Board are guided by the interests of ABN AMRO and its businesses, taking due consideration of the legitimate interests of all of ABN AMRO's stakeholders (such as its clients, savers and deposit holders, shareholders, holders of depositary receipts, employees and the society in which ABN AMRO operates). Certain decisions taken by the Executive Board are subject to the approval of the Supervisory Board.

Changes in 2021

On 15 November 2021, ABN AMRO announced that Jurgen Stegmann had decided for personal reasons to resign as a member of the Supervisory Board with immediate effect.

Appointment, suspension and dismissal

Members of the Supervisory Board are appointed by the General Meeting, following nomination by the Supervisory Board itself. Only candidates who have passed the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The General Meeting and the Employee Council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board. The diversity objectives laid down in ABN AMRO's internal policies are taken into consideration when preparing the appointment and reappointment of the members of the Supervisory Board. The Supervisory Board notifies the General Meeting of the intended appointment or reappointment of a member of the Supervisory Board, accompanied by a short resume of the candidate, including the candidate's age, gender, educational and professional background and geographical provenance.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members are appointed for a period ending at the close of the first Annual General Meeting held after four years have passed since their last appointment, unless a shorter period was set at the time of the appointment. The Supervisory Board is required to nominate a candidate recommended by the Employee Council in respect of one third of the members of the Supervisory Board (the 'enhanced recommendation right'). The Supervisory Board must accept the recommendation of the Employee Council unless it believes that the candidate recommended is unsuitable to fulfil the duties of a member of the Supervisory Board or if the Supervisory Board would not be properly composed if the appointment was made as recommended.

The Supervisory Board may suspend any of its members at any time. The General Meeting may dismiss the Supervisory Board in its entirety in the event of lack of confidence in the Supervisory Board. This requires an absolute majority of the votes cast, representing a quorum of at least one third of the issued share capital. If this quorum is not met, there is no possibility to hold a second General Meeting at which no quorum applies. Further information on the suspension and dismissal procedure is provided in ABN AMRO's Articles of Association and the Supervisory Board Rules of Procedure as published on the ABN AMRO website.

Committees

The Supervisory Board has established four committees to prepare its decision-making and to advise the Supervisory Board on specific matters. These committees are composed exclusively of Supervisory Board members.

These committees are the:

- ▶ Audit Committee;
- ▶ Risk & Capital Committee;
- ▶ Remuneration Committee;
- ▶ Selection & Nomination Committee.

Composition and diversity

The Supervisory Board's composition is based on the guiding principle that diversity of thought, expertise, background, competences and interpersonal styles is a prerequisite for effective supervision and, by extension, for long-term value creation. To that effect, the following diversity aspects have been identified as relevant for the composition of the Supervisory Board: gender, age, educational and professional background and geographical provenance.



In line with ABN AMRO's diversity policy, ABN AMRO strives to meet the applicable gender target. In 2021, this target was at least 30% for the Supervisory Board. As of 1 January 2022, the Act on Gender Balance in Management and Supervisory Boards (Wet evenwichtiger verhouding tussen mannen en vrouwen in bestuur en raad van commissarissen) came into force. The Act imposes an ingrowth quota of at least one-third male and one-third female members on the supervisory boards of Dutch companies listed in the Netherlands. For every appointment to its Supervisory Board, therefore, ABN AMRO must assess whether the above ingrowth quota is maintained. Gender diversity within ABN AMRO's Supervisory Board was 43% at 31 December 2021. When vacancies arise, the Supervisory Board gives due consideration to any applicable gender requirements in its search for suitable new members meeting the fit and proper requirements stipulated in the Dutch Financial Markets Supervision Act

Collectively, the members have expertise in retail and private banking, commercial banking, corporate & institutional banking, investment banking, risk management, financial management, strategy formulation and execution, cultural and other change management, IT, digitalisation, innovation, economics, remuneration and human resources management, sustainability and corporate social responsibility, legal and compliance matters and the development of products and services, and experience in the key markets in which the bank is active. The Supervisory Board has one financial expert (CPA/RA), in accordance with the formal definition and requirements, and four highly experienced bankers combined representing extensive broad and deep banking experience across all key areas of domestic and international banking.

2021

T. de Swaan (Chair)
A.C. Dorland
L.J. Griffith
M.P. Lap
A.M. Storåkers
M.L. Tannemaat
J.S.T. Tiemstra

* = has good understanding of the subject but is not expert.

** = can make a balanced independent judgement on the subject (expert).

All members of the Supervisory Board have passed the fit and proper test required under the Dutch Financial Supervision Act. The Supervisory Board confirms that all members of the Supervisory Board are independent within the meaning of best practice provision 2.1.10 of the Dutch Corporate Governance Code.

Executive experience	Banking, finance, audit, risk experience	IT, digitalisation, transformation, innovation experience	Legal, corporate governance experience
**	**	*	**
**	*	**	*
*	*	*	**
**	**	*	*
**	**	*	*
**	**	**	*
**	**	*	**

Personal details of the members of the **Supervisory Board**

The information below refers to the members of the Supervisory Board as at 8 March 2022.



Tom de Swaan

Chair of the Supervisory Board

Dutch, male, 1946

Chair of the Supervisory Board

Tom de Swaan was appointed to the Supervisory Board of ABN AMRO on 12 July 2018. His current term expires at the close of the Annual General Meeting in 2022.

Last executive position held: CFO, ABN AMRO Bank N.V.

Relevant positions pursuant to CRD V: Chair of the Supervisory Board of ABN AMRO Bank N.V.

Other relevant ancillary positions: Chairman of the Board of Foundation National Opera & Ballet Fund, the Netherlands, member of the Board of Foundation Premium Erasmianum, member of the International Advisory Board of Akbank, Chairman of the Management Board of Foundation Funds Netherlands Cancer Institute, member of the Supervisory Board of Foundation Holland Festival, the Netherlands, member of the Advisory Board of Stichting tot Instandhouding van de Diergaarde van het Koninklijk Zoölogisch Genootschap Natura Artis Magistra, member of the Board of Stichting Liszt Concours, Member of the Board of Directors of The International Centre for Missing & Exploited Children.

**Arjen Dorland**

Vice-Chair of the Supervisory Board

**Laetitia Griffith**

Member

**Michiel Lap**

Member

**Anna Storåkers**

Member

**Mariken Tannemaat**

Member

**Tjalling Tiemstra**

Member

Dutch, male, 1955**Arjen Dorland****Vice-Chair of the Supervisory Board**

Arjen Dorland was appointed to the Supervisory Board of ABN AMRO on 18 May 2016. His current term expires at the close of the Annual General Meeting in 2024.

Last executive position held: Executive Vice-President of Technical and Competitive IT, Royal Dutch Shell.

Relevant positions pursuant to CRD V: Vice-Chair of the Supervisory Board of ABN AMRO Bank N.V., Vice-Chairman of the Supervisory Board of Essent N.V., Chairman of the Supervisory Board of Bovemij N.V. and N.V. Schadeverzekering-Maatschappij Bovemij.

Other relevant ancillary positions: Chairman of the combined Supervisory Council of Stichting Naturalis Biodiversity Center and Stichting Japanmuseum Sieboldhuis, Chairman of the Supervisory Council of Haaglanden Medisch Centrum.

Dutch, female, 1965**Laetitia Griffith****Member**

Laetitia Griffith was appointed to the Supervisory Board of ABN AMRO on 17 December 2019. Her current term expires at the close of the Annual General Meeting in 2024.

Last executive position held: Member of Parliament on behalf of the VVD (portfolio: Home Affairs), House of Representatives of the Netherlands.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO Bank N.V., member of the Supervisory Board of Tennet TSO GmbH, member of the Supervisory Board of Tennet Holding B.V., member of the Supervisory Board of Benno Leeser Holding B.V.

Other relevant ancillary positions: Chairman of the Supervisory Board of the Dutch Film Fund, Chairman of the Board of Stichting Nederlandse Vioolconcoursen, member of the Advisory Council of Stichting Impact Economy Foundation, Chairman of the Supervisory Board of Stichting Metropole Orkest.

Dutch, male, 1962**Michiel Lap****Member**

Michiel Lap was appointed to the Supervisory Board of ABN AMRO on 24 April 2019. His current term expires at the close of the Annual General Meeting in 2023.

Last executive position held: Partner and Head of Northwest Europe, Goldman Sachs.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO Bank N.V., Vice-Chairman and member of the Supervisory Board of Arcadis N.V., non-executive board member of Rijn Capital B.V.

Other relevant ancillary positions: Member of the Supervisory Board of Stichting Het Nederlands Kanker Instituut – Antoni van Leeuwenhoek Ziekenhuis.

Swedish, female, 1974**Anna Storåkers****Member**

Anna Storåkers was appointed to the Supervisory Board of ABN AMRO on 24 April 2019. Her current term expires at the close of the Annual General Meeting in 2023.

Last executive position held: Head of Personal Banking Sweden, Nordea Bank AB.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO Bank N.V., non-executive director of NDX Holding AB, non-executive director of Nordax Bank AB, non-executive director (and chairman) of Kreditz AB, non-executive director of MM Holding AB, non-executive director of Ludvig & Co Group AB.

Dutch, female, 1971**Mariken Tannemaat****Member**

Mariken Tannemaat was appointed to the Supervisory Board of ABN AMRO on 15 December 2020. Her current term expires at the close of the Annual General Meeting in 2025.

Last executive position held: Chief Innovation Officer at Robeco N.V.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO Bank N.V., member of the Supervisory Board of CM.com N.V. and member of the Supervisory Board of CM Payments B.V., member of the Supervisory Board of VLC & Partners B.V., non-executive director of Prudential Assurance Company Limited.

Other relevant ancillary positions: Advisor to the Executive Board of Erasmus Enterprise B.V., Chairman of the Women in Leadership working group of EGN Nederland B.V.

Dutch, male, 1952**Tjalling Tiemstra****Member**

Tjalling Tiemstra was appointed to the Supervisory Board of ABN AMRO on 18 May 2016. His current term expires at the close of the Annual General Meeting in 2022.

Current position: Drs J.S.T. Tiemstra Management Services B.V.

Relevant positions pursuant to CRD V: Member of the Supervisory Board of ABN AMRO Bank N.V., member of the Supervisory Board of Royal Haskoning DHV B.V., member of the Supervisory Board of Stichting Shell Pensioenfonds.

Other relevant ancillary positions: Board member of Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster), board member of Stichting Preferente Aandelen Wolters Kluwer (Preference Shares), board member of Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares), deputy expert member of the Enterprise Court at the Amsterdam Court of Appeal, member of the Stakeholdersforum of NBA (Dutch Institute of Chartered Accountants), Chairman of the European Leadership Platform's Advisory Board, member of the Advisory Board of Van der Heijden Instituut.

Supervisory Board



Interview with our Supervisory Board Chair



Covid-19 will be with us for some time. How do you think the bank is dealing with this crisis, both at Executive Board level and in terms of serving clients?

The essence of being a bank is that you are there for your clients, and that your clients have access to your products and services at all times, without any hitches. ABN AMRO was able to provide that service during the Covid-19 pandemic, and is navigating through the crisis well.

Just like in other sectors, clients are increasingly doing their business with banks digitally, a trend which was already clear before the start of the pandemic, and which has increased since. For a bank, it's of the utmost importance never to forget there's an actual person behind every click. I am pleased that ABN AMRO is investing in its digital offering, but also in making sure our less digitally savvy clients are included in this development.

What has been the impact of the pandemic on the bank's employees, and on the culture within the organisation?

I cannot emphasise enough how exemplary the bank's employees are in their flexibility. Some employees - for instance young people - are finding it difficult to continuously work from home, though. Management is alert to these signals and the bank has programmes in place that devote attention to the wellbeing of our staff.

In line with the bank's values – care, courage and collaboration – a lot of attention is being paid to open communication and being able to speak your mind. This has become even more important in a time when colleagues are working from home and there is less in-person contact. We need to keep an eye out for everyone.

ABN AMRO accepted a EUR 480 million settlement with the Netherlands Public Prosecution Service for being insufficiently successful in fulfilling its role as a gatekeeper aimed at combating money laundering. How do you view this from your perspective as a supervisory director?

This was obviously very upsetting. Before the settlement, ABN AMRO had decided to centralise and invest in its anti-money laundering activities. We have to recognise that the bank's efforts were unfortunately insufficient. Now, twenty percent of the workforce is devoted to getting files in order and making sure the bank fulfils its gatekeeper role. The bank made clear agreements with the supervisory authority and is doing everything in its power to live up to these agreements. Nonetheless, such a settlement with the public prosecutor is a very emotional and upsetting experience. It's been an important topic in the conversations between management and the Supervisory Board.

"I value the energy with which the bank's senior managers – and the entire bank – **are working hard to execute the strategy."**

How do you think ABN AMRO is progressing with the execution of its strategy?

ABN AMRO announced its strategy review in 2020, but that's not something that can be implemented in one year. For now, the horizon is 2024. But the plans that were scheduled for 2021 were either completed or are being carried out now. Management fully succeeded in making 2021 the year of our licence to operate by resolving issues with the supervisory authorities and the public prosecutor. And while we are operating in a difficult environment due to Covid-19 and low interest rates, and there were several changes in senior management, ABN AMRO stayed up and running and focused on its clients. In that respect, we may be satisfied with 2021. I value the energy with which the bank's senior managers – and the entire bank – are working hard to execute the strategy.

ABN AMRO introduced a new organisational structure in 2021 and incorporated the Executive Committee into the Executive Board. Why was that necessary?

Robert Swaak and I both share the view that having an Executive Board and an Executive Committee is no longer necessary. Given the current size of the bank and in light of the strategy review of focusing on Northwest Europe, we no longer need this structure. So this change is a logical consequence of the strategy review. Having a single Executive Board will enable the bank to better serve its clients, and also keep senior management from creating silos of separate business lines, with their own CEOs and their own organisational structures. In addition, all senior executives will have the same statutory responsibility and, in line with the rest of the organisation, will operate more as a single unit.

How is the relationship between the Supervisory Board and the Executive Board? What do you think of the current composition of and collaboration within the Supervisory Board? What about the balance of gender, cultural backgrounds and competences of the members?

Despite all the changes that have taken place in the past two years, the Executive Board and the Supervisory Board have worked together very well. But however you look at it, in all that time we've met in person only once or twice. That's bound to have an impact on teambuilding. Non-verbal communication is really important and it's easy to miss certain signals when you're meeting online. But under the circumstances, I must say that we have maintained an excellent relationship.

With respect to diversity, the Supervisory Board is now made up of three women and four men. As for cultural and geographical backgrounds, we have two supervisory directors from outside the Netherlands. I believe a company's top management structure should reflect the makeup of its clients, and of society. And since ABN AMRO's clients are very diverse, this should be mirrored in our leadership. We're always looking for ways to improve in this area.

Your name was mentioned in connection with the Pandora Papers, due to an investment you made in a friend's project that went through a tax paradise, the British Virgin Islands. How do you look back on this?

The day this was announced I wrote a letter to the bank's employees expressing my regret and I donated the entire investment sum, which I had considered a gift, to the founder of the project. At the time, I made the investment with sincere intentions. I certainly understand that currently the structure of the investment raises questions. I'd like to emphasise that I fully underscore ABN AMRO's position on discouraging the use of undesirable tax structures. And it's upsetting to me that the bank received negative publicity around this matter.

What were the main topics that the Supervisory Board dealt with in 2021?

That would be executing the strategy and, of course, the discussions with the Netherlands Public Prosecution Service early in the year, further improving and future-proofing the bank's risk management, and the changes to senior management and the Supervisory Board. The role of banks in environmental, social and governance (ESG) was extensively discussed, also addressing the development of uniform sustainability standards. ABN AMRO has clear targets when it comes to sustainability – it is also part of our assessment of the Executive Board – and as the Supervisory Board, it is our role to challenge senior management to implement the agreed policies and strategies. I believe the bank's role in the transition from fossil fuels to sustainable energy is very important.

"ABN AMRO has clear targets when it comes to sustainability – it is also part of our assessment of the Executive Board."

What did the Supervisory Board do well in 2021, and what could be improved?

The things I've already mentioned – overseeing the execution of the strategy, collaborating with the Executive Board, fighting money laundering. What we could improve is that we could serve more as a sounding board for the Executive Board. That's why it's important for the supervisory directors to have a broad societal vision and very diverse backgrounds. Digitalisation and ESG are also subjects in which supervisors should be well versed in order to be a good sounding board. I am very committed to continuously developing in these important areas.

In conclusion, what do you see as the biggest challenges in 2022?

The Supervisory Board's biggest job is to closely monitor everything that has to be implemented between now and 2024. In addition, the sustainability portfolio is of huge importance to me. If you talk about sustainability, the market, our supervisors and society expect you to walk the talk, even in transitional periods. Businesses have to be very flexible in order to be able to live up to society's expectations relating to the sustainability transition. This subject is high on the Supervisory Board's agenda, as far as I'm concerned.

I also believe it's very important for ABN AMRO to make good on its intention to focus on Northwest Europe. We're well represented in the Netherlands, but Northwest Europe is more than just the Netherlands – we also have operations in Germany, France and Belgium. How do we view ramping up our activities in these countries? And last but not least, we're still acting on all the agreements we made to fight money laundering. Here, too, the Supervisory Board needs to keep a close eye on things.

And finally, ABN AMRO's employee engagement score is high, even despite Covid-19, but we'd like it to be higher. Raising this score is an important job for senior management, and the Supervisory Board will monitor this as well. On a related note, how do you recruit, retain and develop talented employees? We've hired people in the past two years who've never been inside the bank. What's their connection with the company that has given them their laptops and office chairs? The bank needs to devote a lot of attention to this. So there's plenty of work ahead!

Tom de Swaan

Supervisory Board Chair of ABN AMRO Bank N.V.

Report of the Supervisory Board

Meetings of the Supervisory Board

During 2021, the Supervisory Board held six regular meetings according to the pre-set schedule and nineteen additional meetings. In addition, the Supervisory Board and the Executive Committee jointly had three strategy meetings. Due to the Covid-19 restrictions the meetings were partly held online.

Regular Supervisory Board meetings take place following the meetings of the Remuneration Committee, Selection & Nomination Committee, Risk & Capital Committee and the Audit Committee. These committees report to the Supervisory Board on their deliberations and findings after their meeting, and the Supervisory Board takes into account their outcomes and recommendations. The Company Secretary (or deputy Company Secretary) attends all meetings and is the secretary to the Supervisory Board and its committees. The Executive Board attends the regular meetings of the Supervisory Board and prepares detailed supporting documents. The regular meetings take five hours on average. Other bank staff and the internal and external auditor are frequently invited to give presentations on specific topics such as performance highlights, the capital & funding plan, strategy, investor relations updates, the risk appetite, legal cases, quarterly audit reports and the quarterly report of the interaction with the supervisors ECB, DNB and AFM.

In addition to the regular meetings of the Supervisory Board additional meetings were held to discuss the investigation by the Netherlands Public Prosecution Service (NPPS) and to discuss the settlement dialogue with the NPPS. Further the Supervisory Board had additional meetings to discuss the Risk Management Foundation Plan. After several iterations the Supervisory Board approved the Risk Management Foundation Plan in its meeting on 28 April 2021. Another important item that was discussed during the meetings of the Supervisory Board was the compensation framework as a response to the Kifid ruling in March 2021. On 2 September 2021 the Supervisory Board discussed the compensation framework regarding

the revolving consumer credit products with a variable interest rate. On 4 September 2021 the negotiations with the Consumentenbond were finalised and the Supervisory Board approved the agreed compensation framework.

Following the strategy review the Supervisory Board had three joint meetings with the Executive Board and Executive Committee on the Future of Banking in order to explore the future value creation for ABN AMRO in the longer run. Among others macro-economic shifts, sustainability, EU regulation harmonisation and digital assets were discussed during these sessions.

In addition the meetings focused on specific subjects such as the Executive Committee's succession planning, particularly the succession of the CFO and the interim position of the CEO Commercial Banking. The new organisational structure including the new set up of the statutory Management Board were extensively debated. Other topics on the agenda were the financial plan for 2022-2026, the sale and leaseback of the Gustav Mahlerlaan 10, performance management, innovation and technology, the culture change plan and ancillary positions of Supervisory Board members and members of the Executive Committee. Anna Storåkers and Tjalling Tiemstra were mandated by the Supervisory Board to discuss the Recovery Plan with Risk and the mandated members subsequently approved the Recovery Plan.

Details of the composition of the Supervisory Board throughout 2021 can be found in the Composition and diversity paragraph in the Supervisory Board section. The personal details of the members of the Supervisory Board are considered to be incorporated, by reference, in this Report of the Supervisory Board. On 14 November 2021 Jurgen Stegmann has decided for personal reasons to resign as a member of the Supervisory Board with immediate effect. Jurgen Stegmann contributed substantially to the work of the Supervisory Board in the past five years especially in the field of risk management as Chair of the Risk and Capital Committee.



Attendance of the Supervisory Board members at the Board's meetings in 2021 was as follows:

2021	Formal meetings (6)	Additional meetings (19)	Total meetings (25)	Attendance (%)
T. de Swaan (Chair)	6	17	23	92%
A.C. Dorland	6	18	24	96%
L.J. Griffith	5	16	21	84%
M.P. Lap	6	18	24	96%
J.B.J. Stegmann ¹	5	11	16	84%
A.M. Storakers	6	17	23	92%
M.L. Tannemaat	6	16	22	88%
J.S.T. Tiemstra	6	16	22	88%

¹ Resigned on 14 November 2021 after which 6 meetings were held.

Focus areas and activities of the Supervisory Board

The Supervisory Board's key areas of focus included the bank's compliance with legislation, codes and regulations. Regarding the regulatory environment, ABN AMRO continued to work on retaining trust and only making proper use of client data. On 25 September 2019, the NPPS informed ABN AMRO that the bank was the subject of an investigation relating to requirements under the Act on the prevention of money laundering and financing of terrorism (Wwft). In the beginning of the year ABN AMRO started the settlement dialogue with the NPPS and in the meeting of 25 March 2021 the Supervisory Board validated the results of the settlement dialogue with the NPPS. In its meeting on 18 April 2021 the Supervisory Board accepted a settlement offer from the NPPS in connection with the investigation by the NPPS into ABN AMRO's AML activities in the Netherlands over the period 2014-2020. As part of this settlement it was agreed that ABN AMRO would pay EUR 480 million. The joint temporary committee established by the Supervisory Board and Executive Board, to coordinate, advise on and supervise the main activities following the investigation initiated by the NPPS was discontinued and terminated in June 2021. The Supervisory Board continued to monitor the progress on the remediation plan.

The Supervisory Board was also regularly updated on ABN AMRO's key financial and non-financial risks and the design of the internal risk management and control systems. During these updates the Executive Board's assessment of the adequacy and effectiveness of the risk management and control systems was monitored and discussed. The Risk Management Foundation Plan was an important topic and the Supervisory Board approved the Risk Management Foundation Plan in its meeting on 28 April 2021. Each quarter the Supervisory Board receives a progress update on the execution of the Risk Management Foundation Plan. The bank's risk appetite and ICAAP/ILAAP were also discussed and approved. In addition, the Supervisory Board had in-depth discussions on material legal, credit, tax and compliance files. The DNB-EBC & AFM

activities report, ERM report and policy approval report were also discussed each quarter.

Following the updated strategy as communicated in November 2020 the Supervisory Board received an update on the strategy execution each quarter. The outcome of the strategy review was translated into themes, which together shape the overall change portfolio of ABN AMRO in the coming years. For 2021 the overall focus has been defined as "strengthening the foundation". Therefore the primary focus was on key deliveries related to: Detecting Financial Crime, duty-of-care, credit model landscape, Risk & Finance reporting, Data foundation, and the managed wind-down of CIB non-core. While at the same time creating the foundation for delivering market leading customer value propositions for the ABN AMRO's target segments, by upgrading key digital and data capabilities, digitalising specific processes, and building out the NWE banking platform.

Further to the updated strategy the organisational and management structure were reviewed. The Supervisory Board discussed in February 2021 that a new set up of the organisational structure, including the business lines, is needed to support the change to successfully execute the updated strategy. The Supervisory Board discussed and approved the rationale for the proposed changes in the business line set-up and the envisaged organisational chart. Following the Extraordinary General Meeting held on 24 November 2021, the Supervisory Board approved to abolish the Executive Committee and approved the new setup of the Executive Board including appointments of Gerard Penning as the Chief Human Resources Officer, Choy van der Hooft-Cheong as Chief Commercial Officer Wealth Management and Dan Dorner as the Chief Commercial Officer Corporate Banking. The Supervisory Board worked on the selection process for the Chief Commercial Officer Personal & Business Banking.

Part of the execution of the strategy review was the intended sale and leaseback of the bank's head office at

Gustav Mahlerlaan. The Supervisory Board received updates on the sale process and attended a presentation of the two selected bidders. On 7 December 2021 the Supervisory Board approved the agreement that was reached with real estate firm Victory Group regarding the sale and leaseback of the bank's head office at Gustav Mahlerlaan in Amsterdam. Victory Group will pay EUR 765 million for the Gustav Mahler building, taking into account the favourable lease conditions for the coming years when ABN AMRO will lease back the entire building during the redevelopment of the Foppingadreef Offices.

From 26 September until 29 September 2021 the annual joint study trip of the Supervisory Board, the Executive Board and the Executive committee took place in Frankfurt. Two topics had a prominent place on the agenda in Frankfurt: fintechs and sustainability. The role of banks in Environmental, Social and Governance (ESG) was extensively discussed, also addressing the development of uniform sustainability standards. In addition, several fintechs operating in a variety of segments, from lending to payments, gave presentations on the pace of developments and what they are working on.

The Supervisory Board continued to actively engage with its key stakeholders in 2021, mainly by way of digital meetings but also physical meetings. The two members appointed pursuant to the enhanced recommendation right of the Employee Council, Laetitia Griffith and Arjen Dorland, met regularly with the Employee Council throughout the year to maintain an active dialogue and obtain the Employee Council's thoughts and input on various matters, including diversity, work satisfaction, the strategy execution and the new organisational structure. The Chair and other members of the Supervisory Board also met with the Employee Council on several formal and informal occasions during the year. The Supervisory Board appreciates the constructive relationship it has with the Employee Council, and highly values the input, engagement, suggestions and considerations provided by the Employee Council in the interests of the bank. Active engagement was also maintained throughout the year with the Dutch Central Bank (DNB), the European Central Bank (ECB), the AFM,

STAK AAB and NLFI. The Supervisory Board's aim continued to be to ensure that the bank is well positioned to create long-term value for its shareholders and for society, while focusing firmly on clients' interests and balancing the interests of all stakeholders.

A description of the duties, responsibilities and current composition of the Supervisory Board, including its committees and other positions held by members of the Supervisory Board, is provided in the Supervisory Board section of this chapter. More information on remuneration is provided in the Remuneration report section of this chapter. These subjects are considered to be incorporated, by reference, in this Report of the Supervisory Board.

Supervisory Board Committees

Audit Committee

The Audit Committee is tasked with the direct supervision of all subjects relating to financial reporting and controlling. In doing so, it is responsible for supervising and advising the complete Supervisory Board on, matters as (i) the assessment of the principles of valuation and determination of results for the financial statements, (ii) internal control and financial reporting functions, (iii) internal and external audit, (iv) risk assessment of issues that could impact the financial reporting, (v) regulatory compliance in relation to financial reporting, (vi) mediation between internal or external auditors and/or management where needed, and (vii) reporting to the Supervisory Board.

As of 19 January 2021, the Audit Committee consisted of Tjalling Tiemstra (Chair), Michiel Lap, Jurgen Stegmann and Anna Storåkers. Since this date, Anna Storåkers replaced Tom de Swaan as a member of the Audit Committee. No meetings were held between 1 January 2021 and 19 January 2021. On 14 November 2021 Jurgen Stegmann resigned as Supervisory Board member and therefore as member of the Audit Committee. No replacement has been appointed during the remainder of 2021. The Audit Committee held six regular plenary meetings in 2021.

The attendance rate of the Committee's members is shown in the following table.

2021	Regular meetings (6)	Additional meetings (0)	Total meetings (6)	Attendance (%)
J.S.T. Tiemstra (Chair)	6		6	100%
M.P. Lap	6		6	100%
J.B.J. Stegmann ¹	6		6	100%
A.M. Storåkers	6		6	100%

¹ Resigned on 14 November 2021 after which no meetings were held.

In addition, Tom de Swaan and Mariken Tannemaat, in their capacity as Supervisory Board member, attended all plenary meetings of the Audit Committee in 2021, Arjen Dorland attended five plenary meetings in 2021 and Laetitia Griffith attended four plenary meetings in 2021 in order to keep abreast of the most important developments relating to the Committee's tasks. All regular plenary meetings of the Audit Committee were also attended by the CEO, the CFO (and CFO a.i.) and the CRO. The Director Group Audit, the Director Financial Accounting, the Director Corporate Controlling, the external auditor and the deputy Company Secretary also attended the full plenary meetings.

In March 2021 the Audit Committee took a decision, without holding a meeting, on evaluating the external auditor's performance for the purpose of the Annual General Meeting.

In addition to the plenary meetings, the Chair and other members of the Audit Committee regularly held separate meetings in 2021 with the Director Group Audit, the CFO, the CRO, the Director Financial Accounting and the Director Corporate Controlling, and others. The Chair of the Audit Committee met the external auditor bilaterally on several occasions in 2021, focusing on the progress of the external audit and other subjects relevant to the Committee's responsibilities. The Chair also met with the European Central Bank and the Dutch Central Bank on one occasion during the year. In addition, the Committee's members met managers of various departments so as to remain well informed on topics subject to the Committee's supervision. Directly after the first meeting in March 2021, at which the draft annual accounts were discussed, the Audit Committee met the external auditor bilaterally to seek confirmation that all relevant matters emerging from the audit had been brought to the Committee's attention. In addition, the level of cooperation between Ernst & Young Accountants LLP and management, the Audit Committee, the Supervisory Board and Group Audit was discussed.

The Audit Committee's discussions in the plenary meetings covered topics including the quarterly reports, the interim and annual accounts, the quarterly press releases, the 2020 Integrated Report and 2020 Annual Report of ABN AMRO and key audit matters reported by internal and external audit. In relation to the latter, the Audit Committee discussed all control observations and key audit matters of the internal and external auditors, including progress on improvements. Please refer to the Management Control Statement in the Risk, funding & capital chapter and the Audit Opinion of Ernst & Young Accountants LLP (see Other) for further details. The Audit Committee also discussed financial reporting, the overall internal control environment, the governance and internal controls of financial reporting, adherence to laws and regulations governing financial and regulatory reporting, regular reports on any signals from

clients or employees suggesting possible internal control issues and updates on tax and tax-related issues.

The Audit Committee extensively discussed the financial performance, with an increased focus on the impairments taken as a result of, among other things, the Covid-19 pandemic. In addition, the Audit Committee focussed on cost control also in the light of the continuous pressure on NII, mainly driven by lower margins and lower loan volumes. The lower loan volumes affected the gap to the TLTRO benchmark, which was touched upon on several occasions. The Audit Committee also monitored the effects of the measures taken by ABN AMRO to limit the negative impact of the pandemic on its clients. The Audit Committee continually paid attention to current and future operational results, also in view of the low interest rate environment. In addition, the Committee discussed the audit ratings of the bank's first and second line departments every quarter. During each meeting the Committee devoted attention to the procedures for financial reporting, including the procedure for establishing loan impairments, the timelines for establishing impairments, and the robustness and development of the financial results and ratios, including the level of loan impairments. The Committee also took note of financial reports issued to supervisory authorities, such as the COREP and FINREP reports. In addition, the Audit Committee considered the role, performance and reports from Group Audit, reports from the external auditor, management letters and the auditor's independence and fees. The Committee was also informed of, and discussed if needed, all relevant letters from the European Central Bank and the Dutch Central Bank. The Audit Committee closely monitored the financial and regulatory reporting improvement programmes in 2021 and was regularly updated on the progress of these programmes by the Executive Board, Group Audit and the external auditor.

In February 2021, in addition to the regular topics noted above, the Audit Committee advised the Supervisory Board to approve the annually updated auditor independence policy. Moreover, the Committee received the 2020 overview of whistleblowing cases and exchanged views on the letter from the VEB to audit firms focusing on the contribution expected of auditors at annual general meetings.

In March 2021, the Audit Committee reviewed and discussed the Integrated Report 2020, the Annual Report 2020, the related press release, the external auditor's report on the 2020 consolidated financial statements, the external auditor's report 2020 and the Management Control Statement. The Audit Committee requested management to revise the display of the remuneration tables in the Remuneration report of the Integrated Annual Report 2021. Moreover, management was asked to review the coherence of a number of reports for the Annual Report

2021, also in light of new regulations on ESG in 2021 and NFRD.

In May 2021, in addition to the regular agenda items, the Audit Committee discussed the 2021 Audit Plan of the external auditor as well as the Audit Plan of Group Audit for the second half of 2021.

In August 2021, the Audit Committee discussed and subsequently advised the Supervisory Board to approve the proposal to pay out the dividend of the financial year 2019 in light of the ECB's decision to not extend its recommendation that all banks limit dividends beyond September 2021.

In November 2021, apart from the recurrent agenda items, the Audit Committee advised the Supervisory Board to approve the Group Audit Plan 2022 and the annual review of the Group Audit Charter. The Committee was also informed of the most important developments in tax matters and related risks for ABN AMRO. Lastly, a presentation was provided to the Audit Committee on the risks of cyber security, and more general on information risks the bank runs.

Risk & Capital Committee

The Risk & Capital Committee (R&CC) is responsible for supervising, and advising the Supervisory Board on, such things as (i) risk management and risk control, (ii) the strategies for capital and liquidity management, (iii) the bank's risk appetite and risk strategy and reviewing the business activities in relation to these matters, (iv) compliance with applicable laws and regulations (including codes of conduct and internal procedures), (v) risk and compliance awareness within the bank, (vi) sound remuneration policies and practices in the light of risk, capital, liquidity and expected earnings, (vii) proposing corrective and/or disciplinary measures against members of the Executive Board in the event of a breach of applicable

laws and regulations, and (viii) periodic review of the bank's actual risk profile.

On 19 January 2021 Arjen Dorland and Tom de Swaan resigned as members of the R&CC as a result of the changed composition of the Supervisory Board Committees. No meetings were held between 1 January 2021 and 19 January 2021. Mariken Tannemaat was appointed as member of the R&CC as per 19 January 2021. As per this date the R&CC consisted of Jurgen Stegmann (Chair), Anna Storåkers, Mariken Tannemaat and Tjalling Tiemstra. On 14 November 2021 Jurgen Stegmann resigned as Chair and member of the R&CC. On 17 November Anna Storåkers was appointed as ad interim Chair of the R&CC. In addition Arjen Dorland, Laetitia Griffith, Michiel Lap and Tom de Swaan, in their capacity as Supervisory Board members, attended most of the meetings of the R&CC in 2021 in order to keep abreast of the most important developments relating to the Committee's tasks. All regular plenary meetings of the R&CC were also attended by the CEO, the CFO and the CRO of ABN AMRO. The Head Group Audit and the Head Compliance, the external auditor and the Company Secretary (or deputy Company Secretary) also attended the full plenary meetings. In addition, when deemed relevant and useful, individual staff members and responsible management were invited to present their case, respond to questions and participate in discussions.

The R&CC held eight plenary meetings in 2021, four of which were regular meetings and four of which were additional meetings. All matters discussed in the R&CC's plenary meeting that were relevant for the Supervisory Board were reported on orally at the subsequent meetings of the full Supervisory Board. The full Supervisory Board also received minutes of the R&CC meetings.

Attendance of the R&CC members at the Committee's meetings in 2021 was as follows:

2021	Regular meetings (4)	Additional meetings (4)	Total meetings (8)	Attendance (%)
J.B.J. Stegmann (Chair) ¹	4	4	8	100%
A.M. Storåkers ²	4	4	8	100%
M.L. Tannemaat	4	4	8	100%
J.S.T. Tiemstra	4	3	7	88%

¹ Resigned on 14 November 2021 after which no meetings were held.

² Ad interim Chair as from 17 November 2021.

Recurring items on the R&CC's agenda in 2021 were the Enterprise Risk Management (ERM) Report, including Covid-19 related progress reporting, the Capital & Funding Plan, the Credit Risk Report, Compliance and Legal Updates, regulatory correspondence with the ECB, DNB and AFM and the Risk Policy Approval Report, in which a quarterly overview is provided of changes to relevant risk

policies. Additionally, the CRO and CFO provided quarterly updates at the regular R&CC meetings on relevant developments in their respective areas of control.

The ERM Report provides a concise overview of ABN AMRO's position on all risk types identified in the risk taxonomy. It also aims to identify cross-risk type issues

and effects and to provide a single integrated view on the bank's risk profile, benchmarked against the bank's strategy and risk appetite. The ERM Report and all other regular and one-off reports were used by the R&CC to maintain oversight and advise the Executive Board on the operation and efficiency of the bank's operations versus its risk appetite, including the functioning of its internal Risk Management function. Amongst others, based on the ERM Report the R&CC extensively discussed Covid-19 related risks, interest rate risk, change risks, credit risks, operational risks, compliance risks, IT & security risks and there was increased attention for sustainability and climate risk, a trend of which it is expected to carry on in 2022. The quarterly update on Credit Risk led to a request from the R&CC for a deep dive on the CRE portfolio and the NPE percentage within Commercial Banking.

Every quarter the R&CC assessed the updated Capital & Funding Plans and was informed about the bank's current capital and funding positions. The R&CC discussed the bank's management of its capital and liquidity ratios, including the issuance plans for capital and funding and options for RWA steering. In all instances, the R&CC advised the Supervisory Board to approve the proposed Capital & Funding Plan. Additionally, the R&CC held an extra meeting to discuss the Capital Adequacy Statement and the Liquidity Adequacy Statement. Also, the TLTRO threshold as introduced by the ECB was discussed and monitored by the R&CC.

Based on the quarterly Compliance and Legal Reports, the R&CC discussed individual Legal, Tax and Compliance files, the performance of the Compliance function, Compliance policies & procedures and the impact of national and international laws and regulations. Examples of matters that were discussed related to the Duty of Care, SIRA, developments on spoofing and fraud, cum/cum-related legacy issues, the AML settlement and the agreement on a collective compensation agreement regarding variable interest. The R&CC had a continued focus on compliance related matters, and particularly on the duty of care, client due diligence, anti-money laundering and the countering of terrorism financing. The R&CC was updated on a quarterly basis on the activities of the Detecting Financial Crime unit. Besides, the R&CC zoomed in the progress of the remediation programs, the concept for 'ongoing due diligence' and the New Client Take On (NCTO) process.

The R&CC was informed of the bank's correspondence and development of the relationship with the Dutch Central Bank, the European Central Bank, the AFM and other relevant supervisory authorities in quarterly oversight reports prepared by Legal and Compliance.

The R&CC paid specific attention to the main impact of Covid-19 on the risk profile of the bank. Moreover, extra meetings were held to discuss the bank wide Risk Management Foundation Plan, which focuses on enhancement of the i) risk culture and the three lines of defence, ii) Credit Risk, iii) non-financial risks and iv) systems, data & analytics of the bank as a whole. Furthermore, the R&CC was updated on the progress of the C&IB non-core wind down and the implementation of the risk enhancement program of ABN AMRO Clearing Bank every quarter. Also, the impact of Covid-19 on the activities of ICS, the risk assessment on the remuneration incentives and the risk review of the pricing methodology were discussed.

More information on the risk, capital, liquidity and funding-related topics discussed in the R&CC is provided in the Risk, funding & capital chapter.

Remuneration Committee

The Remuneration Committee is responsible for supervising and advising the Supervisory Board on, among other things, (i) remuneration policies and their execution for members of the Executive Board, the Supervisory Board and selected members of senior management, and (ii) reporting on the execution of the bank's remuneration policies in a remuneration report.

On 19 January 2021 Anna Storåkers resigned as member of the Remuneration committee. Mariken Tannemaat was appointed as member of the Remuneration Committee as per 19 January 2021. No meetings were held between 1 January 2021 and 19 January 2021.

In 2021, the Remuneration Committee held five (5) regular meetings and three (3) additional meetings. Four (4) decisions were made without a meeting being held. The Company Secretary (or deputy Company Secretary) attended the meetings. In accordance with legislation, the Supervisory Board will continue in 2022 to ratify all decisions made by the Remuneration Committee either at a meeting or in writing without a meeting being held.

Attendance of the Remuneration Committee members at the Committee's meetings was as follows:

2021	Formal meetings (5)	Additional meetings (3)	Total meetings (8)	Attendance (%)
A.C. Dorland (Chair)	5	3	8	100%
L.J. Griffith	5	2	7	88%
T. de Swaan	5	3	8	100%
M.L. Tannemaat	5	3	8	100%

To accelerate the strategy and delivering the full potential of the bank to our clients in a simple and efficient manner, the organisational and management structure were reviewed. At its meetings, the Remuneration Committee discussed and provided advice to the Supervisory Board on the remuneration packages for the Chief Human Resources Officer, Chief Commercial Officer Wealth Management, Chief Commercial Officer Corporate Banking and Chief Commercial Officer Personal & Business Banking in view of the dissolution of the Executive Committee and adjusted set-up of the Executive Board as per 24 November 2021.

Prior to the above and in connection with the bank's strategy, the Remuneration Committee discussed the enhanced Diversity & Inclusion strategy comprising of, amongst others, bank-wide targets for gender and cultural diversity to create an inclusive work environment. Another important topic the Remuneration Committee discussed was a futureproof and sustainable implementation of equal pay that impacts several elements such as recruitment, succession planning, remuneration and promotion. The Remuneration Committee positively advised the Supervisory Board to approve the implementation of a new remuneration methodology that contributes to equal pay.

Other items on the Remuneration Committee's agenda included: strategic workforce management & reskilling to ensure that people are adaptable and stay fit for the future, the bank-wide Global Reward Policy 2022 which was adjusted due to changes in remuneration legislation,

progress on negotiations with the trade unions regarding the collective labour agreement and social plan that were due to expire on 1 January 2022 and the regular end-of-year topics being the 2020 performance management review and KPI setting for 2021.

Selection & Nomination Committee

The Selection & Nomination Committee is responsible for supervising, and advising the Supervisory Board on, among other things (i) the selection, appointments and reappointments regarding the Supervisory Board and the Executive Board, (ii) succession plans of the Supervisory Board and the Executive Board, (iii) the knowledge, skills, experience, performance, size, composition and profile of these boards, and (iv) the performance of the members of these boards.

In 2021, the Selection & Nomination Committee held five (5) regular meetings and seventeen (17) additional meetings. Three (3) decisions were made in writing without a meeting being held. The Company Secretary (or deputy Company Secretary) attended the meetings. In accordance with legislation, the Supervisory Board will continue in 2022 to ratify all decisions made by the Selection & Nomination Committee either at a meeting or in writing without a meeting being held.

Attendance of the Selection & Nomination Committee members at the Committee's meetings was as follows:

2021	Formal meetings (5)	Additional meetings (17)	Total meetings (22)	Attendance (%)
T. de Swaan (Chair)	5	16	21	95%
A.C. Dorland	5	16	21	95%
L.J. Griffith	5	17	22	100%
M.P. Lap	5	17	22	100%
A.M. Storåkers ¹	1		1	100%

¹ Committee member until 19 January 2021, before which 1 meeting was held.

The main topics that the Selection & Nomination Committee discussed and provided advice on to the Supervisory Board related to the successor for the Chief Financial Officer including the appointment of a Chief Financial Officer ad interim, the simplification of ABN AMRO's organisational and management structure

including the dissolution of the Executive Committee and the related appointments of four Executive Board members, being the Chief Human Resources Officer, the Chief Commercial Officer Wealth Management, the Chief Commercial Officer Corporate Banking and lastly the Chief Commercial Officer Personal & Business Banking.

The Selection & Nomination Committee also discussed and provided advice to the Supervisory Board on the envisaged reappointment of the Chair of the Supervisory Board, whose term of office is due to end in April 2022, the ad interim position of the Chief Commercial Officer Personal & Business Banking and on the temporary replacement for Rutger van Nouhuijs as CEO Corporate & Institutional Banking after his unexpected departure. Other subjects were ABN AMRO's Management Development Programme and Talent and Leadership.

Also, the Selection & Nomination Committee discussed the nomination for the appointment of a Supervisory Board member with the profile of Financial Expert as successor of Tjalling Tiemstra, whose term of office is due to end in April 2022, taking into account the diversity policy for management bodies and the rotation scheme and positively advised the Supervisory Board. The Selection & Nomination Committee furthermore positively advised the Supervisory Board on the appointment of the Vice-Chair of the Executive Board, on the appointment of the ad interim Chair of the Risk & Capital Committee following Jurgen Stegmann's departure for personal reasons, on the assessments of (members of) the Executive Board, Executive Committee and the Supervisory Board, and on the assessment of various ancillary positions of members of the Supervisory Board, Executive Board and Executive Committee.

Performance evaluation

The annual assessment of the Executive Board, the Executive Committee, the Supervisory Board and the Supervisory Board Committees regarding performance year 2020 was carried out in H1 2021. The functioning of the Executive Board and Executive Committee and its members and committees was assessed based on results assembled from questionnaires of all members of the Executive Board and Executive Committee and discussions during their meetings, which were evaluated by the Supervisory Board. The assessment of the Supervisory Board, and its individual members and committees was based on results assembled from questionnaires of all members of the Supervisory Board and discussions within the Supervisory Board. These assessments and evaluations were then used to identify areas of improvement to define an action plan. The permanent education program could be improved with more focus more on client centricity, digital capabilities, ESG and the fast moving landscape of legal, compliance and regulatory frameworks. Other areas of improvement included quality of meeting documents and prioritisation of topics in meetings, communication with regulators and the composition of the Executive Committee. These areas are currently being addressed.

The assessments of the Supervisory Board and Executive Board for the 2021 performance year will be carried out in 2022, with due observance of succession planning.

Induction Programme and Lifelong Learning Programme

Induction Programme

Following their appointment, all new members of the Supervisory Board, Executive Board and until 24 November 2021 the Executive Committee complete an extensive induction programme designed to ensure they have the relevant knowledge needed to fulfil their role, including thorough knowledge of ABN AMRO and its business activities, financial reporting of the group ABN AMRO belongs to and general financial, social, risk, compliance and legal matters. In view of the different knowledge, background and experience of newly appointed members of these boards, each induction programme has a tailor-made curriculum.

Lifelong Learning Programme

A lifelong learning programme is in place for members of the Supervisory Board, Executive Board and Executive Committee. This is designed to keep their expertise up-to-date and to broaden and deepen their knowledge, where necessary. The objective is for members of the Supervisory Board, Executive Board and Executive Committee to participate in the same training sessions so as to foster knowledge-sharing. The curriculum is developed and updated continually to ensure the programme is of high quality, covers developments related to regulatory requirements and takes into account current developments in the global financial industry. Topics covered in 2021 and attended by the Supervisory Board, together with the Executive Board and Executive Committee, included Financial Accounting - Sustainable Finance, Innovation, Responsible Investment & Financing combined with Corporate Governance and Environmental, Social & Governance (ESG) criteria, Regulatory Compliance and current developments in Legal & Compliance, Client integrity and Deepdive Policy Outsourcing.

Together with members of the senior management, the members of the Supervisory Board, Executive Board and Executive Committee participated as well in the Permanent Education programme of 2021 with the following topics: Diversity & Inclusion: Unconscious Bias and your role as a leader, Cybersecurity & operational resilience, The ABN AMRO Equity Story, Change: opportunity or risk – an inside perspective, Our core values and culture – our compass to successful execution of our bank wide strategy, Sustainable innovation in a world in transition, Economic and customer trends, Customer experience in combination with customer centric proposition, Good governance & prudent risk taking and Financial Crime – an integrated approach to our gatekeeper role.

All sessions of the Lifelong Learning Programme and Permanent Education Programme were offered online in accordance with the measures taken in relation to Covid-19.

General Meeting and shareholder structure





General meeting

The Annual General Meeting is held each year by 30 June at the latest. The agenda for the Annual General Meeting must contain certain subjects specified in ABN AMRO's Articles of Association and under Dutch law, for example the adoption of the annual financial statements. Shareholders or holders of depositary receipts who alone or jointly represent at least 3% of the issued share capital of ABN AMRO are allowed to add items to the agenda of the General Meeting, provided they submit a request for this (including reasons) to ABN AMRO at least 60 days prior to the General Meeting.

The Supervisory Board and the Executive Board are both entitled to convene a General Meeting. Shareholders or holders of depositary receipts issued with the cooperation of ABN AMRO may also convene a General Meeting, provided they represent at least 10% of the issued share capital. NLFI may also request the Executive Board or Supervisory Board to convene a General Meeting, as stated in the Relationship Agreement.

Extraordinary General Meetings may be convened if deemed necessary, for instance to resolve important decisions, such as major acquisitions and divestments or appointments of Executive Board or Supervisory Board members that cannot be deferred until the next Annual General Meeting.

ABN AMRO held two General Meetings in 2021: the Annual General Meeting on 21 April and an Extraordinary General Meeting on 24 November. Owing to the Covid-19 pandemic, both meetings were held fully virtually (in accordance with the temporary law regarding Covid-19), rather than allowing holders of shares and depositary receipts to attend in person. Shareholders and depositary receipt holders were able to ask questions about items on the agenda before and during each meeting.

The agenda of the Annual General Meeting on 21 April 2021 included:

- ▶ the adoption of the 2020 annual financial statements;
- ▶ the remuneration report;
- ▶ the reservation and dividend policy;
- ▶ the report on the functioning of the external auditor and the reappointment of Ernst & Young Accountants LLP as external auditor for the financial years 2022 and 2023;
- ▶ the re-appointment of Tanja Cuppen (CRO) and Christian Bornfeld (CI&TO) as members of the Executive Board;
- ▶ the introduction of Lars Kramer as a proposed member of the Executive Board (CFO);

- ▶ the authorisation for the Executive Board to (a) issue shares and/or grant rights to subscribe for shares, (b) limit or exclude pre-emptive rights, and (c) acquire shares or depositary receipts for shares in ABN AMRO's own capital for a period of 18 months from the date of the General Meeting, subject to the approval of the Supervisory Board and provided the total number of shares or depositary receipts held by ABN AMRO is limited to 10% of the issued share capital of ABN AMRO; and
- ▶ the cancellation of shares and depositary receipts for shares in ABN AMRO's own capital held by ABN AMRO, and the related reduction of the authorised capital (excluding, for the avoidance of doubt, ordinary shares B).

On 19 April 2021, ABN AMRO announced that it had accepted a settlement offer from the Netherlands Public Prosecution Service relating to the previously announced AML investigation. Due to the short timeframe between the announcement of the settlement and the Annual General Meeting, this matter could not be taken into account by all shareholders and depositary receipt holders when voting at the Annual General Meeting as most of them had already issued their voting instructions ahead of the meeting. ABN AMRO therefore decided to withdraw the agenda item relating to the discharge of the Executive Board members and Supervisory Board members for 2020 at the Annual General Meeting of 2021.

The agenda of the Extraordinary General Meeting on 24 November 2021 included:

- ▶ changes to the corporate governance structure;
- ▶ the introduction of Dan Dorner as a proposed member of the Executive Board (CCO Corporate Banking);
- ▶ the introduction of Choy van der Hooft-Cheong as a proposed member of the Executive Board (CCO Wealth Management);
- ▶ the introduction of Gerard Penning as a proposed member of the Executive Board (CHRO).

Shareholder structure

At 31 December 2021, all shares in the capital of ABN AMRO were held by two foundations: Stichting Administratiekantoor beheer financiele instellingen (NLFI) and Stichting Administratiekantoor Continuïteit ABN AMRO Bank (STAK AAB). On that date, NLFI held 56.3% in the share capital of ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts for shares in the capital of ABN AMRO. On that date, STAK AAB held 50.1% of the shares in the issued capital of ABN AMRO. Only STAK AAB's depositary receipts have been issued with the cooperation of ABN AMRO and are traded on Euronext Amsterdam.

NLFI

The Dutch State holds an interest in ABN AMRO through NLFI. NLFI was set up to avoid potential conflicting responsibilities that the Dutch Minister of Finance might otherwise face and to avoid undesired political influence being exerted. NLFI holds 56.3% in ABN AMRO, of which 49.9% is directly held via ordinary shares and 6.4% is indirectly held via depositary receipts for shares in ABN AMRO issued by STAK AAB. NLFI is responsible for managing these shares and depositary receipts and for exercising all rights associated with these shares under Dutch law, including voting rights.

NLFI acts as a stand-alone shareholder that is independent of the Dutch State, including the Dutch Ministry of Finance. However, important decisions taken by NLFI require prior approval by the Dutch Minister of Finance, who can also give binding voting instructions to NLFI with respect to such decisions. NLFI is not permitted to dispose of or encumber the ordinary shares in the capital of ABN AMRO without the authorisation of the Dutch Minister of Finance.

NLFI entered into a Relationship Agreement with ABN AMRO governing their relationship after the initial public offering (IPO). The full text of the Relationship Agreement is available on abnamro.com. The Relationship Agreement will terminate if and when NLFI (directly or indirectly) holds less than 10% of ABN AMRO's issued share capital. A limited number of clauses will not terminate under any circumstances.

The Relationship Agreement includes the following provisions, subject to certain conditions stated in the agreement:

- ▶ NLFI's right to be consulted by (a) the Supervisory Board on the appointment or reappointment of (i) members of the Executive Board and (ii) the Chair of the Executive Board or the Supervisory Board, and (b) the Executive Board on a proposal for the appointment of the external auditor;
- ▶ NLFI's right of prior approval of any issuance of (or granting of rights to acquire) shares in ABN AMRO for as long as NLFI holds at least 33 1/3% of the shares in ABN AMRO;
- ▶ NLFI's right of prior approval of (a) for as long as NLFI holds more than 50% of the shares in ABN AMRO: any investments or divestments by ABN AMRO or any of its subsidiaries with a value of more than 5% of the equity of ABN AMRO and (b) for as long as NLFI holds 50% or less but 33 1/3% or more of the shares in ABN AMRO: any investment or divestments by ABN AMRO or any of its subsidiaries with a value of more than 10% of the equity of ABN AMRO;
- ▶ NLFI's obligation to effect sell-downs of ABN AMRO shares through STAK AAB;

- ▶ certain orderly market arrangements; and
- ▶ certain information rights for NLFI as long as it holds at least 33 1/3% of the shares in ABN AMRO.

STAK AAB

STAK AAB is a trust office independent of ABN AMRO and the holder of a majority of the shares in ABN AMRO's issued share capital. STAK AAB acquired such shares for the purpose of administration (*ten titel van beheer*) in exchange for depositary receipts. The manner in which this structure can serve as a defence measure and STAK AAB's role in this is set out in this section under Anti-takeover measures.

In addition to serving as a defence measure, STAK AAB aims to promote the exchange of information between ABN AMRO on the one hand and holders of depositary receipts and shareholders on the other hand. It also promotes the acquisition of voting instructions from depositary receipt holders, for example by organising a meeting of depositary receipt holders prior to ABN AMRO's General Meetings. STAK AAB reports on its activities at least once a year in its annual report. In addition, further sell-downs of NLFI's shareholding in ABN AMRO will take place through STAK AAB (and in the form of depositary receipts) only.

By virtue of its trust conditions, STAK AAB must ensure that, no later than two weeks before a General Meeting of ABN AMRO is held, a meeting of depositary receipt holders is held at which the agenda items of that General Meeting are discussed. Accordingly, STAK AAB held meetings of depositary receipt holders before the Annual and Extraordinary General Meetings of ABN AMRO on 6 April 2021 and 9 November 2021 respectively.

The STAK AAB website (stakaab.org) provides more information on the activities of STAK AAB, STAK AAB's objectives, as well as its annual report, articles of association, trust conditions and any information relating to meetings of depositary receipt holders.

ABN AMRO and STAK AAB held two periodic meetings in 2021. The items discussed included the published financial results, the long-term strategy of ABN AMRO and the intended governance in the event of hostile bids and shareholder activism.

Anti-takeover measures

The Netherlands has traditionally embraced the use of defence measures to ensure long-term value creation for stakeholders. In large part, these measures involve the use of a Dutch foundation (*stichting*) that is granted special rights intended to prevent an unsolicited takeover or other hostile activity. This also applies to ABN AMRO. ABN AMRO has implemented a structure whereby the Dutch foundation



(stichting) STAK AAB is holder of shares in ABN AMRO's issued share capital and has issued depositary receipts representing such shares with the cooperation of ABN AMRO. The purpose of having a structure under which depositary receipts are created and STAK AAB is the legal owner of the underlying shares is to create a defence measure and ensure long-term value creation for stakeholders.

STAK AAB will do everything in its power to deter any action that could affect the independence, continuity or identity of ABN AMRO. In a non-hostile situation, STAK AAB will act primarily in the interests of depositary receipt holders. In a hostile situation, STAK AAB will act primarily in the interests of ABN AMRO and its business enterprises. Under all circumstances, STAK AAB will also take into account the legitimate interests of all other stakeholders: clients, debt investors, shareholders, depositary receipt holders, employees, and the society in which ABN AMRO operates.

In a non-hostile situation, STAK AAB will grant a power of attorney to the depositary receipt holders to exercise the voting rights attached to the underlying shares. STAK AAB will not exercise voting rights on the shares, unless holders of depositary receipts have requested it to do so. This may be different under hostile circumstances as described in Section 2:118a of the Dutch Civil Code. In this case, STAK AAB may refuse or revoke powers of attorney for up to two years (whereby NLFI must pre-approve this decision by STAK AAB as long as NLFI holds at least 33 1/3% of the shares in ABN AMRO) and STAK AAB itself will exercise the voting rights. In doing so, it should, pursuant to the trust conditions and the articles of association of STAK AAB, focus primarily on ABN AMRO's interests, taking into account the legitimate interests of the stakeholders mentioned above.

Employee Council

ABN AMRO's employees are represented by works councils (*ondernemingsraden*) at all levels of its group in which specifically appointed delegates are centralised in the overarching Employee Council (*Raad van Medewerkers*). Under Dutch law, the managing board of any company running an enterprise in which a works council has been established must seek the non-binding advice of the works council before taking certain decisions with respect to the enterprise, such as those related to a major restructuring, a change of control, or the appointment or dismissal of a member of the managing board. Certain other decisions directly involving employment matters that apply either to all employees or certain groups of employees may only be taken with the works council's consent.

The Employee Council deals primarily with topics that affect all parts of the group's organisation and meets regularly with members of the Executive Board and Supervisory Board on various other occasions throughout the year, including an annual joint meeting of the Executive Committee, the Supervisory Board and the Employee Council. The Employee Council and ABN AMRO have entered into an agreement under which the Employee Council has been granted certain additional rights (the Works Council Covenant). Under the Works Council Covenant, the Employee Council has the right of inquiry (*enquêterecht*) within the meaning of Section 2:346 of the Dutch Civil Code in the event of a hostile situation. The Works Council Covenant defines the following situations as hostile: (i) a public offer has been announced or is made in respect of shares in the capital of ABN AMRO (or in respect of depositary receipts representing such shares) or there is a justified expectation that this will take place, without agreement first having been reached between the bidder and ABN AMRO, (ii) the exercise of the voting rights by a depositary receipt holder or shareholder would effectively be in conflict with the interests of ABN AMRO and its business, or (iii) any other situation in which the independence, continuity or identity of ABN AMRO and the enterprises associated with ABN AMRO could be harmed. Other situations can be qualified as hostile in an agreement between the Employee Council and ABN AMRO. Furthermore, if NLFI requests the consent, cooperation and/or a position statement of ABN AMRO in the event of a subsequent placement or a private sale of shares or depositary receipts, ABN AMRO will request advice from the Employee Council within the meaning of Articles 25 and 26 of the Works Councils Act (*Wet op de ondernemingsraden*).

Remuneration report



Letter from the Chair of the Remuneration Committee

Dear shareholder,

We hereby present our remuneration report for the year 2021. In this letter, I would like to reflect briefly on some key topics and considerations for the Remuneration Committee in the past year.

In 2021, we made progress in executing our strategy to be a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe. ABN AMRO aims to pursue a responsible remuneration policy within the regulatory boundaries and considering the interests of our stakeholders. As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. Our remuneration policy should enable us to attract and retain the right talent and ensure that we meet our responsibilities to clients and other stakeholders, both now and in the future. We need well-trained, engaged and entrepreneurial employees with the right expertise, as well as flawless processes and technologies. We need to enable our employees to develop new skills by investing in employee development. We also need to be able to continue to create value for our stakeholders and society at large. We strive to embed new remuneration regulations effectively and efficiently in our reward policies and principles.

Strategy execution

As part of the simplification of our organisational structure, and to better serve our clients, the Executive Committee was changed into an extended Executive Board. We welcomed Choy van der Hooft-Cheong (CCO Wealth Management), Dan Dorner (CCO Corporate Banking) and Gerard Penning (Chief Human Resources Officer) as members of the Executive Board from 24 November 2021. We also announced Annerie Vreugdenhil as a candidate for the position of CCO Personal & Business Banking, for which regulatory approval has been obtained. The Executive Committee ceased to exist from the same date. The former Executive Committee members Daphne de Kluis and Rutger van Nouhuijs resigned in 2021, and the employment contracts of Pieter van Mierlo and Frans van der Horst are due to end during 2022. In early 2022, Christian Bornfeld resigned as at 1 May 2022. In Q4 2021, as part of the implementation of the new structure, a reorganisation was conducted at the level of the Extended Leadership Team (i.e. all direct reports to the Executive Board with managerial responsibility). All members of the Extended Leadership Team were appointed with effect from 1 January 2022.

Executive Board Remuneration Policy

In 2022, with the new Executive Board members and the Extended Leadership Team having been installed, the focus will continue to be on strategy execution, also in the organisational layers below the Extended Leadership Team. In 2022, we will initiate internal and external stakeholder engagements on a proposal for adjusting our Executive Board Remuneration Policy, and more specifically the performance KPIs for Executive Board members, in order to achieve more alignment with our strategy and expected legislation.

Negotiations of Collective Labour Agreement ('CLA')

In the Netherlands, our Collective Labour Agreements (comprising the CLA employment conditions and the Social Plan) are applicable to the vast majority of the employees. The CLA employment conditions and the Social Plan both reached the end of their term on 1 January 2022. Following extensive negotiations with the unions, agreement was reached on CLA employment conditions for the period from 1 January 2022 to 1 July 2022, with a specific focus on arrangements for hybrid working, wellbeing and employability. The transportation arrangements were also updated to take into account hybrid working and our sustainability strategy. The Social Plan, which is a separate CLA, has been extended for a period of three years

Settlement agreed with the Netherlands Public Prosecution Service (NPPS) April 2021

On 19 April 2021, it was announced that ABN AMRO had accepted a settlement offer from the NPPS relating to the previously announced investigation into the bank's AML activities in the Netherlands over the period 2014-2020. As part of this settlement, we paid a fine of EUR 300 million and EUR 180 million as a disgorgement. ABN AMRO deeply regrets the situation and recognises the seriousness of the matter, in which we fell short in fulfilling our role as a gatekeeper seeking to combat money laundering. The settlement was taken into account when deciding on the award of variable remuneration for 2021, as described in the report below.

Diversity & equal pay

We aim to provide a working environment where everyone can be themselves and feel safe, regardless of their race, ethnicity, gender, religion, age, disability, sexual orientation, gender identity or gender expression. In 2021, we were given the first ever Diamond Award for cultural diversity by the 'Talent to the Top Foundation'. This award recognises our broad-ranging efforts to promote diversity, including our programmes that support employees with different cultural backgrounds and offer jobs to refugees with residence permits. In 2022 we will introduce a pilot in which employees can swap two public holidays for two days off that are of significance to their religious or philosophical beliefs.

Equal pay for equal work is an important principle within ABN AMRO and progress in equal pay is continuously monitored. During the past few years, ABN AMRO has achieved good results on equal pay within the CLA population in the Netherlands. In 2021, preparations were made to adjust the remuneration methodology for the Dutch CLA+ employees (i.e. employees appointed at a job level that exceeds the CLA job levels) and to improve arrangements ensuring equal pay for equal work or work of equal value. These changes were implemented with effect from 1 January 2022.

Aside from paying equally for equal work or work of equal value, good progress has been achieved on diversity in appointments within our Dutch CLA+ population. The gender diversity of the Extended Leadership Team increased from 44% to 47% female employees as at 1 January 2022 as a result of the reorganisation at the level of the Extended Leadership Team. The Executive Board consisted of 33.33% female members until 24 November 2021. From that date, the Executive Board consisted of 28% female members and will increase to 37.5% female members upon appointment of Annerie Vreugdenhil. For most of 2021, the Supervisory Board consisted of 43% female members. The current composition of the Supervisory Board complies with the Act on Gender Balance in Management and Supervisory Boards (*Wet*

Evenwichtiger verhouding tussen mannen en vrouwen in bestuur en raden van commissarissen), which came into force on 1 January 2022.

As Covid-19 continues to affect the way we live and work, I would like to thank our staff for their ceaseless dedication to our clients. I am pleased to report that our employee engagement remains high at 82%. This was after another challenging year, in which our employees were once again challenged to combine their work and private lives. I appreciate how challenging it can be to keep doing your job well in these circumstances. Although we continuously strive to support our colleagues in these difficult circumstances, we also realise that this period has demanded a lot from our employees. I would therefore like to thank all our employees most sincerely for their continuous efforts. Please allow me to emphasise how important it is to continue taking good care of yourselves and each other.

On behalf of the Remuneration Committee of the Supervisory Board,

Arjen Dorland

Chair of the Remuneration Committee



Remuneration principles and policies

General

The only way to successfully execute our strategy is to create conditions in which all our employees can use their talents to contribute to our goals and to develop or acquire the right skills. We strive to achieve a future-proof workforce, with an excellent employee experience and leadership that inspires, alongside efficient organisational structures, processes and IT systems that help our employees work more effectively.

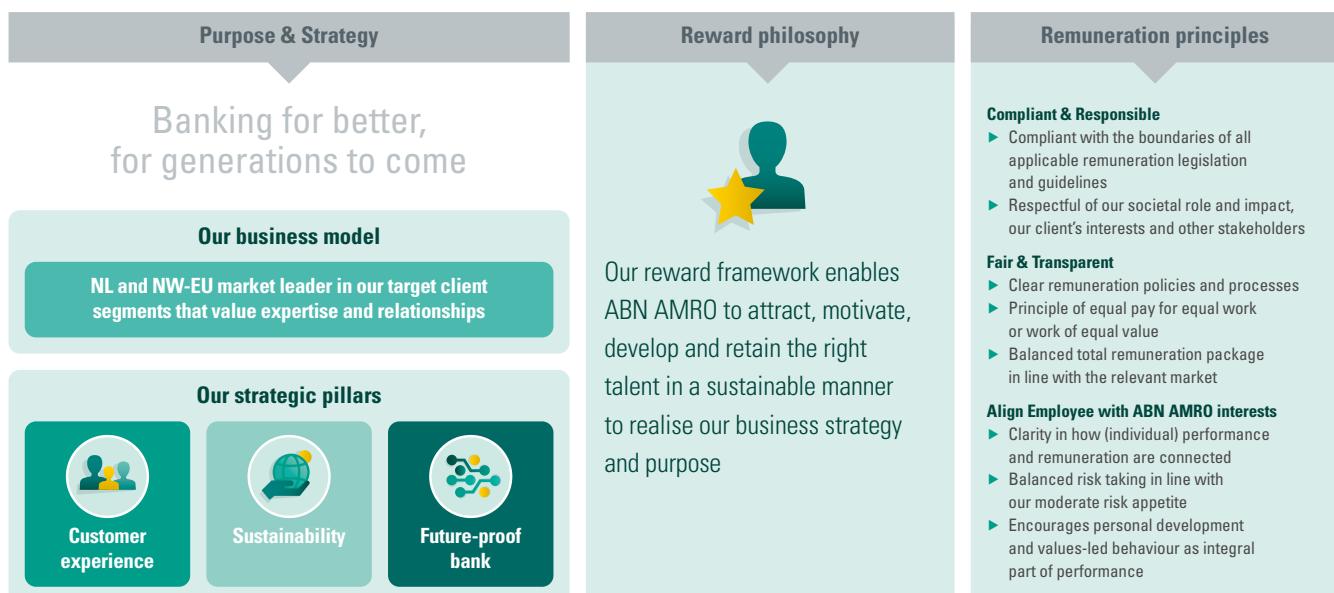
ABN AMRO aims to be a bank at the heart of society that is relevant and responsible, now and in the future. Our

purpose is clearly defined as 'Banking for better, for generations to come'. Our strategy is based on our purpose and the three strategic pillars:

- ▶ Customer experience;
- ▶ Sustainability;
- ▶ Future-proof bank.

We want to create value for society, not only as a provider of financial services to our clients but also as an employer. Since ABN AMRO also publishes this Remuneration report separately from the Integrated Annual Report, we refer to the Strategy, value creation & performance chapter of the Integrated Annual Report for further context.

Remuneration principles



ABN AMRO has embedded its long-term corporate strategy in its remuneration policy and principles. Our remuneration principles are set out in ABN AMRO's Global Reward Policy, which is designed to support the bank's business and risk strategy, objectives, values and long-term interests.

ABN AMRO's Global Reward Policy and remuneration principles apply to all of our employees at all levels and in all countries of ABN AMRO's international network (including branch offices) and underscore our goal of nurturing a culture of engaged, well-trained, knowledgeable and high-performing people and processes.

The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy. The policy is reviewed regularly, taking into consideration the company's strategy and culture (and any changes in these), as well as factors such as risk awareness, targets, corporate values and any updates due to laws and regulations.

Composition of remuneration packages

A typical remuneration package for ABN AMRO employees consists of an annual base salary, annual variable remuneration (if the relevant market practice so requires, mainly outside the Netherlands) and fringe benefits. Different ranges apply to the various salary scales in each country, but we always position our remuneration levels around the median of the relevant labour market, while keeping labour costs under control.

ABN AMRO's collective labour agreement (CLA) governs the remuneration packages for employees based in the Netherlands (including Identified Staff), unless they have been appointed to a CLA+ position.

Limitations on variable remuneration

As a financial institution, ABN AMRO is subject to many guidelines and restrictions with respect to remuneration. Since 2015, additional limitations with respect to remuneration and particularly variable remuneration have applied to the Dutch financial sector, impacting all staff of ABN AMRO, with even more restrictions applying to financial institutions of which shares are held by the Dutch State. In alignment with the Act on the Remuneration Policy for Financial Undertakings (Wbfo), the variable compensation is capped at (an average of) 20% of base salary for those employed in the Netherlands.

The maximum variable compensation percentage for employees working outside the Netherlands in another European Economic Area ('EEA') state is 100%; for employees working outside the EEA, more than 100% is allowed, with a maximum of 200% and subject to shareholder approval. As ABN AMRO has not requested shareholder approval to increase the maximum variable compensation percentage to 200%, a cap of 100% applies outside the Netherlands.

Bonus prohibition

As long as the Dutch State holds any interest in ABN AMRO, ABN AMRO is required to apply the bonus prohibition to a specific group of senior employees, as defined in the Wbfo. Senior employees in scope of the bonus prohibition are not allowed to be granted any variable remuneration or individual salary increases until the Dutch State no longer holds an interest in ABN AMRO ('Bonus Prohibition').

Remuneration details of Identified Staff

Staff whose professional activities could have a material impact on the bank's risk profile are defined as Identified Staff. Within ABN AMRO, the group of Identified Staff consists of:

- ▶ Members of the Executive Board or Supervisory Board;
- ▶ Members of the Executive Committee, not being a member of the Executive Board (until 24 November 2021);
- ▶ Members who hold a position at CLA+ level (including staff responsible for independent control functions);
- ▶ Other risk takers. The definition of the group of other risk takers follows from their impact on the economic capital of ABN AMRO (EC threshold), membership of certain risk committees, having credit authority above a certain threshold or fulfilling specific roles;
- ▶ Other employees whose total remuneration exceeds specific thresholds.

All variable remuneration awards for Identified Staff are subject to and structured in accordance with the applicable Variable Compensation Plan.

Before any variable remuneration is granted to Identified Staff, ABN AMRO applies an ex-ante risk assessment consisting of collective quantitative risk adjustment mechanisms (such as the solvency check) and a qualitative individual check (the gatekeeper). The gatekeeper procedure is part of the performance management framework and provides for an assessment of each individual Identified Staff member by the control functions (Risk, Compliance and Audit) on the basis of several behavioural elements. This assessment results in an advice to the Executive Board, which ultimately decides on whether variable compensation can indeed be granted to the Identified Staff member concerned. The Executive Board's decision must be formally approved by the Supervisory Board, based on the advice of the Remuneration Committee.

The variable remuneration is awarded over time and split between an up-front portion (60%) and a deferred portion (40%), with all portions divided equally between a cash and a non-cash instrument. Up-front variable remuneration is awarded in the first quarter of the year following the relevant performance year, while deferred variable remuneration vests in equal instalments in the years following the first payment. This remuneration vests only after an explicit ex-post risk assessment: the 'malus assessment'. This assessment is performed by the Control functions and also results in an advice to the Executive Board, which decides whether a malus is applicable. The Executive Board's decision must be formally approved by the Supervisory Board, based on the advice of the Remuneration Committee.

Equal pay

ABN AMRO aims to create an environment where staff can express their identity and where equal work or work of equal value is rewarded equally. Through its diversity and inclusion policy, ABN AMRO aims to be an organisation where people feel safe and welcome. Rewarding equal work equally is of fundamental importance and has ABN AMRO's full attention.

Internal research shows that, for several years in a row, and within the CLA population in the Netherlands, men and women in the same salary scale have – on average – been paid equally and have had the same opportunities for promotion. In the case of the CLA+ positions, however, salary differences between men and women have been identified. In 2021, therefore, a new equal pay methodology was prepared, and then implemented with effect from 1 January 2022. As preparation for this new methodology, the job grades in the CLA+ positions have been (or will shortly be) regraded and the midpoints of the salary scales have been benchmarked against the market. Going forward, discretionary salary increases are being replaced by pre-set salary increases linked to the position in the salary scale in

combination with the individual performance score, in line with market practice for these job grades.

Performance management and KPI-setting General

In line with the general trend toward less hierarchy and more teamwork, ABN AMRO wants to subject employees to fewer controls, empower them more, and offer them tools that will keep them well-equipped for their job and help them deal with the ever-changing environment. We are striving to make our staff's work more meaningful, while at the same time ensuring their duties are aligned with all the bank's current and future priorities. Our performance management aims to support our employees' ambitions, to build expertise and knowledge and to seek alignment with our goals (including reskilling and upskilling), thus creating long-term value for all our stakeholders. We aim to use Performance Management as a driving force for a culture of performance and accountability, characterised by clear expectations, single-point accountability, honest and courageous dialogues and recognition for outstanding performance.

Our performance management aims to create a clear link between performance (realistic, sustainable results) and reward in such a way that reward is aligned with both the employee's and the bank's performance. KPIs used are financial and non-financial, as well as qualitative and quantitative.

Identified Staff

For Identified Staff (CLA and CLA+) a specific KPI framework applies, linked to the strategy of ABN AMRO and approved by the Executive Board and Supervisory Board. For 2021, the group non-financial KPIs consisted of sustainability assets, while the group financial KPI was the CET1 ratio. The business line non-financial KPIs were gender diversity in the sub-top, net growth in strategic segments and rNPS, while the business line financial KPIs were cost level and segment ROE. At an individual level, objectives were set for results, behaviour and development. In the final performance scores, conveying the desired compliance and risk culture is taken into account at a business line and individual level.

Executive Board

The annual KPI framework is approved by the Supervisory Board. The performance criteria for Executive Board members are based on financial and non-financial measures at an organisation, business line and individual level, as set out in the Executive Board Remuneration Policy. The performance criteria and targets set reflect and contribute to key elements of the strategy of ABN AMRO and long-term value creation, especially Sustainability and House in Order. Annual targets are set for all KPIs. The performance of Executive Board members against

these KPIs is continually monitored by the Supervisory Board. In consultation with all relevant departments within ABN AMRO, the Supervisory Board assesses Executive Board members' performance against the KPIs and targets set.

Regulatory developments and business events 2021 Collective Labour Agreements

ABN AMRO's Dutch collective labour agreement applied until 1 January 2022. Negotiations on the collective labour agreement to apply from 1 January 2022 started during 2021. On 26 November 2021, a new CLA was agreed upon for the period from 1 January to 1 July 2022.

Retention related to wind-down of non-European Corporate & Institutional Banking activities

As announced on 12 August 2020, all non-European CIB client activities (except for Clearing) are currently being wound down. To mitigate the risk of staff leaving, and to ensure a compliant, controlled and client-focused wind-down, retention packages were awarded in 2020 to non-European CIB employees. The first payment of these retention awards was included in the remuneration report of 2020. The second payment of the retention awards, if applicable, was made in 2021 and is included in the remuneration report for the year.

Settlement agreed with the Netherlands Public Prosecution Service April 2021

On 19 April 2021, ABN AMRO published details of its settlement with the NPPS. The fine and disgorgement pertaining to this settlement were explicitly considered when the award of variable remuneration for 2021 was being determined.

Relevant regulatory developments

The EBA Guidelines on Sound Remuneration Policies, applying from 31 December 2021, were published on 2 July 2021. The revised guidelines require institutions, *inter alia*, to apply sound and gender-neutral remuneration policies to all staff and to incorporate changes introduced by CRD V (which entered into force on 28 December 2020).

On 21 April 2021, the European Commission also published its Implementing Regulation (EU) 2021/637. This requires institutions, from 28 June 2021, to disclose the information regarding their remuneration policy and practices required by Article 450 of Regulation (EU) No 575/2013 (*i.e.* Pillar 3 disclosure).

On 19 October 2021, the Restrained Remuneration Policy Decree (Financial Supervision Act) 2021 (*Regeling beheerst beloningsbeleid Wft 2021*) replaced the Restrained Remuneration Policy Decree (Financial Supervision Act) 2017 (*Regeling beheerst beloningsbeleid Wft 2017*). This followed the entry into force of EU Directive 2019/2034

of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms, which applies solely to investment firms.

On 27 October 2021, the European Commission adopted a review of EU banking rules. The new rules – comprising the Banking Package 2021, including proposed changes to the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) – will ensure that EU banks become more resilient to potential future economic shocks, while also contributing to Europe's recovery from the Covid-19 pandemic and the transition to climate neutrality. The proposed amendments in the CRD relate, inter alia, to gender-neutral remuneration policies and the responsibilities of the Remuneration Committee in relation to senior staff in internal control functions.

The Dutch Corporate Governance Code Monitoring Committee has provided further guidance on how to include information regarding the pay ratio in the remuneration report, starting from the financial year beginning on or after 1 January 2021.

On 14 June 2021, the Regulatory Technical Standards for Identified Staff 2021 replaced the Regulatory Technical Standards for Identified Staff 2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council, with regard to regulatory technical standards. These standards set out the criteria for defining managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and set out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.

In the ex ante risk assessment in 2021, the impact of the award of variable remuneration on the total capital position of ABN AMRO was taken into account, as requested by the ECB in its letter dated 15 December 2020.

The Sustainable Finance Disclosure Regulation (SFDR) came into force on 10 March 2021. This focuses on the need for the remuneration policy applicable to staff, especially those involved in ABN AMRO's investment products and services, to be consistent with the integration of sustainability risks. ABN AMRO is currently implementing this by taking a sustainability KPI into account when awarding variable remuneration.

Forecast 2022

Legislation expected in 2022

Environmental, social and governance (ESG) issues remain highly important for credit institutions. The ESG-related regulations, guidelines and other publications (such as the

Taxonomy Regulation, SFDR, NFRD, CRD V, CRR II, EBA guidelines and reports, ECB guidance and reports and the European Commission's proposals and delegated acts) include ESG disclosure requirements applying, inter alia, to remuneration policies. Some of those requirements entered into force in 2020 and during 2021, while others apply from 2022 onwards or even later. Proposals on new legislation in the Netherlands are also pending, but it is still unclear whether and when any amendments will take effect (*Nadere beloningsregels financiële sector*).

On 21 January 2022, the EBA launched two consultations for updating (i) its Guidelines on the remuneration benchmarking exercise, and (ii) its Guidelines for collecting data on high earners.

The above list of legislation and regulations is a non-exhaustive summary. Reference is also made to the Regulatory developments section in the Introduction chapter of the Integrated Annual Report 2021. If needed, ABN AMRO will adjust its remuneration policies to ensure compliance with applicable legislation and regulations. Shareholders' approval will also be requested, when required.

Executive Board Remuneration Policy

In 2022, we will initiate internal and external stakeholder engagements on a proposal for adjusting our Executive Board Remuneration Policy, and more specifically the performance KPIs for Executive Board members, in order to achieve more alignment with our strategy and expected legislation on sustainability.

Remuneration for all staff and Identified Staff

Remuneration for all staff

In general, the remuneration packages for all staff are structured in accordance with regulations and restrictions applying to the financial sector. A remuneration package for all staff may consist of the following components (depending on local market practice):

- ▶ Fixed salary;
- ▶ Variable remuneration;
- ▶ Pension contribution;
- ▶ Benefits and other entitlements.

For all staff based outside the Netherlands, ABN AMRO takes into account relevant business dynamics (e.g. market conditions, and local labour and tax legislation) when deciding on the composition of remuneration packages.

Gender pay gap

The gender pay gap is the difference in average gross salaries between men and women. ABN AMRO calculates the overall gender pay gap, as well as the gender pay gap corrected per salary scale, for its employees in the Netherlands. The gender pay gap corrected per salary scale



represents the average gross salary differences between men and women in the same salary scale. For ABN AMRO employees in the Netherlands, the gender pay gap corrected per salary scale amounts to 0.27% in favour of men. The overall gender pay gap (uncorrected per salary scale) in 2021 amounted to 14.7%. The overall gender pay gap is mainly caused by more men than women holding positions in the higher job grades. ABN AMRO will continue focusing on increasing gender diversity in the higher job levels so as to reduce the overall gender pay gap. The increased diversity in the appointments at ELT level is an example of this.

Remuneration details of Identified Staff

Variable remuneration awarded to Identified Staff is awarded in line with the terms and conditions of the Variable Compensation Plan, which imposes restrictions on variable remuneration. The variable remuneration is split into an upfront award of 60% and a deferred award of 40%. Deferred variable remuneration in the current Variable Remuneration Plan (applicable from December 2020) vests in equal instalments in the four years after the first payment. The instrument underlying the non-cash award consists of performance certificates. The value of the performance certificates depends on the share price of ABN AMRO and hence fluctuates in line with the market. The value of the performance certificates will be paid out in cash. A one-year retention period applies to the non-cash award.

Variable remuneration awards related to the performance years 2016 to November 2020 (inclusive) vest in equal instalments in the three years after the first payment. The instrument underlying the non-cash award consists of Depositary Receipts (DRs). The value of the DRs depends on the development of the share price of ABN AMRO and can be paid out in cash or by releasing the original number of DRs to the employee. A two-year retention period applies to the non-cash award. Variable remuneration awards with respect to the performance years up to and including 2015 consisted of performance certificates as a non-cash instrument. The value of these performance certificates fluctuated in line with the net asset value of ABN AMRO. The final deferred pay-out of the value of performance certificates was made in March 2021.

Malus assessment in 2021

The malus assessment is conducted by the Executive Board and Supervisory Board upon analysis and advice of the control functions Risk, Compliance and Audit, and also based on input from all other relevant ABN AMRO departments, including HR and Finance. The malus assessment includes determining whether any new information is available that prevents the vesting of deferred variable remuneration, such as:

- ▶ evidence of misconduct or serious error by the staff member (e.g. breach of a code of conduct or other internal rules, especially concerning risks);
- ▶ a significant downturn in the financial performance of the institution or business unit (based on specific indicators);
- ▶ a significant failure of risk management in the institution or business unit in which the Identified Staff member works;
- ▶ significant changes in the institution's economic or regulatory capital base.

In addition, the Supervisory Board has the discretionary power to reduce any variable remuneration to a suitable amount if, in its opinion, payment of such remuneration would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board is also authorised to reclaim any variable remuneration for any performance period if the award, calculation or payment was based on incorrect data or if, in hindsight, the performance conditions were not achieved. The recipient will then be required to repay the relevant amount to the bank. Lastly, personal hedging or insurance linked to remuneration and liability and designed to circumvent the effects of the risk controls that have been embedded in the bank's Variable Compensation Plan is not permitted.

For the performance period 2021, the Supervisory Board decided that, based on the reassessment performed by the control functions, there was no reason to apply a collective malus with respect to the vesting of:

- ▶ The first tranche of deferred variable compensation for the 2020 performance period;
- ▶ The second tranche of deferred variable compensation for the 2019 performance period;
- ▶ The third tranche of deferred variable compensation for the 2018 performance period.

For performance period 2021, the Supervisory Board decided in three individual cases to apply a malus with respect to the vesting of any remaining deferred variable compensation for the 2018, 2019 and 2020 performance periods. As the staff members have left the bank and any entitlements to receive deferred variable remuneration have been forfeited, the malus has no further financial consequences.

The other deferred variable compensation awards with respect to the above three performance periods will be granted to the relevant Identified Staff members in line with the terms and conditions of the Variable Compensation Plan.

Remuneration details of Identified Staff

The following tables contain remuneration details of Identified Staff. The first table is the segregated overview of

the number of Identified Staff and their aggregated remuneration (in thousands) per business line.

	Number of FTEs (Identified Staff) ²	Aggregated remuneration (in thousands)	Number of FTEs (Identified Staff) ²	Aggregated remuneration (in thousands)
Retail Banking	33	8,516	28	8,673
Commercial Banking	38	9,395	39	9,339
Private Banking	30	9,414	34	12,570
Corporate & Institutional Banking	81	33,708	91	33,852
Group Functions ¹	168	44,454	158	43,846
Total	350	105,487	350	108,280

¹ Executive and Supervisory Board members are reported under Group Functions.

² The number of FTEs includes all employees that were Identified Staff during the year (including leavers).

The following two tables contain an overview of the number of employees with annual remuneration exceeding EUR 1 million per business line and organisational level

(i.e. ExBo/ExCo, Executive Committee -1 and -2, and Other Identified Staff). The three employees mentioned in each table are the same three employees.

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

¹ Executive and Supervisory Board members are reported under Group Functions.

² Remuneration reflects the amounts paid in the financial year, in accordance with the EBA requirement, as opposed to the remuneration disclosures in the tables Remuneration of Executive Board and Supervisory Board, which represent the remuneration allocated to the financial year in accordance with EU IFRS.

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

¹ Identified staff only.

² Remuneration reflects the amounts paid in the financial year, in accordance with the EBA requirement, as opposed to the remuneration disclosures in the tables Remuneration of Executive Board and Supervisory Board, which represent the remuneration allocated to the financial year in accordance with EU IFRS.

		Number of FTEs (identified staff)	Aggregated remuneration (in thousands)	
		SB, ExBo, ExCo, ExCo1 and ExCo2	Other identified staff	
Fixed remuneration over 2021		131	219	95,293
Variable remuneration over 2021 ¹		84	80	10,194
- <i>of which in cash</i>				5,097
- <i>of which in non-cash instruments</i>				5,097
- <i>of which unconditional (up-front payment)</i>				6,116
- <i>of which conditional (deferred payment)</i>				4,078
Retention payments over 2021		2	13	3,865
Sign-on payments over 2021			1	10
Severance payments over 2021 ²		5	3	3,049

¹ Due to their specific nature, certain variable compensation elements are paid out in cash and are not or only partially subject to deferral.

² The highest severance pay amounted to EUR 903 thousand.



As at the end of 2021 the following non-cash awards were in place, reflecting the variable remuneration awards from 1 January 2016 until 31 December 2021, and every

depositary receipt representing its fair value in alignment with the Variable Compensation Plan.

(In thousands of DRs)	2021	2020
Outstanding at 1 January	859	751
Granted during the year	313	361
Forfeited during the year	12	18
Paid out during the year cash	279	211
Paid out during the year DRs	27	24
Less: total paid out/forfeited	-318	-253
Outstanding at 31 December	854	859

The award of performance-related variable remuneration is linked to the performance of the bank and the underlying business lines. As ABN AMRO's financial results in 2021 improved significantly in comparison to its financial results in 2020, the overall award of performance-related variable remuneration increased. This increase was subsequently corrected for the settlement agreed with the NPPS. As the settlement was specifically related to our activities in the Netherlands, it was decided to apply a reduction of 25% to the award of variable remuneration for CLA+ employees on

a Dutch employment contract and to the bonus pool for eligible employees in the Netherlands. As a result, the performance-related variable remuneration of all staff, including Identified Staff, increased from EUR 16 million in 2020 to EUR 45 million in 2021.

Total retention payments increased from EUR 14 million in 2020 to EUR 33 million in 2021, mainly due to the retention payments made in respect of the wind-down of certain non-European CIB activities.

2021 Performance indicators for Identified Staff

	Weighting Executive Board ⁵	Weighting Executive Committee	Weighting above CLA identified staff	Weighting CLA identified staff
Organisation level KPIs	30-65%	30-45%	10-20%	10-15%
Businessline level KPIs	0-35%	20-40%	35-50%	25-30%
Individual KPI ¹	35%	30-35%	40-45%	60%
Total	100%	100%	100%	100%
- <i>of which financial²⁻⁴</i>	20-30%	20-30%	15-30%	12-23%
- <i>of which non-financial^{3,4}</i>	70-80%	70-80%	70-85%	77-88%

¹ Individual KPI: For employees above CLA, the individual KPI refers to the score on individually determined KPIs.

² Financial KPIs include a selection of Return on Equity, CET1 ratio, Cost/income ratio, Cost ceiling, Cost level and Segment ROE.

³ Non-financial KPIs include a selection of Sustainability DJSI, Employee engagement, House in Order, NPS, Sustainability assets, Gender diversity sub-top and Net growth in strategic segments.

⁴ The mix and weighting of KPIs are tailored to specific function of the identified staff member.

⁵ The CEO only has KPIs on an individual and organisation level.

Executive Board

Executive Board Remuneration Policy

The Supervisory Board is responsible for the execution of the Executive Board Remuneration Policy. In line with the policy, an increase of 1.4% in the fixed salary was applied with effect from 1 July 2021 following the CLA for the banking sector.

Executive Board Remuneration Policy - scenario analyses

Scenario analyses are the analyses conducted by the Supervisory Board at the time the remuneration policy was formulated and before determining the remuneration of individual Executive Board members. They show the possible outcomes of the variable remuneration components and the way in which these affect the remuneration of the Executive Board members.

The Supervisory Board establishes whether the scenario analyses result in appropriate levels of remuneration, and whether measures are required to limit the remuneration.

As a matter of principle, the total target remuneration of the Executive Board members is below the median in the relevant benchmarking population. It was decided to continue of the previous remuneration policy with only some refinements to safeguard alignment with the new Shareholders Rights Directive. Moreover, considering that no variable remuneration is awarded and the remuneration restrictions that apply to ABN AMRO, the Supervisory Board is of the opinion that scenario analyses have resulted in the appropriate levels of remuneration and that further scenario analyses are less relevant.

Contractual elements

All members of the Executive Board have a services agreement (*overeenkomst van opdracht*) with ABN AMRO for an unlimited period of time which constitutes the contractual relationship between ABN AMRO and the Executive Board member. The Executive Board member may terminate the agreement subject to a notice period of three months, whereas ABN AMRO must observe a notice period of six months.

Fixed remuneration

ABN AMRO strives to position the overall level of direct compensation for Executive Committee members and positions at above-CLA level around the market median levels. In line with the Executive Board Remuneration policy, a 1.4% increase, following the CLA for the banking sector, was applied to the fixed remuneration with effect from 1 July 2021.

From 1 January 2021 until 1 July 2021:

- ▶ Membership of the Executive Board: EUR 645,163
(EUR 759,978 for the CEO)

From 1 July 2021 until 1 January 2022:

- ▶ Membership of the Executive Board: EUR 654,195
(EUR 770,618 for the CEO)

Variable remuneration

As long as the Dutch State holds shares in ABN AMRO, the Executive Board members are not entitled to variable remuneration. As this continued to be the case in the 2021 performance year, the Executive Board did not receive any variable remuneration.

Benefits

The Chair and members of the Executive Board participate in ABN AMRO's pension schemes applicable to all employees in the Netherlands. For pensionable salary up to the applicable threshold, which for 2021 amounted to EUR 112,189, a collective defined contribution (CDC) pension scheme applies. The pension contribution is 37%, of which 5.5% is an employee contribution. In the event of death or when the Executive Board member becomes eligible for the state old-age pension (AOW), the services agreement automatically terminates by operation of law. The intended pension accrual is 1.875%, based on a pension age of 68. In 2021, the pension accrual was 1.76%. For pensionable salary in excess of EUR 112,189, employees receive an allowance that can be used to build up a net pension in a group defined contribution (DC) plan. The allowance amounted to 30% in 2021. In addition to pension benefits, Executive Board members are eligible for benefits such as a company car and a chauffeur.

Severance

The remuneration policy for Executive Board members provides for a severance payment up to a maximum of one year's gross salary if their contract is terminated at ABN AMRO's initiative. The current Executive Board members all have the same contractual right to a severance payment equal to three months' gross fixed salary. No severance was paid to Executive Board members in 2021.

2021 Remuneration for the individual Executive Board members

In 2021, other short-term benefits and the compensation for lease car expenses were included in the table

Remuneration for the individual Executive Board members.

The comparative figures have been adjusted accordingly.

									2021
(In thousands)	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Variable remuneration ¹²	Total pension-related contributions ¹³	Severance payments	Other short-term benefits	Total	
R.A.J. Swaak ^{1,2}	765				31	196			992
C.M. Bornfeld ^{1,3}	650				31	161		162	1,004
C.J. Abrahams ^{1,4}	108				5	27		20	159
T.J.A.M. Cuppen ^{1,5}	650	34			31	161			876
D. Dorner ^{1,6}	67		1		3	17		3	90
C. van der Hooft - Cheong ^{1,7}	67	2	1		3	17			89
L. Kramer ^{1,8}	381	6			18	95		59	558
G.R. Penning ^{1,9}	67				3	17			87
A. Roest ^{1,10}	161	5	6		8	40			220
Total	2,915	47	7		133	730	244	4,075	
					Post-employment pension (a)	Short-term allowances (b)			2020
R.A.J. Swaak ^{1,2}	527				21	153			701
C. van Dijkhuizen ^{1,11}	633				25	184	190		1,032
C.J. Abrahams ^{1,4}	645				30	182		99	956
C.M. Bornfeld ^{1,3}	645				30	182		156	1,013
T.J.A.M. Cuppen ^{1,5}	645	34			30	182			891
Total	3,095	34			136	883	190	255	4,593

¹ The total short-term benefits consist of base salary, compensation for lease car expenses, mortgage interest rate benefit, variable remuneration and other short-term benefits. Other short-term benefits consists of flight tickets, a housing allowance and international schooling costs for ExBo members' children when applicable.

² Total short-term benefits for R.A.J. Swaak amounted to EUR 765 thousand in 2021 (2020: EUR 527 thousand). R.A.J. Swaak was appointed with effect from 22 April 2020.

³ Total short-term benefits for C.M. Bornfeld amounted to EUR 812 thousand in 2021 (2020: EUR 801 thousand).

⁴ Total short-term benefits for C.J. Abrahams amounted to EUR 128 thousand in 2021 (2020: EUR 744 thousand). C.J. Abrahams left ABN AMRO on 1 March 2021.

⁵ Total short-term benefits for T.J.A.M. Cuppen amounted to EUR 684 thousand in 2021 (2020: EUR 679 thousand).

⁶ Total short-term benefits for D. Dorner amounted to EUR 70 thousand in 2021. D. Dorner was appointed with effect from 24 November 2021.

⁷ Total short-term benefits for C. van der Hooft-Cheong amounted to EUR 69 thousand in 2021. C. van der Hooft-Cheong was appointed with effect from 24 November 2021.

⁸ Total short-term benefits for L. Kramer amounted to EUR 446 thousand in 2021. L. Kramer was appointed with effect from 1 June 2021.

⁹ Total short-term benefits for G. Penning amounted to EUR 67 thousand in 2021. G. Penning was appointed with effect from 24 November 2021.

¹⁰ Total short-term benefits for A. Roest amounted to EUR 172 thousand in 2021. The components for A. Roest relate to her interim ExBo appointment from 1 March 2021 until 1 June 2021.

¹¹ The Executive Board membership of C. van Dijkhuizen ended on 22 April 2020. The services agreement of C. van Dijkhuizen ended on 31 October 2020.

¹² Owing to the Bonus Prohibition Act, the Executive Board members are not entitled to receive variable compensation. This prohibition has applied since the 2011 performance.

¹³ The Executive Board members participate in ABN AMRO Bank's pension plans for employees in the Netherlands. Total pension-related contributions refer to (a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 112,189 (2020: EUR 110,111) and (b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').

2021 Loans from ABN AMRO to Executive Board members

		Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate	2020
(In thousands)								
D. Dorner ¹		484		1.4%				
C. van der Hooft - Cheong ²		1,591		1.5%				
G.R. Penning ³		265		0.7%				
A. Roest ⁴		3,158		1.8%				

¹ D. Dorner was appointed with effect from 24 November 2021.

² C. van der Hooft-Cheong was appointed with effect from 24 November 2021.

³ G. Penning was appointed with effect from 24 November 2021.

⁴ A. Roest was an interim ExBo member from 1 March 2021 until 1 June 2021.

Development of annual remuneration of Executive Board members

The following table shows the annual development in the remuneration of Executive Board members. The table shows how changes in annual remuneration relate to the previous year, to the bank's performance and to developments in the average employee remuneration (excluding social security charges). For a like-for-like comparison, the average employee remuneration is

excluding social security charges. The column 'Absolute change' shows the difference in the indicator over two periods in time, while the column 'Relative' shows the increase or decrease as a percentage.

In 2021, other short-term benefits were included in the disclosure of total Executive Board remuneration. The comparative figures have been adjusted accordingly.

(in thousands)	Function	2016 - 2017		2017 - 2018		2018 - 2019		2019 - 2020		2020 - 2021		Reporting year 2021
		Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	Absolute	Relative	
ExBo												
R.A.J. Swaak ¹	CEO							701	n/a	291	n/a	992
C.M. Bornfeld ^{2,3}	CI&TO			825	n/a	218	n/a	-30	-3%	-9	-1%	1,004
C.J. Abrahams ^{3,4}	CFO	316	n/a	630	n/a	11	1%	-1	0%	-797	n.a.	159
T.J.A.M. Cuppen ^{3,5}	CRO	216	n/a	643	n/a	26	3%	7	1%	-15	-2%	876
D. Dorner ⁶	CCO									90	n/a	90
C. van der Hooft - Cheong ⁷	CCO									89	n/a	89
L. Kramer ⁸	CFO									558	n/a	558
G. Penning ⁹	CHRO									87	n/a	87
A. Roest ¹⁰	CFO									220	n/a	220
Company performance												
Profit		715	34%	-441	-16%	-304	-13%	-2,091	-102%	1,279	n.a.	1,234
Cost/Income ratio		-5.8%	-9%	-1.3%	-2%	2.4%	4%	5.2%	8%	10.0%	15%	76.4%
Return on Equity		2.7%	23%	-3.1%	-21%	-1.4%	-12%	-108.0%	-108%	6.7%	n.a.	5.8%
Average employee remuneration		3	3%	3	3%	3	3%	-5	-5%	4	4%	103

¹ R.A.J. Swaak joined the Executive Board on 22 April 2020.

² C.M. Bornfeld joined the Executive Board on 1 March 2018.

³ In 2021, other short-term benefits were included in the disclosure of total remuneration of ExBo. The comparative figures have been adjusted accordingly.

⁴ C.J. Abrahams joined the Executive Board on 1 September 2017 and left ABN AMRO on 1 March 2021.

⁵ T.J.A.M. Cuppen joined the Executive Board on 1 October 2017.

⁶ D. Dorner joined the Executive Board on 24 November 2021.

⁷ C. van der Hooft-Cheong joined the Executive Board on 24 November 2021.

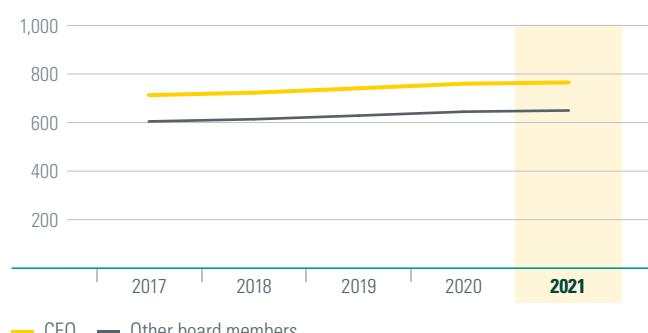
⁸ L. Kramer joined the Executive Board on 1 June 2021.

⁹ G. Penning joined the Executive Board on 24 November 2021.

¹⁰ A. Roest was appointed as an interim CFO in the Executive Board from 1 March 2021 until 1 June 2021.

The 5-year development in the annualised base salary of the CEO and other board positions is visualised below. Due to the bonus prohibition, the salary of the Executive Board has only been increased by the collective salary increase in the CLA for the banking sector.

5-year annualised average base salary – Executive Board (in thousands)



Pay ratio

The pay ratio is the comparison between the total annual remuneration of the CEO and the average salary of all employees. In line with our overall remuneration philosophy, we strive for a moderate pay ratio. The salary of our CEO does not fluctuate as it has been set in line with the Executive Board Remuneration Policy and does not contain any variable elements.

The ratio of the mean annual employee remuneration and the total annual remuneration of the CEO has been calculated in line with the guidance from the Corporate Governance Code Monitoring Committee, whereby temporary agency workers and external contractors have been excluded. The ratio was 8.78 in 2021. The ratio represents the CEO's total remuneration, including pension costs and social security charges, divided by the mean employee remuneration including pension costs and social



security charges during 2021. This ratio is considered to be a fair reflection of ABN AMRO's current position. The ratios published in 2016, 2017, 2018, 2019 and 2020 were 11.4, 10, 9.6, 9.6 and 10.2 respectively.

In line with the Guidance from the Corporate Governance Code Monitoring Committee for 2021, the social security charges have been taken into consideration, whereas these charges were not taken into consideration in previous years. Without social security charges, the pay ratio in 2021 would have been 9.62.

The pay ratio within ABN AMRO is substantially lower than in other AEX and AMX companies.

2021 Performance of the Executive Board

The performance targets for 2021 were set by the Executive Board and approved by the Supervisory Board. The non-financial KPIs Sustainability and House in Order are specifically focused on the long-term strategy of ABN AMRO. The KPI Sustainability, its targets and measures are linked to the Dow Jones Sustainability Index (DJSI). The KPI House in Order means actively conveying the desired compliance and risk culture, effective risk management and solution management. The KPI Employee Engagement, its targets and measures are linked to the results obtained in the respective annual employee engagement survey and focused on both the short- and long-term achievements. All financial KPIs are focused on long-term profitable growth, a healthy balance of capital and the need to control our costs in order to be sustainable.

The Supervisory Board has assessed the performance of each Executive Board member, based on the performance targets, and has concluded that all members of the Executive Board had a good overall performance in 2021. The scores are within a 1-5 bandwidth, whereby a 3 score is defined as 'meets requirements'. The 2-score for sustainability is related to our target to reach the top 10% of the Dow Jones Sustainability Index, which target was not achieved. Other scores were equal to 'meets requirements' or 'exceeds requirements'. The performance outcome is based on a set of financial and non-financial performance indicators, at organisation, business line and individual levels, as set out in the following table and as also described above. The score in the following table represents the score on the respective KPI. Different weights per KPI apply for each Executive Board member, depending on their role.

	Score 1-5	Type	KPI	Score 2021 ²
Organisation	Financial	ROE	5	
		CET1 ratio	4	
		Cost/income ratio	3	
	Non-financial	Sustainability	2	
		Employee engagement	3	
		House in order	3	
Business line	Financial	Cost ceiling	4	
		Cost/income ratio	3	
		Employee engagement	3	
	Non-financial	House in order	4	
		NPS	3	
		n/a		
Individual	Financial			
	Non-financial ¹			4

¹ The score is the average of the absolute scores for all four KPIs for all ExBo members.

² The scores are the average of the absolute scores of all ExBo members.

Supervisory Board

Supervisory Board Remuneration Policy

The remuneration of the Supervisory Board is set in line with the Supervisory Board Remuneration Policy. In line with this policy, a 1.5% indexation of the annual fees was applied as at 1 January 2021, as well as an increase of 1.4% with effect from 1 July 2021, following the CLA for the banking sector.

Fixed remuneration

The annual fees for 2021 were as follows:

From 1 January 2021 until 1 July 2021:

- ▶ Membership of the Supervisory Board:
EUR 52,780 (EUR 68,614 for the Chair)
- ▶ Membership of a Committee:
EUR 13,195 (EUR 15,834 for the Chair)

From 1 July 2021 until 1 January 2022:

- ▶ Membership of the Supervisory Board: EUR 53,519 (EUR 69,575 for the Chair)
- ▶ Membership of a Committee:
EUR 13,380 (EUR 16,056 for the Chair)

The remuneration for Supervisory Board committee membership is limited to two committee memberships. ABN AMRO does not grant any variable remuneration or equity to Supervisory Board members. Supervisory Board members are appointed by the General Meeting upon nomination by the Supervisory Board. The initial appointment period is four years unless a shorter period is set at the time of appointment. Supervisory Board members can be reappointed. Details of the remuneration of the individual members of the Supervisory Board are provided in Note 36 and Note 38 to the Consolidated Annual Financial Statements.

2021 Remuneration for the individual Supervisory Board members

(In thousands)	2021 ³	2020 ²
T. de Swaan	98	96
A.C. Dorland	82	81
L.J. Griffith	80	78
M.P. Lap	80	78
J.B.J. Stegmann ¹	72	81
A.M. Storakers	80	78
M.L. Tannemaat ²	80	4
J.S.T. Tiemstra	82	81
Total	654	577

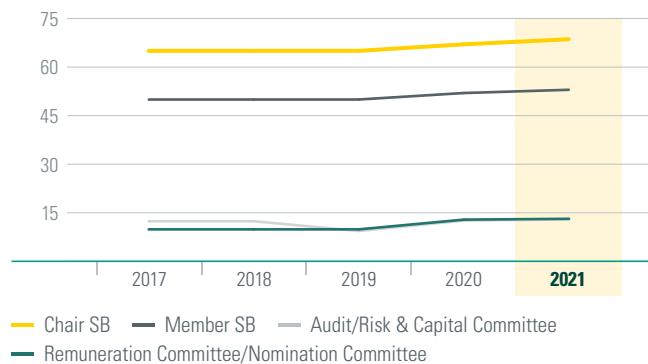
¹ J.B.J. Stegmann stepped down as a member of the Supervisory Board with effect from 14 November 2021.

² M.L. Tannemaat was appointed as a member of the Supervisory Board with effect from 15 December 2020.

³ Remuneration amounts excluding VAT.

5-year annualised average base salary – Supervisory Board

(in thousands)



— Chair SB — Member SB — Audit/Risk & Capital Committee
— Remuneration Committee/Nomination Committee

2021 Loans from ABN AMRO to Supervisory Board members

(In thousands)	2021			2020		
	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
T. de Swaan	1,591	6	1.0%	1,597		1.0%
L.J. Griffith	339	89	1.8%	428	94	1.8%
M.L. Tannemaat ¹	772		1.7%			
J.B.J. Stegmann ²				500		0.1%

¹ M.L. Tannemaat was appointed as a member of the Supervisory Board with effect from 15 December 2020.

² J.B.J. Stegmann stepped down as a member of the Supervisory Board with effect from 14 November 2021.

Stakeholder views

Annual General Meeting 2020

The Annual General Meeting in 2020 was an opportunity for all shareholders and depositary receipt holders to express their views on our remuneration policy for the Executive Board and Supervisory Board. The remuneration policies for the Executive Board and Supervisory Board were adopted, with 99.56% and 99.51%, respectively, of the votes cast. These new remuneration policies apply as of 1 January 2020 for a period of four years. The Remuneration Committee may ask the general meeting to adopt an amendment at an earlier date if this is considered appropriate.

During the Annual General Meeting of 21 April 2021, the 2020 remuneration report was put to an advisory vote, with 99.59% of the votes cast being in favour of a positive advice. ABN AMRO was pleased to note the positive advisory vote.

Works Council meetings in 2021

In 2021, several requests for advice were submitted to the Works Council, including requests on the reorganisation of the Extended Leadership Team, the equal pay requirements for CLA+ employees and various other topics. The adjusted remuneration methodology for Dutch CLA+ employees – to improve on equal pay for equal work or work of equal value – was discussed with the Works Council, which issued a positive advice on implementation.

The Works Council has given consent for equal pay requirements to be implemented in the CLA+ employment conditions.

Other governance information



Codes and regulations

ABN AMRO is required to comply with a wide variety of governance codes and regulations, including the Dutch Corporate Governance Code, the Banking Code and CRD V. This section explains how ABN AMRO complies with these codes and regulations. More comprehensive overviews of ABN AMRO's compliance with such codes and regulations are published under the Governance Codes and regulations section on abnamro.com.

Dutch Corporate Governance Code

We believe that when corporate governance meets high international standards, it significantly boosts the confidence of a company's stakeholders. Since depositary receipts for shares in ABN AMRO are listed on Euronext Amsterdam, ABN AMRO adheres to the Dutch Corporate Governance Code.

General compliance and explanations

ABN AMRO complies with all principles and best practices of the Dutch Corporate Governance Code, except for the deviations and nuances described below.

Under the Dutch Corporate Governance section on its website, ABN AMRO also publishes a detailed comply or explain list with regard to the adherence to the Dutch Corporate Governance Code.

Best practice provision 1.3.6 (Absence of an internal audit department) does not apply since there is a separate department for the internal audit function within ABN AMRO.

ABN AMRO applies best practice provision 2.1.9 (Independence of the Chair of the Supervisory Board), which states that the Chair of the Supervisory Board should not be a former member of the management board of the company. Although Mr Tom de Swaan was a member of the management board of the former ABN AMRO, the current ABN AMRO is the result of various legal and operational separations and combinations, a merger and a legal demerger that took place after the acquisition of the former ABN AMRO Holding N.V. (the former ABN AMRO Group) by a consortium of banks in October 2007. The consortium consisted of the Royal Bank of Scotland Group, Fortis and Banco Santander S.A (the Consortium). In October 2008, when the Fortis group experienced financial difficulties, the Dutch State acquired certain operations of the Fortis group, as well as Fortis' interest in the vehicle that had acquired the former ABN AMRO group. ABN AMRO Group N.V. (ABN AMRO Group) was newly incorporated on 18 December 2009 to hold the operations, assets and liabilities of parts of the former ABN AMRO group and the part of the Fortis group acquired by the Dutch State. On 6

February 2010, the new and current ABN AMRO demerged from the former ABN AMRO Bank N.V. into a newly incorporated entity. The former ABN AMRO Bank N.V. was subsequently renamed Royal Bank of Scotland N.V. On 1 July 2010, the new ABN AMRO Bank and Fortis Bank (Nederland) N.V. merged pursuant to a legal merger, following which the current ABN AMRO was the surviving entity and Fortis Bank (Nederland) N.V. was the disappearing entity. ABN AMRO Group was merged into ABN AMRO on 29 June 2019. The former ABN AMRO Group and ABN AMRO are different entities than the former ABN AMRO Holding N.V. or former ABN AMRO Bank N.V.

ABN AMRO applies best practice provision 4.1.3 (Agenda), which states, among other things, that (a) each substantial change in the corporate governance structure of ABN AMRO and in the compliance with the Dutch Corporate Governance Code and (b) material changes in the Articles of Association should be presented to the General Meeting as a separate discussion item or voting item, as applicable. The only exception to this best practice provision is that the Executive Board and the Supervisory Board may decide to place certain topics on the agenda under one agenda item if these topics are justifiably related. ABN AMRO considers this to be a further substantiation of this best practice provision, which may be necessary when proposals to amend the Articles of Association or the corporate governance structure of ABN AMRO are interrelated in such a way that separate votes on each of these proposals could result in an imbalanced voting result and, in turn, an imbalance in the corporate governance structure.

Best practice provision 4.3.3 (Cancelling the binding nature of a nomination or dismissal) is not applicable to ABN AMRO since it applies the rules applicable to a large company regime (*structuurregime*).

Best practice provision 4.3.4 (Voting right on financing preference shares) is not applicable to ABN AMRO since ABN AMRO has not issued financing preference shares.

ABN AMRO does not apply principle 4.4 (Issuing depositary receipts for shares). In contradiction to this principle and provision, the issuing of depositary receipts by STAK AAB is primarily used as a defence measure and not to prevent shareholder absenteeism from enabling a minority of shareholders to control the decision-making process at a General Meeting. Regulatory considerations have been decisive in choosing a structure with depositary receipts as a protective measure. Declarations of No Objection are required in connection with the direct or indirect acquisition of a qualified holding in regulated entities in which

ABN AMRO holds an interest. Therefore, this structure provides ABN AMRO with the greatest possible certainty of adequate protection against a hostile takeover. Although the issuing of depositary receipts has been set up primarily as a defence measure and not to prevent absenteeism, STAK AAB aims to promote the exchange of information between ABN AMRO on the one hand and holders of depositary receipts and shareholders on the other by, for example, organising a meeting of depositary receipt holders before every General Meeting. More information on the purpose and functioning of the depositary receipts and STAK AAB, including information on situations in which STAK AAB may decide to limit, refuse or revoke powers of attorney (and to not observe any voting instructions received), can be found on the STAK AAB website (stakaab.org).

Compliance with best practice provisions 4.4.1 - 4.4.5 and 4.4.7 - 4.4.8 is a responsibility of the board of STAK AAB. With respect to best practice provisions 4.4.5 and 4.4.8, the following applies. In a non-hostile situation, STAK AAB will act primarily in the interests of depositary receipt holders. In a hostile situation, STAK AAB will act primarily in the interests of ABN AMRO and its business enterprises. Under all circumstances, STAK AAB will also take into account the legitimate interests of all other stakeholders: clients, savers and deposit holders, shareholders, depositary receipt holders, employees, and the society in which ABN AMRO operates. Furthermore, STAK AAB in principle has the obligation to grant a power of attorney to depositary receipt holders to exercise the voting rights attached to the underlying shares and will not exercise voting rights on the shares in ABN AMRO (unless depositary receipt holders have requested STAK AAB to do so). The foregoing could be different in the hostile situations described in Article 2:118a of the Dutch Civil Code. STAK AAB may then decide to (a) limit, exclude or revoke powers of attorney, and (b) not observe voting instructions received for a period of up to two years. Furthermore, under the depositary receipt terms, when exercising the voting rights in a hostile situation, STAK AAB should focus primarily on the interests of ABN AMRO and its business enterprises as set out above.

Principle 5.1 and best practice provisions 5.1.1 - 5.1.5 are not applicable since ABN AMRO has a two-tier board instead of a one-tier board that these best practice provisions relate to.

How ABN AMRO complies with the best practice provisions for long-term value creation, culture and diversity

In this section we explain how ABN AMRO complies with the best practice provisions for long-term value creation (best practice provisions 1.1.3 and 1.1.4), diversity (best practice provisions 2.1.1 and 2.1.6) and culture (best practice provision 2.5.4).

Long-term value creation

Strategy to achieve short- and long-term value creation

Please refer to the chapter Strategy, value creation & performance in this report for a detailed explanation of the Executive Board's view on long-term value creation and the strategy for achieving it, as well as for a description of the contributions made to long-term value creation during 2021.

Reference is also made to the appendix in this report for a detailed overview of the value-creating topics.

In line with best practice provision 1.1.3 of the Dutch Corporate Governance Code, ABN AMRO's Supervisory Board (i) supervises the manner in which the Executive Board implements the long-term value creation strategy, and (ii) regularly discusses the strategy, its implementation and the principles associated with it.

This role of the Supervisory Board is incorporated in the Supervisory Board Rules of Procedure:

- ▶ The Supervisory Board discusses, monitors and constructively challenges the Executive Board with respect to the group's strategy, including the long-term value creation strategy, and the values that contribute to a culture focused on long-term value creation.
- ▶ At least once every calendar year, the Supervisory Board discusses the long-term value creation strategy and its implementation. The Supervisory Board also assesses the actual outcome of the strategy and objectives formulated in the preceding period(s).
- ▶ The Executive Board discusses the progress and realisation of the long-term strategy with the Supervisory Board on a quarterly basis.
- ▶ The exercise of all powers and duties by the Executive Board and the cooperation with the Supervisory Board focus on ensuring long-term value creation by the group and on building and maintaining the culture required for that purpose, taking into account stakeholder interests and applicable legislation and regulations.

Please refer to the Supervisory Board report for more information on the Supervisory Board's involvement in establishing the strategy and the way in which it monitors its implementation.

Diversity

Supervisory Board profile

In line with best practice provision 2.1.1 of the Dutch Corporate Governance Code, the Supervisory Board has drawn up a profile of its scope and composition, taking into account the nature and activities of ABN AMRO. The current collective profile is set out in Annex 3 of the Rules of Procedure of the Supervisory Board, which are published on ABN AMRO's website. For more information we refer to the Supervisory Board composition chapter in this report.



In line with best practice provision 2.1.5 of the Dutch Corporate Governance Code, ABN AMRO has drawn up a diversity policy for the composition of the Supervisory Board and Executive Board. This is part of the ABN AMRO Suitability Policy.

Please refer to the Leadership and governance structure chapter in this report for details on gender diversity within ABN AMRO's management bodies.

Diversity & Inclusion Policy

ABN AMRO is committed to diversity and inclusion, including promoting equal treatment of and equal opportunities for employees, preventing harassment, ensuring non-discrimination and ensuring compliance with national and local labour and employment laws. A summary of ABN AMRO's Diversity & Inclusion Policy is published on ABN AMRO's website.

The objective of ABN AMRO's Diversity & Inclusion Policy is to create a diverse and inclusive workforce and to recognise the human rights and equal opportunities of all the bank's employees. To achieve this objective, all ABN AMRO employees, regardless of their position, must adhere to the following principles:

- ▶ displaying respect for every individual;
- ▶ drawing strength from equal opportunities and a diverse and inclusive workforce, while supporting personal growth and development;
- ▶ recognising the value and benefiting from the uniqueness of every individual;
- ▶ displaying respect for the human rights of ABN AMRO's employees.

Diversity targets, initiatives and achievements

Please refer to the Strategy, value creation & performance chapter of this report for detailed information on diversity targets, initiatives and achievements.

ABN AMRO's results are monitored internally and externally by, for example, the SER (Talent to the Top) and Equileap. This year, ABN AMRO received a Diamond Award from Talent to the Top for its achievements in cultural diversity. We also came third in Equileap's annual ranking of the 100 best-performing Dutch companies in terms of gender equality, making ABN AMRO the top financial institution in this respect in the Netherlands. Internally, our efforts were rewarded with a higher overall score in our Employee Engagement Survey.

Culture

Our culture and core values

Please refer to the chapter Introduction - Our bank for a description of our culture and core values.

Bringing our values to life

Please refer to the Strategy, value creation & performance chapter for details on how ABN AMRO brings our values to life.

Culture and long-term value creation

As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. At ABN AMRO, we are fully committed to our moderate risk profile and our role as a gatekeeper of the financial system, which is why culture and our licence to operate are clear priorities for us. We place great value on fostering a culture within ABN AMRO in which everyone feels respected and valued. Taking ownership, setting clear targets and being accountable are key to strategy execution and our licence to operate.

Our culture reflects our purpose. Over the last couple of years, we have started to work on various projects, including projects that define value-creating topics (as described under long-term value creation above), our group of stakeholders and our value creation strategy so as to increase awareness, and to foster and embed the integrated thinking culture in the organisation and the leadership teams. In our decision-making process, the 'value-creating topic ambassadors' are those who close the loop by embedding, monitoring and reporting on the progress of that specific value-creating topic.

Leadership and culture are inextricably connected. The Executive Board – our most senior leadership body – and the Extended Leadership Team set the tone, the example and the standards that we expect of everyone.

Dilemma reconciliation is a module in our executive leadership programme and aims to build the competency of reconciling seemingly conflicting interests of stakeholders or of timing (longer-term versus shorter-term imperatives).

Where norms, rules or standards are insufficiently clear or pose a dilemma, ABN AMRO invests in moral learning and moral decision-making. Our Ethics Committee, chaired by the CEO, discusses ethical dilemmas on a strategic level to determine ABN AMRO's moral position in areas where regulations or policies do not provide clear guidance.

Throughout the organisation, moral position sessions, dilemma dialogues and speak-up cafes are being used to help improve ethical decision-making skills and help determine what is right, taking into account the rights and interests of all stakeholders. ABN AMRO has strengthened the approachability and awareness of the various speak-up channels, ranging from speak-up ambassadors in the workplace to trusted persons and the whistleblowing hotline, in order to lower the threshold for speaking up, giving voice to values and signalling risks or possible issues.

Dutch Banking Code

The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands (i.e. with a Dutch banking licence) should observe in terms of corporate governance, risk management, audit and remuneration. The Dutch Banking Code applies to ABN AMRO as the main entity within a group that holds a Dutch banking licence.

ABN AMRO is therefore committed to complying with the Dutch Banking Code and devotes a great deal of effort to ensuring that the spirit of the code is reflected in the behaviour of its employees and the culture of the bank. As such, we are pleased to confirm that ABN AMRO complies with the principles of the Dutch Banking Code. A principle-by-principle overview of the manner in which ABN AMRO complied with the Dutch Banking Code during 2021 is published on abnamro.com.

Throughout 2021, we continued to improve the manner in which we apply the principles of the Dutch Banking Code, taking into account the focus areas indicated by the Dutch Banking Code Monitoring Committee. In particular, the bank devoted a great deal of attention to certain strategic differentiators, such as Responsible investment and financing, Diversity & equal opportunity and Customer experience, in order to achieve the goals of the Banking Code's Social Charter. Increased efforts were also put into implementing the strategic pillars, including implementing the new organisational structure, which is aimed at simplifying the organisation and improving our efficiency.

During 2021, further improvements were made to the process of succession planning, permanent education and self-assessments performed at board level. All members of the Supervisory Board and Executive Board of ABN AMRO have taken the Banker's Oath, as required by Dutch law. The oath is a confirmation of ABN AMRO's existing policies, which are fully in line with the bank's cultural principles and core values. As well as introducing a Social Charter and the

Banking Code, the Dutch banking industry has taken the initiative to have all employees take the Banker's Oath. Employees take the oath to affirm their commitment to upholding high standards of ethical behaviour. They are personally responsible for complying with the Code of Conduct and may be held accountable for non-compliance.

Subsidiaries of ABN AMRO and the Dutch Banking Code

On 31 December 2020, ABN AMRO had four Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all these Dutch subsidiaries on a consolidated basis by developing group-wide policies and standards that promote compliance with internal and external rules and best-practice provisions. In view, however, of the differences in the activities, organisation and risk management of the subsidiaries, the application of group-wide policies and standards may vary from one subsidiary to another. An explanation of the manner in which these subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

CRD V

Article 96 of CRD V requires financial institutions to explain on their website how they comply with the requirements of Articles 88 - 95 of CRD V. These articles set out governance, disclosure, remuneration, nomination and management body requirements for financial institutions. The obligation to publish such an overview was implemented in Dutch law by Article 134b of the Decree on prudential measures FMSA (*Besluit prudentiële regels Wft*).

ABN AMRO has published an overview of how the bank complies with Article 134b of the Prudential Measures Decree and Article 96 of CRD V on abnamro.com.

Legal structure

Global structure

The complete list of subsidiaries and participating interests as at 31 December 2021 referred to in Article 414, Book 2, of the Dutch Civil Code has been filed with the Trade Register.

Retail Banking

The Retail Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Hypotheken Groep B.V. offers all ABN AMRO's labelled residential mortgage products, including the Florius brands. ALFAM Holding N.V. provides consumer loans under various labels, including Alpha Credit Nederland, Credivance, Defam, Moneyou and ABN AMRO. International Card Services B.V. (ICS) stands for secure payment services and issues, promotes, manages and processes more than 25 different credit cards in partnership with other companies. ICS is market leader in the Netherlands, with around 3 million issued credit cards, and serves both retail clients and clients in the business market. ABN AMRO Bank holds a minority interest of 49% in Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen), in which Nationale-Nederlanden N.V. holds the majority 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO brand. ABN AMRO Pensioeninstelling N.V. is a premium pension institution ('PPI') that offers pension schemes, without insurance, based on longevity or death.

Commercial Banking

The Commercial Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Asset Based Finance N.V. provides asset-based solutions (working capital solutions, equipment leases, equipment loans and vendor lease services) to its clients in the Netherlands, France, Germany and the United Kingdom. New10 B.V. provides SMEs in the Netherlands with standard loans through a fully digital product offering. ABN AMRO Groenbank B.V. provides financing for sustainable and green investments based on the Green Scheme, a facility through which the Dutch government encourages sustainable investments.

Private Banking

The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive): Banque Neuflize OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth, articulated around dedicated advisory and product offers in France. Bethmann Bank AG offers all private banking and private wealth management-related services and covers all major regions in Germany. It is a private bank that benefits from a strong local heritage and brand recognition in the German market. Neuflize Vie S.A. is a joint venture between Banque Neuflize OBC (60%) and AXA (40%) and offers life insurance products to high net worth and ultra-high net worth individuals and has developed customised solutions.

Corporate & Institutional Banking

The Corporate & Institutional Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently offering global market access and clearing services on more than 85 of the world's leading exchanges, and operates from several locations across the globe. Banco ABN AMRO SA, the Brazilian subsidiary of ABN AMRO Bank N.V., has its own local bank licence. Franx B.V. offers a unique digital banking platform where currencies can be converted, and international & euro payments can be executed. The joint venture ABN AMRO – ODDO BHF B.V., provides equity brokerage services and has a Benelux focus. Both ABN AMRO and ODDO BHF have an equal share in the joint venture.

Group Functions

The Group Functions of ABN AMRO are supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Captive N.V. is a captive reinsurance company. Transactie Monitoring Nederland B.V. is a participating interest of ABN AMRO Bank N.V. (30%). Other major Dutch banks hold the remaining shares. ABN AMRO Funding USA LLC is active in the US market, issuing ABN AMRO's US dollar commercial paper funding for clients operating in the US and for clients with US dollar loans.

Responsibility statement

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Executive Board state that to the best of their knowledge:

- ▶ the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in its consolidation;
- ▶ the Executive Board report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the 2021 financial year of ABN AMRO Bank N.V. and the affiliated companies included in its Annual Financial Statements;
- ▶ the Executive Board report describes the material risks with which ABN AMRO Bank N.V. is faced.

Amsterdam, 8 March 2022

Executive Board

Robert Swaak, Chief Executive Officer and Chair

Christian Bornfeld, Chief Innovation & Technology Officer and Vice-Chair

Tanja Cuppen, Chief Risk Officer

Lars Kramer, Chief Financial Officer

Annerie Vreugdenhil, Chief Commercial Officer - Personal & Business Banking (from 1 March 2022)

Choy van der Hooft-Cheong, Chief Commercial Officer - Wealth Management

Dan Dorner, Chief Commercial Officer - Corporate Banking

Gerard Penning, Chief Human Resources Officer





Guide for readers

This chapter provides an overview of our Consolidated Annual Financial Statements, our accounting policies and all accompanying notes. They have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU).



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Consolidated income statement

(in millions)	Note	2021	2020
Income			
Interest income calculated using the effective interest method		6,760	7,525
Other interest and similar income		258	290
Interest expense calculated using the effective interest method		1,397	1,834
Other interest and similar expense		411	118
Net interest income	4	5,210	5,863
Fee and commission income		2,213	2,253
Fee and commission expense		550	695
Net fee and commission income	5	1,664	1,558
Income from other operating activities		805	462
Expenses from other operating activities		142	148
Net income from other operating activities	6	663	314
Net trading income	7	145	163
Share of result in equity-accounted investments		23	29
Net gains/(losses) on derecognition of financial assets measured at amortised cost	8	-108	-11
Operating income		7,597	7,916
Expenses			
Personnel expenses	9	2,324	2,280
General and administrative expenses	10	3,287	2,677
Depreciation, amortisation and impairment losses of tangible and intangible assets	24	194	299
Operating expenses		5,806	5,256
Impairment charges on financial instruments		-46	2,303
Total expenses		5,759	7,559
Profit/(loss) before taxation		1,838	356
Income tax expense	11	604	401
Profit/(loss) for the period		1,234	-45
Attributable to:			
Owners of the parent company		1,231	-45
Non-controlling interests		3	
Earnings per share (in EUR)			
Basic earnings per ordinary share (in EUR) ¹	12	1.21	-0.17

¹ Earnings per share consist of profit for the period, excluding results attributable to non-controlling interests and payments to holders of AT1 instruments, divided by the average outstanding and paid-up ordinary shares.



Consolidated statement of comprehensive income

(in millions)	Note	2021	2020
Profit/(loss) for the period		1,234	-45
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains/(losses) on defined benefit plans	31	24	-4
(Un)realised gains/(losses) on liability own credit risk	29	20	20
Items that will not be reclassified to the income statement before taxation		43	17
Income tax relating to items that will not be reclassified to the income statement		11	3
Items that will not be reclassified to the income statement after taxation		33	14
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation		66	-109
(Un)realised gains/(losses) fair value through OCI		108	-12
(Un)realised gains/(losses) cash flow hedge		396	-371
Share of other comprehensive income of associates		16	4
Items that may be reclassified to the income statement before taxation		586	-489
Income tax relating to items that may be reclassified to the income statement		112	-161
Items that may be reclassified to the income statement after taxation		474	-328
Total comprehensive income/(expense) for the period after taxation		1,740	-359
Attributable to:			
Owners of the parent company		1,737	-359
Non-controlling interests		3	

Consolidated statement of financial position

(in millions)	Note	31 December 2021	31 December 2020
Assets			
Cash and balances at central banks	13	66,865	60,190
Financial assets held for trading	14	1,155	1,315
Derivatives	15	3,785	6,381
Financial investments	17	43,165	47,455
Securities financing	18	16,138	16,725
Loans and advances banks	20	2,801	3,394
Residential mortgages	21	147,711	148,741
Consumer loans	21	10,518	10,937
Corporate loans at amortised cost	21	84,915	84,344
Corporate loans at fair value through P&L	21	99	400
Other loans and advances customers	21	15,008	7,736
Equity-accounted investments	23	564	593
Property and equipment	24	1,172	1,255
Goodwill and other intangible assets	24	127	128
Assets held for sale	25	89	254
Tax assets	11	739	851
Other assets	26	4,263	4,925
Total assets		399,113	395,623
Liabilities			
Financial liabilities held for trading	14	687	563
Derivatives	15	4,344	7,391
Securities financing	18	9,494	11,363
Due to banks	27	38,076	36,719
Current accounts	28	132,983	111,033
Demand deposits	28	98,790	107,534
Time deposits	28	18,780	19,037
Other due to customers	28	665	966
Issued debt	29	59,688	66,949
Subordinated liabilities	29	7,549	8,069
Provisions	30	1,201	926
Tax liabilities	11	101	30
Other liabilities	32	4,757	4,053
Total liabilities		377,114	374,634
Equity			
Share capital		940	940
Share premium		12,970	12,970
Other reserves (incl. retained earnings/profit for the period)		7,324	6,826
Accumulated other comprehensive income		-1,227	-1,733
AT1 capital securities		1,987	1,987
Equity attributable to owners of the parent company		21,994	20,989
Equity attributable to non-controlling interests		5	
Total equity	33	21,999	20,989
Total liabilities and equity			
Committed credit facilities	35	54,642	55,207
Guarantees and other commitments	35	7,598	8,981

Consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other comprehensive income	Net profit/(loss) attributable to owners of the parent company	AT1 capital securities	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
Balance at 1 January 2020	940	12,970	4,947	-1,419	2,046	1,987	21,471		21,471
Total comprehensive income				-314	-45		-359		-359
Transfer			2,046		-2,046				
Increase of capital					994	994	994		994
Decrease of capital					-1,000	-1,000	-1,000		-1,000
Paid interest on AT1 capital securities			-117				-117		-117
Other changes in equity			-6		6	1	1		1
Balance at 31 December 2020	940	12,970	6,870	-1,733	-45	1,987	20,989		20,989
Total comprehensive income				506	1,231		1,737	3	1,740
Transfer			-45		45				
Dividend			-639				-639		-639
Paid interest on AT1 capital securities			-91				-91		-91
Other changes in equity			-2			-2	3	1	1
Balance at 31 December 2021	940	12,970	6,093	-1,227	1,231	1,987	21,994	5	21,999

Accumulated other comprehensive income is specified in the following table.

(in millions)	Remeasurements on post-retirement benefit plans	Currency translation reserve	Fair value reserve	Cash flow hedge reserve	Accumulated share of OCI of associates and joint ventures	Liability own credit risk reserve	Total
Balance at 1 January 2020	-20	81	177	-1,648	32	-41	-1,419
Net gains/(losses) arising during the period	-4	-109	-3	-281	4	20	-372
Less: Net realised gains/(losses) included in income statement			9	91			100
Net gains/(losses) in equity	-4	-109	-12	-371	4	20	-472
Related income tax	-1	1	3	-165		3	-158
Balance at 31 December 2020	-24	-29	162	-1,854	36	-24	-1,733
Net gains/(losses) arising during the period	24	66	107	451	16	20	684
Less: Net realised gains/(losses) included in income statement				54			55
Net gains/(losses) in equity	24	66	108	396	16	20	629
Related income tax	6		30	82		5	123
Balance at 31 December 2021	-6	38	239	-1,540	51	-9	-1,227

Consolidated statement of cash flows

(in millions)	Note	2021	2020
Profit/(loss) for the period		1,234	-45
Adjustments on non-cash items included in profit/(loss)			
(Un)realised gains/(losses)		-1,622	516
Share of result in equity-accounted investments		-20	-41
Depreciation, amortisation and impairment losses of tangible and intangible assets	24	194	299
Impairment charges on financial instruments		-46	2,303
Income tax expense	10	604	401
Tax movements other than taxes paid & income taxes		-13	-35
Other non-cash adjustments		1,010	505
Operating activities			
Changes in:			
- Assets held for trading		153	-171
- Derivatives - assets		2,399	-827
- Securities financing - assets		1,601	-3,018
- Loans and advances banks		126	1,944
- Residential mortgages		1,059	1,755
- Consumer loans		356	919
- Corporate loans		187	11,057
- Other loans and advances customers		-7,073	-1,618
- Other assets		734	-430
- Liabilities held for trading		124	-113
- Derivatives - liabilities		-2,773	796
- Securities financing - liabilities		-2,553	3,892
- Due to banks		1,614	23,957
- Due to customers		12,422	3,923
Net changes in all other operational assets and liabilities		355	-304
Dividend received from associates and private equity investments		64	18
Income tax paid		-534	-373
Cash flow from operating activities		9,602	45,311

continued>



(in millions)	Note	2021	2020
Investing activities			
Purchases of financial investments		-10,136	-14,594
Proceeds from sales and redemptions of financial investments		13,345	11,946
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	22	-14	-24
Divestments of subsidiaries (net of cash sold), associates and joint ventures	22	194	10
Purchases of property and equipment		-182	-217
Proceeds from sales of property and equipment		674	412
Purchases of intangible assets		-20	-8
Other changes			-1
Cash flow from investing activities		3,862	-2,475
Financing activities			
Proceeds from the issuance of debt	28	30,226	28,203
Repayment of issued debt	28	-36,180	-36,165
Proceeds from subordinated liabilities issued	28	910	35
Repayment of subordinated liabilities issued	28	-1,514	-1,669
Proceeds from other borrowing			-6
Dividends paid to the owners of the parent company	32	-639	
Interest paid AT1 capital securities		-91	-117
Payment of lease liabilities		-94	-114
Cash flow from financing activities		-7,383	-9,835
Net increase/(decrease) of cash and cash equivalents		6,082	33,001
Cash and cash equivalents as at 1 January		61,887	28,943
Effect of exchange rate differences on cash and cash equivalents		58	-57
Cash and cash equivalents as at 31 December		68,027	61,887
Supplementary disclosure of operating cash flow information			
Interest paid		1,397	1,834
Interest received		7,017	7,815
Dividend received excluding associates		10	12

(in millions)	31 December 2021	31 December 2020
Cash and balances at central banks	66,865	60,190
Loans and advances banks (less than 3 months) ¹	1,162	1,697
Total cash and cash equivalents¹	68,027	61,887

¹ Loans and advances banks with an original maturity of 3 months or more is included in loans and advances banks.

Notes to the Consolidated Annual Financial Statements

1 Accounting policies

The Notes to the Consolidated Annual Financial Statements, including the audited information in the Risk, funding & capital chapter, are an integral part of these Annual Financial Statements. This section describes ABN AMRO Bank's significant accounting policies and critical accounting estimates or judgements relating to the Annual Financial Statements. If an accounting policy or a critical accounting estimate relates to a specific note, it is included in the relevant note.

Corporate information

ABN AMRO Bank N.V. (referred to as ABN AMRO Bank, ABN AMRO, the bank or the parent company) and its consolidated entities provide financial services in the Netherlands and abroad (together referred to as the group). ABN AMRO Bank is a public limited liability company, incorporated under Dutch law on 9 April 2009 in the Netherlands, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34334259).

As at 31 December 2021, all shares in the capital of ABN AMRO Bank N.V. are held by two foundations: NLFI and STAK AAB. NLFI holds 56.3% in ABN AMRO Bank N.V., of which 49.9% is held directly via ordinary shares and 6.4% is held indirectly via depositary receipts for shares in ABN AMRO Bank N.V. STAK AAB holds 50.1% of the shares in the issued capital of ABN AMRO Bank N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Bank N.V. Only STAK AAB's depositary receipts are issued with the cooperation of ABN AMRO Bank N.V. and traded on Euronext Amsterdam.

ABN AMRO provides a broad range of financial services to retail, private and corporate banking clients. These activities are conducted primarily in the Netherlands and selectively abroad.

The Consolidated Annual Financial Statements of ABN AMRO Bank for the year ended 31 December 2021 incorporate financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Executive Board and authorised for issue by the Supervisory Board and Executive Board on 8 March 2022.

Statement of compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements set out in Title 9 of Book 2 of the Dutch Civil Code, where applicable.

Basis of preparation

The Consolidated Annual Financial Statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through profit or loss, financial instruments not held in a 'hold to collect' business model, debt instruments that do not meet the solely payments of principal and interest (SPPI) test, and equity investments in associates or joint ventures for which the venture capital exemption is applied, all of which are measured at fair value through profit or loss. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Associates and joint ventures are accounted for using the equity method.

Management has considered the consequences of Covid-19 and other events and conditions, and has determined that they do not create a material uncertainty that casts significant doubt on the bank's ability to continue as a going concern. The impact of Covid-19 on future performance and therefore on the measurement of assets, mainly loans and advances, is significant and therefore requires disclosure in the financial statements, but management has determined that these events and conditions do not create a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern. The Annual Financial Statements have therefore been prepared on the going-concern basis.

The Annual Financial Statements are presented in euros, which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).



Presentation of net gains/(losses) on derecognition of financial assets measured at amortised cost

Due to rise in sales of financial assets at amortised cost during 2021, the net gains/(losses) on derecognition of financial assets measured at amortised cost are presented as a separate line item in the income statement. Previously, the net gains/(losses) were part of other operating income.

Changes in accounting policies

The following new standards were endorsed by the EU and became effective for the reporting period beginning 1 January 2021.

- ▶ Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- ▶ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- ▶ Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

Only the amendments related to the Interest Rate Benchmark Reform have resulted in a change in ABN AMRO's accounting policies.

Interest Rate Benchmark Reform

In response to the IBOR reform, the IASB has issued two sets of amendments to IFRS Standards. The amendments provide practical relief for companies from certain requirements when changes are made to contractual cash flows or hedging relationships because of IBOR reforms, and provide additional disclosure requirements. With effect from 1 January 2020, ABN AMRO applies the first set of amendments made to IFRS 9, IAS 39 and IFRS 7 that address the pre-replacement phase or phase 1 issues introduced by the IBOR reform. The phase 1 amendments allow a company to apply temporary reliefs to all hedging relationships that are directly affected by the IBOR reform. Applying the relief prevents the disruption of hedging relationships as a result of uncertainty caused by the IBOR reform. The adoption of the amendments has not resulted in any impact on profit or loss or on the statement of financial position. In August 2020, the IASB issued the second set of amendments to address the issues caused by the replacement phase of the IBOR reform. Amendments have been made to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The phase 2 amendments took effect on 1 January 2021 and are applied by ABN AMRO as of that date. These amendments focus on replacement issues, i.e. when an interest rate benchmark is replaced with an alternative, and comprise reliefs regarding to accounting for changes and hedge accounting.

While ABN AMRO operates in global financial markets, the majority of its financial instruments are linked to the euro area key interest rate benchmarks EONIA and EURIBOR. EONIA is being replaced by €STR and was discontinued on 3 January 2022. Since October 2019, EONIA has been calculated as €STR plus a fixed spread of 8.5 basis points. EURIBOR has been calculated using a hybrid methodology since 2019 and will not be reformed in the short-term. The IBOR reform in the euro area did not affect the basis of contractual cash flows or hedging relationships in 2021. Other key financial benchmarks are also being reformed, most notably the London InterBank Offered Rates (LIBOR) in the five LIBOR currencies: USD, GBP, EUR, JPY and CHF. In March 2021, it was announced by the administrator of LIBOR and the FCA that LIBOR would not be published after 31 December 2021. This applies with the exception of USD LIBOR, which is expected to be phased out after 30 June 2023.

During 2021, ABN AMRO amended existing loan and derivative contracts to prepare for the discontinuation of the LIBOR rates. In December 2021, all centrally cleared swaps referring to CHF, JPY and GBP LIBOR were migrated to risk-free rates. The remaining exposures at the year-end consist solely of bilateral contracts referencing GBP LIBOR that still have to transition. For these trades, the temporary use of a synthetic LIBOR is in place. USD LIBOR rates are still published and contracts referring to this index are expected to be repapered in the next 18 months.

New standards, amendments and interpretations not yet effective (endorsed)

IFRS 17 – Insurance Contracts

IFRS 17 sets out requirements for the accounting, measurement and recognition of insurance contracts. IFRS 17 is expected to be effective for reporting periods beginning on or after 1 January 2023.

ABN AMRO offers only limited insurance products. ABN AMRO has two equity accounted investments that have insurance products. IFRS 17 may have a significant impact on these equity accounted investments, but ABN AMRO does not anticipate that the impact will be material to its consolidated financial statements.

New standards, amendments and interpretations not yet endorsed

In February and May 2021, the International Accounting Standards Board issued a number of amendments to existing standards, which are to take effect on 1 January 2023. The standards amended are IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and IAS 12 Income Taxes. The amendments have not yet been endorsed by the EU and are therefore not open to early adoption. The expected impact of these changes on the consolidated financial statements is insignificant.

Critical accounting estimates and judgements

In preparing the financial statements, management needs to exercise its judgement in the process of applying ABN AMRO's accounting policies and make estimates and assumptions concerning the future. Actual results may differ from those estimates and assumptions. Accounting policies for the most significant areas that require management to make judgements and estimates affecting reported amounts and disclosures are made in the following sections:

- ▶ Impairment losses on financial assets measured at AC - Risk, funding & capital management section;
- ▶ Income tax expense, tax assets and tax liabilities - Note 11;
- ▶ Impairment of instruments measured at FVOCI - Note 17;
- ▶ Fair value of financial instruments - Note 19;
- ▶ Impairment of ROU assets and goodwill - Note 24;
- ▶ Provisions - Note 30.

Assessment of risks, rewards and control

Whenever ABN AMRO is required to assess risks, rewards and control, as well as when considering the recognition and derecognition of assets or liabilities and the consolidation or deconsolidation of subsidiaries, it may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making such assessments, the actual risks, rewards and control may ultimately differ.

Significant accounting policies

Basis of consolidation

The Consolidated Annual Financial Statements of ABN AMRO Bank N.V. include the financial statements of the parent company and its controlled entities, thus incorporating the assets, liabilities, revenues and expenses of ABN AMRO Bank N.V. and its subsidiaries. Non-controlling interests (held by third parties) in the equity and results of group companies are presented separately in the Consolidated Annual Financial Statements.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, as well as any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

ABN AMRO applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at period-end exchange rates. Exchange gains and losses on such balances are recognised in the income statement.

The Consolidated Annual Financial Statements are stated in euros, which is the presentation and functional currency of ABN AMRO. The bank's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated into euros at the closing rate, and items in the income statement and other comprehensive income are translated at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when the bank loses control, joint control or significant influence over the foreign operation.



Financial assets and liabilities

Classification and measurement of financial assets

ABN AMRO classifies financial assets based on the business model in which they are held in accordance with IFRS 9. The business model is determined at portfolio level. Portfolios are based on how ABN AMRO manages financial assets in order to achieve a particular business objective. The business model assessment is based on the level of sales, risk management, performance evaluation and management compensation. Derecognition is used as a condition to determine whether a transaction results in a sale.

Three business models are distinguished:

- ▶ 'Hold to collect' business model, in which cash flows are primarily generated by collecting contractual cash flows until maturity of the financial instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. The assessment of the frequency and significance of sales is determined for each underlying portfolio. Sales that result from increases in the credit risk of the counterparty or take place close to maturity do not contradict the 'hold to collect' business model;
- ▶ 'Hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a hold-to-collect business model;
- ▶ Other business models not meeting the criteria of the business models mentioned above, for example business models in which financial assets are managed with the objective of generating cash flows from sales (trading book), are measured at FVTPL.

After the business model has been determined, the contractual cash flows of financial assets are assessed. Debt instruments can be classified at amortised cost or FVOCI only when the contractual cash flows are solely payments of principal and interest (SPPI). Contractual cash flows that are SPPI are consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are typically the most significant interest elements.

Debt instruments that do not meet the SPPI requirements are mandatorily measured at FVTPL. Financial assets are assessed in their entirety, including any embedded derivatives that are not separated from the host contract.

Based on the business model determined and the SPPI assessment, the following measurement categories are identified under IFRS 9:

- ▶ Amortised cost – Financial instruments measured at amortised cost are debt instruments within a 'hold to collect' business model with fixed or determinable payments which meet the SPPI criteria. These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method. Financial instruments measured at amortised cost are presented net of credit loss allowances in the statement of financial position;
- ▶ FVTPL – Financial instruments measured at FVTPL include instruments held for trading, derivatives, equity instruments for which the FVOCI option has not been elected and instruments whose cash flows do not meet the SPPI requirements. Changes in the fair value of these instruments are directly recognised in the income statement;
- ▶ FVOCI – Financial instruments measured at FVOCI are debt instruments which are held in a 'hold to collect and sell' business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI.

Reclassifications of financial assets are expected to be very infrequent and occur only when ABN AMRO changes its business model for a certain portfolio of financial assets.

Please refer to the Risk, funding & capital management section for our accounting policies on the measurement of expected credit losses on financial instruments measured at amortised cost and FVOCI.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- ▶ Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ▶ Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- ▶ A trading derivative (except for a derivative that is a designated and effective hedging instrument).

Classification and measurement of financial liabilities

Financial liabilities are initially recognised at their fair value. Under IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for the following instruments:

- ▶ Financial liabilities held for trading are measured at fair value through profit or loss;
- ▶ Financial liabilities that ABN AMRO has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of their fair value or include terms that have derivative characteristics by nature.

Under IFRS 9, the changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL are represented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity.

Financial liabilities are never reclassified after initial recognition.

Recognition and derecognition

Traded instruments are recognised on the trade date, which is defined as the date on which ABN AMRO commits to purchase or sell the underlying instrument. If the settlement terms are non-standard, the commitment is accounted for as a derivative between the trade and settlement dates. Loans and advances are recognised when they are acquired or funded by ABN AMRO and derecognised when settled. Issued debt is recognised when issued, and deposits are recognised when the cash is deposited with ABN AMRO. Other financial assets and liabilities, including derivatives, are recognised when ABN AMRO becomes a party to the contractual provisions of the asset or liability.

Financial assets are derecognised when ABN AMRO loses control and the ability to obtain benefits from the contractual rights that comprise that asset. This occurs when the rights are realised or expire, or when substantially all risks and rewards are transferred. Financial assets are also derecognised if the bank has neither transferred nor retained substantially all risks and rewards of ownership, but control has passed to the transferee. Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows, and substantially all the risks, rewards and control associated with the financial instruments, that have been transferred, in which case that proportion of the asset is derecognised.

When the terms and conditions of a financial asset have been renegotiated or otherwise modified to the extent that, substantially, it becomes a new financial asset, ABN AMRO derecognises the financial asset, with the difference recognised in the income statement, to the extent that an impairment loss has not already been recorded. The newly recognised financial asset is classified as stage 1 for ECL measurement purposes. ABN AMRO assesses, in both qualitative and quantitative terms, whether such modifications are substantial. Generally, a 10% change in the net present value of the cashflows between the initial and new contract results in a derecognition. With regard to substantial modifications, e.g. due to forbearance measures, the derecognition gains or losses are recognised in net gains/(losses) on derecognition of financial assets measured at amortised cost and disclosed separately, if material.

If the modification of the financial asset does not result in derecognition, the gross carrying amount of the financial asset is recalculated, based on the net present value of the new contractual cash flows, and discounted at the financial asset's original effective interest rate. The effect is recognised and disclosed as a modification loss in the income statement. Credit-related modification gains or losses (i.e. due to forbearance measures) are recognised in the income statement and presented under impairment charges on financial instruments. Non-credit related modification gains or losses are recognised in the income statement and presented under interest income calculated using the effective interest method.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitatively and quantitatively (a 10% difference in the present value of the cash flows), is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former amortised cost and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

Client clearing

As a general clearing member, ABN AMRO provides clearing and settlement services to its clients for, among other things, exchange-traded derivatives.

In its capacity as a clearing member, ABN AMRO guarantees the fulfilment of obligations towards central counterparty clearing houses (CCPs) of clients' transactions. ABN AMRO is not liable to clients for the non-performance of the CCP. In the event of a client defaulting, ABN AMRO has the legal obligation to settle all the client's positions with the relevant CCPs, possibly at a loss. Possible losses arising from this guarantee might relate not only to a client's current positions, but also to the client's future trades. ABN AMRO receives and collects (cash) margins from clients, and remits these margins to the relevant CCP in whole or in part. Given the stringent margin requirements set by the CCPs, possible future outflows of resources for new clearing transactions are considered close to zero.

ABN AMRO does not reflect the exchange-traded derivatives cleared on behalf of clients in its financial statements. Under normal circumstances, the guarantee has no fair value and is not recognised in the financial statements. Any loss recognised in the event of non-performance of a client is in line with our contingent liabilities policy.

Offsetting

The bank offsets financial assets and liabilities and the net amount reported in the statement of financial position if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net balances on current accounts with other banks with a maturity of less than three months from the date of acquisition. The statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and advances and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

Government grants

Government grants are recognised in the income statement on a systematic basis over the periods that the related expenses, which the grants are intended to compensate, are recognised. In the case of an income-related grant, the grant is deducted from the related expense.

Levies and other regulatory charges

ABN AMRO recognises a liability arising from levies and similar charges when it becomes legally enforceable (i.e. when the obligating event arises).

2 Segment reporting

Accounting policy for segment reporting

The segment reporting is in accordance with IFRS 8 Operating Segments. The segments are reported in a manner consistent with internal reporting provided to the Executive Board, which is responsible for allocating resources and assessing performance and has been identified as the chief operating decision-maker. All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions. Geographical data are presented according to the management view.

Segment assets, liabilities, income and results are measured based on our accounting policies and include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted on an arm's length basis.

Interest income is reported as net interest income because management primarily relies on net interest income as a performance measure, not gross income and expense.

There was no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2021 or 2020.

Retail Banking

Retail Banking provides a full range of transparent banking products and high-quality services to individuals with investable assets up to EUR 500,000. We offer our products and services under the ABN AMRO brand, and specific products and services under other labels. Our clients have access to a seamless omni-channel distribution network providing a top-class digital and remote offering, and supported by a balanced network of branches and our Contact Centre.

Commercial Banking

Commercial Banking is an established business partner of the Dutch SME and corporate sector, offering asset-based finance in the Netherlands, Germany, France and the UK. We serve over 365,000 clients with annual turnover of up to EUR 250 million in a variety of sectors. Commercial Banking offers a broad range of products and services, based on in-depth client and sector knowledge combined with innovative value propositions and offerings, and a digital approach to convenience banking products.

Private Banking

Private Banking is a leading eurozone private bank in terms of client assets, with dedicated professionals who have in-depth knowledge of their clients. Our international expertise, local knowledge and over 350 years of experience in private banking form the basis of our long-standing client relationships. We bring personal service, digital convenience and a proactive mentality to a full range of banking and wealth management products and services for high net worth clients in the Netherlands with more than EUR 500,000 in investable assets, or more than EUR 1 million outside the Netherlands, and for ultra-high net worth clients with more than EUR 25 million in investable assets. Private Banking is present in the Netherlands, France, Germany and Belgium.

Corporate & Institutional Banking

Corporate & Institutional Banking (CIB) has a large client base. We have a strong market position in the Netherlands, serving clients with revenues in excess of EUR 250 million. CIB has been leveraging on the strong domestic franchise in selected Northwest European countries, where it serves clients in a variety of sectors. CIB is sector-led and offers a wide range of services and products in global markets and lending. We have specialised activities in Clearing.

Group Functions

Group Functions consists of the following main departments: Innovation & Technology, Finance, Risk Management, HR & Transformation, Group Audit, Strategy & Sustainability, Legal, Corporate Office and Brand, Marketing & Communications. The majority of Group Functions' costs are allocated to the business lines.

Segment income statement for the year 2021

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	2021 Total
Income						
Net interest income	2,032	1,442	634	903	198	5,210
Net fee and commission income	312	256	602	515	-21	1,664
Net income from other operating activities	108	42	25	75	413	663
Net trading income		-1		197	-50	145
Share of result in equity-accounted investments	20	-8	14	-3		23
Net gains/(losses) on derecognition of financial assets measured at amortised cost				-106	-2	-108
Operating income	2,471	1,730	1,275	1,581	539	7,597
Expenses						
Personnel expenses	416	257	391	430	831	2,324
General and administrative expenses	760	166	190	302	1,870	3,287
Depreciation, amortisation and impairment losses of tangible and intangible assets	4	10	28	10	142	194
Intersegment revenues/expenses	982	701	344	382	-2,410	
Operating expenses	2,163	1,134	953	1,123	433	5,806
Impairment charges on financial instruments	-41	41	-6	-37	-3	-46
Total expenses	2,121	1,175	947	1,086	430	5,759
Profit/(loss) before taxation	350	555	328	495	109	1,838
Income tax expense	85	150	94	117	158	604
Profit/(loss) for the period	265	406	234	378	-49	1,234
Attributable to:						
Owners of the parent company	265	406	234	378	-52	1,231
Non-controlling interests					3	3

Segment income statement for the year 2020

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	2020 Total
Income						
Net interest income	2,638	1,471	637	1,123	-6	5,863
Net fee and commission income	303	256	502	529	-31	1,558
Net income from other operating activities	37	25	283	-111	80	314
Net trading income		-1		165		163
Share of result in equity-accounted investments	31	3	5	-13	4	29
Net gains/ (losses) on derecognition of financial assets measured at amortised cost			-1	-9	-2	-11
Operating income	3,009	1,753	1,425	1,683	45	7,916
Expenses						
Personnel expenses	408	243	371	484	774	2,280
General and administrative expenses	656	138	187	284	1,412	2,677
Depreciation, amortisation and impairment losses of tangible and intangible assets	7	10	57	71	154	299
Intersegment revenues/expenses	943	648	330	372	-2,293	
Operating expenses	2,015	1,039	945	1,211	47	5,256
Impairment charges on financial instruments	77	542	26	1,659	-1	2,303
Total expenses	2,092	1,580	971	2,870	46	7,559
Profit/(loss) before taxation	917	173	454	-1,187	-1	356
Income tax expense	229	49	151	5	-33	401
Profit/(loss) for the period	687	124	303	-1,192	33	-45
Attributable to:						
Owners of the parent company	687	124	303	-1,192	33	-45

Retail Banking

Net interest income declined to EUR 2,032 million in 2021 (2020: EUR 2,638 million), largely impacted by provisioning for revolving consumer credit and continued deposit margin pressure. Interest income on residential mortgages also decreased, driven by lower volumes and margins due to severe market competition and high redemption of mortgages with relatively high margins.

Net fee and commission income rose to EUR 312 million (2020: EUR 303 million), showing recovery in credit card usage (ICS) and payment service fee income.

Net income from other operating activities was EUR 108 million in 2021 (2020: EUR 37 million), reflecting positive revaluation results on the ventures portfolio, including EUR 41 million on Tink.

Personnel expenses amounted to EUR 416 million in 2021 (2020: EUR 408 million), mainly due to the upscaling of AML activities.

General and administrative expenses increased by EUR 104 million, totalling EUR 760 million in 2021. The increase was mainly attributable to cumulative handling costs for revolving consumer credit, as well as higher regulatory levies.

Impairment charges recorded a release of EUR 41 million in 2021 (2020: EUR 77 million addition), mainly in stages 1 and 2.

Commercial Banking

Net interest income came down to EUR 1,442 million in 2021 (2020: EUR 1,471 million), mainly as a result of continued pressure on deposit margins and lower average corporate loan volumes.

Net fee and commission income remained flat at EUR 256 million in 2021 because of the lagging economic recovery following Covid-19. However, payment service fee income partly recovered during the second half of the year.

Net income from other operating activities increased to EUR 42 million in 2021 (2020: EUR 25 million).

Personnel expenses were EUR 14 million higher, totalling EUR 257 million in 2021, mainly related to the increase in FTEs for regulatory projects and strategic initiatives and, to a lesser extent, to wage inflation.

General and administrative expenses increased to EUR 166 million in 2021 (2020: EUR 138 million), mainly due to the upscaling of AML activities and higher regulatory levies.

Impairment charges decreased significantly to EUR 41 million in 2021 (2020: EUR 542 million), mainly due to model-based releases and limited individual additions in 2021. In 2020, high individual stage 3 impairments (mainly attributable to the food, shipping, and industrial goods and services sectors) were recorded.

Private Banking

Net interest income was broadly stable at EUR 634 million in 2021 (2020: EUR 637 million), despite continued pressure on deposit margins. To mitigate much of the pressure on deposit margins, ABN AMRO started charging negative rates of interest on client deposits and also lowered the charging threshold in phases (deposit threshold: Q1 2021: EUR 500 thousand; Q3 2021: EUR 150 thousand; and Q1 2022: EUR 100 thousand).

Net fee and commission income increased significantly to EUR 602 million (2020: EUR 502 million), mainly attributable to higher asset management fee income resulting from a higher client asset base and favourable stock market developments.

Net income from other operating activities totalled EUR 25 million in 2021 (2020: EUR 283 million), largely because the figures for 2020 included the EUR 263 million book gain on the sale of the Neuflize OBC office building in Paris.

Personnel expenses increased to EUR 391 million in 2021 (2020: EUR 371 million), mainly due to the increase in FTEs for strategic initiatives.

General and administrative expenses were broadly stable at EUR 190 million in 2021 (2020: EUR 187 million).



Impairment charges recorded a net release of EUR 6 million in 2021 (2020: EUR 26 million addition), mainly reflecting model-based provision releases.

Corporate & Institutional Banking

Net interest income declined to EUR 903 million in 2021 (2020: EUR 1,123 million), primarily impacted by lower income at CIB non-core as a result of lower corporate loan volumes following the wind-down (loan book down around 90% since 30 June 2020), whereas net interest income at CIB core increased.

Net fee and commission income decreased to EUR 515 million in 2021 (2020: EUR 529 million). Net fee and commission at CIB core increased by EUR 42 million in 2021, mainly in Clearing (higher market volatility) and Global Markets (stronger capital market fees). This was offset by a decline in CIB non-core because of the reduction in activities as a result of the wind-down.

Net income from other operating activities was EUR 75 million (2020: EUR 111 million negative), mainly reflecting a favourable result from private equity investments.

Net trading income totalled EUR 197 million in 2021 (2020: EUR 165 million), largely driven by more favourable CVA/DVA/FVA results.

Net losses on derecognition of financial assets amounted to EUR 106 million negative in 2021 (2020: EUR 9 million negative). The decrease was largely attributable to a discount to book value on a loan disposal as part of the wind-down of the CIB non-core portfolio, booked in Q2 2021.

Personnel expenses were down EUR 54 million at EUR 430 million in 2021, impacted by a one-off provision for the CIB non-core wind-down and discretionary variable remuneration, both in 2020. The decrease was partly offset by higher expenses at CIB core due to the increase in FTEs and overall wage inflation.

General and administrative expenses increased by EUR 18 million to EUR 302 million in 2021, mainly due to higher expenses relating to regulatory projects and strategic initiatives, as well as higher levies.

Impairment charges recorded a net release of EUR 37 million in 2021 (2020: EUR 1,659 million addition). The figure for 2020 primarily comprised stage 3 additions for (non-core) TCF clients, mainly in the energy sector.

Group Functions

Net interest income improved to EUR 198 million in 2021 (2020: EUR 6 million negative). Excluding large incidentals, the main reason for the increase in net interest income was the additional TLTRO discount (EUR 93 million) and higher mortgage prepayment penalties. The discount is being entirely passed on to our clients.

Net fee and commission income was EUR 21 million negative in 2021 (2020: EUR 31 million negative), largely owing to lower fees paid to securities financing.

Net income from other operating activities amounted to EUR 413 million in 2021 (2020: EUR 80 million), largely owing to the gain on the sale and leaseback of the Amsterdam head office (EUR 327 million). This was partly offset by lower hedging accounting-related income (2021: EUR 40 million versus 2020: EUR 59 million).

Net trading income totalled EUR 50 million negative in 2021 and included a net negative impact of EUR 49 million due to the repayment of German dividend withholding tax credits and accrued interest relating to transactions that might be considered as cum/cum transactions. The amounts have been repaid in anticipation of a decision by the German tax authorities.

Personnel expenses increased by EUR 57 million to EUR 831 million in 2021, mainly due to the upscaling of AML activities reflected in the increase in FTEs and, to a lesser extent, to wage inflation.

General and administrative expenses rose to EUR 1,870 million in 2021 (2020: EUR 1,412 million), including AML settlement (EUR 480 million). Excluding large incidentals, general and administrative expenses increased in 2021, mainly due to the upscaling of AML activities.

Selected assets and liabilities per segment

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	31 December 2021
Assets						
Financial assets held for trading				1,155		1,155
Derivatives			15	3,002	768	3,785
Securities financing				5,624	10,514	16,138
Residential mortgages	141,097	1	5,171		1,442	147,711
Consumer loans	4,918	633	4,937	30		10,518
Corporate loans	1,634	40,700	5,739	35,758	1,183	85,014
Other loans and advances customers	28	55	6	14,805	113	15,008
Other	1,789	2,418	2,525	8,908	104,145	119,784
Total assets	149,466	43,807	18,392	69,282	118,165	399,113
Liabilities						
Financial liabilities held for trading				687		687
Derivatives			4	3,542	798	4,344
Securities financing				2	9,493	9,494
Current accounts	24,459	44,477	29,457	33,837	753	132,983
Demand deposits	56,655	11,500	30,428	207		98,790
Time deposits	6,004	354	3,449	3,566	5,408	18,780
Other due to customers	166			478	21	665
Other	62,182	-12,524	-44,945	26,964	79,694	111,371
Total liabilities	149,466	43,807	18,392	69,282	96,166	377,114

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	31 December 2020
Assets						
Financial assets held for trading				1,315		1,315
Derivatives			30	5,084	1,267	6,381
Securities financing				5,349	11,376	16,725
Residential mortgages	141,082	1	4,473		3,186	148,741
Consumer loans	5,690	556	4,684	8		10,937
Corporate loans	1,675	38,495	5,406	37,817	1,351	84,744
Other loans and advances customers	20	161	5	7,437	114	7,736
Other	2,010	2,264	2,601	5,515	106,653	119,044
Total assets	150,477	41,477	17,199	62,525	123,946	395,623
Liabilities						
Financial liabilities held for trading				563		563
Derivatives			14	6,159	1,219	7,391
Securities financing				368	10,995	11,363
Current accounts	21,732	39,799	24,275	24,424	804	111,033
Demand deposits	60,830	12,495	33,841	368		107,534
Time deposits	6,302	242	3,396	3,150	5,947	19,037
Other due to customers	175	1		738	51	966
Other	61,438	-11,060	-44,328	26,756	83,940	116,747
Total liabilities	150,477	41,477	17,199	62,525	102,956	374,634

Geographical segments

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	2021
Income						
Net interest income	4,796	259	93	47	14	5,210
Net fee and commission income	1,137	346	92	80	9	1,664
Net income from other operating activities	629	35	5	4	-9	663
Net trading income	227	-90	-1		9	145
Share of result in equity-accounted investments	9	14				23
Net gains/(losses) on derecognition of financial assets measured at amortised cost	7	-12	-119	7	8	-108
Operating income	6,806	552	70	138	31	7,597
Expenses						
Personnel expenses	1,827	320	99	59	20	2,324
General and administrative expenses	3,043	182	34	19	9	3,287
Depreciation and amortisation of tangible and intangible assets	160	31		3		194
Intersegment revenues/expenses		6	1	5	-12	
Operating expenses	5,030	540	134	85	17	5,806
Impairment charges on financial instruments	-107	17	45	-3	2	-46
Total expenses	4,923	557	179	82	18	5,759
Profit/(loss) before taxation	1,884	-6	-109	55	13	1,838
Income tax expense	566	11	16	12	-2	604
Profit/(loss) for the period	1,317	-17	-125	43	15	1,234
Attributable to:						
Owners of the parent company	1,315	-17	-125	43	15	1,231
Non-controlling interests	3					3

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	2020
Income						
Net interest income	5,165	357	215	108	19	5,863
Net fee and commission income	1,043	306	108	92	10	1,558
Net income from other operating activities	69	281	-8	4	-32	314
Net trading income	113		17		33	163
Share of result in equity-accounted investments	24	5				29
Net gains/(losses) on derecognition of financial assets measured at amortised cost	-9			-3		-11
Operating income	6,405	948	331	201	30	7,916
Expenses						
Personnel expenses	1,744	292	131	89	24	2,280
General and administrative expenses	2,406	188	43	28	11	2,677
Depreciation and amortisation of tangible and intangible assets	171	65	32	26	6	299
Intersegment revenues/expenses	-48	21	18	20	-11	
Operating expenses	4,273	566	225	163	30	5,256
Impairment charges on financial instruments	1,080	268	451	500	3	2,303
Total expenses	5,353	835	675	663	34	7,559
Profit/(loss) before taxation	1,052	113	-344	-462	-3	356
Income tax expense	271	106	-7	24	7	401
Profit/(loss) for the period	781	7	-337	-485	-11	-45
Attributable to:						
Owners of the parent company	781	7	-337	-485	-11	-45

3 Overview of financial assets and liabilities by measurement base

		31 December 2021			
(in millions)	Amortised cost	Fair value through profit or loss - trading	Fair value through profit or loss - other	Fair value through other comprehensive income	Total
Financial assets					
Cash and balances at central banks	66,865				66,865
Financial assets held for trading		1,155			1,155
Derivatives		2,975	810		3,785
Financial investments			580	42,585	43,165
Securities financing	16,138				16,138
Loans and advances banks	2,801				2,801
Loans and advances customers	258,146		104		258,251
Assets held for sale			86		86
Other financial assets	3,257				3,257
Total financial assets	347,207	4,130	1,581	42,585	395,502
Financial liabilities					
Financial liabilities held for trading		687			687
Derivatives		3,545	799		4,344
Securities financing	9,494				9,494
Due to banks	38,076				38,076
Due to customers	251,218				251,218
Issued debt	58,796		892		59,688
Subordinated liabilities	7,549				7,549
Other financial liabilities	2,844				2,844
Total financial liabilities	367,977	4,231	1,691		373,899

		31 December 2020			
(in millions)	Amortised cost	Fair value through profit or loss - trading	Fair value through profit or loss - other	Fair value through other comprehensive income	Total
Financial assets					
Cash and balances at central banks	60,190				60,190
Financial assets held for trading		1,315			1,315
Derivatives		5,436	945		6,381
Financial investments			855	46,600	47,455
Securities financing	16,725				16,725
Loans and advances banks	3,394				3,394
Loans and advances customers	251,753		406		252,159
Other financial assets	3,796				3,796
Total financial assets	335,856	6,751	2,206	46,600	391,414
Financial liabilities					
Financial liabilities held for trading		563			563
Derivatives		6,585	807		7,391
Securities financing	11,363				11,363
Due to banks	36,719				36,719
Due to customers	238,570				238,570
Issued debt	66,000		949		66,949
Subordinated liabilities	8,069				8,069
Other financial liabilities	2,161				2,161
Total financial liabilities	362,881	7,148	1,756		371,785



4 Net interest income

Accounting policy for net interest income

Interest income and expense on financial instruments is recognised in the income statement on an accrual basis using the effective interest rate method, except for those financial instruments measured at fair value through profit or loss. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, over the expected lives of the assets and liabilities. The effective interest rate is the rate that exactly discounts estimated future cash flows to the net carrying amount of the asset. As a result, this method requires ABN AMRO to estimate future cash flows, in some cases based on its experience of client behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Interest on loans and advances measured at fair value through profit or loss is also included in net interest income and recognised using the contractual interest rate. Interest income and expense on trading balances is included in net trading income. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

(in millions)	2021	2020
Interest income calculated using the effective interest method	6,760	7,525
Other interest and similar income	258	290
Interest income	7,017	7,815
Interest expense calculated using the effective interest method	1,397	1,834
Other interest and similar expense	411	118
Interest expense	1,808	1,952
Net interest income	5,210	5,863

Net interest income

Net interest income decreased by EUR 653 million at 31 December 2021. The main drivers of the decrease were the lower average volume of corporate loans related to the ongoing wind-down of the CIB non-core portfolio and the continued pressure on deposit margins in a low interest rate environment. This was partly offset by charging negative interest rates on client deposits.

Interest income

(in millions)	2021	2020
Interest income from:		
Financial investments at fair value through other comprehensive income	515	598
Securities financing	145	198
Loans and advances banks	58	82
Loans and advances customers	6,238	7,061
Non-trading derivatives - hedge accounting - Cash flow hedges	375	427
Non-trading derivatives - hedge accounting - Fair value hedges	-1,291	-1,183
Other	720	342
Interest income calculated using the effective interest method	6,760	7,525
Financial assets at fair value through profit or loss	4	16
Non-trading derivatives - no hedge accounting	53	50
Other	201	224
Other interest and similar income	258	290
Total interest income	7,017	7,815

Interest income decreased by EUR 798 million at 31 December 2021, mainly due to the lower interest income from loans and advances customers related to the low interest rate environment and the decrease in corporate loans related to the wind-down of the CIB non-core portfolio. This was partly mitigated by charging negative interest rates on client deposits and the TLTRO discount of EUR 93 million.

Interest expense

(in millions)	2021	2020
Interest expenses from:		
Securities financing	69	101
Due to banks	67	91
Due to customers	320	380
Issued debt	864	1,171
Subordinated liabilities	352	416
Non-trading derivatives - hedge accounting - Cash flow hedges	411	422
Non-trading derivatives - hedge accounting - Fair value hedges	-909	-1,012
Other	223	265
Interest expense calculated using the effective interest method	1,397	1,834
Financial liabilities at fair value through profit or loss	35	36
Non-trading derivatives - no hedge accounting	43	57
Other	333	24
Other interest and similar expense	411	118
Total interest expense	1,808	1,952

Interest expense decreased by EUR 144 million at 31 December 2021. This was mainly due to lower interest expense from issued debt and subordinated liabilities as maturing debt was replaced at lower interest rates/coupons, as well as lower funding needs. The decrease was partly offset by the interest component in the provision for variable interest rates for consumer loans.

5 Net fee and commission income

Accounting policy for net fee and commission income

ABN AMRO applies IFRS 15 when recognising revenue from contracts with clients, all of which is included in net fee and commission income. After identifying contracts and their performance obligations, revenue is recognised as an amount that reflects the consideration to which the bank expects to be entitled in exchange for transferring promised services to clients. The transaction price is allocated to each performance obligation. Revenue is measured at the fair value of the consideration received, taking into account discounts and rebates. The amount of revenue recognised is discounted to the present value of consideration due, if payment extends beyond normal credit terms.

Revenue is recognised when a promised service is transferred to the client. Fees and commissions are recognised either:

- At a point in time: the fee is a reward for a service provided at a moment in time; or
- Over time (amortised): the fee relates to services on an ongoing basis.

ABN AMRO engages in transactions where more than one party is involved in providing services to a client. In the case of these transactions, ABN AMRO assesses whether it is a principal or an agent in the transaction by evaluating the nature of its promise to the client.

The bank is a principal if it controls the promised goods or services before they are transferred to a client. The bank is acting as an agent, of another party, if it provides a service of arranging for another party to transfer goods or services to a client and, as a result, does not control the specified goods or services. Control of goods and services refers to the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods and services.

If the bank is assessed to be a principal in the transaction, it recognises revenue in the gross amount of the consideration to which it expects to be entitled in exchange for the specified goods or services transferred. If, however, the bank acts as an agent, it recognises revenue in the amount of the fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. The fee or commission may be the net amount of consideration that the bank retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

(in millions)	2021	2020
Fee and commission income	2,213	2,253
Fee and commission expense	550	695
Net fee and commission income	1,664	1,558

Net fee and commission income increased by EUR 106 million at 31 December 2021, mainly due to a strong performance related to higher net asset management fees income at Private Banking. This was partly offset by the decrease in CIB non-core wind-down and by higher payment service expense at Retail Banking.

Fee and commission income

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	2021 Total
Fee and commission income from:						
Securities and custodian services	19	1	62	570	2	653
Payment services	321	201	29	81		632
Portfolio management and trust fees	49	1	548	4		603
Guarantees and commitment fees	31	31	6	46		114
Insurance and investment fees	48		39			87
Other service fees	17	64	15	28		123
Total fee and commission income	485	298	699	728	3	2,213
Timing fee and commission income						
Recognised at a point in time	210	216	369	699	2	1,497
Recognised over time	275	82	330	30		717
Total fee and commission income	485	298	699	728	3	2,213

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	2020 Total
Fee and commission income from:						
Securities and custodian services	24	1	67	736	2	830
Payment services	286	204	25	80		595
Portfolio management and trust fees	40	1	436			477
Guarantees and commitment fees	29	28	5	80		143
Insurance and investment fees	43	1	33			77
Other service fees	19	61	17	33		131
Total fee and commission income	442	295	583	930	2	2,253
Timing fee and commission income						
Recognised at a point in time	187	222	321	874	2	1,606
Recognised over time	254	74	262	56		647
Total fee and commission income	442	295	583	930	2	2,253

Fee and commission expense

(in millions)	2021	2020
Fee and commission expenses from:		
Securities and custodian services	210	392
Payment services	191	143
Portfolio management and trust fees	73	58
Guarantees and commitment fees	28	30
Insurance and investment fees	31	34
Other service fees	16	39
Total fee and commission expense	550	695

6 Net income from other operating activities

Accounting policy for other operating income

Other operating income includes all other banking activities such as operating lease activities as lessor and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities measured at fair value through profit or loss, and changes in the value of derivatives related to such instruments. Dividend income from non-trading equity investments is recognised when entitlement is established. Income from operating lease activities is presented separately from the depreciation expense of the related assets.

Prior to 2021, income from operating lease activities was measured net of depreciation of the underlying assets. In 2021, the lease income from operating lease activities became material. Therefore, income from operating lease activities is presented separately from the depreciation expenses of the underlying assets so as to better reflect the substance of the transactions.

(in millions)	2021	2020
Income from lease activities	163	171
Disposal of operating activities and equity-accounted investments	3	12
Result from financial transactions	245	-15
Other	395	293
Income from other operating activities	805	462

(in millions)	2021	2020
Expenses from lease activities	142	148
Expenses from other operating activities	142	148

Total income from other operating activities increased by EUR 343 million to EUR 805 million at 31 December 2021. The increase was mainly due to an increase in the result from financial transactions and, to a lesser extent, to other income.

The result from financial transactions increased by EUR 260 million to EUR 245 million at 31 December 2021. This was due to revaluation gains relating to equity interests in other entities, including the investment in Tink and Capital A funds.

Other income increased by EUR 101 million to EUR 395 million at 31 December 2021. This increase related mainly to the sale and leaseback of ABN AMRO's head office at Gustav Mahlerlaan in 2021, which resulted in a pre-tax gain of EUR 327 million (EUR 245 million net of tax) in other operating income as part of Group Functions. Please refer to Note 24 'Property and equipment, leases, goodwill and other intangible assets' for more information on the sale and leaseback transaction.

7 Net trading income

Accounting policy for net trading income

In accordance with IFRS 9, trading positions are held at fair value, and net trading income includes gains and losses arising from changes in the fair value of such financial assets and liabilities. The latter comprise gains and losses from trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities, and dividends received from trading instruments. Dividend income and dividends from trading instruments are recognised at the dividend announcement date. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads (CVA) and changes in own credit spreads (DVA) where these impact on the value of our trading assets and liabilities. The funding valuation adjustment (FVA) incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives.

(in millions)	2021	2020
Interest instruments trading	28	68
Equity and commodity trading	7	18
Foreign exchange transaction results	110	77
Total net trading income	145	163

Net trading income decreased by EUR 18 million at 31 December 2021, totalling EUR 145 million. The decrease was driven by the negative impact of the repayment of German dividend withholding tax relating to transactions that might be considered as cum/cum transactions. The amounts have been repaid in anticipation of a decision by the German tax authorities. This was partially offset by the positive impact of the higher FX-volumes and improved CVA/DVA/FVA results. Commodity trading income decreased due to lower volumes in the USA.

The XVA result was mainly impacted by the decrease in the CVA reserve. The CVA reserve decreased due to an increase in interest rates and changes in counterparty credit spreads. The FVA reserve decreased due to lower funding spreads.

8 Net gains/(losses) on derecognition of financial assets measured at amortised cost

Accounting policy derecognition of financial assets

The net gains/(losses) on derecognition of financial assets measured at amortised cost includes gains and losses recognised on the sale or derecognition of these financial assets, calculated as the difference between the carrying amount (which is the amortised cost adjusted for the loss allowance) and the proceeds received.

The net losses on derecognition of financial assets measured at amortised cost increased by EUR 96 million to EUR 108 million at 31 December 2021. The net losses on derecognition of financial assets measured at amortised cost comprise EUR 59 million of gains and EUR 166 million of losses on derecognition of financial instruments at amortised cost and were mainly due to loan disposals as part of the non-core wind-down.

9 Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate. The accounting policies for pensions and other post-employment benefits are included in Note 31 Pension and other employee benefits.

(in millions)	2021	2020
Salaries and wages	1,726	1,540
Social security charges	220	216
Expenses relating to Defined post employment benefit plans	3	1
Defined contribution plan expenses	291	306
Other	84	217
Total personnel expenses	2,324	2,280

Total personnel expenses increased by EUR 44 million in 2021 compared to 2020.

The increase of EUR 186 million in salaries and wages was mainly driven by an increase in FTE levels following the AML remediation programmes and a 2.75% increase in salaries under the Collective Labour Agreement. The wind-down at CIB was the main driver for the increase in retention payments.

The decrease in defined contribution plan expenses of EUR 15 million was due to a release as a result of a favourable court ruling. This was partly offset by the increase in FTEs, resulting in higher pension costs.

Other personnel expenses decreased by EUR 133 million, mainly due to higher restructuring provisions related to staff expenses in 2020. The decrease is also related to lower dismissal payments and short-term employee benefit expenses than in 2020, due to Covid-19 restrictions.

10 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period in which services have been provided and to which the payment relates.

(in millions)	2021	2020
Agency staff, contractors and consultancy costs	875	776
Staff-related costs	38	42
Information technology costs	980	973
Housing	88	108
Post, telephone and transport	32	34
Marketing and public relations costs	84	80
Regulatory charges	463	397
Other	728	267
Total general and administrative expenses	3,287	2,677

Total general and administrative expenses for 2021 increased by EUR 610 million.

Agency staff, contractors and consultancy costs increased by EUR 99 million, mainly related to an increase of EUR 114 million in contractors costs due to the upscaling of AML activities.

Other expenses increased by EUR 461 million, mainly due to the AML settlement of EUR 480 million with the Netherlands Public Prosecution Service regarding shortcomings in AML activities and additions to legal provisions. This was partly offset by the release of AML provisions.

(in millions)	2021	2020
Bank tax	150	95
Deposit Guarantee Scheme	127	128
Single Resolution Fund	159	145
Other regulatory levies	27	29
Total regulatory charges	463	397

Regulatory charges increased by EUR 66 million, mainly due to increases in banking tax expenses and resolution fund expenses.

Auditor's fees to EY are included under agency staff, contractors and consultancy costs. The fees stated for the audit of the financial statements are based on the total fees for the audit of the financial statements, regardless of whether the procedures were performed before the year-end. These are specified in the following table.

(in millions)	2021	2020
Financial statements audit fees	15	14
Audit-related fees	2	2
Total auditor's fee	17	16

Financial statement audit fees relating to the audit of activities in the Netherlands amounted to EUR 13 million in 2021 (2020: EUR 12 million). Audit-related fees for activities in the Netherlands amounted to EUR 2 million in 2021 (2020: EUR 2 million).

Audit-related fees comprise services for regulatory reporting purposes, comfort letters and consent letters, assurance engagements on segregation of assets, assurance on service organisation reports and procedures agreed for supervisory purposes.



11 Income tax expense, tax assets and tax liabilities

Accounting policy for income tax expense, tax assets and tax liabilities

Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement and in the statement of other comprehensive income in the period in which profits arise. Withholding taxes are included in income tax when these taxes become payable by a subsidiary, associate or joint arrangement on distributions to ABN AMRO. Income tax recoverable on tax-allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior period. Current tax is measured using tax rates enacted at the balance sheet date.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when there is both a legal right to offset and an intention to settle on a net basis.

(in millions)	2021	2020
Recognised in income statement:		
Current tax expenses for the current period	675	417
Adjustments recognised in the period for current tax of prior periods	1	-68
Total current tax expense	676	349
Deferred tax arising from the current period	-41	-100
Impact of changes in tax rates on deferred taxes	-1	-12
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	-24	139
Deferred tax prior period	-9	27
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	3	
Tax expense (income) relating to changes in accounting policies and errors included in profit and loss		-1
Total deferred tax expense	-72	52
Total income tax expense	604	401

The EUR 139 million write-down in 2020 includes the write-down of deferred tax assets related to the wind-down of the CIB non-core portfolio.

Reconciliation of the total tax charge

The effective rate based on the consolidated income statement differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained in the following table.

(in millions)	2021	Effective tax rate	2020	Effective tax rate
Profit/(loss) before taxation	1,838		356	
Applicable tax rate	25.0%		25.0%	
Expected income tax expense	459		89	
International tax rate difference	-5	-0.3%	70	19.6%
Adjustment previous years	-8	-0.4%	-41	-11.4%
Change in tax rates	-1	-0.1%	-12	-3.4%
Banking tax	36	2.0%	22	6.3%
Non-taxable income	-1	-0.1%	-2	-0.5%
Non-deductible expenses	152	8.3%	29	8.2%
Tax exempt (participation exemption)	-45	-2.4%	7	1.9%
Losses not benefited	40	2.2%	95	26.7%
Change recognition of deferred tax assets	-24	-1.3%	138	38.7%
Other tax effects		0.0%	6	1.6%
Actual income tax expense	604	32.9%	401	112.6%

The effective tax rate in 2021 (32.9%) is significantly lower than in 2020 (112.6%). This decrease is mainly the result of an exceptionally high effective tax rate in 2020. In 2020 no full tax benefit was recognised on the provision for the CIB non-core wind-down since no deferred tax asset could be recognised on the losses in specific tax jurisdictions. The relatively high rate of 32.9% in 2021, compared to the standard Dutch rate of 25%, was mainly driven by the AML settlement recorded in Q1 2021 and the bank tax recorded in Q4 2021, which are not tax deductible.

Tax assets and liabilities

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities, including derivative contracts, allowances for loan impairment and investments. The following table summarises the tax position.

(in millions)	31 December 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Current tax	119	101	176	27
Deferred tax	620		674	4
Total tax assets and liabilities	739	101	851	30

The significant components and annual movements in deferred tax assets and deferred tax liabilities are shown in the following tables.

(in millions)	As at 31 December 2020	Income statement	OCI	Equity	Other	As at	Of which: deferred tax asset	Of which: deferred tax liability
						31 December 2021		
Assets and liabilities held for trading, derivatives and financial investments	560	1	-113			448	538	90
Property and equipment (excluding leases) and intangible assets	15	3				18	22	4
Loans	6	1				7	7	1
Equity-accounted investments	3	-3						
Leases	5	32				37	110	72
Pensions and other (post-)employment benefits	20	-6	-3			11	11	
Provisions	17	9	-2			24	24	
Tax losses carried forward	25	25				51	51	
Other	19	9	-5			24	47	23
Deferred tax assets (+) and liabilities (-)	671	72	-123		1	620	811	191
Offsetting deferred tax assets and liabilities							191	191
Net deferred tax assets (+) and liabilities (-)							620	

(in millions)	As at 31 December 2019	Income statement	OCI	Equity	Other	As at 31 December 2020	Of which: deferred tax asset	Of which: deferred tax liability
Assets and liabilities held for trading, derivatives and financial investments	400	-2	161		2	560	620	60
Property and equipment (excluding leases) and intangible assets	5	9		1		15	21	7
Loans	38	-30			-2	6	7	1
Equity-accounted investments	2					3	3	
Leases	5					5	58	53
Pensions and other (post-)employment benefits	17		1	1		20	20	
Provisions	20	-1	-2			17	18	1
Tax losses carried forward	31	-1		1	-5	25	25	
Other	50	-27	-2	-2	1	19	35	15
Deferred tax assets (+) and liabilities (-)	569	-52	158	2	-6	671	808	137
Offsetting deferred tax assets and liabilities							134	134
Net deferred tax assets (+) and liabilities (-)							674	4

Deferred tax assets

The overall decrease in deferred tax assets through other comprehensive income includes an offsetting impact of EUR 14 million due to the decision to increase the corporate income tax rate in the Netherlands from 25% to 25.8% for 2022 onwards.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Recognition is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, changes to the recognition of deferred tax assets could be required and these could impact on our financial position and net profit. No deferred income taxes have been recognised on undistributed earnings of ABN AMRO's subsidiaries, branches and interests in joint ventures.

Tax losses

The total accumulated losses available for carry-forward at 31 December 2021 amounted to EUR 2,550 million (31 December 2020: EUR 2,058 million), of which EUR 202 million (31 December 2020: EUR 101 million) is recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 51 million (31 December 2020: EUR 25 million).

Unrecognised tax assets

Certain amounts of deferred tax assets are not recognised because future taxable profits are not considered probable. Deferred tax assets for an amount of EUR 83 million (31 December 2020: EUR 126 million) have not been recognised in respect of gross deductible temporary differences of EUR 342 million (31 December 2020: EUR 513 million). In addition, deferred tax assets for an amount of EUR 429 million (31 December 2020: EUR 349 million) have not been recognised in respect of gross tax losses of EUR 2,348 million (31 December 2020: EUR 1,957 million). In 2022, we expect an amount of EUR 1,131 million of the unrecognised gross tax losses to be finally written off unutilised, due to liquidation of the company holding these losses. No use for these losses could be identified.

Tax credits and unrecognised tax credits

ABN AMRO did not have any carry-forward tax credits at 31 December 2021.

The following table shows when the operating losses as at 31 December 2021 expire.

(in millions)	2021	2022	2023	2024	2025	2026	After 5 years	No expiration	Total
2021									
Loss carry-forward recognised							24	177	202
Loss carry-forward not recognised	11	2	3	39	3			2,290	2,348
Total tax losses carry-forward (gross)	11	2	3	39	3	24	2,468	2,550	
2020									
Loss carry-forward recognised				1	1		2	97	101
Loss carry-forward not recognised	4	6	2	3	36		1	1,906	1,957
Total tax losses carry-forward (gross)	4	6	2	4	37	2	2,003	2,058	

Of the total amount of recognised net deferred tax assets, EUR 57 million (31 December 2020: EUR 31 million) was related to entities that suffered a loss in either the current or preceding year. The recognition of these deferred tax assets is based on a projection of future taxable income.

Tax related to equity

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and the Consolidated statement of changes in equity.

Income tax consequences of dividend

Dividends are, in principle, subject to a 15% withholding tax in the Netherlands. In 2021 ABN AMRO Bank NV withheld EUR 96 million of dividend withholding tax on dividends paid to its shareholders.

Country-by-country reporting

The following table provides an overview of total assets, total operating income, average number of FTE, operating profit/(loss) before taxation and income tax expense, as well as the principal subsidiary and main activity, for each country. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

		31 December 2021						
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)	Income tax paid (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	364,653	6,806	16,491	1,884	566	421
France	Banque Neuflize OBC S.A.	Private Banking	5,061	310	822	85	25	54
Germany	Bethmann Bank AG	Private Banking	3,711	63	689	-118	2	8
Belgium	ABN AMRO Bank N.V.	Private Banking	1,268	87	381	10	5	
United Kingdom	Branch Belgium	Private Banking	2,169	58	318	-18	-3	3
	ABN AMRO Asset based							
United Kingdom	Finance N.V., UK branche	Commercial Banking	2,169	58	318	-18	-3	3
	ABN AMRO Bank N.V.	Corporate & Institutional Banking						
Norway	Oslo Branch	Corporate & Institutional Banking	2,011	31	17	33	-18	
Denmark	ABN AMRO Securities Holdings (Denmark) ApS	Institutional Banking						
	ABN AMRO Clearing	Corporate & Institutional Banking						
United States	Chicago LLC	Corporate & Institutional Banking	16,131	70	395	-109	16	32
Brazil	Banco ABN AMRO S.A.	Institutional Banking	224	11	55	7	-4	2
	ABN AMRO Bank N.V.	Corporate & Institutional Banking						
Singapore	Branch Singapore	Corporate & Institutional Banking	3,037	83	214	35	5	6
Hong Kong	ABN AMRO Bank N.V.	Private Banking	553	35	88	15	4	6
	Branch Hong Kong	Corporate & Institutional Banking						
Japan	ABN AMRO Clearing	Corporate & Institutional Banking	57	20	18	9	3	3
United Arab Emirates	Tokyo Co. Ltd.					2		
Australia	ABN AMRO Bank N.V.	Private Banking	380	20	68	5	3	
Other	Branch UAE/DIFC	Corporate & Institutional Banking	-143	5	25	-1		
Total			399,113	7,597	19,583	1,838	604	534

							31 December 2020	
	Principal subsidiary	Main activity	Total assets (in millions)	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)	Income tax paid (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	355,587	6,405	15,430	1,052	271	227
France	Banque Neuflize OBC S.A.	Private Banking	4,982	523	806	305	102	97
Germany	Bethmann Bank AG	Private Banking	3,529	226	677	40	10	14
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	1,348	90	379	-49		
United Kingdom	ABN AMRO Commercial Finance Plc	Commercial Banking	2,076	61	316	-8		6
	ABN AMRO Bank N.V. Oslo Branch	Corporate & Institutional Banking	2,018	46	20	-175	-7	-7
Norway	ABN AMRO Securities Holdings (Denmark) ApS	Corporate & Institutional Banking	-119					
Denmark	ABN AMRO Clearing	Corporate & Institutional Banking						
United States	Chicago LLC	Corporate & Institutional Banking	18,968	331	440	-344	-7	25
Brazil	Banco ABN AMRO S.A.	Institutional Banking	374	13	76	-3	7	1
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate & Institutional Banking	5,025	108	268	-327	3	7
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	1,159	72	111	-101	15	3
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate & Institutional Banking	229	18	18	9	3	
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking				3		
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate & Institutional Banking	523	17	65		1	
Other			-75	5	32	-42	3	
Total			395,623	7,916	18,642	356	401	373

ABN AMRO received government grants for its participation in the TLTRO III programme in 2021 and the TLTRO II programme in 2021 and 2020. For more information, please refer to Note 27 Due to banks.

12 Earnings per share

The following table shows the composition of basic earnings per share at 31 December.

(in millions)	2021			2020		
	Profit/(loss) for the period ¹	Number of shares	Earnings per share (in EUR)	Profit/(loss) for the period ¹	Number of shares	Earnings per share (in EUR)
Basic earnings	1,140	940	1.21	-158	940	-0.17

¹ Earnings consist of profit excluding results attributable to non-controlling interests and payments to holders of AT1 instruments.

ABN AMRO Bank N.V. does not have any dilutive potential ordinary shares. Therefore only basic earnings per ordinary share is disclosed. Basic earnings per ordinary share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding.

In 2021, a final dividend of EUR 0.68 per share was distributed for 2019 in a total amount of EUR 639 million. For the year 2021 a final dividend has been proposed of EUR 0.61 per share.

13 Cash and balances at central banks

Accounting policy for cash and balances at central banks

Cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand deposits with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in Note 20 Loans and advances banks.

(in millions)	31 December 2021	31 December 2020
Assets		
Cash on hand and other cash equivalents	12	96
Balances with central banks readily convertible in cash other than mandatory reserve deposits	66,853	60,094
Total cash and balances at central banks	66,865	60,190

Cash and balances at central banks increased by EUR 6.7 billion, mainly due to the increase in collateral related to more clearing activities (EUR 4.2 billion) and to the issuance of senior non-preferred bonds in issued debt (EUR 2.6 billion).

14 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IFRS 9, all assets and liabilities held for trading are measured at fair value through profit or loss, with gains and losses in the changes of the fair value taken to net trading income in the income statement.

Financial assets held for trading

(in millions)	31 December 2021	31 December 2020
Trading securities		
Government bonds	480	639
Corporate debt securities	670	674
Equity securities	3	1
Total trading securities	1,153	1,314
Trading book loans	2	2
Total financial assets held for trading	1,155	1,315

The decrease of EUR 0.2 billion in financial assets held for trading was mainly related to changes in Dutch, German and French government bond positions. These portfolios consist of primary dealership positions of ABN AMRO Bank N.V. in the respective countries and positions for the purpose of client facilitation.

Financial liabilities held for trading

(in millions)	31 December 2021	31 December 2020
Bonds	654	469
Other liabilities held for trading	33	94
Total financial liabilities held for trading	687	563

The increase of EUR 0.1 billion in financial liabilities held for trading was the result of higher short positions in bonds, primarily Dutch, German and French sovereign debt. This was partially offset by the decrease in other liabilities held for trading, which was mainly attributable to the regular maturity of trades.

15 Derivatives

Accounting policy for derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of our clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. ABN AMRO also offers products that are traded on the financial markets to institutional and individual clients and governments.

Derivatives held for risk management purposes include derivatives qualifying for hedge accounting and those used for economic hedges. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.



Derivative assets and liabilities subject to master netting arrangements are presented net only when they satisfy the eligibility requirements for netting under IAS 32. ABN AMRO did not have any netted derivative positions in the statement of financial position in either 2021 or 2020.

As derivative transactions and the related cash collateral held at a CCP are settled on a daily basis, the carrying amount of these positions in the statement of financial position is nil.

From a risk perspective, the gross amount of trading assets must be associated with the gross amount of trading liabilities, which are presented separately in the statement of financial position.

(in millions)	31 December 2021								
	Derivatives held for trading			Economic hedges			Hedge accounting		Total derivatives
	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate		
Exchange traded									
Fair value assets	4								4
Fair value liabilities		3							3
Notionals	4,217	9	1						4,226
Over-the-counter Central counterparties									
Fair value assets									
Fair value liabilities									
Notionals	1,026,420			1,195			106,305		1,133,920
Other bilateral									
Fair value assets	2,385	509	78	68	177	13	552		3,781
Fair value liabilities	2,865	563	113	143	118	3	535		4,341
Notionals	148,764	48,213	1,498	1,048	10,621	74	59,651		269,869
Total									
Fair value assets	2,388	509	78	68	177	13	552		3,785
Fair value liabilities	2,866	567	113	143	118	3	535		4,344
Notionals	1,179,401	48,222	1,499	2,243	10,621	74	165,956		1,408,016

(in millions)	31 December 2020								
	Derivatives held for trading			Economic hedges			Hedge accounting		Total derivatives
	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate		
Exchange traded									
Fair value assets	1	1	9				2		12
Fair value liabilities	1	1	16						18
Notionals	9,466	239	10				97		9,812
Over-the-counter Central counterparties									
Fair value assets									
Fair value liabilities									
Notionals	1,059,416			1,031			104,203		1,164,650
Other bilateral									
Fair value assets	3,573	1,164	293	83	285	25	945		6,369
Fair value liabilities	5,062	781	298	164	257	5	807		7,373
Notionals	147,007	60,000	3,588	782	20,005	369	34,636		266,387
Total									
Fair value assets	3,573	1,164	303	83	285	27	945		6,381
Fair value liabilities	5,063	782	314	164	257	5	807		7,391
Notionals	1,215,889	60,239	3,598	1,813	20,005	467	138,839		1,440,850

The EUR 36.5 billion decrease in the notional amount of interest rate derivatives held for trading was mainly due to a decrease in volume and number of trades.

The notional amount of currency derivatives held for trading decreased by EUR 12.0 billion, mainly due to lower client activity. The notional amount on currency derivatives used for economic hedges decreased by EUR 9.4 billion due to the maturity of various cross-currency swaps.

The notional amount of interest rate derivatives used for hedge accounting increased by EUR 27.6 billion. The portfolio of interest rate swaps increased as a result of interest rate risk management activities.

16 Hedge accounting

Accounting policy for hedge accounting

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities and net investments. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting.

Qualifying hedges may be designated as fair value hedges, cash flow hedges or hedges of net investments. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates. The hedged item can be an asset, liability, or net investment in a foreign operation that (a) exposes the entity to the risk of changes in fair value or future cash flows, and (b) is designated as being hedged.

The hedged risks are typically changes in interest rates or foreign currency rates. ABN AMRO's market risk management strategy, which includes interest rate risk and foreign currency risk in the banking book, is described in more detail in the Risk, funding & capital management section.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO assesses whether the derivatives designated in each hedging relationship are expected to be and have been highly effective in offsetting changes in the fair value or cash flows of the hedged item. These prospective and retrospective effectiveness tests are performed by using a regression analysis. ABN AMRO applies the following criteria to assess whether the hedging relationship is effective:

- ▶ A regression co-efficient (R^2), which measures the correlation between the variables in the regression; and
- ▶ A slope of the regression line is within a range of 0.80-1.25.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in the result from financial transactions as part of other operating income. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Application of IAS 39 as endorsed by the European Union

As permitted by IFRS 9 paragraph 7.2.21, ABN AMRO has elected to continue applying the requirements of IAS 39 as endorsed by the European Union instead of applying the hedge accounting requirements of IFRS 9. The EU-endorsed version of IAS 39 provides relief from certain hedge accounting requirements when compared to the full hedge accounting text of IAS 39. One of these reliefs is that negative credit spreads can be excluded from hedge relationships. ABN AMRO applies this to several micro fair value hedge relationships. Another relief is that the impact of changes in the estimates of the repricing dates is considered ineffective only if it leads to over-hedging. This relief is applied in the macro fair value hedge.

Fair value hedges

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging), as well as on a portfolio of hedged items (macro fair value hedging). Where a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the income statement as result from financial transactions, which is part of the line item Other operating income.



Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from the changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to profit or loss over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relationships principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate assets and fixed-rate liabilities due to changes in market interest rates.

The main sources of hedge ineffectiveness in micro fair value hedges are:

- ▶ The effect of the counterparty and the bank's own credit risk on the fair value of the interest rate swap that is not reflected in the fair value of the hedged item, which is only attributable to the change in the interest rate;
- ▶ The difference in discounting between the hedged item and the hedging instrument; and
- ▶ Potential differences in maturities of the interest rate swap and the loans or notes.

Macro fair value hedge accounting

▶ ABN AMRO manages the interest rate risk arising from fixed-rate mortgages by entering into interest rate swaps. The exposure from this portfolio frequently changes due to new loans originated, contractual repayments and prepayments made by clients in each period. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. To ensure an effective matching of hedged items and hedging instruments, ABN AMRO applies a dynamic strategy in which hedged items are de-designated and re-designated on a monthly basis. The hedge accounting relationship is reviewed and re-designated on a monthly basis.

Hedged mortgages are fixed-rate mortgages with the following features:

- ▶ denominated in local currency (euros);
- ▶ fixed term to maturity or repricing;
- ▶ pre-payable amortising or fixed principal amounts;
- ▶ fixed interest payment dates;
- ▶ no interest rate options;
- ▶ accounted for on an amortised cost basis.

At each designation, the mortgage cash flows are allocated to monthly time buckets, based on the expected maturity dates. ABN AMRO models the maturity dates of mortgages, taking into account the modelled prepayments applied to the contractual cash flows and the maturity dates of the mortgage portfolio. If the interest rate swap notional exceeds the expected mortgage notional in any given month, taking into account the uncertainty of the expected mortgage notional by applying a haircut, mortgages that mature in adjacent buckets are designated to the interest rate swaps.

Changes in the fair value of the mortgages that are attributable to the hedged interest rate risk are recognised as fair value adjustments from hedge accounting in the income statement and adjust the carrying amount of the mortgages. The recognised fair value changes in the mortgages partially offset the changes in fair value of the interest rate swaps and therefore reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone.

At the start of the hedge relationships and at each monthly de-designation, the difference between the fair value attributable to the hedged interest rate risk and the carrying amount of the hedged mortgages is amortised over the remaining life of the hedged item.

In addition to the sources of ineffectiveness described for micro fair value hedges, the sources of ineffectiveness specifically for macro hedges are:

- ▶ The difference between the expected and actual volume of prepayments for the mortgage portfolio to the extent the difference would lead to over-hedging; and
- ▶ The difference in payment frequency between the fixed leg of the hedging instrument and the payment frequency of the hedged item (mortgages).

Cash flow hedges

ABN AMRO applies cash flow hedge accounting to a portfolio of future cash flows on banking book assets and liabilities – the hedged items – and a portfolio of interest rate swaps – the hedging instruments. The hedge relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated, if necessary, to maintain an effective hedge accounting relationship.

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in other comprehensive income. Hedge effectiveness for the macro cash flow hedge is measured as the amount by which the changes in the fair value of the interest rate swaps are in excess of changes in the fair value of the expected cash flows in the hedge relationship. Any ineffective part of the cash flow hedge is recognised in other operating income immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the accumulated gains or losses continue to be recognised in other comprehensive income and are transferred to the income statement when the hedged transaction affects profit or loss.

The gains or losses are included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the accumulated gains or losses recognised in other comprehensive income are recognised in the income statement immediately.

The main sources of hedge ineffectiveness for cash flow hedges are:

- ▶ The effect of the counterparty and the bank's own credit risk on the fair value of the interest rate swap that is not reflected in the fair value of the hedged item, which is only attributable to the change in the interest rate; and
- ▶ Potential differences in maturities of the interest rate swap and the loans or notes.

The hedged items in the macro cash flow hedge are future cash flows, which are derived from the projected balance sheet. This projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, volume growth rates and interest scenarios.

Within the projected balance sheet, assets and liabilities are grouped on the basis of the specific interest rate index on which they reprice (e.g. one month, three months, six months, twelve months). For each repricing index, all assets and liabilities are allocated on a gross basis to monthly buckets in which they reprice up until their maturity.

The notional amounts of the interest rate swaps, which can be either pay or receive floating interest, are also grouped per interest rate index and allocated to monthly repricing buckets until their maturity. The hedge relationship is established by designating the interest rate swap cash flows per bucket to the corresponding bucket of projected cash flows of the hedged items. The hedged risk identified is the benchmark rate that applies to the buckets. If there are no projected cash flows available in the corresponding bucket for the applicable benchmark rate, the interest rate swap cash flows are designated to projected cash flows in a bucket with a different benchmark. The availability of projected cash flows in the buckets is not constant over time and is therefore evaluated on a monthly basis. Changes in cash flow projections may lead to a revision of the designation. Back-testing is performed on the interest rate risk models. Historical data are used to review the assumptions applied.

Hedges of net investments in foreign operations

ABN AMRO may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in other comprehensive income, insofar as they are effective. The accumulated gains or losses recognised in other comprehensive income are transferred to the income statement on the disposal of the foreign operation.



In previous years, ABN AMRO hedged its currency exposure to certain investments in foreign operations by hedging its net investment in these foreign operations with forward contracts. ABN AMRO currently still holds some currency translation reserve for these respective positions, but no longer applies net investment hedge accounting.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost-beneficial to apply hedge accounting, are recognised directly in profit or loss.

Effect on financial position and performance - hedging instruments

(in millions)	Notional amount	Carrying amount		Line item in the statement of financial position	Changes in fair value used for calculation hedge ineffectiveness for the year			
		Assets	Liabilities					
31 December 2021								
Cash flow hedges - macro								
Interest rate	25,269			Derivatives	443			
Fair value hedges - macro								
Interest rate	46,278			Derivatives	1,610			
Fair value hedges - micro								
Interest rate	94,409	552	535	Derivatives	-1,063			
Economic hedges								
Total economic hedges	12,938	258	264	Derivatives	n/a			
31 December 2020								
Cash flow hedges - macro								
Interest rate	6,826			Derivatives	-268			
Fair value hedges - macro								
Interest rate	38,061			Derivatives	-523			
Fair value hedges - micro								
Interest rate	93,952	945	807	Derivatives	456			
Economic hedges								
Total economic hedges	22,285	395	426	Derivatives	n/a			

The deltas in the hedge accounting numbers are largely attributable to interest rate developments in 2021.

Effect on financial position and performance - hedged item

(in millions)	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item		Line item in the statement of financial position	Change in value used for calculating hedge ineffectiveness for the year	Cash flow hedge reserve/ Foreign currency translation reserve			
	Assets active and discontinued	Liabilities active and discontinued	Assets active and discontinued	Liabilities active and discontinued			Continuing hedges	Discontinued hedges		
31 December 2021										
Cash flow hedges - macro										
Interest rate							-449	-690	-1,386	
Fair value hedges - macro										
Interest rate - Financial assets at AC	46,278		1,442		Residential mortgages		-1,603			
Fair value hedges - micro										
Interest rate - Financial assets at FVOCI	37,547		1,636		Financial investments		-1,389			
Interest rate - Financial assets at AC	1,088		509		Corporate & Other loans		-142			
Interest rate - Financial liabilities at AC		59,336		2,230	Issued debt & Subordinated liabilities		2,548			
Net investment hedges										
Currency									-42	
31 December 2020										
Cash flow hedges - macro										
Interest rate							262	-1,206	-1,266	
Fair value hedges - macro										
Interest rate - Financial assets at AC	38,061		3,186		Residential mortgages		536			
Fair value hedges - micro										
Interest rate - Financial assets at FVOCI	40,028		2,997		Financial investments		443			
Interest rate - Financial assets at AC	1,318		652		Corporate & Other loans		104			
Interest rate - Financial liabilities at AC		60,631		4,798	Issued debt & Subordinated liabilities		-1,015			
Net investment hedges										
Currency									-42	

The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses amounted to EUR 0.2 billion at 31 December 2021 (2020: EUR 0.5 billion).



Effect on financial position and performance - hedge ineffectiveness and hedging gains or losses

	Changes in fair value used for calculation hedge ineffectiveness for the year - hedged item (in millions)	Change in value used for calculating hedge ineffectiveness for the year - hedging instrument	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss (that includes hedge ineffectiveness)	Change in the value of the hedging instrument recognised in OCI ¹	Amount reclassified from the cash flow hedge reserve to profit or loss - hedges item affected profit or loss ²	Amount reclassified from the foreign currency translation reserve to profit or loss	Line item affected in profit or loss because of the reclassification
31 December 2021								
Cash flow hedges - macro								
Interest rate	-449	443	-6	Other operating income	451	-54		Net interest income
Fair value hedges - macro								
Interest rate	-1,603	1,610	7	Other operating income				
Fair value hedges - micro								
Interest rate	1,018	-1,063	-45	Other operating income				
Net investment hedges								
Currency								Other operating income
31 December 2020								
Cash flow hedges - macro								
Interest rate	262	-268	-6	Other operating income	-280	-91		Net interest income
Fair value hedges - macro								
Interest rate	536	-523	13	Other operating income				
Fair value hedges - micro								
Interest rate	-468	456	-11	Other operating income				
Net investment hedges								
Currency								Other operating income

¹ The amount reconciles to 'Net gains/(losses) arising during the period' in the specification of 'Accumulated other comprehensive income' in the consolidated statement of equity.

² The amount reconciles to 'Less: Net realised gains/(losses) included in income statement' in the specification of 'Accumulated other comprehensive income' in the consolidated

Amount, timing and uncertainty of future cash flows - hedging instruments

(in millions, nominal amounts)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Total
31 December 2021						
Fair value hedges - micro						
Payers - Interest rate	1,195	4,508	19,213	7,372	4,399	36,687
Receivers - Interest rate	4,818	5,508	20,114	10,945	16,337	57,721
31 December 2020						
Fair value hedges - micro						
Payers - Interest rate	1,290	2,883	16,265	8,460	2,938	31,836
Receivers - Interest rate	2,349	5,898	26,272	9,665	17,931	62,115

The weighted average fixed rate of the interest rate swaps included in micro hedge relationships varied between 1.4% and 2.1% as at 31 December 2021 (1.3% and 2.4% as at 31 December 2020), depending on the origination date, currency, product type and original maturity.

Interest rate benchmark reform

ABN AMRO has analysed its significant hedging relationships directly affected by the benchmark reform. Most of ABN AMRO's financial instruments are linked to euro area benchmarks and, as a result, so are its hedging relationships. Neither EONIA, which is published alongside its replacement €STR, nor EURIBOR cause uncertainties to arise with respect to hedged risk and/or the timing and amount of cash flows in hedging relationships. In the case of EONIA, this is because its replacement is already known and because ABN AMRO has not designated EONIA in any of its hedging relationships. In the case of EURIBOR, this is because it has already been revised in order to be BMR-compliant and no reform is anticipated in the short term. ABN AMRO's hedging relationships affected by the IBOR reform consequently comprise only a small percentage of its total hedging relationships.

A total of EUR 163.5 billion of notional derivatives were part of hedging relationships at 31 December 2021, of which EUR 146.5 billion was linked to EURIBOR and EUR 17.1 billion to other benchmarks. Of the derivative contracts linked to a non-EURIBOR benchmark, a notional amount of EUR 11.4 billion will mature before the cessation of the reference benchmark. These contracts are therefore not affected by the IBOR reform. A remaining total of EUR 5.6 billion notional is exposed to benchmarks under reform. The contracts exposed to benchmarks under reform have an average maturity of 4.1 years and are all referencing 3 months USD LIBOR.

At year-end, the only IBOR reform exposures remaining were contracts that reference an IBOR rate that has yet to transition. Contracts that reference a USD LIBOR rate, but will mature before cessation are excluded from the overview.

For non-derivative asset contracts referring to a LIBOR rate that ceased to exist at year-end 2021, a notional amount of EUR 22 million remained. All other contracts were repapered. Contracts referring to USD LIBOR amounted to EUR 9.8 billion.

For non-derivative liability contracts, there were no contracts referring to a LIBOR rate that ceased to exist at year-end 2021.

For derivative contracts referencing GBP LIBOR, a notional amount of EUR 313 million was outstanding. Derivative contracts referring to USD LIBOR amounted to EUR 81.9 billion notional (gross value, hence no offsetting effects shown), of which the majority has a maturity before the USD LIBOR cessation date. The exposure after cessation date is EUR 33.7 billion, of which EUR 10.1 billion relates to bilateral contracts.

17 Financial investments

Accounting policy for financial investments

Financial investments include financial instruments measured at fair value through other comprehensive income (FVOCI) and financial instruments measured at fair value through profit or loss (FVTPL).

Accounting policy for financial instruments measured at fair value through other comprehensive income

Unrealised gains and losses on FVOCI assets are recognised directly in other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest-earning FVOCI assets are amortised to income on an effective interest rate basis. When FVOCI debt instruments are sold, the cumulative gain or loss recognised in other comprehensive income is transferred to other operating income in the income statement. The impairment loss resulting from the ECL on FVOCI debt instruments is recognised in the impairment charges on financial instruments in the income statement. The related loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the FVOCI debt instruments. ABN AMRO's impairment assessment and measurement approach for FVOCI debt instruments is set out in Credit risk management in the Risk, funding & capital management chapter. Fair value changes in equity instruments that are irrevocably designated as FVOCI upon initial recognition are recognised in other comprehensive income and not subsequently reclassified to the income statement.

Accounting policy for financial instruments measured at fair value through profit and loss

Financial investments can be designated at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch). ABN AMRO also has financial instruments that are mandatorily measured at fair value because they do not meet the SPPI test.

(in millions)	31 December 2021	31 December 2020
Financial investments		
Debt securities held at fair value through other comprehensive income	42,585	46,600
Held at fair value through profit or loss	580	855
Total financial investments	43,165	47,455

The decrease of EUR 4.3 billion in financial investments was mainly attributable to the decreases in Japanese, German and Dutch government and European Stability Mechanism bonds held.

Financial investments measured at fair value through other comprehensive income

(in millions)	31 December 2021	31 December 2020
Interest-earning securities		
Dutch government	4,028	4,510
US Treasury and US government	6,628	6,383
Other OECD government	20,550	22,729
Non-OECD government	996	1,366
International bonds issued by the European Union	2,262	1,725
European Stability Mechanism	1,964	2,637
Mortgage- and other asset-backed securities	3,168	3,529
Financial institutions	2,989	3,166
Non-financial institutions	1	555
Total investments held at fair value through other comprehensive income	42,585	46,600

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. More information on the composition of the liquidity buffer is provided in the Liquidity risk section of the Risk, funding & capital review chapter.

Government bonds by country of origin

(in millions)	31 December 2021			31 December 2020			
	Accumulated unrealised gains/(losses) and fair value hedges gains/(losses)	Impairments	Fair value	Accumulated unrealised gains/(losses) and fair value hedges gains/(losses)	Impairments	Fair value	
Dutch national government	402		4,028		652	4,510	
USA national government	109		6,628		228	6,383	
German national government	444		6,589		632	7,304	
French national government	63		3,097		144	3,000	
Belgian national government	112	-1	2,953		202	-1	2,749
Austrian national government	176		1,873		253		1,870
Finnish national government	66		1,414		107		1,768
Luxembourg national government	40		1,256		76		1,227
Canadian national government	27		1,164		50		1,106
Japanese national government			959		-1		2,512
Polish national government	145		439		180		473
Spanish national government			300				181
United Kingdom national government	110		290		130		297
Danish national government	1		211		5		215
Swedish national government			4				4
Australian national government							23
Hong Kong			170				292
Brazilian national government			61		1		40
Singapore national government			765				1,034
European Union bonds (excl. European Stability Mechanism)	42		2,262		122		1,725
Total government bonds	1,737	-1	34,463		2,780	-1	36,713

More information on the country risk positions is provided in Credit Risk in the Risk, funding & capital review section.

Critical accounting estimates and judgements

Interest-bearing debt securities classified as FVOCI investments are assessed at each reporting date to establish whether there are any expected credit losses. ABN AMRO has developed models to determine such credit losses. These are explained in more detail in the Risk, funding & capital management section. Impairment charges on FVOCI instruments are recorded in (un)realised gains/(losses) fair value through OCI in the statement of comprehensive income.

Financial investments measured at fair value through profit or loss

(in millions)	31 December 2021	31 December 2020
Private equities and venture capital	369	521
Equity securities	211	334
Total investments held at fair value through profit or loss	580	855

The decrease in financial investments measured at fair value through profit or loss mainly related to the sale of the Maas Capital Shipping portfolio as part of the CIB non-core wind-down. There was also a decrease in funds held as money market funds under client segregation requirements.

18 Securities financing

Accounting policy for securities financing

Securities financing is measured at amortised cost. Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and advances) or received (due to banks or customers). The market value of the securities borrowed or lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest rate basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and advances to either banks or customers and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the statement of financial position. Proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest rate method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

(in millions)	31 December 2021			31 December 2020		
	Banks	Customers	Total	Banks	Customers	Total
Assets						
Reverse repurchase agreements	3,181	6,733	9,914	3,209	7,801	11,010
Securities borrowing transactions	2,973	3,251	6,225	3,266	2,448	5,715
Total	6,154	9,984	16,138	6,475	10,249	16,725
Liabilities						
Repurchase agreements	115	8,372	8,488	222	9,264	9,486
Securities lending transactions	4	1,003	1,007	398	1,479	1,877
Total	119	9,375	9,494	620	10,743	11,363



Securities financing transactions include balances relating to reverse repurchase activities and cash collateral on securities borrowed. ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with ABN AMRO when deemed necessary.

The total reverse repurchase agreements and total repurchase agreements decreased at the year-end by EUR 1.1 billion and EUR 1.0 billion, respectively, due to agreements with several large clients. Items of securities financing transactions that ABN AMRO can repledge or resell are included in Note 34 Transferred, pledged, encumbered and restricted assets.

19 Fair value of financial instruments carried at fair value

Accounting policy for fair value of financial instruments

The fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, the fair value is determined in a highly objective manner. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation techniques such as discounted cash flow models or option pricing models (e.g. Black Scholes).

When portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty) are taken into account.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to profit or loss at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Where inputs to the valuation of a new transaction cannot be reliably determined, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:

- ▶ Credit and debit valuation adjustments. In addition to credit valuation for loans measured at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and how counterparties consider ABN AMRO's creditworthiness respectively;
- ▶ Funding valuation adjustment. The funding valuation adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partially collateralised derivatives;
- ▶ Own credit adjustment. An own credit risk adjustment is applied to financial liabilities where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing such instruments;
- ▶ Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of the fair value are adequate. However, the use of different models or assumptions could result in changes to our reported results.

Valuation control framework

ABN AMRO has designated controls and processes in place for determining the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls of the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price-verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed and, if necessary, amended by the independent price-verification process. This process involves a team, independent of those trading the financial instruments, performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments, the process is performed daily. The minimum frequency of review is monthly, both for trading positions and non-trading positions. The independent price-verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of our exposure to the model.

Valuation techniques

A number of methodologies are used to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available. Values between and beyond available data points are obtained by interpolation and/or extrapolation. When valuation techniques are used, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk.

Interest rate derivatives

This category includes interest rate swaps, cross-currency swaps, options and forward rate agreements. These products are valued by estimating future cash flows and discounting those cash flows, using appropriate interest rate curves. The exception is interest option contracts, which are valued using market standard option pricing models. The inputs for the discounting cash flow models are principally observable benchmark interest rates in active markets such as the interbank rates and quoted interest rates in the swap, bond and futures markets. The inputs for credit spreads – where available – are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. In other cases, credit spreads are obtained from pricing services. The additional inputs for the option pricing models are price volatilities and correlations, which are obtained from broker quotations or pricing services or derived from option prices. Because of the observability of the inputs used in the valuation models, the majority of the interest rate derivative contracts are classified as level 2. If adjustments to interest rate curves, credit spreads, correlations or volatilities are based on significant unobservable inputs, the contracts are classified as level 3. Exchange traded options and futures are valued using quoted market prices and are hence classified as level 1.

Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward contracts, foreign exchange options and foreign exchange swaps. The majority of the foreign exchange contracts at ABN AMRO are traded as over-the-counter derivatives. These instruments are valued using foreign currency exchange rates. There are observable markets both for spot and forward contracts and for futures in the world's major currencies. The over-the-counter foreign exchange contracts are therefore classified as level 2.

Government debt securities

Government debt securities consist of government bonds and bills with fixed or floating rate interest payments issued by sovereign governments. These instruments are generally traded in active markets and prices can be derived directly from those markets. Therefore the instruments are classified as level 1. Highly liquid bonds are valued using exchange traded prices. Less liquid bonds are valued using observable market prices, which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. For a minority of the government debt securities, active market prices are not available. In these cases ABN AMRO uses discounted cash flow valuation techniques that incorporate observable market data for similar government instruments. The main inputs are interest rate curves, liquidity spreads and credit spreads. The



instruments for which this method applies are classified as level 2. If adjustments to any of the main inputs are made based on significant unobservable inputs, the instrument is classified as level 3.

Corporate debt securities

Corporate debt securities primarily consist of corporate bonds and other debt securities issued by corporate entities. Most of these instruments are standard fixed or floating rate securities. Corporate debt securities are generally valued using observable market prices, which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. These instruments are classified as level 1. If observable market prices are not available, ABN AMRO uses discounted cash flow valuation techniques, based on inputs derived from comparable instruments and credit default swap data of the issuer, to estimate credit spreads. These instruments are classified as level 2.

Equity instruments

Equity instruments that are actively traded on public stock exchanges are valued using the readily available quoted prices and are therefore classified as level 1. Investments in private equity funds are initially recognised at their transaction price and remeasured to the extent reliable information is available on a case-by-case basis and are classified as level 3.

Loans and advances at fair value through profit or loss

Loans and advances at fair value through profit or loss primarily consist of contracts with corporate clients where the contractual cash flows do not meet the SPPI requirements. The return on these contracts with embedded derivatives is based on the price of underlying commodity contracts or loans with a floating interest rate. Discounted cash flow models are used to value these contracts. The main inputs are interest rate curves, quoted commodity prices, liquidity spreads and credit spreads. The instruments are classified as level 2. If adjustments to interest rate curves, liquidity spreads and credit spreads are based on significant unobservable inputs, the instruments are classified as level 3.

Issued debt

Issued debt securities are valued using discounted cash flow models, based on current interest rate curves that incorporate observable inputs. These instruments are classified as level 2. When there are no, or only limited, publicly quoted prices available for these instruments and unobservable inputs have a significant effect on the fair value calculation, these instruments are classified as level 3.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.

Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value in the three categories described below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets that are not considered to be active, or using valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are those valued using a valuation technique where at least one input with a significant effect on the instrument's valuation is not based on observable market data. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

ABN AMRO recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The following table presents the valuation methods used in determining the fair values of financial instruments carried at fair value.

	31 December 2021				31 December 2020			
	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total fair value	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total fair value
(in millions)								
Assets								
Government debt securities	480			480	639			639
Corporate debt securities	472	198		670	537	137		674
Equity securities	3			3	1			1
Other financial assets held for trading		2		2		2		2
Financial assets held for trading	955	199		1,155	1,177	139		1,315
Interest rate derivatives	4	2,927	78	3,009	1	4,471	130	4,602
Foreign exchange contracts		676	10	686	1	1,439	10	1,450
Other derivatives		90		90	11	318		329
Derivatives	4	3,694	88	3,785	12	6,228	140	6,381
Equity instruments	90	57	433	580	221	65	569	855
Other								
Financial investments at fair value through profit or loss								
	90	57	433	580	221	65	569	855
Government debt securities	35,988		439	36,427	38,876		473	39,350
Corporate debt securities	2,947	1	42	2,990	3,123	555	43	3,722
Other debt securities	3,168			3,168	3,529			3,529
Financial assets held at fair value through other comprehensive income	42,102	1	481	42,585	45,528	555	517	46,600
Loans and advances at fair value through profit or loss		104		104		406		406
Total financial assets	43,151	4,056	1,002	48,209	46,938	7,393	1,226	55,558
Liabilities								
Short positions in government debt securities	255			255	151			151
Corporate debt securities	320	79		399	236	82		318
Other financial liabilities held for trading		33		33		94		94
Financial liabilities held for trading	575	112		687	387	176		563
Interest rate derivatives		3,543		3,544	1	6,032		6,033
Foreign exchange contracts	3	681		684	1	1,038		1,039
Other derivatives		116		116	16	303		319
Derivatives	3	4,341		4,344	18	7,373		7,391
Issued debt		892		892		949		949
Total financial liabilities	578	5,344		5,922	405	8,498		8,904

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 to 3

There were no material transfers from levels 1 or 2 to 3.

Other transfers

There were no other material transfers between the fair value hierarchies.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets recorded at fair value.



(in millions)	Derivatives	Financial investments at fair value through profit or loss	Financial assets held at fair value through other comprehensive income	Assets	Liabilities
				Loans and advances at fair value through profit or loss	Issued debt
Balance at 1 January 2020	125	514	517	13	
Purchases		96			
Sales		-37		-12	-13
Redemptions		-2			
Gains/(losses) recorded in profit and loss ¹		2		1	
Unrealised gains/(losses) ²	40	-19		11	
Transfer between levels	-24				
Other movements		15			
Balance at 31 December 2020	140	569	517		
Purchases		44			
Sales		-189			
Redemptions		-68			
Gains/(losses) recorded in profit and loss ¹		1		1	
Unrealised gains/(losses) ²	-67	151		-36	
Transfer between levels	14				
Other movements		-75			
Balance at 31 December 2021	88	433	481		

¹ Included in other operating income.

² Unrealised gains/(losses) on derivatives held for trading are included in net trading income, on instruments measured at FVTPL in other operating income and on instruments measured at FVOCI in other comprehensive income.

Level 3 sensitivity information

Interest-earning securities - government bonds

ABN AMRO has a position in a Polish bond, denominated in euros (in Note 17 Financial investments, and part of Other OECD governments), for which the market is relatively illiquid. This bond is valued using a discounted cash flow model. The main inputs are the interest rate curve, liquidity spread and credit spread. The valuation spread is determined using an internal model. The sensitivity analysis is performed using a range of reasonable valuation spreads.

Interest-earning securities - other

Preference shares are shares for which the dividend is fixed for a period of ten years, after which the dividend is redetermined, and the shares can also be redeemed. The position is valued using a discounted cash flow model for which the relevant inputs are the interest curve, liquidity spread and credit spread. The liquidity spread and credit spread are unobservable inputs and are derived from similar securities. The sensitivity of the preference shares is determined by using a range of reasonable spreads and by considering the call option that is held by the issuer.

Equity shares - Preferred shares

Equities measured at fair value through profit and loss and classified as level 3 mainly comprise private equity investments. Private equity shares are measured at fair value, with two calculation techniques being applied:

- ▶ Using comparable pricing in accordance with the European Private Equity and Venture Capitalist Association (EVCA) guidelines. This valuation technique is based on earnings multiples of comparable listed and unlisted companies. The fair value calculation of an investment is strongly linked with movements on the public equity markets;
- ▶ Net Asset Value (NAV) for fund investments and asset-backed investments. This is determined by using audited and unaudited company financial statements and any other information available, publicly or otherwise. As a consequence, the net asset value calculation of an investment is strongly linked to movements in the quarterly performance of the company and can be used as an indicator of fair value.

New investments are initially valued at fair value. Subsequently, the fair value technique, either EVCA technique or NAV calculation, is applied for direct investments.

The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based upon the quarterly performance cannot be applied.

Derivatives

ABN AMRO applies a credit valuation adjustment (CVA) that reflects counterparty credit risk in the fair value measurement of uncollateralised and partially collateralised OTC derivatives. For counterparties that do not have an observable credit spread, ABN AMRO applies a proxied credit spread extracted from counterparties of comparable credit quality that do have an observable credit spread. ABN AMRO performs a probability of default assessment for each counterparty and allocates an appropriate internal credit risk measure known as a Uniform Counterparty Rating (UCR). This UCR, which is significant to the entire fair value measurement of the derivative contracts included in the following table of level 3 sensitivity information, is internally generated and is therefore an unobservable input.

(in millions)	Valuation technique	Unobservable data	Carrying value	Possible alternative assumptions		Unobservable data range	Unobservable data base
				Applying minimum	Applying maximum		
31 December 2021							
Equity shares	Private equity valuation	EBITDA multiples	159	-16	16		
Equity shares	Private equity valuation	Net asset value	274	-27	27		
Interest-earning securities - government bonds	Discounted cash flow	Liquidity and credit spread	439	-8	13	19	74 53
Interest-earning securities - other	Discounted cash flow	Liquidity and credit spread	42	-2		90	381 118
Derivatives held for trading	Discounted cash flow	Probability of default	88	-5	8	0.4%	100.0% 33.7%
31 December 2020							
Equity shares	Private equity valuation	EBITDA multiples	73	-7	7	5.0	6.0 5.5
Equity shares	Private equity valuation	Net asset value	496	-45	40		
Interest-earning securities - government bonds	Discounted cash flow	Liquidity and credit spread	473	-19	11	31	100 56
Interest-earning securities - other	Discounted cash flow	Liquidity and credit spread	43	-3	1	114	430 159
Derivatives held for trading	Discounted cash flow	Probability of default	140	-8	9	1.7%	100.0% 15.2%

20 Loans and advances banks

Accounting policy for loans and advances banks and customers

Loans and advances banks, and loans and advances customers, are held in a 'hold to collect' business model. Loans and advances for which the contractual cash flows are solely payments of principal and interest (SPPI) are measured at amortised cost, i.e. fair value at initial recognition, adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset. Loans and advances that do not pass the SPPI test are measured at fair value through profit or loss. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements and to Credit risk management in the Risk, funding & capital chapter (Accounting policy for measuring allowances for credit losses).

(in millions)	31 December 2021	31 December 2020
Interest-bearing deposits	1,189	1,739
Loans and advances	1,355	1,339
Mandatory reserve deposits with central banks	199	220
Other loans and advances banks	68	101
Subtotal	2,811	3,399
Less: loan impairment allowances	10	6
Total loans and advances banks	2,801	3,394

Loans and advances banks decreased by EUR 0.6 billion to EUR 2.8 billion at 31 December 2021, mainly due to a decrease in interest-bearing deposits.



Mandatory reserve deposits are held with local central banks in accordance with statutory requirements. These deposits are not available to finance ABN AMRO's day-to-day operations.

21 Loans and advances customers

Accounting policy for loans and advances customers

The accounting policy for loans and advances customers is included in Note 20 Loans and advances banks. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements and to the Credit risk management section of the Risk, funding & capital chapter (Accounting policy for measuring allowances for credit losses).

(in millions)	31 December 2021	31 December 2020
Residential mortgages (excluding fair value adjustment)	146,351	145,672
Fair value adjustment from hedge accounting on residential mortgages	1,442	3,186
Residential mortgages, gross	147,793	148,857
Less: loan impairment allowances - residential mortgage loans	82	116
Residential mortgages	147,711	148,741
Consumer loans, gross	10,794	11,232
Less: loan impairment allowances - consumer loans	276	294
Consumer loans	10,518	10,937
Corporate loans (excluding fair value adjustment)	78,173	78,463
Fair value adjustment from hedge accounting on corporate loans	509	652
Financial lease receivables	4,972	5,734
Factoring	3,312	2,548
Corporate loans, gross¹	86,968	87,397
Less: loan impairment allowances - corporate loans	2,053	3,053
Corporate loans at amortised cost	84,915	84,344
Corporate loans at fair value through P&L	99	400
Government and official institutions	401	1,060
Other loans ¹	14,606	6,673
Fair value adjustment from hedge accounting on other loans	1	
Other loans and advances customers, gross¹	15,007	7,734
Less: loan impairment allowances - other	4	3
Other loans at amortised cost	15,003	7,730
Other loans at fair value through P&L	5	6
Other loans and advances customers	15,008	7,736
Total loans and advances customers	258,251	252,159

¹ Excluding loans at fair value through P&L.

Loans and advances customers increased by EUR 6.1 billion to EUR 258.3 billion at 31 December 2021. This was largely attributable to an increase in other loans, mainly at Clearing, and to a lesser extent to residential mortgages. This was partly offset by modest declines in consumer loans and corporate loans. Higher collateral and default fund contributions for Clearing clients were the main contributor to the increase in other loans and advances.

For information on loan impairment allowances, please refer to the Credit risk review section in the Risk, funding & capital chapter.

22 Fair value of financial instruments not carried at fair value

Accounting policy for fair value of financial instruments not carried at fair value

The categorisation and valuation of financial instruments not carried at fair value is determined in accordance with the accounting policies set out in Note 19 Fair value of financial instruments carried at fair value.

Valuation methodologies

The methods and assumptions described below have been applied to estimate the fair value of financial instruments not carried at fair value. These fair values were calculated for disclosure purposes only. Note that the fair value can be significantly impacted by the choice of valuation model and underlying assumptions concerning factors such as the amount and timing of cash flows, discount rates, credit risk and liquidity risk.

Short-term financial instruments

The carrying amounts (net of impairment allowances) of financial instruments maturing within a period of less than three months or that have no contractual maturity are assumed to be a reasonable approximation of their fair value. For certain instruments, behavioural maturities are applied.

Short-term financial instruments are classified as level 2 because unobservable inputs (such as inputs to determine credit risk, prepayment risk and liquidity risk) do not have a significant influence in determining the fair value.

Cash and balances at central banks

Cash and balances at central banks are classified as level 1 because these instruments have a short-term nature, prices from an active market are available and no fair value adjustments are made to the carrying amounts.

Securities financing

Securities financing includes repurchase and reverse repurchase agreements and securities borrowing and lending transactions. Due to the short-term characteristics of these instruments and the value and liquidity of available collateral, the carrying amounts (net of impairment allowances) are considered to approximate the fair value. Securities financing amounts are classified as level 2.

Loans and advances banks and customers

The fair value of loans and advances banks and customers is estimated by a discounted cash flow model based on contractual cash flows, using actual yields and discounting by risk-free interest rates. Adjustments to reflect changes in liquidity spreads are applied and prepayment options are included in the estimated fair value. The calculations are adjusted for credit risk by incorporating the expected credit losses over the estimated lifetime of the loan, based on parameters including probability of default, loss given default and exposure at default. The loans and advances are classified as level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The loans and advances for which unobservable inputs do not significantly influence the approximated fair values are classified as level 2. Behavioural maturities instead of contractual maturities are used to determine the level classification of a small part of the portfolio.

Cash collateral paid to counterparties in relation to Credit Support Annexes (CSA) is included in loans and advances banks and customers. Due to the short-term characteristics of these instruments, fair value is considered to approximate the carrying amounts. The related amounts are classified as level 2.

Due to banks and customers

The fair value of instruments such as deposits and borrowings included in due to banks and customers is estimated by a discounted cash flow model based on risk-free interest rates. Adjustments to reflect changes in liquidity spreads are applied. Amounts due to banks and customers are classified as level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The financial instruments for which unobservable inputs do not significantly influence the approximated fair values are classified as level 2. For the majority of the portfolio, behavioural maturities are used to determine the level classification.

Cash collateral liabilities in relation to Credit Support Annexes (CSA) are included in due to banks and customers. Due to the short-term characteristics of these instruments, fair value is considered to approximate the carrying amounts. The related amounts are classified as level 2.

Issued debt and subordinated liabilities

The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, the fair value is based on a market approach in which independent quotes from market participants are used for the debt issuance spreads above the average interbank offered rates (over a range of tenors) that the market would demand when purchasing new senior or subordinated debt from ABN AMRO. Where necessary, these quotes are interpolated, using a curve shape derived from CDS prices.

(in millions)	31 December 2021				
	Carrying value			Total fair value	Difference
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets					
Cash and balances at central banks	66,865	66,865		66,865	
Securities financing	16,138		16,138	16,138	
Loans and advances banks	2,801		2,461	336	2,797
Loans and advances customers	258,146		30,175	240,273	270,448
Total	343,950	66,865	48,775	240,609	356,249
Liabilities					
Securities financing	9,494		9,494	9,494	
Due to banks	38,076		4,309	33,773	38,082
Due to customers	251,218		85,654	163,021	248,676
Issued debt	58,796	43,608	18,914		62,522
Subordinated liabilities	7,549	5,959	1,979		7,938
Total	365,132	49,567	120,350	196,794	366,712
					1,579

(in millions)	31 December 2020				
	Carrying value			Total fair value	Difference
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets					
Cash and balances at central banks	60,190	60,190		60,190	
Securities financing	16,725		16,725	16,725	
Loans and advances banks	3,394		3,015	380	3,395
Loans and advances customers	251,753		44,633	219,993	264,627
Total	332,061	60,190	64,373	220,373	344,936
Liabilities					
Securities financing	11,363		11,363	11,363	
Due to banks	36,719		7,141	29,837	36,978
Due to customers	238,570		75,868	162,525	238,393
Issued debt	66,000	53,491	18,125		71,616
Subordinated liabilities	8,069	7,036	1,731		8,767
Total	360,720	60,527	114,228	192,362	367,117
					6,397

23 Bank structure

Accounting policy for business combinations

ABN AMRO accounts for business combinations using the acquisition method when control is transferred to the bank. All items of consideration, including contingent consideration, transferred by ABN AMRO are measured and recognised at fair value at the acquisition date. Transaction costs incurred by ABN AMRO in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill.

ABN AMRO measures the identifiable assets acquired and the liabilities assumed at the fair value at the acquisition date. In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss as the difference between the fair value of the previously held equity interest in the acquiree and

its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Accounting policy for subsidiaries

ABN AMRO's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by ABN AMRO's ability to exercise its power in order to affect the variable returns that it is exposed to through its involvement in the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on consideration of all facts and circumstances. The bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns, and a link between the two).

ABN AMRO sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well-defined objectives. Particularly in the case of securitisations, these entities may acquire assets from ABN AMRO companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO or its subsidiaries. These entities are consolidated in ABN AMRO's financial statements when the substance of the relationship between ABN AMRO and the entity indicates that control is held by ABN AMRO.

ABN AMRO is mainly involved in securitisations of own originated assets, such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interests. In many cases, these retained interests convey control, such that the SPE is consolidated and the securitised assets continue to be recognised in the consolidated statement of financial position.

The financial statements of subsidiaries and special purpose entities are included in the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which ABN AMRO has significant influence on, but no control or joint control over, the operating and financial policies. Significant influence is generally presumed when ABN AMRO holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether ABN AMRO has significant influence. Among other factors, representation on the board of directors, participation in the policy-making process and material transactions between the entity and the investee are considered to determine significant influence.

A joint venture is an investment in which two or more parties have contractually agreed to share control over the investment. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities conducted through joint ventures include cash transfers, insurance, finance and leasing.

Investments in associates and joint ventures, including strategic investments, are accounted for using the equity method. Under this method, the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting on the equity of the investee and any adjustments required for impairment. ABN AMRO's share of the profit or loss of the investee is recognised in Share of result in equity accounted investments. If ABN AMRO's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO has incurred obligations or made payments on behalf of the investee.

Assets and liabilities of acquisitions and divestments

The following table provides details of the assets and liabilities resulting from the acquisition or disposal of subsidiaries and equity accounted investments at the date of acquisition or disposal.



(in millions)	31 December 2021		31 December 2020	
	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Equity-accounted investments	14	-1	24	-10
Other assets		-193		
Other non-controlling interests				
Net assets acquired/Net assets divested	14	-194	24	-10
Result on divestments, gross			12	
Less: non cash items			12	
Net disposal result				
Cash used for acquisitions/received from divestments				
Total purchase consideration/Proceeds from sale	-14	194	-24	10
Cash and cash equivalents acquired/divested				
Cash used for acquisitions/received from divestments	-14	194	-24	10

Acquisitions and divestments

In 2021, a significant portion of the Maas Capital Shipping portfolio was sold as part of the CIB non-core wind-down. Maas Capital Shipping includes participations in the shipping, intermodal and offshore services sectors for a total amount of EUR 227 million. The transaction price, including direct transaction costs, was equal to the carrying amount.

At year-end 2021, a total amount of EUR 11 million of the remaining portfolio was classified as held for sale and is expected to be sold in 2022.

No significant divestments were made in 2020 and no significant acquisitions were made in 2021 or 2020.

Equity-accounted investments

The following table provides an overview of the most significant investments in associates and joint ventures at equity method.

(in millions)	31 December 2021			31 December 2020		
	Principal place of business	Business line	Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)
Joint ventures						
Neuflize Vie S.A.	France	Private Banking	240	60%	230	60%
Other joint ventures			25		25	
Associates						
Nationale-Nederlanden ABN AMRO						
Verzekeringen Holding B.V.	The Netherlands	Retail Banking	128	49%	127	49%
Other equity associates			170		212	
Total equity associates and joint ventures			564		593	

Neuflize Vie is a joint venture where the power to govern the financial and operating policies of the economic activity is subject to joint control.

Other investments in equity associates and joint ventures at equity method, which comprise a large number of equity associates and joint ventures with carrying amounts that are not individually material (less than EUR 75 million), are disclosed under an aggregated line item. The joint venture Richmond (2021: EUR 25 million; 2020: EUR 25 million), previously disclosed individually, is currently disclosed under Other joint ventures. The associates Stater N.V. (2021: EUR 51 million; 2020: EUR 52 million), European Merchant Services B.V. (2021: EUR 18 million; 2020: EUR 27 million) and Geldmaat B.V. (2021: EUR 27 million; 2020: EUR 27 million), previously disclosed individually, are currently disclosed under Other equity associates.

The following tables provide an overview of the summarised financial information of the most significant investments in associates and joint ventures at equity method.

	31 December 2021		31 December 2020	
	Joint venture	Associate	Joint venture	Associate
	Neuflize Vie S.A.	Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	Neuflize Vie S.A.	Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.
(in millions)				
Assets				
Financial assets held for trading		1,899		2,052
Financial investments	13,378	493	11,762	420
Loans and advances banks and customers	262	2,074	258	2,061
Property and equipment	350	5	343	6
Accrued income and prepaid expenses	36	33	40	
Other assets	37	105	34	187
Total assets	14,062	4,609	12,436	4,726
Liabilities				
Due to banks and customers	47		44	
Provisions	6,122	4,180	5,750	4,349
Other liabilities	7,492	164	6,245	146
Total liabilities	13,662	4,345	12,038	4,495
Equity				
Total equity	401	264	397	231
Total liabilities and equity	14,062	4,609	12,436	4,726
Bank's share of equity	240	128	230	127
Carrying amount	240	128	230	127

	2021		2020	
	Joint venture	Associate	Joint venture	Associate
	Neuflize Vie S.A.	Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	Neuflize Vie S.A.	Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.
(in millions)				
Other income				
Other income	73	610	83	612
Operating income	73	610	83	612
Other operating expenses	47	544	47	571
Operating expenses	47	544	47	571
Profit/(loss) before taxation	26	66	36	41
Income tax expense	7	12	10	12
Profit/(loss) for the period	19	55	26	29
Other comprehensive income	43		36	
Total comprehensive income	62	55	61	29

Neuflize Vie holds the majority of assets under joint ventures (EUR 14.1 billion at 31 December 2021, compared with EUR 12.4 billion at 31 December 2020).

Assets related to equity associates are mainly held by Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V. (EUR 4.6 billion at 31 December 2021, compared with EUR 4.7 billion at 31 December 2020).

The following table provides an overview of the summarised financial information of individually immaterial investments in and joint ventures at equity method.

(in millions)	2021		2020	
	Joint ventures	Associates:	Joint ventures	Associates:
Operating income	73	1,145	83	1,134
Operating expenses	47	939	48	948
Profit/(loss) before taxation	26	206	35	186
Income tax expense	7	19	10	10
Profit/(loss) for the period	19	187	25	176

The joint ventures and associates had no contingent liabilities or capital commitments other than the minimum capital requirements under the Solvency Regulation as at 31 December 2021 and 2020.

Impairments on equity-accounted investments

The following table shows the changes in impairments on equity accounted investments.

(in millions)	2021	2020
Balance as at 1 January	17	5
Increase in impairments	6	12
Release of impairments	-8	
Other	-14	
Balance as at 31 December	17	

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity has some or all of the following features or attributes:

- ▶ Restricted activities;
- ▶ Narrow and well-defined objectives;
- ▶ Insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- ▶ Financing by investors, in the form of multiple contractually linked instruments, that creates concentrations of credit or other risks;
- ▶ Relevant activities are directed by contractual arrangements.

Consolidated structured entities

There were no notes sold to external parties at 31 December 2021 (31 December 2020: no notes sold). Retained notes are used for repo transactions and TLTRO, for example.

The securitisation transactions were primarily used for funding and liquidity purposes. There was no RWA (REA) relief at 31 December 2021 (31 December 2020: no relief).

In 2021, ABN AMRO had only traditional securitisation transactions outstanding. In such transactions, a foundation (stichting) incorporates a bankruptcy-remote, structured entity, to which the legal title of a portfolio of receivables is sold. As ABN AMRO continues to recognise the assets after the legal title has been sold, no derecognition takes place. The structured entity issues notes to fund the purchase. ABN AMRO performs key ancillary roles in all its securitisation transactions, including as swap counterparty.

Risks associated with the roles in the securitisation process

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable regulation.

Liquidity risk

Liquidity risk relates to the risk that ABN AMRO may incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios, where required. This includes the potential impact of the liquidity facilities or swap agreements that form part of certain securitisation transactions, most of which relate to transactions where ABN AMRO is the originator of the underlying assets.

Approaches to calculating risk exposure amount

ABN AMRO does not achieve significant risk transfers for any of the mortgage securitisations.

Monitoring process

ABN AMRO periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test. For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which the downgrade and default risks under stressed market conditions are assessed.

Overview of securitisation positions and securitised assets

The total amount of assets securitised in securitisations decreased to EUR 10.5 billion at 31 December 2021 (31 December 2020: EUR 14.3 billion). No securitisation transactions for the purpose of capital relief were originated in 2021.

Details of total notes outstanding per structured entity

The following table provides details of the outstanding notes issued by consolidated structured entities established by ABN AMRO for securitisation purposes and exceeding 0.1% of the bank's total assets.

(in millions)	31 December 2021		31 December 2020	
	Total notes issued	% of total assets	Total notes issued	% of total assets
Category				
Dolphin Master Issuer B.V.	9,533	2.4%	13,533	3.4%
Total	9,533		13,533	

Support to consolidated structured entities

ABN AMRO did not provide support, financial or otherwise, to a consolidated structured entity, including when ABN AMRO was not contractually obliged to do so, and nor does ABN AMRO intend to do so in the future.

Unconsolidated structured entities

Unconsolidated structured entities are entities over which ABN AMRO has no control or significant influence. ABN AMRO is involved with structured entities through securitisation of financial assets and investments in structured entities. Structured entities generally finance the purchase of assets by issuing debt and equity securities that are collateralised by the assets held by the structured entities. The debt and equity securities issued by the structured entities may include tranches with varying levels of subordination. The interest in unconsolidated structured entities decreased by EUR 65 million to EUR 4.2 billion at year-end 2021 (31 December 2020: EUR 4.3 billion). The interests consist mainly of debt securities in corporate loans of EUR 677 million (31 December 2020: EUR 414 million) and mortgage- and other asset-backed securities recognised under financial investments of EUR 3.2 billion (31 December 2020: EUR 3.5 billion). The maximum exposure to losses from these interests is equal to the total carrying amount.

Sponsoring of unconsolidated structured entities

An entity is considered a sponsor of an unconsolidated structured entity if it had a key role in establishing that entity so that the transaction that is the purpose of the entity could occur. No sponsoring occurred during 2021.



24 Property and equipment, leases, goodwill and other intangible assets

Accounting policy for property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment amount. At each balance sheet date, an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO generally uses the following useful lives in calculating depreciation:

- ▶ Land: not depreciated;
- ▶ Buildings: 30 years;
- ▶ Leasehold improvements: 5 years;
- ▶ Equipment: 5 years;
- ▶ Installations (durable): 10 years;
- ▶ Computer installations: 2 to 5 years.

At each reporting date, ABN AMRO reviews the carrying amounts of its non-financial assets (i.e. ROU assets, equipment, goodwill and other intangible assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. In general, ABN AMRO's corporate assets do not generate separate cash inflows and are used by more than one cashgenerating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash-generating unit to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss under depreciation and amortisation expenses. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Depreciation rates and residual values are reviewed at least periodically to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Assets for which the bank acts as a lessor in an operational lease contract are included in property and equipment. The asset is depreciated on a straight-line basis, over its useful life, to its estimated residual value.

Accounting policy for leases

Lessor accounting

Where ABN AMRO acts as lessor, a distinction is made between operating and finance leases. Leases where the bank transfers substantially all risks and rewards incidental to ownership of the asset to the lessee are classified as finance leases. Leases that do not transfer these risks and rewards are classified as operating leases. Finance leases are recognised as a receivable in loans and advances at an amount equal to the net investment in the lease, less credit loss allowances. Assets subject to operating leases are recognised at cost in property and equipment. Operating income from finance leases is recognised in a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Lessee accounting

All leases, except for low-value leases and leases with a duration of less than one year, are recognised on the balance sheet as a right of use (ROU) asset and lease liability. As a lessee, ABN AMRO enters into various lease contracts, mainly for office buildings and cars that the bank leases for its own use. When accounting for the contracts as a lessee, ABN AMRO separates non-lease components from lease components. Payments such as variable lease payments and non-lease components are not included in the lease liability. The ROU asset is initially measured at cost, which reflects the initial lease liability, adjusted for upfront lease payments, received incentives and initial direct costs. The initial lease liability is equal to the sum of the fixed lease payments, discounted by the incremental borrowing rate

The ROU asset is depreciated over the period of the lease, using the straight-line method.

Adjustments to the ROU asset and corresponding lease liability result from remeasurement and/or modification.

Remeasurement occurs when there is a change in the lease term or discount rate, or when ABN AMRO changes its assessment regarding purchase, extension or termination options. A lease modification is a change in the scope of the lease, or the consideration of a part of a lease that was not in the original terms and conditions of the lease. A lease modification results in either a separate additional lease or a change in the accounting for the existing lease. In the case of a lease modification not resulting in an additional lease, the lease liability is remeasured by adjusting the carrying amount of the ROU asset and, to reflect the partial or full termination of the lease, recognising any gain or loss in the statement of profit and loss.

Expenses related to short-term leases with a term of less than 12 months and leases of low-value are recognised in the income statement. ROU assets are included in the line item Property and equipment, while the lease liabilities are included in Other liabilities. Depreciation of the ROU assets is included in the line item for depreciation and amortisation of tangible and intangible assets in the income statement, and interest expense on lease liabilities is included in the line item Other interest and similar expense.

Sale and leaseback transactions

In a sale and leaseback transaction, the seller-lessee transfers an underlying asset to the buyer-lessor and leases that asset back from the buyer-lessor.

Seller-lessee accounting

If the bank is involved in a sale and leaseback transaction as a seller-lessee, the accounting policy described below is from the perspective of a seller-lessee. To determine how to account for a sale and leaseback transaction, the bank first considers whether the initial transfer of the underlying asset from the seller-lessee to the buyer-lessor is a sale in accordance with IFRS 15.

If a sale and leaseback transaction results in a sale in accordance with IFRS 15, the underlying asset is derecognised and the lessee accounting model is applied to the leaseback. The ROU asset arising from the leaseback is measured based on the proportion of the previous carrying amount of the asset that relates to the rights of use retained by the seller-lessee. Accordingly, any gain or loss that relates to the rights transferred to the buyer-lessor is recognised.

The proportion of the rights of use retained is the ratio between the present value of lease payments at market rates (excluding any future index changes) and the fair value of the consideration for the sale proceeds. The residual proportion is the proportion of the rights transferred.

The fair value of the consideration for the sale proceeds is equal to the fair value of the underlying asset in the sale-and-leaseback transaction. If this does not equal the fair value of the underlying asset, or if the payments for the lease are not at market rates, the bank makes adjustments to recognise the sale proceeds at the fair value. Any below-market terms are recognised as a prepayment of lease payments and any above-market terms are recognised as additional financing provided by the buyer-lessor to the seller-lessee.



Accounting policy for intangible assets

Goodwill

Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the acquisition date, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is not amortised, but is reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. In the test, the carrying amount of goodwill is compared with the higher of the fair value less costs to sell and the value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash-generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense and are irreversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years, unless it is classified as core application software, which is depreciated over its estimated useful life, set at a maximum of seven years. Only the development phase is capitalised for own-developed software.

Other intangible assets include separately identifiable items arising from acquisitions of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general, the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

(in millions)	31 December 2021	31 December 2020
Land and buildings held for own use	211	242
Leasehold improvements	43	48
Plant & equipment under operating lease	533	602
Equipment	84	116
Right of use assets	299	246
Total property and equipment	1,172	1,255

Total property and equipment decreased by EUR 0.1 billion to EUR 1.2 billion at 31 December 2021. The decrease was mainly due to a decline in plant and equipment under operating leases as a result of fewer contracts in the operating lease portfolio. The right of use assets consist primarily of real estate.

(in millions)	31 December 2021	31 December 2020
Goodwill	79	78
Purchased software	20	14
Internally developed software	9	10
Other	19	25
Total goodwill and other intangible assets	127	128

(in millions)							2021		
	Land and buildings held for own use	Leasehold improvements	Plant & equipment under oper. lease	Equipment	Right of use assets	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
Acquisition costs as at 1 January	842	242	978	863	436	3,360	146	880	1,027
Additions	23	10	118	31	255	437		21	21
Reversal of cost due to disposals	-724	-11	-184	-97	-13	-1,029		-18	-18
Foreign exchange differences		2	19	3	7	31		1	1
Other	675	1		-4	-138	533	1	-1	
Acquisition costs as at 31 December	815	244	931	795	547	3,333	147	884	1,031
Accumulated depreciation/amortisation as at 1 January	-591	-189	-369	-743	-134	-2,026		-816	-816
Depreciation/amortisation	-33	-15		-55	-72	-175		-20	-20
Depreciation of assets subject to operating lease			-138			-138			
Reversal of depreciation/amortisation due to disposals	455	11	125	88	9	687		12	12
Foreign exchange differences		-2	-8	-3	-2	-13		-1	-1
Other	-426			5	8	-413		1	1
Accumulated depreciation/amortisation as at 31 December	-596	-195	-389	-707	-190	-2,078		-825	-825
Impairments as at 1 January	-8	-5	-7	-3	-55	-79	-68	-15	-82
Increase of impairments charged to the income statement	-1				-2	-3		-1	-1
Impairments on assets subject to operating lease			-4			-4			
Reversal of impairments credited to the income statement					5	5			
Reversal of impairments due to disposals	1		4			5		6	6
Foreign exchange differences			-1		-3	-4			
Other					-3	-3			
Impairments as at 31 December	-8	-6	-8	-4	-57	-83	-68	-10	-78
Total as at 31 December	211	43	533	84	299	1,172	79	48	127

The fair value of land and buildings held for own use at 31 December 2021 is estimated at EUR 283 million (31 December 2020: EUR 845 million). Of this fair value, 100% is based on external valuations performed in 2017 to 2021. Some properties have a lower fair value than the recorded carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Bank is sufficient to cover the total value of all these assets.



							2020		
(in millions)	Land and buildings held for own use	Leasehold improvements	Plant & equipment under oper. lease	Equipment	Right of use assets	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
Acquisition costs as at 1 January	1,505	248	1,035	885	324	3,997	148	877	1,025
Additions	27	17	140	32	141	356		10	10
Reversal of cost due to disposals	-201	-20	-180	-48	-21	-474		-4	-4
Foreign exchange differences		-3	-16	-5	-9	-33	-1	-2	-3
Other	-488			-1	2	-485			
Acquisition costs as at 31 December	842	242	978	863	436	3,360	146	880	1,027
Accumulated depreciation/amortisation as at 1 January	-926	-194	-334	-732	-70	-2,256		-798	-798
Depreciation/amortisation	-41	-16		-64	-75	-196		-24	-24
Depreciation of assets subject to operating lease			-146			-146			
Reversal of depreciation/amortisation due to disposals	132	18	106	48	10	315		4	4
Foreign exchange differences		2	5	4	2	14		2	2
Other	243			1	-2	242			
Accumulated depreciation/amortisation as at 31 December	-591	-189	-369	-743	-134	-2,026		-816	-816
Impairments as at 1 January	-6		-6		-23	-34	-38	-11	-49
Increase of impairments charged to the income statement		-6		-4	-37	-46	-30	-8	-38
Impairments on assets subject to operating lease			-2			-2			
Reversal of impairments credited to the income statement								4	4
Reversal of impairments due to disposals	4				1	5			
Foreign exchange differences					3	4			
Other	-6					-6			
Impairments as at 31 December	-8	-5	-7	-3	-55	-79	-68	-15	-82
Total as at 31 December	242	48	602	116	246	1,255	78	49	128

Leases

ABN AMRO enters into leases both as lessor and as lessee. In its capacity as lessee, ABN AMRO leases various assets, mainly office properties, cars and equipment that serve to support the bank's operations. The leases have various terms and termination and renewal options. The majority of termination and renewal options are exercisable only by the bank and not by the respective lessor. There are no variable lease payments in lease contracts where ABN AMRO acts as lessee. No covenants are present in the lease agreements and ABN AMRO is not allowed to use leased assets as security for financing purposes. The total cash outflow relating to leases in 2021 amounted to EUR 91 million (31 December 2020: EUR 105 million).

Sale and leaseback of head office at Gustav Mahlerlaan

In 2021, ABN AMRO completed the sale and leaseback of its head office at Gustav Mahlerlaan in Amsterdam. ABN AMRO is the seller-lessee in this transaction. The buyer-lessor of the office paid a total consideration of EUR 765 million. As part of the sale, ABN AMRO recognised a pre-tax gain of EUR 327 million (EUR 245 million net of tax) in other operating income (Note 6 Net income from other operating activities). As part of the lease, ABN AMRO recognised a RoU asset of EUR 78 million and a corresponding lease liability of EUR 203 million (Note 32 Other liabilities).

ABN AMRO will lease back the Gustav Mahlerlaan office for a period of four years before moving to the redeveloped office building at Foppingadreef in Amsterdam Zuidoost. ABN AMRO has an option, which is only exercisable by ABN AMRO, to extend the lease by a further period of one year.

In addition, ABN AMRO has an option, which is only exercisable by ABN AMRO, to terminate the lease for a small part of the Gustav Mahlerlaan office before June 2023. Exercising this option will result in an additional gain of approximately EUR 15 million.

In the first four years, the lease is based on 'triple net' conditions, which means that the share of the owner's maintenance costs normally incurred by the lessor will be paid by the lessee. The contractual lease amounts are paid quarterly in advance. The office building at Foppingadreef is currently being redeveloped and work is expected to be completed in mid-2025. After 2025, ABN AMRO will continue to lease a small part of the Gustav Mahlerlaan office, which will remain the bank's head office for an additional fifteen years, with the option to extend this period by five years. ABN AMRO is also financing part of the sale and leaseback transaction for the next four years.

The following table shows the maturity of lease liabilities for leases in which the bank acts as lessee, as well as the future undiscounted minimum lease receipts under operating and financial leases where the bank acts as lessor. It also reconciles the total future minimum lease receipts under financial leases and the net investment in the leases.

(in millions)	31 December 2021						
	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years	Total	Unearned finance income	Net investment in the lease
Lease liabilities	15	44	174	88	320	n/a	n/a
Future minimum lease receipts under financial leases	771	1,124	2,882	446	5,222	-250	4,972
Future minimum lease receipts under operating leases	42	135	369	37	583	n/a	n/a
31 December 2020							
Lease liabilities	17	49	179	111	355	n/a	n/a
Future minimum lease receipts under financial leases	1,220	1,237	3,042	535	6,034	-300	5,734
Future minimum lease receipts under operating leases	54	138	421	46	660	n/a	n/a

In its capacity as lessor, ABN AMRO leases out various assets. Operating leases in which the bank acts as lessor are included in Property and equipment – equipment. Financial leases in which the bank acts as lessor are included in corporate loans under loans and advances customers. Income from leases in which ABN AMRO acts as lessor is presented in the following table.

(in millions)	2021	2020
Income from financial leases	147	164
Income from operating leases	163	171
Total income from leases	309	334

Income related to variable lease payments on financial leases amounted to EUR 4 million. There is no income relating to variable lease payments on operating leases.

ABN AMRO also acts as an intermediate lessor in subleases where it subleases ROU assets to a third party. During 2021 the total income from subleasing ROU assets amounted to EUR 3 million.



Valuation of goodwill

						31 December 2021	31 December 2020
(in millions)	Segment	Method used for recoverable amount	Discount rate	Long-term growth rate	Impairment charges	Goodwill	Goodwill
Entity							
Bethmann Bank A.G.	Private Banking	Value in use	10.0%	0.0%		63	63
ABN AMRO Asset Based Finance N.V., (UK) Branch	Commercial Banking	Value in use	10.0%	0.0%		10	9
Banque Neuflize OBC S.A.	Private Banking	Value in use	10.0%	0.0%		6	6
Total goodwill and impairment charges						79	78

The outcome of several impairment tests entails an impairment of nil. Total goodwill and impairment charges increased by EUR 1 million as a result of foreign currency translation differences.

(in millions)	2021	2021
Depreciation on tangible assets		
Land and buildings held for own use	33	41
Leasehold improvements	15	16
Equipment	55	64
Right of use assets	72	75
Amortisation on intangible assets		
Purchased software	11	15
Internally developed software	3	3
Other intangible assets	6	7
Impairment losses on tangible assets		
Land and buildings held for own use (incl. held for sale)	1	
Leasehold improvements		6
Equipment		4
Right of use assets	-3	36
Impairment losses on intangible assets		
Goodwill		30
Purchased software	1	-4
Internally developed software		2
Other intangible assets		6
Total depreciation, amortisation and impairment losses	194	299

25 Non-current assets and disposal groups held for sale

Accounting policy for non-current assets and disposal groups held for sale

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally by selling them within 12 months, rather than through ongoing use. Assets held for sale (other than financial instruments) are not depreciated and are measured at the lower of their carrying amount and fair value, less costs to sell. Assets and liabilities of a business held for sale are presented separately in the consolidated statement of financial position.

(in millions)	31 December 2021	31 December 2020
Assets		
Financial investments	86	
Property and equipment	3	254
Assets of businesses held for sale	89	254
Liabilities		
Other liabilities		
Liabilities of businesses held for sale		

The 2021 held for sale position of EUR 89 million consists mainly of financial investments and is attributable to the equity stake in Tink and a few other small investments. During the year the head office building was sold. The sale is part of a sale and leaseback transaction with the buyer-lessor of the building. The property was measured at the carrying amount, which was significantly lower than the fair value (less cost to sell).

26 Other assets

(in millions)	31 December 2021	31 December 2020
Accrued other income	564	575
Prepaid expenses	25	31
Unsettled securities transactions	1,046	1,521
Trade and other receivables	2,284	2,292
Other	345	505
Total other assets	4,263	4,925

The decrease of EUR 0.7 billion in other assets was mainly driven by a EUR 0.5 billion decrease in unsettled securities transactions and EUR 0.2 billion in other.

Unsettled securities transactions are related to reversed repurchase and securities borrowing transactions that are delivered but not settled. The decrease was mainly related to the clearing business that is fully based on the nature of the business to supply in the needs of their clients' financing strategies and related transactions to be settled.

At 31 December 2021, other assets included a net receivable of EUR 0.1 billion related to the bankruptcy of DSB Bank (31 December 2020: EUR 0.2 billion).

27 Due to banks

Accounting policy for due to banks and due to customers

Amounts due to banks and customers are held at amortised cost. That is, at fair value upon initial recognition, adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the instrument.

(in millions)	31 December 2021	31 December 2020
Current accounts	1,525	1,903
Demand deposits	3	3
Time deposits	36,070	34,100
Cash collateral on securities lent	467	703
Other	10	10
Total due to banks	38,076	36,719

The increase of EUR 1.4 billion in due to banks is mainly due to the TLTRO participation, which resulted in an increase of EUR 3.0 billion. This increase was partly offset by matured interbank deposits of EUR 1.0 billion and periodic current account balances with credit institutions of EUR 0.4 billion.

ABN AMRO participates in the targeted longer-term refinancing operations III (TLTRO III) for an amount of EUR 35.0 billion, of which EUR 32.0 billion was drawn in June 2020 and EUR 3.0 billion in June 2021. The funding has a quarterly repayment option. TLTRO III offers ABN AMRO funding at attractive conditions. A guaranteed interest rate discount of 50bps applies to the interest rate period from 24 June 2020 to 23 June 2022. An additional interest rate discount of 50bps over the remaining interest period can be achieved if specific targets linked to the issuance of new loans to non-financial corporations and households are met. The TLTRO III funding is accounted for at amortised cost, with an effective interest rate equal to the Main Refinancing Operations rate. The discounts, both conditional and unconditional, are accounted for as government grants and recognised in interest income. As at the year-end, there was a reasonable expectation that the conditions applicable for the additional discount were met. As a result, a catch-up adjustment was made to recognise the additional 50 basis points discount in interest income.



28 Due to customers

Accounting policy for due to customers

The accounting policy for amounts due to customers is included in Note 27 Due to banks.

(in millions)	31 December 2021	31 December 2020
Current accounts	132,983	111,033
Demand deposits	98,790	107,534
Time deposits	18,780	19,037
Other	665	966
Total due to customers	251,218	238,570

Total due to customers increased by EUR 12.7 billion, mainly due to an increase in current accounts, partly offset by decreases in demand deposits.

Current accounts increased by EUR 22.0 billion, mainly owing to commercial and private clients retaining their cash position to maintain liquidity and to an increase in savings from retail clients due to a change in spending patterns as a result of Covid-19 measures.

Demand deposits decreased by EUR 8.7 billion, mainly due to high outflows as a result of the lower threshold for charging negative interest rates on client savings, and the further wind-down of Moneyou.

Time deposits decreased by EUR 0.2 billion, mainly due to the maturing of deposits of several large corporates and non-corporates and to the lowering of the threshold for charging negative interest rates.

Other deposits decreased by EUR 0.3 billion, mainly due to the lower amount of derivative collateral received from external parties.

29 Issued debt and subordinated liabilities

Accounting policy for issued debt and subordinated liabilities

Issued debt securities and subordinated liabilities are recorded at amortised cost using the effective interest rate method. Hybrid or structured financial liabilities are irrevocably designated upon initial recognition to be measured at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of their fair value or include terms that qualify as an embedded derivative that cannot be separated.

ABN AMRO applies IAS 32 Financial Instruments: Presentation to determine whether funding is a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO and its subsidiaries.

The valuation of liabilities measured at fair value includes the effect of changes in the bank's own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where own value credit risk would be considered by market participants. The cumulative amount of changes in fair value attributable to credit risk of issued debt is presented as liability own credit risk reserve in equity. Exchange-traded own debt measured at fair value through profit or loss is valued at market prices.

Fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 31 December 2021. Movements in these debt instruments involve a continual process of redemption and issuance of long-term and short-term funding.

Issued debt

(in millions)	31 December 2021	31 December 2020
Bonds and notes issued	49,619	56,716
Certificates of deposit and commercial paper	9,177	9,283
Total at amortised cost	58,796	66,000
Designated at fair value through profit or loss	892	949
Total issued debt	59,688	66,949
- <i>of which matures within one year</i>	16,734	19,279

(in millions)	2021	2020
	Carrying amount	Carrying amount
Balance as at 1 January	66,949	75,275
Cash flows		
Issuance	30,226	28,203
Redemption	-36,180	-36,165
Non-cash changes		
Foreign exchange differences	1,130	-1,262
Fair value changes own credit risk	-20	-20
Unrealised gains/(losses)	-2,335	919
Other	-83	-1
Balance as at 31 December	59,688	66,949

Total issued debt decreased by EUR 7.3 billion to EUR 59.7 billion at 31 December 2021, mainly due to matured long-term funding. The lower funding need was driven by an increase in deposits and the TLTRO III participation.

The amounts of debt issued and redeemed during the period are shown in the Consolidated statement of cash flows. Non-cash changes consist mainly of unrealised gains and losses and foreign exchange differences. Further details of the funding programmes are provided in Funding in the Risk, funding & capital chapter.

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2021	31 December 2020
Cumulative change in fair value of the structured notes attributable to changes in credit risk	12	32
Change during the year in fair value of the structured notes attributable to changes in credit risk	-20	-20
Difference between amount contractually required to pay at maturity and the carrying amount	-63	-19

The change in fair value of the structured notes attributable to changes in credit risk is determined using the credit spread implicit in the fair value of similar bonds traded in active markets and issued by ABN AMRO.

Subordinated liabilities

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 31 December. Movements in these debt instruments involve a continual process of redemption and issuance of long-term and short-term funding.

(in millions)	31 December 2021	31 December 2020
Subordinated liabilities	7,549	8,069



(in millions)	2021 Carrying amount	2020 Carrying amount
Balance as at 1 January	8,069	10,041
Cash flows		
Issuance	910	35
Redemption	-1,514	-1,669
Non-cash changes		
Foreign exchange differences	367	-445
Other	-283	108
Balance as at 31 December	7,549	8,069

Subordinated liabilities decreased by EUR 0.5 billion, mainly due to the maturity of subordinated loans, which was partly offset by the issuance of a new instrument. No perpetual loans were recorded at the reporting date. The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

30 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement cost expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is liable to pay upon default of payment. Expected credit loss allowances of loan commitments and financial guarantees are recognised as provisions under IFRS 9.

(in millions)	31 December 2021	31 December 2020
Insurance fund liabilities	5	11
Provision for pension commitments	79	106
Restructuring provision	178	226
Other staff provision	137	136
Legal provisions	398	98
Credit commitments provisions	222	92
Other provisions	181	258
Total provisions	1,201	926

Insurance fund liabilities

Insurance fund liabilities include the insurance companies' actuarial reserves, premium and claims reserves. The expected cash outflow for 2022 is EUR 18 thousand, and approximately EUR 9 million for the 2023-2026 period.

Provision for pension commitments

Provision for pension commitments includes early retirement benefits payable to non-active employees. Further details are provided in Note 31 Pension and other employee benefits.

Restructuring

Restructuring provisions cover the costs of the restructuring plans for which implementation has been formally announced. The decrease relates to the use of the provision.

Other staff provisions

The slight increase in Other staff provisions mainly relates to an increase in the provision for untaken holidays.

Legal provisions

Legal provisions increased with EUR 301 million mainly attributable to an increase in the provision "Variabele Interest" with EUR 334 million of which already used EUR 9 million. The provisions related to interest rate derivatives sold to SME clients and EURIBOR-based mortgages declined due to outflows and a release.

Interest rate derivatives for SME clients

In 2015, ABN AMRO started a review, at the request of the Netherlands Authority for the Financial Markets (AFM) and the Dutch Ministry of Finance, to determine whether the bank had acted in accordance with its duty of care obligations in respect of the sale of interest rate derivatives to SME clients. In the second quarter of 2015, ABN AMRO first recognised a provision for compensating clients who had been disadvantaged in this respect and suffered loss or damage.

ABN AMRO has set up its own client reassessment process and the related checks and balances with respect to the Uniform Recovery Framework devised by a committee of independent experts ('the Committee') appointed by the Dutch Minister of Finance. In the first quarter of 2020, ABN AMRO finalised the process of sending all clients a letter containing the outcome of the reassessment. At various points in the process, the reassessments were checked by an independent external file reviewer (in ABN AMRO's case, by the audit firm PwC), supervised by the AFM. Except for a limited number of proceedings relating to the Uniform Recovery Framework before the local courts, ABN AMRO has completed the execution of the Uniform Recovery Framework. The total provision for SME derivatives-related issues amounted to EUR 6 million at 31 December 2021. This comprised the total amount of client compensation (EUR 0.6 billion) and project costs (EUR 0.3 billion), after payments already made for both elements (EUR 0.8 billion).

EURIBOR-based mortgages

ABN AMRO has sold mortgage loans with floating, often EURIBOR-based, interest rates to consumers. These rates include a margin charge. Under the applicable terms and conditions, ABN AMRO has the right to unilaterally adjust the margin charge. ABN AMRO's decision to increase the margin charge in 2012 resulted in two class actions, on top of multiple individual cases, being instigated. The central question in these cases is whether ABN AMRO's right in the terms and conditions to unilaterally adjust the margin charge is an unfair contractual clause.

On 22 November 2019, the Supreme Court quashed the ruling of the Amsterdam Court of Appeal in the EURIBOR collective cases. The case has been referred to another Court of Appeal (The Hague) whereby the Court will need to take all relevant aspects into account to judge if the clauses are unfair. The hearing in this matter took place on 9 November 2021 and the Court of Appeal expects to give its verdict on 15 March 2022.

On 13 February 2020, ABN AMRO and the foundation Stichting Euribar reached an agreement on a settlement for clients with EURIBOR-Woninghypothek mortgages. Key points of the agreement are compensation for the past and certainty for the future EURIBOR margin charge. By June 2021, ABN AMRO sent out the settlement offers to all known eligible clients, of which 81% have accepted as per 31 December 2021. The other foundation, Stichting Stop de Banken, broke off the negotiations aimed at reaching an agreement and announced it will proceed with the class action as mentioned above.

ABN AMRO has recognised a provision for the EURIBOR-based mortgage cases.

Variable interest rates for consumer loans

On 3 March 2021, the Kifid Appeals Committee confirmed a ruling of the Kifid Disputes Committee about the recalculation of the variable interest charged to a specific client on a revolving credit. In short, Kifid ruled that ABN AMRO should have followed the market rate while establishing the variable interest rate for certain revolving consumer credits.

In light of the Kifid ruling, ABN AMRO reached agreement with the Dutch Consumers' Association (Consumentenbond Claimservice) on 5 September 2021 regarding a compensation scheme for affected clients. The compensation scheme entailed a proactive recalculation of variable interest charged as from 1 January 2008 on various revolving consumer credits offered by ABN AMRO, ALFAM and ICS. In Q4 of 2021, ABN AMRO has decided to (where possible and applicable) proactively recalculate variable interest charged as from 1 January 2001. ABN AMRO has provisioned around EUR 348 million for the interest to be compensated and the costs incurred in carrying out the scheme. During the year EUR 9 million of this provision has been used. The remaining provision as per 31 December 2021 is EUR 338 million.



It is unclear what the exact scope and application of the Kifid ruling is and whether the ruling will have a certain knock-on effect on other products with variable interest rates, beyond the range of products covered by the compensation scheme. Recent rulings from Kifid regarding other credit providers (in relation to mortgage loans) suggest that Kifid envisages a broad scope. ABN AMRO cannot give a reliable estimate of the (potentially substantial) financial risk of these contingent liabilities not provided for.

Credit commitments provisions

Credit commitment provisions increased mainly due to a FR&R case.

Other provisions

Other provisions decreased mainly due to the usage of "Know Your Client" provision.

AML remediation programme

To address shortcomings, as well as increasingly strict regulations and continuously evolving forms of financial crime, ABN AMRO had already started an extensive bank-wide AML remediation programme. In 2021, the remediation of client files has progressed. The total provision regarding the AML programme amounted to EUR 66 million at 31 December 2021.

AML settlement

In April 2021, ABN AMRO accepted a settlement offer from the Netherlands Public Prosecution Service in connection with its investigation of the bank's AML activities in the Netherlands over the period 2014-2020. ABN AMRO agreed to pay a fine of EUR 300 million and a disgorgement of EUR 180 million. The total amount of EUR 480 million has been recorded in other expenses at Group Functions in Q1 2021 and has therefore no further impact on past or present provisions. ABN AMRO was informed that an individual filed a complaint against the AML settlement between the Netherlands Public Prosecution Service and ABN AMRO under section 12 of the Dutch Code of Criminal Procedure with the Court of Appeal in The Hague. ABN AMRO was also informed that the complaint has been denied by the court of appeals.

(in millions)	Insurance fund liabilities	Provision for pension commitments	Restructuring provision	Other staff provision	Legal provisions	Credit-commitments	Other	Total
At 1 January 2020	4	74	172	119	234	79	301	983
Increase of provisions			145		8	85	99	336
Reversal of unused provisions			-15		-80	-97	-24	-217
Utilised during the year			-55		-64		-92	-212
Accretion of interest					2	-1	-1	-1
Transfer between stages						186		186
Foreign exchange differences			-7			-2	-1	-9
Other	7	32	-13	17	-1	-158	-23	-139
At 31 December 2020	11	106	226	136	98	92	258	926
Increase of provisions			35		340	173	49	597
Reversal of unused provisions			-22		-23	-51	-61	-157
Utilised during the year			-67		-16	-3	-66	-152
Accretion of interest						6		6
Transfer between stages						6	1	12
Foreign exchange differences			6			-1	1	-32
Other	-6	-27	-1	2				
At 31 December 2021	5	79	178	137	398	222	181	1,201

31 Pension and other employee benefits

Accounting policy for pension and other employee benefits

ABN AMRO sponsors a number of pension schemes in the Netherlands and abroad. These schemes are mainly defined contribution plans. The majority of the beneficiaries of the plans are located in the Netherlands.

Defined contribution plans

For defined contribution plans, ABN AMRO pays annual contributions determined by a fixed method and has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants in the plan.

Defined benefit plans

For defined benefit plans, the net obligation of each plan is the difference between the present value of the defined benefit obligations and the fair value of the plan's assets.

The actuarial assumptions used for calculating the present value of the defined benefit obligations include discount rates based on high-quality corporate bonds, the inflation rate, future salary increases, employee contributions, mortality assumptions and rates of employee turnover. The assumptions are based on available market data and management expectations at the end of the reporting period.

Plan assets are measured at fair value at balance sheet date and are netted against the defined benefit obligations. Pension costs recognised in the income statement for defined benefit plans consist of:

- ▶ service costs;
- ▶ net interest costs determined by multiplying the net defined benefit liability (asset) by the discount rate, both as at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments; and
- ▶ curtailments or plan amendments.

Differences between pension costs and pension contributions payable are accounted for as provisions or prepayments.

Remeasurement

Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover). They are recognised in other comprehensive income and are not recycled to profit or loss in later periods. The actual return on the pension plan's assets is determined after deduction of the costs of managing the assets and any tax payable by the pension plan itself.

Other employee benefits

Some group companies provide post-retirement benefits to their retirees, such as long-term service benefits and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment, using the same accounting methodology as used for defined benefit pension plans. These obligations are calculated annually.

Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Pension and other employee benefits

Amounts recognised in the income statement for pensions and other employee benefits

(in millions)	2021			2020		
	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Current service cost	7	11	18	6	21	27
Interest cost	1		2	2		2
Interest income	-1		-1	-1		-1
Other		-3	-3	-1	2	1
Total defined benefit expenses in actuarial report	7	8	15	6	23	29
Other expenses	-4		-4	-5		-5
Total defined benefit expenses	3	8	11	1	23	24
Defined contribution plans	291		291	306		306
Total pension expenses and other post retirement employee benefits	294	8	302	307	23	330

Total pension and other employee benefits expenses decreased by EUR 28 million. The decrease in defined contribution plan expenses of EUR 15 million was attributable to a release following a favourable court ruling. This was partly offset by higher numbers of FTEs, resulting in higher pension costs.

Pension expenses for defined contribution plans consist mainly of the cash contributions to the Dutch collective defined contribution plan.

Dutch defined contribution plan

The Dutch defined contribution plan is a collective defined contribution plan, based on an average salary plan. The target retirement age is set at 68 years. The contribution payable by pension fund participants is 5.5% (2020: 5.5%).

Participants' contributions to the defined benefit plan in 2021 amounted to EUR 47 million (2020: EUR 42 million) and are included in the pension expenses.

Reconciliation to the statement of financial position and other comprehensive income

(in millions)	2021			2020		
	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Present value of defined benefit obligations - funded with plan assets	242	3	246	267	3	270
Fair value of plan assets	189		189	194		194
	54	3	57	73	3	76
Present value of defined benefit obligations - unfunded	24	134	158	33	132	166
Net liabilities/(assets) balance sheet at 31 December	78	137	215	106	136	242
- <i>of which assets</i>	1		1			
- <i>of which liabilities</i>	79	137	216	106	136	242
Experience adjustments	14		13	3	-2	1
Remeasurements arising from changes in demographic assumptions DBO	1		1	-1		-1
Remeasurements arising from changes in financial assumptions DBO	6	1	7	-7		-7
Remeasurements arising from changes in financial assumptions plan assets	3		3	3		3
Remeasurements in other comprehensive income	23		24	-2	-2	-4

Change in defined benefit obligation (DBO)

(in millions)	2021			2020		
	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Defined benefit obligation as at 1 January	300	136	435			
Current service cost	7	11	18	6	21	27
Interest cost	1		2	2		2
Benefits paid						
Benefits paid in from employer	-9	-3	-12	-11	-8	-19
Remeasurements arising from changes in demographic assumptions	-1		-1	1		1
Experience adjustments	-14		-13	-3	2	-1
Remeasurements arising from changes in financial assumptions	-6	-1	-7	7		7
Other	-12	-6	-18	48	-35	14
Defined benefit obligation as at 31 December	266	137	404	300	136	435

The net defined benefit liabilities/(assets) balance as at 31 December 2021 consisted of pensioners with a profit share, the indexation of benefits insured with an insurance company and several small defined benefit plans outside the Netherlands.

Change in fair value of plan assets

(in millions)	2021			2020		
	Defined post employment benefit	Other employee benefits	Total	Defined post employment benefit	Other employee benefits	Total
Fair value of plan assets as at 1 January	194		194	176		176
Interest income	1		1	1		1
Return on plan assets excluding interest	3		3	3		3
Employer's contributions	1		1			
Benefits paid						
Other	-10		-10	14		14
Fair value of plan assets as at 31 December	189		189	194		194

Principal actuarial assumptions

	2021	2020
Discount rate	0.8%	0.5%
Indexation rate	1.7%	1.6%
Future salary increases	2.2%	1.9%

The above assumptions are weighted by defined benefit obligations. The discount rate consists of a risk-free rate and a credit spread on AA-rated corporate bonds.

32 Other liabilities

The following table shows the components of accrued expenses and other liabilities.

(in millions)	31 December 2021	31 December 2020
Accrued other expenses	876	928
Lease liabilities	485	320
Unsettled securities transactions	1,575	844
Sundry liabilities and other payables	1,821	1,962
Total other liabilities	4,757	4,053

Other liabilities increased by EUR 0.7 billion to EUR 4.8 billion at 31 December 2021, mainly due to an increase in unsettled securities transactions at ABN AMRO Clearing Bank and increased lease liabilities.

The increase in lease liabilities mainly relates to the sale and leaseback of ABN AMRO's head office at Gustav Mahlerlaan in 2021, which resulted in a lease liability of EUR 203 million at the commencement date. Please refer to Note 24 Property and equipment, leases, goodwill and other intangible assets for further information regarding the sale and leaseback transaction.

33 Equity attributable of the parent company

Share capital and other components of equity

Ordinary shares

As at 31 December 2021, all shares in the capital of ABN AMRO Bank were held by two foundations: NLFI and STAK AAB. For more information about STAK AAB and the depositary receipts, please refer to the Leadership & governance chapter of this report.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective areas of the statement of financial position.



Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Fair value reserve

Under IFRS 9, the fair value reserve includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that are recycled to the income statement if the hedged transactions have an impact on profit or loss.

Net investment hedging reserve

The net investment hedging reserve comprises the currency translation differences arising when the currencies of these instruments are translated to euros, to the extent they are effective.

Liability own credit risk reserve

Under IFRS 9, the changes in fair value attributable to changes in the own credit risk of financial liabilities designated at FVTPL are presented in other comprehensive income. The cumulative amount of changes in fair value attributable to credit risk of such liabilities is presented as liability own credit risk reserve in equity.

Other reserves

Other reserves mainly comprise retained earnings and profit for the period.

Dividends

Dividends on ordinary shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

Capital securities

Undated, deeply subordinated, resettable, callable capital securities are classified as additional tier 1 (AT1) capital, under total equity. ABN AMRO Bank has the European Central Bank's permission to carry out limited repurchases from investors and to sell back in the market

The following table shows the equity of ABN AMRO Bank N.V. and the outstanding and issued share capital.

(in millions)	31 December 2021	31 December 2020
Share capital	940	940
Share premium	12,970	12,970
Other reserves (incl. retained earnings/profit for the period)	7,324	6,826
Other components of equity	-1,227	-1,733
AT1 capital securities	1,987	1,987
Equity attributable to owners of the parent company	21,994	20,989
Equity attributable to non-controlling interests	5	
Total equity	21,999	20,989

At 31 December 2021, the authorised share capital of ABN AMRO Bank N.V. amounted to 2,400,000,000 shares, consisting of 2,200,000,000 ordinary A-shares with a nominal value of EUR 1.00 and 200,000,000 ordinary B-shares with a nominal value of EUR 1.00. Every share is entitled to one vote during the General Meeting. There were no changes in the authorised share capital in 2021. The total amount of issued shares at 31 December 2021 was 940,000,001. In 2021, the final dividend of EUR 0.68 per share for the year 2019 was paid out for a total of EUR 639 million. For the year 2021 a final dividend has been proposed of EUR 0.61 per share. For more information, please refer to Capital in the Risk, funding & capital section.

The following table shows the equity of ABN AMRO Bank N.V. and the outstanding and issued share capital.

	31 December 2021		31 December 2020	
	Class A ordinary shares	Class B ordinary shares	Class A ordinary shares	Class B ordinary shares
Number of shares				
Authorised share capital	2,200,000,000	200,000,000	2,200,000,000	200,000,000
Unissued share capital	1,259,999,999	200,000,000	1,259,999,999	200,000,000
Issued share capital	940,000,001		940,000,001	
Amount of shares (in EUR)				
Authorised share capital	2,200,000,000	200,000,000	2,200,000,000	200,000,000
Unissued share capital	1,259,999,999	200,000,000	1,259,999,999	200,000,000
Issued share capital	940,000,001		940,000,001	
Par value	1.00	1.00	1.00	1.00

34 Transferred, pledged encumbered and restricted assets

Accounting policy for transferred, pledged, encumbered and restricted assets

Transferred financial assets are arrangements/transactions for which ABN AMRO has:

- ▶ Transferred the contractual rights to receive the cash flows of the financial asset to a third party, or;
- ▶ Retained the contractual rights to receive the cash flows of that financial asset, but has assumed a contractual obligation to pay the cash flows to a third party; or
- ▶ Transferred a financial asset when the counterparty has the right to repledge or to resell the asset.

Depending on the circumstances, these transfers may result in financial assets that either are or are not derecognised in their entirety. Please refer to Note 1 Accounting policies.

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to the pledge. Encumbered assets are those that are pledged or other assets that we believe to be restricted in order to secure, credit-enhance or collateralise a transaction.

In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO:

- ▶ Encumbered assets include mandatory reserve requirements with central banks;
- ▶ Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements such as:

- ▶ Those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to or from other entities within the group;
- ▶ Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within the group;
- ▶ Protective rights of other non-controlling interests that may restrict the ability of the bank to access and transfer assets freely to or from other entities within the group and to settle liabilities of the bank.

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to show the risks the bank is exposed to when the assets are transferred. If transferred financial assets continue to be recognised in the balance sheet, ABN AMRO is still exposed to changes in the fair value of the assets.

Transferred financial assets not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.



	31 December 2021			31 December 2020		
	Financial investments (at fair value through OCI)	Financial assets held for trading (at fair value through profit and loss)	Total	Financial investments (at fair value through OCI)	Financial assets held for trading (at fair value through profit and loss)	Total
(in millions)						
Securities financing						
Carrying amount Transferred assets	7,911	122	8,033	2,821		2,821
Carrying amount Associated liabilities	8,069	125	8,194	2,821		2,821
Fair value of assets	7,911	122	8,033	2,821		2,821
Fair value of associated liabilities	8,069	125	8,194	2,821		2,821
Net position	-158	-2	-161			

Securitisations

The bank uses securitisations as a source of funding, whereby the Special Purpose Entity (SPE) issues debt securities. In a securitisation transaction utilising true sale mechanics, the bank transfers the title of the assets to SPEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (mainly residential mortgage loans) are considered to be transferred. The bank had no transferred and associated securitisations at 31 December 2021.

Securities financing

Securities financing transactions are entered into on a collateralised basis for mitigating the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO.

Continuing involvement in transferred financial assets derecognised in their entirety

The bank has no material transferred assets that are derecognised in their entirety but where ABN AMRO has continuing involvement.

Pledged and encumbered assets

Pledged and encumbered assets are no longer readily available to ABN AMRO to secure funding, to satisfy collateral needs or to be sold to reduce the funding requirement. The following activities conducted by ABN AMRO give rise to pledged assets:

- ▶ cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- ▶ mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- ▶ securities lent as part of repurchase and securities lending transactions.

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2021	31 December 2020
Assets pledged		
Cash and balances at central banks	431	212
Financial assets held for trading	253	418
Financial investments FVOCI	2,926	3,009
Loans and advances banks:		
- Interest bearing deposits	1,341	1,040
Loans and advances customers:		
- Residential mortgages	93,805	102,970
- Commercial loans	16,088	9,868
Total assets pledged as security	114,845	117,518
Differences between pledged and encumbered assets		
Loans and advances banks ¹	199	220
Loans and advances customers ²	-10,088	-17,568
Total differences between pledged and encumbered assets	-9,888	-17,348
Total encumbered assets	104,957	100,170
Total assets	399,113	395,623
Total encumbered assets as percentage of total assets	26.3%	25.3%

¹ Includes mandatory reserve deposits.

² Excludes mainly mortgage-backed securities.

Total encumbered assets increased by EUR 4.8 billion at 31 December 2021. This was mainly due to increased usage of TLTRO funding, which resulted in more collateral pledged at DNB.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO obtains securities on terms that permit it to repledge or resell the securities to others. These transactions are conducted under terms that are usual and customary in standard professional securities transactions.

ABN AMRO controls the credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and, when necessary, requiring additional collateral to be deposited with or returned to the group.

(in millions)	31 December 2021	31 December 2020
Fair value of securities received which can be sold or repledged	71,372	57,436
- of which: fair value of securities repledged/sold to others	52,417	41,454

ABN AMRO has the obligation to return securities accepted as collateral to its counterparties.

Significant restrictions on the ability to access or use the bank's assets

Restricted financial assets consist of assets pledged as collateral against an existing or contingent liability and encumbered assets. Other restrictions impacting on the bank's ability to use assets include:

- ▶ Assets as a result of collateralising repurchase and borrowing agreements (31 December 2021: EUR 16.1 billion; 31 December 2020: EUR 16.7 billion);
- ▶ Assets held in certain jurisdictions to comply with local liquidity requirements and that are subject to restrictions in terms of their transferability within the group (31 December 2021: EUR 0.8 billion; 31 December 2020: EUR 0.9 billion);
- ▶ ABN AMRO Bank N.V. is in general not subject to any significant restrictions that would prevent the transfer of dividends and capital within the group, except for regulated subsidiaries that are required to maintain capital in order to comply with local regulations (31 December 2021: EUR 0.6 billion; 31 December 2020: EUR 1.1 billion).



35 Commitments and contingent liabilities

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on clients. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Initial recognition of financial guarantee contracts is at their fair value. Subsequent measurement is at the higher of the amount of the expected credit loss and the amount initially recognised, less – when appropriate – the cumulative amount of income recognised in the income statement.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet, but disclosed if the likelihood of an outflow of economic resources is not more likely than not or if the likelihood of an outflow of economic resources is more likely than not, however cannot be reliably estimated.

Committed credit facilities

Commitments to provide credit take the form of approved but undrawn loans, revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions.

Many of the contingent liabilities and commitments are expected to expire without being paid out in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Furthermore, statements of liability within the meaning of Article 403, Book 2 of the Dutch Civil Code have been issued for a number of ABN AMRO's affiliated companies (see also the chapter on Other information).

The committed credit facilities, guarantees and other commitments are summarised in the following table. The amounts stated in the table for commitments assume that amounts are fully paid out. The amounts shown in the table for guarantees and letters of credit represent the maximum amount ABN AMRO is exposed to if the contract parties completely fail to perform as contracted.

(in millions)	Payments due by period				
	Less than one year	Between one and three years	Between three and five years	After five years	Total
31 December 2021					
Committed credit facilities	35,134	10,395	5,965	3,147	54,642
Guarantees and other commitments					
Guarantees granted	142	83	96	1,222	1,544
Irrevocable letters of credit	3,084	1,111	336	221	4,752
Recourse risks arising from discounted bills	1,159	113	31	1	1,303
Total guarantees and other commitments	4,385	1,307	463	1,443	7,598
Total	39,520	11,702	6,428	4,590	62,240
31 December 2020					
Committed credit facilities	35,221	7,792	8,835	3,360	55,207
Guarantees and other commitments					
Guarantees granted	1,674	124	11	82	1,890
Irrevocable letters of credit	3,422	867	968	278	5,535
Recourse risks arising from discounted bills	1,295	80	145	37	1,556
Total guarantees and other commitments	6,390	1,071	1,123	397	8,981
Total	41,611	8,863	9,958	3,757	64,188

Total committed credit facilities, guarantees and other commitments decreased by EUR 2.0 billion, mainly related to the wind-down of the CIB non-core portfolio.

Equity trading

German authorities are conducting investigations into the involvement of individuals from various banks and other parties in equity trading extending over dividend record dates in Germany, including several forms of tainted dividend arbitrage (i.e. dividend stripping, including cum/ex and cum/cum) for the purpose of obtaining German tax credits or refunds in relation to withholding tax levied on dividend payments including, in particular, transaction structures that have resulted in more than one market participant claiming such credit or refund with respect to the same dividend payment. ABN AMRO's legal predecessor, Fortis Bank (Nederland) N.V., ABN AMRO and several (former) subsidiaries were directly or indirectly involved in these transactions in the past in various roles. Certain criminal investigation proceedings relate to the activities of these entities and individuals involved at the time. This also resulted in search warrants being issued against ABN AMRO. ABN AMRO cooperates with these investigations. ABN AMRO has no knowledge of the results of any such investigation.

Furthermore, ABN AMRO frequently receives information requests from German authorities in relation to other (criminal) investigations. ABN AMRO cooperates and provides the requested information to the extent possible. Although a number of subsidiaries associated with these transactions have been sold by means of a management buy-out, legal risks remain for ABN AMRO, in particular relating to criminal and civil law. All material tax issues with respect to ABN AMRO's reclams for cum/ex transactions have been settled with the German tax authorities. With respect to cum/cum transactions, the German Federal Ministry of Finance released 2 circular rulings dated 9 July 2021 (published 15 July 2021) in which there is a change in interpretation of tax legislation compared to previous circular rulings. These new circular rulings require the German local tax authorities to recollect dividend withholding tax credited to taxpayers where such credits relate to cum/cum strategies. ABN AMRO has collected dividend withholding tax related to transactions that might be considered as cum/cum transactions under the new circular rulings. In anticipation of a decision of the German tax authorities, ABN AMRO has paid the relevant dividend withholding tax amounts. However, ABN AMRO has retained its rights to contest any such decision. With respect to cum/cum securities lending transactions with German counterparties as borrowers, ABN AMRO is exposed to civil law compensation claims from these counterparties resulting from crediting entitlements that have been denied or will be reclaimed by the relevant German tax authorities. Based on the analyses performed, ABN AMRO considers it rather unlikely that such claims will be successful. However, it cannot be ruled out.

It cannot be excluded that ABN AMRO or subsidiaries will be faced with financial consequences as a result of their involvement in dividend stripping transactions, including penalties and other measures under criminal law and civil law claims. It is currently unclear, however, how the German prosecution authorities' investigations will impact ABN AMRO and its subsidiaries and if and to what extent penalties or forfeiture orders will be imposed. It is also uncertain whether tax authorities or third parties will successfully claim amounts from ABN AMRO in (secondary) liability or other civil cases. Therefore, the financial impact cannot be reliably estimated at this time and no provision has been made in this respect.



Netherlands Public Prosecution Service investigation into Dutch tax matter

The Netherlands Public Prosecution Service ("NPPS") is conducting an investigation regarding transactions which ultimately led to a set-off by a third party of dividend withholding tax credits against its corporate tax liabilities in the Netherlands during the period 2009-2013. The investigation of the NPPS is related to ongoing tax proceedings before the Dutch courts between the third party and the Dutch tax authority regarding the set-off by the third party of dividend withholding tax credits against its corporate tax liabilities. The District Court ruled in favour of this third party in 2018.

The Court of Appeal annulled the ruling of the District Court and ruled in favour of the Netherlands tax authority in 2020. An appeal with the Supreme Court has been filed against the ruling of the Court of Appeal and is currently pending. The NPPS informed ABN AMRO that it is a suspect in the investigation due to its involvement in certain of these transactions. The NPPS is gathering information in connection with the investigation. The NPPS sought various documents in connection with its investigation and ABN AMRO is cooperating with the investigation.

The timing of the completion of the investigation and the outcome are uncertain. It cannot be excluded that ABN AMRO will be faced with financial consequences as a result of the investigation. The potential financial impact of the investigation cannot be reliably estimated at this time and no provision has been made.

Duty of care matters

A number of proceedings have been initiated against ABN AMRO for alleged breach of its duty of care in transparency related standards. Where applicable, provisions for these matters have been made.

There can be no assurance that additional proceedings will not be brought or that amounts demanded in claims brought to date will not rise. Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. Although the consequences could be substantial for ABN AMRO and potentially affect its reputation, results of operations, financial condition and prospects, it is not possible to reliably estimate or quantify ABN AMRO's exposure at this time. These uncertainties are likely to continue for some time.

Cross-liability

On 6 February 2010, the former ABN AMRO Bank N.V. demerged into two entities: NatWest Markets N.V. (formerly known as RBS N.V.) and ABN AMRO Bank N.V. On the division of an entity by demerger, Dutch law establishes a cross-liability between surviving entities for the benefit of the creditors at the time of the demerger. ABN AMRO's cross-liability amounts to EUR 1.2 billion (31 December 2020: EUR 1.4 billion), for which NatWest Markets N.V. has posted collateral of EUR 0.4 billion (31 December 2020: EUR 0.7 billion).

Other contingent liabilities

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in various jurisdictions. In presenting the Consolidated Financial Statements, management estimates the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not. Provisions are not recognised for matters for which an expected cash outflow cannot be reasonably estimated or that are not more likely than not to lead to a cash outflow. Some of these matters may be regarded as a contingency. In particular, the following matters are regarded as contingencies:

- ▶ ABN AMRO, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. The provision of custodial services resulted in several legal claims, including by the Bernard L. Madoff Investment Securities trustee in bankruptcy (Irving Picard) and the liquidators of certain funds, who are pursuing legal action in an attempt to recover payments made as a result of the fraud and/or to compensate their alleged losses. ABN AMRO and certain ABN AMRO subsidiaries are defendants in these proceedings. Even though these proceedings have been ongoing for several years, they are still in a preliminary stage. Hence, it is not possible to estimate the total amount of ABN AMRO's potential liability, if any.
- ▶ The Imtech Group was declared bankrupt in August 2015. ABN AMRO was one of the banks that extended financing to this group and participated in the second rights offering of October 2014. By letter of 20 January 2018, Stichting Imtechclaim and Imtech Shareholders Action Group B.V. held ING, Rabobank, Commerzbank and ABN AMRO liable for alleged misstatements in the prospectuses and for alleged actio pauliana (fraudulent preference). By letter of 28 March 2018 the VEB held parties including ABN AMRO liable for damage allegedly suffered by the Imtech investors. On 10 August 2018, ABN AMRO received formal notification from Imtech's trustees that they were seeking to nullify a large number of transactions and claim various damages. The letter aimed to interrupt limitation periods in view of the possible claims against Imtech's lenders, bondholders and underwriting banks. It appears likely that litigation will be started by the

trustees in view of this letter and subsequent communications, although the exact timing thereof, the quantum of a claim and the parties to be summoned are unclear. Two execution-only clients of ABN AMRO have commenced proceedings against ABN AMRO and are claiming an amount in excess of EUR 600,000. Their claim is based on alleged prospectus liability, together with an alleged breach of the duty of care. The District Court of Amsterdam dismissed the claims of the two-execution only clients in March 2020. An appeal was lodged in 2020 at the Court of Appeal of Amsterdam. The Court of Appeal rendered judgement at the end of 2021 and confirmed the earlier ruling of the District Court of Amsterdam and dismissed the claims of the two execution-only clients.

- ▶ On 18 October 2018, Eurostar Diamond Traders N.V. (EDT) filed civil law proceedings against ABN AMRO Bank N.V. in the Antwerp District Court, claiming a total amount of USD 720 mio. This amount includes an unsubstantiated claim for damages of USD 600 mio on the ground that ABN AMRO and Standard Chartered Bank (SCB) allegedly deliberately caused EDT's demise. EDT and Eurostar Diamond Traders International N.V., EDT's parent company, were both declared bankrupt in a final decision in 2020. In August 2020, the EDT appointed trustees indicated that they did not want to continue this claim. On 11 December 2020, ABN AMRO, SCB and the EDT trustees reached an amicable settlement. This settlement will be final when approved by the supervisory judge and the Bankruptcy Court of Antwerp. The approvals from the supervisory judge and the Bankruptcy Court of Antwerp are still pending.
- ▶ In February 2018, ABN AMRO sold its Luxembourg subsidiary to BGL BNP Paribas (BGL). BGL is now being sued by a Luxembourg fund, LFP I SICAV SIF (LFP), which alleges that the Luxembourg subsidiary, in its capacity as custodian of a sub-fund of LFP (Columna), should have prevented an investment of USD 10 million from being made. LFP is claiming restitution of this amount from BGL in procedures before the District Court of Luxembourg. BGL notified ABN AMRO of this claim in January 2020 and, in June 2020, summoned it to appear in these proceedings in an intervention procedure. In July 2020, LFP and its Hong Kong subsidiary issued an additional claim against BGL. This claim amounts to USD 38 million. This claims, in addition to the previously claimed USD 10 million, also relates to Columna . Since August 2020, this additional claim has also been part of the intervention procedure between BGL and ABN AMRO. In q3 2021, LFP reduced its additional claim from USD 38 million to USD 23 million (EUR 20 million). Both claims are still pending before the Luxembourg court. In August 2020 and thereafter, BGL sent notices under the SPA alleging (and/or reserved its (alleged) rights to file) possible further claims against ABN AMRO, also in relation to LFP. ABN AMRO has responded with - in short - a formal challenge of liability under the purchase agreement or otherwise. As a result, it has to be awaited whether BGL will institute any further additional claims in this matter.
- ▶ First Data Holding (FDH) and some of its group companies have indicated that they believe that one of FDH's subsidiaries, European Merchant Services B.V (EMS), has a claim against International Card Services B.V. (ICS). In spring 2016, FDH claimed for the first time that EMS was entitled to 51% of the proceeds of the sale of Visa Europe in 2015. The alleged claim amounted to approximately EUR 37 million plus interest. In August 2016, ICS refuted this claim. In September 2020, FDH repeated its alleged claim. In October 2020, EMS and FDH (now Fiserv) interrupted the limitation periods relating to EMS's alleged claim. In December 2020, ICS responded by rejecting this alleged claim again. As per 31 December 2021 EMS itself has not filed any claim against ICS. As a result, it has to be awaited whether and when EMS files such claim.
- ▶ Other contingencies include EUR 131 million related to an irrevocable payment commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions with the option to fulfil part of their obligation to pay the annual ex-ante contributions to the Single Resolution Fund (SRF) through IPCs. To secure full and punctual payment, when called by the SRB, credit institutions needed to constitute cash collateral and fully transfer legal ownership to the SRB.



36 Remuneration of Executive Board and Supervisory Board

Remuneration of Executive Board

ABN AMRO's remuneration policy has been formally approved by shareholders and adopted by the Supervisory Board.

The following statement summarises the income components for the individual Executive Board members. In 2021, other short-term benefits and the compensation for lease car expenses were included in the table Remuneration for the individual Executive Board members. The comparative figures have been adjusted accordingly.

	2021							
(In thousands)	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Variable remuneration ¹²	Total pension-related contributions ¹³	Severance payments	Other short-term benefits	Total
					Post-employment pension (a)	Short-term allowances (b)		
R.A.J. Swaak ^{1,2}	765				31	196		992
C.M. Bornfeld ^{1,3}	650				31	161	162	1,004
C.J. Abrahams ^{1,4}	108				5	27	20	159
T.J.A.M. Cuppen ^{1,5}	650	34			31	161		876
D. Dorner ^{1,6}	67		1		3	17	3	90
C. van der Hooft - Cheong ^{1,7}	67	2	1		3	17		89
L. Kramer ^{1,8}	381	6			18	95	59	558
G.R. Penning ^{1,9}	67				3	17		87
A. Roest ^{1,10}	161	5	6		8	40		220
Total	2,915	47	7		133	730	244	4,075
								2020
R.A.J. Swaak ^{1,2}	527				21	153		701
C. van Dijkhuizen ^{1,11}	633				25	184	190	1,032
C.J. Abrahams ^{1,4}	645				30	182	99	956
C.M. Bornfeld ^{1,3}	645				30	182	156	1,013
T.J.A.M. Cuppen ^{1,5}	645	34			30	182		891
Total	3,095	34			136	883	190	4,593

¹ The total short-term benefits consist of base salary, compensation for lease car expenses, mortgage interest rate benefit, variable remuneration and other short-term benefits. Other short-term benefits consists of flight tickets, a housing allowance and international schooling costs for ExBo members' children when applicable.

² Total short-term benefits for R.A.J. Swaak amounted to EUR 765 thousand in 2021 (2020: EUR 527 thousand). R.A.J. Swaak was appointed with effect from 22 April 2020.

³ Total short-term benefits for C.M. Bornfeld amounted to EUR 812 thousand in 2021 (2020: EUR 801 thousand).

⁴ Total short-term benefits for C.J. Abrahams amounted to EUR 128 thousand in 2021 (2020: EUR 744 thousand). C.J. Abrahams left ABN AMRO on 1 March 2021.

⁵ Total short-term benefits for T.J.A.M. Cuppen amounted to EUR 684 thousand in 2021 (2020: EUR 679 thousand).

⁶ Total short-term benefits for D. Dorner amounted to EUR 70 thousand in 2021. D. Dorner was appointed with effect from 24 November 2021.

⁷ Total short-term benefits for C. van der Hooft-Cheong amounted to EUR 69 thousand in 2021. C. van der Hooft-Cheong was appointed with effect from 24 November 2021.

⁸ Total short-term benefits for L. Kramer amounted to EUR 446 thousand in 2021. L. Kramer was appointed with effect from 1 June 2021.

⁹ Total short-term benefits for G. Penning amounted to EUR 67 thousand in 2021. G. Penning was appointed with effect from 24 November 2021.

¹⁰ Total short-term benefits for A. Roest amounted to EUR 172 thousand in 2021. The components for A. Roest relate to her interim ExBo appointment from 1 March 2021 until 1 June 2021.

¹¹ The Executive Board membership of C. van Dijkhuizen ended on 22 April 2020. The services agreement of C. van Dijkhuizen ended on 31 October 2020.

¹² Owing to the Bonus Prohibition Act, the Executive Board members are not entitled to receive variable compensation. This prohibition has applied since the 2011 performance.

¹³ The Executive Board members participate in ABN AMRO Bank's pension plans for employees in the Netherlands. Total pension-related contributions refer to (a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 112,189 (2020: EUR 110,111) and (b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').

Loans from ABN AMRO to Executive Board members

The following table summarises the outstanding loans to members of the Executive Board.

(In thousands)	2021			2020		
	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
D. Dorner ¹	484		1.4%			
C. van der Hooft - Cheong ²	1,591		1.5%			
G.R. Penning ³	265		0.7%			
A. Roest ⁴	3,158		1.8%			

¹ D. Dorner was appointed with effect from 24 November 2021.

² C. van der Hooft-Cheong was appointed with effect from 24 November 2021.

³ G. Penning was appointed with effect from 24 November 2021.

⁴ A. Roest was an interim ExBo member from 1 March 2021 until 1 June 2021.

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

(In thousands)	2021 ³	2020 ³
T. de Swaan	98	96
A.C. Dorland	82	81
L.J. Griffith	80	78
M.P. Lap	80	78
J.B.J. Stegmann ¹	72	81
A.M. Storâkers	80	78
M.L. Tannemaat ²	80	4
J.S.T. Tiemstra	82	81
Total	654	577

¹ J.B.J. Stegmann stepped down as a member of the Supervisory Board with effect from 14 November 2021.

² M.L. Tannemaat was appointed as a member of the Supervisory Board with effect from 15 December 2020.

³ Remuneration amounts excluding VAT.

Loans from ABN AMRO to Supervisory Board members

The following table summarises the outstanding loans to members of the Supervisory Board.

(In thousands)	2021			2020		
	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
T. de Swaan	1,591	6	1.0%	1,597		1.0%
L.J. Griffith	339	89	1.8%	428	94	1.8%
M.L. Tannemaat ¹	772		1.7%			
J.B.J. Stegmann ²				500		0.1%

¹ M.L. Tannemaat was appointed as a member of the Supervisory Board with effect from 15 December 2020.

² J.B.J. Stegmann stepped down as a member of the Supervisory Board with effect from 14 November 2021.

37 Share-based payment

Accounting policy for share-based payment

Identified staff as defined by CRD V are entitled to receive variable compensation. The variable compensation consists of a cash element and a share-based element settled in cash. The cash element in the variable compensation plan is recognised in accordance with IAS 19 and the other element qualifies as a cash-settled share-based payment in accordance with IFRS 2.

The compensation is granted for a certain performance year for 50% in cash and for 50% in share-based compensation settled in cash. The vesting conditions include bad leaver conditions and consist of a deferral period and a retention period until the share-based compensation is settled in cash.

Up to and including the performance year 2019, the share-based compensation settled in cash (depositary receipt) vests for 30% two years after the performance year. The remaining 20% vests in three equal tranches in the third, fourth and fifth year following the performance year. At the end of the vesting period, participants receive the cash value of the five-day average of an ABN AMRO listed depositary receipt (DR).

The share-based compensation settled in cash granted for 2019 and the years before gives the option to request DRs rather than cash. This choice can be made during the quarter in which settlement takes place and is subject to Supervisory Board approval. This equity component in the plan is valued at nil until the request is approved. Participants receive the same amount of fair value, regardless of whether they choose cash or DRs. If participants choose DRs, the value of the DRs is transferred in its entirety from the liability to an equity account. The actual delivery to the participant is expected to take place in the same quarter as the choice is made. ABN AMRO will not issue additional shares for the compensation granted for 2019 and before, but will buy shares in the market when needed. As the purchase of shares is expected to take place in the quarter during which the DRs are delivered, there is no impact on (diluted) earnings per share.

As from performance year 2020, the DRs were replaced by performance certificates (PCs) as share-based compensation settled in cash. The share-based compensation settled in cash vests for 30% in the first year. The remaining 20% vests in four



equal tranches in the second, third, fourth and fifth year following the performance year. At the end of the vesting period, participants receive the cash value of the five-day average of ABN AMRO's share price. Share-based compensation settled in cash granted from performance year 2020 onwards does not include the option to request DRs.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is determined using an internally developed model based on the share price and market expectations of future dividends.

The carrying amount of the liability relating to the share-based compensation settled in cash at 31 December 2021 was EUR 9 million (2020: EUR 4 million).

The expense recognised for the DRs and PCs awards during 2021 was EUR 6 million, including retention bonus, while in 2020 a net gain of EUR 3 million was recognised as a result of the cancellation of DRs of several Identified Staff and a decrease in the share price of ABN AMRO.

The following table shows the total number of DRs and PCs that have been awarded, forfeited and paid out.

(In thousands of DRs)	2021	2020
Outstanding at 1 January	859	751
Granted during the year	313	361
Forfeited during the year	12	18
Paid out during the year cash	279	211
Paid out during the year DRs	27	24
Less: total paid out/forfeited	-318	-253
Outstanding at 31 December	854	859

The following table shows the total number of DRs and PCs granted, segmented by the respective vesting period after which the award will be paid out.

(In thousands of DRs)	Up to one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Total
31 December 2021						
Number of granted DRs by vesting period	382	231	116	79	47	854
31 December 2020						
Number of granted DRs by vesting period	257	343	125	86	48	859

38 Related parties

Parties related to ABN AMRO Bank include NLFI with control, the Dutch State with significant influence, associates, pension funds, joint ventures, the Executive Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships, with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Loans and advances to the Executive Board members and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions. For further information, please refer to Note 36 Remuneration of Executive Board and Supervisory Board in the Consolidated Annual Financial Statements 2021.

Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other	Total
31 December 2021				
Assets	15	180		195
Liabilities	88	359		447
Guarantees given		15		15
Irrevocable facilities		21		21
2021				
Income received	39	3		42
Expenses paid	8	80	317	405
31 December 2020				
Assets	14	204		218
Liabilities	79	426		504
Guarantees given		15		15
Irrevocable facilities		17		17
2020				
Income received	32	4		36
Expenses paid	4	110	284	399

The EUR 25 million decrease in assets with associates was mainly due to lower loans and receivables customers held by non-financial corporations.

The EUR 67 million decrease in liabilities with associates was mainly due to lower customer balances held with other financial corporations and non-financial corporations.

The EUR 30 million decrease in expenses paid with associates was mainly due to lower expenses in non-financial corporations and other financial corporations.

Expenses paid in the column Other reflect pension contributions paid to the ABN AMRO pension fund.

Balances with the Dutch State

(in millions)	31 December 2021	31 December 2020
Assets		
Financial assets held for trading	195	414
Derivatives	18	171
Financial investments	4,028	4,510
Loans and advances customers	168	714
Liabilities		
Financial liabilities held for trading	192	79
Derivatives	125	807
Due to customers	466	731
Other liabilities	1	1
	2021	2020
Income statement		
Interest income	64	80
Interest expense	27	40
Net trading income	110	-209
Net fee and commission income		2

On 1 April 2010, ABN AMRO signed an indemnity agreement with the Dutch State (currently represented by NLFI) for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings B.V. In 2019, Royal Bank of Scotland (RBS) acquired all the shares in RFS Holding. However, NLFI has given certain warranties related to its previously owned shares in RFS Holdings and the indemnity agreement continues to exist. RFS Holdings is sufficiently capitalised. Consequently, ABN AMRO has assessed the risk for any shortfall as remote.

Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships. Normal banking transactions relate to loans and deposits, financial assets held for trading and financial investments and are entered into under the same commercial and market terms that apply to non-related parties.

Transactions and balances related to taxation, levies and fines in the Netherlands are excluded from the table above.

The EUR 0.2 billion decrease in financial assets held for trading was mainly due to lower positions in Dutch government bonds as a result of the primary dealership in the Netherlands and client facilitation. Most of these contracts are hedged with short positions in government bonds.

The EUR 0.2 billion decrease in derivatives related to assets was mainly due to lower lending positions with the Dutch State. Derivatives transactions with the Dutch State are related to the normal course of business.

The EUR 0.5 billion decrease in financial investments was mainly due to lower Dutch government bonds held. This is part of the liquidity buffer and is held for liquidity contingency purposes.

The EUR 0.6 billion decrease in loans and advances to customers was due to higher cash collateral pledged.

The EUR 0.1 billion increase in financial liabilities held for trading mainly related to higher amounts of Dutch government bonds as a result of the primary dealership in the Netherlands and client facilitation. Most of these contracts are hedged with short positions in government bonds.

The EUR 0.7 billion decrease in derivatives related to liabilities was mainly due to lower lending positions with the Dutch State. Derivatives transactions with the Dutch State are related to the normal course of business.

The EUR 0.3 billion decrease in due to customers is attributable to the redemption of part of the loan (including accrued interest) acquired from the Dutch State and relating to Ageas.

Net trading income increased by EUR 319 million to a profit of EUR 110 million, mainly due to the sale of Dutch government bonds.

Key management personnel compensation

In 2021, other short-term benefits were included in the table for key management personnel compensation. The comparative figures have been adjusted accordingly.

	Base salary	Compensation for lease car expenses	Benefits from mortgage interest rate	Variable remuneration ¹⁰	Total pension-related contributions ¹¹	Severance payments	Other short-term benefits	Total
(In thousands)					Post-employment pension (a)	Short-term allowances (b)		
2021								
Members ExBo	2,915	47	7		133	730	244	4,075
D. Dorner ^{1,2}	77	3	1		4	19	3	107
F.M.R. van der Horst ^{1,3}	1,054	55	12		52	260	558	1,991
D.C. de Kluis ^{1,4}	401	22	10		21	98		552
P.H. van Mierlo ^{1,5}	1,002	56	7		53	244	598	1,960
R.F. van Nouhuys ^{1,6}	693	36			34	171		934
G.R. Penning ^{1,7}	574	30			28	142		774
P. Pfaff ^{1,8}	139	5	3		7	34		188
Total	6,855	254	40		332	1,698	1,156	247
								10,581
2020								
Members ExBo	3,095	34			136	883	190	255
F.M.R. van der Horst ^{1,3}	623	34	20		30	174		881
D.C. de Kluis ^{1,4}	585	28	16		30	162		821
G.J. Meppelink ^{1,9}							244	244
P.H. van Mierlo ^{1,5}	585	4	4		30	162		785
R.F. van Nouhuys ^{1,6}	623	34	1		30	174		862
G.R. Penning ^{1,7}	259	14			13	73		359
Total	5,770	148	41		269	1,628	434	255
								8,545

¹ The total short-term benefits consist of base salary, compensation for lease car expenses, mortgage interest rate benefit, variable remuneration and other short-term benefits. Other short-term benefits consists of flight tickets, a housing allowance and international schooling costs for ExBo members' children when applicable.

² Total short-term benefits for D. Dorner amounted to EUR 84 thousand in 2021. D. Dorner was appointed as an interim ExCo member from 12 October 2021 until 24 November 2021. On 24 November 2021, D. Dorner was appointed as an ExBo member.

³ Total short-term benefits for F.M.R. van der Horst amounted to EUR 1,121 thousand in 2021 (2020: EUR 677 thousand). All components for F.M.R. van der Horst are included for the period until the end of his employment contract on 1 December 2022, excluding the period from 24 November 2021 until 1 March 2022, during which he will continue to perform activities. The severance payment was awarded in 2021 and will be paid out in 2022.

⁴ Total short-term benefits for D.C. de Kluis amounted to EUR 433 thousand in 2021 (2020: EUR 629 thousand). D.C. de Kluis left ABN AMRO on 1 September 2021.

⁵ Total short-term benefits for P.H. van Mierlo amounted to EUR 1,065 thousand in 2021 (2020: EUR 593 thousand). All remuneration components for P.H. van Mierlo are included for the period until the end of his employment contract on 1 September 2022. The severance payment was awarded in 2021 and will be paid out in 2022.

⁶ Total short-term benefits for R.F. van Nouhuys amounted to EUR 729 thousand in 2021 (2020: EUR 658 thousand). All remuneration components for R.F. van Nouhuys are included for the period until the end of his employment contract on 1 February 2022.

⁷ Total short-term benefits for G.R. Penning amounted to EUR 604 thousand in 2021 (2020: EUR 273 thousand). G.R. Penning was appointed CHRO with effect from 1 August 2020. His 2021 remuneration is included for the period up to 24 November 2021. With effect from 24 November 2021, G.R. Penning was appointed as an ExBo member.

⁸ Total short-term benefits for P. Pfaff amounted to EUR 147 thousand in 2021. P. Pfaff was appointed as an interim ExCo member from 1 September 2021 until 24 November 2021.

⁹ G.J. Meppelink stepped down from the ExCo on 1 August 2019 and worked on several assignments until 31 December 2019. The in 2020 paid severance payment related to his ExCo contract amounted to EUR 243,958 gross.

¹⁰ Due to ABN AMRO restrictions, no variable remuneration will be paid. Therefore the fixed remuneration is 100% of total remuneration.

¹¹ 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 of 2021 refer to (a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 112,189 (2020: EUR 110,111) and (b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ('ABN AMRO CAO').

Key management loans and advances

	2021			2020		
(In thousands)	Outstanding 31 December	Redemptions	Average interest rate	Outstanding 31 December	Redemptions	Average interest rate
Executive Board	5,498		1.6%			
Other ExCo members	2,539	1,174	2.5%	3,331	925	2.2%

39 Post balance sheet events

ABN AMRO EUR 500 million share buyback programme

In line with ABN AMRO's capital framework, the bank's management has announced an inaugural share buyback programme of EUR 500 million. The programme commenced on 10 February 2022 and is expected to end no later than June 2022. Through this programme ABN AMRO has added share buybacks as an instrument for managing its capital position. The Basel IV threshold for share buybacks remains unchanged for the time being as the bank's capital buffer is sufficient to consider future share buybacks. ABN AMRO is aiming for a gradual reduction over time, in a constructive dialogue with the regulator.

Sale of ABN AMRO Levensverzekering N.V.

On 15 February 2022, ABN AMRO announced that it had reached agreement on the sale of ABN AMRO Levensverzekering N.V., the life insurance subsidiary of ABN AMRO Verzekeringen Holding B.V., to NN Group N.V. After this transaction, ABN AMRO Verzekeringen Holding B.V. will continue as a non-life insurer and intermediary. The sale of ABN AMRO Levensverzekering N.V. is subject to regulatory approval. ABN AMRO estimates that it will recognise a gain from the sale, which is expected to close in the second half of 2022.

Russia-Ukraine war

In light of the recent developments in respect of the conflict between Russia and Ukraine, ABN AMRO has assessed the direct and indirect impact of this political event on the bank and its customers. The bank's direct exposure to Russia is approximately EUR 50 million. This exposure has largely been mitigated because it relates partly to assets of Russian clients outside Russia and to short-term trade transactions. The bank has no direct exposure in respect of Ukraine or Belarus.

Further escalation of the conflict could also have indirect consequences for the bank's customers in the form, for example, of higher gas prices, sanctions on trade with Russia and increased cybersecurity concerns as a result of a probable increase in criminal activities. These indirect consequences are difficult to quantify, but the bank's management is paying appropriate attention to the developments.

Authorisation of the Consolidated Annual Financial Statements

8 March 2022

Supervisory Board

T. (Tom) de Swaan, Chair

A.C. (Arjen) Dorland, Vice-Chair

L.J. (Laetitia) Griffith

M.P. (Michiel) Lap

A.M. (Anna) Storåkers

M.L. (Mariken) Tannemaat

J.S.T. (Tjalling) Tiemstra

Executive Board

Robert Swaak, Chief Executive Officer and Chair

Christian Bornfeld, Chief Innovation & Technology Officer and Vice-Chair

Tanja Cuppen, Chief Risk Officer

Lars Kramer, Chief Financial Officer

Annerie Vreugdenhil, Chief Commercial Officer - Personal & Business Banking (as of 1 March 2022)

Choy van der Hooft-Cheong, Chief Commercial Officer - Wealth Management

Dan Dorner, Chief Commercial Officer - Corporate Banking

Gerard Penning, Chief Human Resources Officer



Guide for readers

This section provides an overview of the Company Annual Financial Statements of ABN AMRO Bank N.V. and all accompanying notes. They have been prepared in accordance with the requirements in Title 9 of Book 2 of the Dutch Civil Code.



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Company income statement

(in millions)	Note	2021	2020
Income			
Interest income		12,145	12,769
Interest expense		9,058	9,415
Net interest income	2	3,087	3,354
Fee and commission income		1,235	1,278
Fee and commission expense		277	378
Net fee and commission income		958	899
Results from financial transactions	3	112	324
Income from securities and participating interests	4	1,046	824
Other operating income	5	361	25
Operating income		5,563	5,426
Expenses			
Personnel expenses	6	1,764	1,720
General and administrative expenses		2,293	1,803
Depreciation, amortisation and impairment losses of tangible and intangible assets		165	227
Operating expenses		4,222	3,750
Impairment charges on financial instruments		-123	1,761
Total expenses		4,099	5,511
Profit/(loss) before taxation		1,465	-84
Income tax expense		234	-40
Profit/(loss) for the year		1,231	-45



Company statement of financial position

(in millions)	Note	31 December 2021	31 December 2020
Assets			
Cash and balances at central banks	7	60,489	57,936
Short-term government paper	8	36,414	39,366
Loans and advances banks	9	166,629	166,418
Loans and advances customers	10	103,236	109,182
Debt securities	11	11,817	7,523
Equity securities	12	35	35
Participating interests in group companies	13	6,329	7,819
Equity-accounted investments	14	262	261
Intangible assets	15	25	19
Property and equipment	15	573	833
Other assets	16	5,369	8,341
Total assets		391,178	397,733
Liabilities			
Due to banks	17	62,405	65,976
Due to customers	18	235,008	229,297
Issued debt	19	56,919	63,253
Subordinated liabilities	20	7,549	8,069
Provisions	21	852	662
Other liabilities	22	6,450	9,485
Total liabilities		369,184	376,743
Equity			
Share capital		940	940
Share premium		12,970	12,970
Revaluation reserves		-609	-1,178
Currency translation reserves		-43	-75
Other legal reserves		178	185
Other reserves ¹		5,340	6,205
AT1 Capital securities		1,987	1,987
Profit/(loss) for the period		1,231	-45
Total equity	23	21,994	20,989
Total liabilities and equity		391,178	397,733
Committed credit facilities	25	62,860	64,948
Guarantees and other commitments	25	35,663	29,815

¹ Consists of actuarial gains/(losses) on post-employment benefit plans and retained earnings.

Company statement of changes in equity

(in millions)	Share capital	Share premium	Revaluation reserves	Currency translation reserves ¹	Other legal reserves	Other reserves ²	Capital securities	Profit/(loss) for the period	Total
Balance at 1 January 2020	940	12,970	-952	-15	147	4,348	1,987	2,046	21,471
Total comprehensive income			-225	-60	37	-65		-45	-358
Transfer						2,046		-2,046	
Interest AT1 capital securities						-117			-117
Increase of capital							994		994
Decrease of capital							-1,000		-1,000
Other changes in equity						-6	6		
Balance at 31 December 2020	940	12,970	-1,178	-75	185	6,205	1,987	-45	20,989
Total comprehensive income			568	32	-7	-88		1,231	1,737
Transfer						-45			45
Dividend						-639			-639
Interest AT1 capital securities						-91			-91
Other changes in equity						-2			-2
Balance at 31 December 2021	940	12,970	-609	-43	178	5,340	1,987	1,231	21,994

¹ As of 2020, the currency translation reserves have been split from the revaluation reserves. This has no further impact on equity.

² Consists of actuarial gains/(losses) on post-employment benefit plans and retained earnings.

Notes to the Company Annual Financial Statements of ABN AMRO Bank N.V.

1 Accounting policies

The Company Annual Financial Statements of ABN AMRO Bank N.V. have been prepared in accordance with the requirements in Title 9 of Book 2 of the Dutch Civil Code. ABN AMRO Bank N.V. applies the option as included in Section 2:362 paragraph 8. ABN AMRO Bank N.V. prepares its Consolidated Annual Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). Reference is made to the accounting policies section in the Consolidated Annual Financial Statements and the respective notes.

Corporate information

ABN AMRO Bank N.V. is registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34334259).

Basis of preparation

The impairment requirements of IFRS 9 are applicable to financial instruments measured at amortised cost and FVOCI. These requirements also apply to intercompany transactions, which are eliminated upon consolidation. In ABN AMRO Bank's Company Annual Financial Statements, the elimination of expected credit losses on intercompany transactions with subsidiaries is recognised in the carrying amount of the loans and advances and participating interests in group companies.

Participating interests in group companies are measured at net asset value, determined on the basis of EU IFRS. The share in the results of participating interests in group companies is reported in accordance with the principles of valuation and profit determination that apply to the Consolidated Annual Financial Statements.

The financial statements are presented in euros, which is the functional and presentation currency of the company, rounded to the nearest million (unless otherwise stated).

2 Net interest income

Net interest income for 2021 amounted to EUR 3,087 million, a decrease of EUR 267 million compared to EUR 3,354 million in 2020.

Net interest income comprises interest income from loans, investments and other lending, interest expense on borrowings by ABN AMRO and client accounts, and the results from interest rate and foreign exchange contracts entered into for hedging purposes. Interest income from loans and advances customers amounted to EUR 1,794 million (2020: EUR 2,228 million).

3 Results from financial transactions

(in millions)	2021	2020
Securities trading and derivatives transactions	82	208
Foreign exchange transaction results	-29	104
Other	59	12
Total results from financial transactions	112	324

Results from financial transactions decreased by EUR 212 million in 2021 to EUR 112 million. This was mainly due to a decrease in results from foreign exchange transactions and interest rate derivatives.

4 Income from securities and participating interests

(in millions)	2021	2020
Shares and equity-accounted investments	39	35
Participating interests	1,007	789
Total income from securities and participating interests	1,046	824

Income from securities and participating interests increased by EUR 222 million, mainly due to higher results from participating interests in 2021.

5 Other operating income

(in millions)	2021	2020
Disposal of operating activities and equity-accounted investments	3	9
Other	358	16
Total other operating income	361	25

Total other operating income increased by EUR 336 million, mainly due to the sale and leaseback of ABN AMRO's head office at Gustav Mahlerlaan in 2021. This resulted in a pre-tax gain of EUR 327 million.

Please refer to Note 15 Property, equipment and intangible assets in the Company Annual Financial Statements and Note 24 Property and equipment, leases, goodwill and other intangible assets in the Consolidated Annual Financial Statements for more details of the sale and leaseback transaction.

6 Personnel expenses

(in millions)	2021	2020
Salaries and wages	1,303	1,180
Social security charges	151	146
Defined contribution plan expenses	244	256
Other	65	139
Total personnel expenses	1,764	1,720

Total personnel expenses increased by EUR 44 million in 2021 compared to 2020.

The increase of EUR 123 million in salaries and wages was mainly driven by an increase in FTE levels following the AML remediation programmes and a 2.75% increase in salaries under the Collective Labour Agreement. To a lesser extent, the wind-down of the CIB non-core portfolio resulted in an increase in retention payments.

The decrease in defined contribution plan expenses of EUR 12 million was due to a release following a favourable court ruling.

Other personnel expenses decreased by EUR 73 million due to higher restructuring provisions related to staff expenses in 2020. The decrease is also related to fewer dismissal payments and lower short-term employee benefit expenses than in 2020, due to Covid-19 restrictions.

7 Cash and balances at central banks

Cash and balances at central banks increased by EUR 2.6 billion, mainly due to issuance of senior non-preferred bonds in issued debt (EUR 2.6 billion).

8 Short-term government paper

(in millions)	31 December 2021	31 December 2020
Short-term government paper held at fair value through other comprehensive income	35,934	38,727
Short-term government paper held for trading	480	639
Short-term government paper	36,414	39,366



Short-term government paper decreased by EUR 3.0 billion. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Changes in short-term government paper held at fair value through other comprehensive income

(in millions)	2021	2020
Balance at 1 January	38,727	37,018
Purchases	9,454	11,947
Proceeds from sales and redemptions	-11,400	-9,770
Gains/(losses) recorded in profit and loss	-1,543	378
Unrealised gains/(losses)	107	-11
Foreign exchange differences	589	-837
Other	1	
Balance at 31 December	35,934	38,727

The gains and losses are mainly caused by the increased interest yields during 2021. Foreign exchange differences are mainly due to the appreciation of the USD.

9 Loans and advances banks

(in millions)	31 December 2021	31 December 2020
Group companies	164,142	162,789
Third parties	2,487	3,629
Loans and advances banks	166,629	166,418

(in millions)	31 December 2021	31 December 2020
Interest-bearing deposits	160,398	163,717
Loans and advances	1,322	1,325
Mandatory reserve deposits with central banks	47	95
Securities financing	4,794	1,180
Other	68	101
Loans and advances banks	166,629	166,418

Loans and advances banks mainly consists of transactions with group companies. Loans and advances banks increased by EUR 210 million to EUR 166.6 billion at 31 December 2021, mainly due to an increase in securities financing and largely offset by a decrease in interest-bearing deposits.

None of the items within loans and advances banks were subordinated at 31 December 2021.

Mandatory reserve deposits are held with local central banks in accordance with statutory requirements. These deposits are not available to finance ABN AMRO's day-to-day operations.

(in millions)	31 December 2021	31 December 2020
The Netherlands	165,961	165,460
Rest of Europe	147	238
USA	401	486
Asia	113	229
Rest of the world	7	5
Loans and advances banks	166,629	166,418

10 Loans and advances customers

(in millions)	31 December 2021	31 December 2020
Group companies	28,093	34,968
Third parties	75,143	74,213
Loans and advances customers	103,236	109,182

Loans and advances customers decreased by EUR 5.9 billion to EUR 103.2 billion at 31 December 2021, mainly due to Group companies.

(in millions)	31 December 2021	31 December 2020
Residential mortgages	689	786
Consumer loans	4,920	6,117
Corporate loans	88,849	92,183
Securities financing	7,103	7,214
Other loans and advances customers	1,675	2,882
Loans and advances customers	103,236	109,182

Consumer loans decreased by EUR 1.2 billion to EUR 4.9 billion at 31 December 2021, mainly due to personal loans.

Corporate loans decreased by EUR 3.3 billion to EUR 88.8 billion at 31 December 2021, mainly due to matured corporate loans and the wind-down of CIB non-core business.

Other loans and advances customers decreased by EUR 1.2 billion to EUR 1.7 billion at 31 December 2021, mainly due to the CIB non-core wind-down.

Loans and advances customers includes subordinated loans. Subordinated loans, recorded in corporate loans, decreased to EUR 0 at 31 December 2021 (31 December 2020: EUR 30 million).

(in millions)	31 December 2021	31 December 2020
The Netherlands	91,818	95,540
Rest of Europe	3,012	3,078
USA	8,201	8,464
Asia	205	1,848
Rest of the world		251
Loans and advances customers	103,236	109,182

11 Debt securities

(in millions)	31 December 2021	31 December 2020
Group companies	5,300	
Third parties	6,517	7,523
Debt securities	11,817	7,523

(in millions)	31 December 2021	31 December 2020
Debt securities held at fair value through other comprehensive income	11,148	6,849
Debt securities held for trading	670	674
Debt securities	11,817	7,523

Debt securities increased by EUR 4.3 billion at 31 December 2021, mainly due to several purchases.

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

At 31 December 2021, EUR 42 million of the debt securities were subordinated (31 December 2020: EUR 43 million).



Changes in debt securities held at fair value through other comprehensive income

(in millions)	2021	2020
Balance at 1 January	6,849	6,079
Purchases	5,655	2,413
Proceeds from sales and redemptions	-1,218	-1,691
Gains/(losses) recorded in profit and loss	-143	55
Unrealised gains/(losses)	8	2
Foreign exchange differences	-3	-9
Balance at 31 December	11,148	6,849

12 Equity securities

(in millions)	31 December 2021	31 December 2020
Equity securities held for trading	2	1
Equity securities held at fair value through profit or loss	33	35
Equity securities	35	35

Equity securities remained stable.

13 Participating interests in group companies

(in millions)	2021	2020
Balance at 1 January	7,819	8,180
Increase/(decrease) of capital	7	190
Proceeds from sales and redemptions	79	-60
Result from participating interests	1,007	789
Dividends	-934	-1,143
Unrealised gains/(losses)	2	-2
Foreign exchange differences	89	-151
Other	-1,740	15
Balance at 31 December	6,329	7,819

Participating interests in group companies decreased by EUR 1.5 billion to EUR 6.3 billion at 31 December 2021. This was mainly impacted by the other movements related to the hedged risk of residential mortgages, which are accounted for as part of ABN AMRO Hypotheken Groep B.V.

14 Equity-accounted investments

(in millions)	Principle place of business	Business line	31 December 2021		31 December 2020	
			Carrying amount	Equity interest	Carrying amount	Equity interest
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	128	49%	127	49%
Other			134		134	
Total equity associates and joint ventures			262		261	

Other equity-accounted investments, which comprise a large number of investments with carrying amounts that are not individually material (less than EUR 75 million), are disclosed under an aggregated line item. The investments in Stater N.V. (2021: EUR 51 million; 2020: EUR 52 million), European Merchant Services B.V. (2021: EUR 35 million; 2020: EUR 44 million) and Geldmaat B.V. (2021: EUR 27 million; 2020: EUR 27 million), previously disclosed individually, are currently disclosed under Other equity-accounted investments.

(in millions)	2021	2020
Balance at 1 January	261	224
Purchases	10	2
Proceeds from sales and redemptions		-1
Gains/(losses) recorded in profit and loss	12	38
Dividends	-33	-5
Unrealised gains/(losses)	11	2
Balance at 31 December	262	261

15 Property, equipment and intangible assets

The following table shows the book value of property, equipment and intangible assets.

(in millions)	2021	2020		
	Total property and equipment	Intangible assets	Total property and equipment	Intangible assets
Acquisition costs at 1 January	2,634	731	2,564	728
Additions	304	16	173	3
Reversal of cost due to disposals	-824	-28	-97	
Foreign exchange differences	4		-5	
Other	31			
Acquisition costs at 31 December	2,149	720	2,634	731
Accumulated depreciation/amortisation at 1 January	-1,770	-674	-1,679	-662
Depreciation/amortisation	-152	-10	-168	-13
Reversal of depreciation/amortisation due to disposals	544		74	
Foreign exchange differences	-2		2	
Other	-163			
Accumulated depreciation at 31 December	-1,543	-685	-1,770	-674
Impairments at 1 January	-32	-38	-22	-8
Increase of impairments charged to the income statement	-3		-19	-34
Reversal of impairments due to disposals	1	28	7	
Foreign exchange differences	-1		1	
Other	2		2	4
Impairments at 31 December	-33	-10	-32	-38
Total at 31 December	573	25	833	19

In 2021, ABN AMRO completed the sale and leaseback of its head office at Gustav Mahlerlaan in Amsterdam. ABN AMRO is the seller-lessee in the transaction. The buyer-lessor of the Gustav Mahlerlaan paid total consideration of EUR 765 million. As part of the sale, ABN AMRO recognised a pre-tax gain of EUR 327 million (EUR 245 million net of tax) in other operating income (please refer to Note 5 Other operating income). As part of the lease, ABN AMRO recognised a ROU asset of EUR 78 million and a corresponding lease liability of EUR 203 million (please refer to Note 22 Other liabilities).

More details on the background of the sale and leaseback transaction can be found in Note 24 Property and equipment, leases, goodwill and other intangible assets in the Consolidated Annual Financial Statements.

A total amount of EUR 89 million was classified as held for sale at 31 December 2021 (31 December 2020: EUR 254 million).

16 Other assets

(in millions)	31 December 2021	31 December 2020
Derivatives	3,779	6,364
Tax assets	822	1,065
Other	767	912
Other assets	5,369	8,341

Other assets decreased by EUR 3.0 billion, mainly as a result of a decrease of EUR 2.6 billion in derivatives.

Derivatives decreased mainly due to a decrease of EUR 2.1 billion in trading over-the-counter derivatives and a decrease of EUR 0.5 billion in non-trading derivatives, which were mainly over-the counter contracts. Derivatives include EUR 3.0 billion of derivatives held for trading (2020: EUR 5.1 billion).

17 Due to banks

(in millions)	31 December 2021	31 December 2020
Group companies	24,714	29,712
Third parties	37,691	36,264
Due to banks	62,405	65,976

(in millions)	31 December 2021	31 December 2020
Current accounts	13,055	13,563
Demand deposits	18	3
Time deposits	48,080	50,021
Securities financing	786	1,687
Other	467	703
Due to banks	62,405	65,976

Due to banks decreased by EUR 3.6 billion, mainly due to the settlement of transactions with group companies in an amount of EUR 5.0 billion. This was offset by the movement in transactions with third parties relating to the net impact of an increase of EUR 1.4 billion pertaining to the TLTRO participation.

ABN AMRO participates in the targeted longer-term refinancing operations III (TLTRO III) for an amount of EUR 35.0 billion, of which EUR 32.0 billion was drawn in June 2020 and EUR 3.0 billion in June 2021. The funding has a quarterly repayment option. TLTRO III offers ABN AMRO funding at attractive conditions. A guaranteed interest rate discount of 50bps applies to the interest rate period from 24 June 2020 to 23 June 2022. An additional interest rate discount of 50bps over the remaining interest period can be achieved if specific targets linked to the issuance of new loans to non-financial corporations and households are met. The TLTRO III funding is accounted for at amortised cost, with an effective interest rate equal to the Main Refinancing Operations rate. The discounts, both conditional and unconditional, are accounted for as government grants and recognised in interest income. At the year-end, there was a reasonable expectation that the conditions applicable for the additional discount were met. As a result, a catch-up adjustment was made to recognise the additional 50bps discount in interest income.

18 Due to customers

(in millions)	31 December 2021	31 December 2020
Group companies	5,773	6,128
Third parties	229,235	223,169
Due to customers	235,008	229,297

(in millions)	31 December 2021	31 December 2020
Current accounts	117,631	100,855
Demand deposits	92,895	102,036
Time deposits	13,293	13,025
Total deposits	223,819	215,916
Securities financing	7,944	8,926
Other due to customers	3,245	4,455
Due to customers	235,008	229,297

Due to customers increased by EUR 5.7 billion, mainly due to an increase in current accounts. This was partly offset by a decrease in demand deposits.

Current accounts increased by EUR 16.8 billion, mainly because of commercial and private clients retaining their cash positions to maintain liquidity and because of an increase in savings from retail clients due to a change in spending patterns as a result of Covid-19 measures.

Demand deposits decreased by EUR 9.1 billion, mainly due to a reduction in the negative interest rate threshold and the wind-down of Moneyou.

Time deposits increased by EUR 0.3 billion, mainly due to an increase in deposits, which was offset by the reduction in the negative interest rate threshold.

Securities Financing decreased by EUR 1.0 billion due to agreements with several large clients on items of securities financing transactions that ABN AMRO can repledge or resell.

Other decreased by EUR 1.2 billion as a result of lower collateral received.

19 Issued debt

The following table shows the debt issued by ABN AMRO Bank.

(in millions)	31 December 2021	31 December 2020
Group companies		
Third parties	56,919	63,253
Issued debt	56,919	63,253

The following table shows the types of debt issued by ABN AMRO Bank.

(in millions)	31 December 2021	31 December 2020
Bonds and notes issued	49,597	56,686
Certificates of deposit and commercial paper	6,431	5,618
Total at amortised cost	56,027	62,304
Designated at fair value through profit or loss	892	949
Issued debt	56,919	63,253

Total issued debt decreased by EUR 6.3 billion, mainly due to matured long-term funding. The lower funding need was driven by an increase in deposits and the TLTRO III participation.

20 Subordinated liabilities

The following table specifies the outstanding subordinated liabilities. The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

(in millions)	31 December 2021	31 December 2020
Group companies		
Third parties	7,549	8,069
Subordinated liabilities	7,549	8,069



The following table shows the main types of subordinated liabilities issued by ABN AMRO Bank.

(in millions)	ISIN/CUSIP	31 December 2021	31 December 2020
Subordinated liabilities		7,549	8,069
- <i>of which USD 595 million (6.250% per annum)</i>	XS0619547838	537	508
- <i>of which EUR 1,000 million (7.125% per annum)</i>	XS0802995166	1,045	1,061
- <i>of which USD 113 million 7.75% per annum</i>	US00080QAD79 / USN0028HAP03	101	96
- <i>of which USD 1,500 million (4.75% per annum)</i>	US00080QAF28 / XS1264600310	1,402	1,354
- <i>of which USD 1,000 million (4.8% per annum)</i>	US0008DAL47 / XS1392917784	901	869
- <i>of which EUR 1,000 million (2.875% per annum)</i>	XS1346254573	1,035	1,045
- <i>of which USD 1,500 million (4.4% per annum)</i>	XS1586330604	1,358	1,284
- <i>of which USD 300 million (5.6% per annum)</i>	XS1385037558	279	274
- <i>of which USD 1,000 million 3.324% per annum</i>	XS2415308761 / US00084DAV29	876	
- <i>of which EUR 1,228 million (6.375% per annum)</i>	XS0619548216		1,280
- <i>of which SGD 450 million (4.7% per annum)</i>	XS1341466487		281

Subordinated liabilities decreased by EUR 0.5 billion. This was mainly due to the maturing of subordinated loans, which was partially offset by the issuance of a new instrument.

Interest expenses on subordinated liabilities remained stable at EUR 0.4 billion in 2021 (2020: EUR 0.4 billion).

21 Provisions

The following table shows a breakdown of provisions at 31 December 2021 and 31 December 2020.

(in millions)	31 December 2021	31 December 2020
Provision for pension commitments	50	69
Restructuring provision	130	158
Other staff provision	130	127
Legal provisions	305	47
Other	237	261
Provisions	852	662

(in millions)	Provision for pension commitments	Restructuring provision	Other staff provision	Legal provisions	Deferred tax liabilities	Other	Total
At 1 January 2020	42	140	111	101	19	323	736
Increase of provisions		85		6		133	223
Reversal of unused provisions		-12		-6		-119	-137
Utilised during the year		-38		-54		-74	-166
Accretion of interest				2		-3	-1
Transfer between stages						186	186
Foreign exchange differences		-3					-4
Other	27	-13	16		-19	-185	-175
At 31 December 2020	69	158	127	47		261	662
Increase of provisions		33		273		104	410
Reversal of unused provisions		-17		-4		-94	-115
Utilised during the year		-56		-11		-43	-109
Transfer between stages						6	6
Foreign exchange differences		3					3
Other	-19	10	4			2	-4
At 31 December 2021	50	130	130	305		237	852

Restructuring

Restructuring provisions cover the costs of the restructuring plans for which implementation has been formally announced. The decrease relates to the use of the provision.

Legal provisions

Legal provisions are based on best estimates available at the year-end and taking into account the opinion of legal specialists. The timing of the outflow of cash related to these provisions is by nature uncertain, given the unpredictability of the outcome and the time required to conclude litigation. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Legal provisions increased mainly because of the increase in the provision for variable interest.

Variable interest rates for consumer loans

On 3 March 2021, the Kifid Appeals Committee confirmed a ruling of the Kifid Disputes Committee about the recalculation of the variable interest charged to a specific client on a revolving credit. In short, Kifid ruled that ABN AMRO should have followed the market rate while establishing the variable interest rate for certain revolving consumer credits.

In light of the Kifid ruling, ABN AMRO reached agreement with the Dutch Consumers' Association (Consumentenbond Claimservice) on 5 September 2021 regarding a compensation scheme for affected clients. The compensation scheme entailed a proactive recalculation of variable interest charged as from 1 January 2008 on various revolving consumer credits offered by ABN AMRO. In Q4 of 2021, ABN AMRO has decided to (where possible and applicable) proactively recalculate variable interest charged as from 1 January 2001.

It is unclear what the exact scope and application of the Kifid ruling is and whether the ruling will have a certain knock-on effect on other products with variable interest rates, beyond the range of products covered by the compensation scheme. Recent rulings from Kifid regarding other credit providers (in relation to mortgage loans) suggest that Kifid envisages a broad scope. ABN AMRO cannot give a reliable estimate of the (potentially substantial) financial risk of these contingent liabilities not provided for.

Other provisions

Other provisions decreased mainly due to the usage of "Know Your Client" provision.

AML remediation programme

To address shortcomings, as well as increasingly strict regulations and continuously evolving forms of financial crime, ABN AMRO had already started an extensive bank-wide AML remediation programme. In 2021, the remediation of client files has progressed. The total provision regarding the AML programme amounted to EUR 66 million at 31 December 2021.

AML settlement

In April 2021, ABN AMRO accepted a settlement offer from the Netherlands Public Prosecution Service in connection with its investigation of the bank's AML activities in the Netherlands over the period 2014-2020. ABN AMRO agreed to pay a fine of EUR 300 million and a disgorgement of EUR 180 million. The total amount of EUR 480 million has been recorded in other expenses at Group Functions in Q1 2021 and has therefore no further impact on past or present provisions. ABN AMRO was informed that an individual filed a complaint against the AML settlement between the Netherlands Public Prosecution Service and ABN AMRO under section 12 of the Dutch Code of Criminal Procedure with the Court of Appeal in The Hague. ABN AMRO was also informed that the complaint has been denied by the court of appeals.



22 Other liabilities

(in millions)	31 December 2021	31 December 2020
Financial liabilities held for trading	687	563
Derivatives	4,336	7,386
Current tax liabilities	3	5
Other	1,424	1,531
Other liabilities	6,450	9,485

Other liabilities decreased by EUR 3.0 billion, mainly due to lower derivatives. The decrease in derivatives was mainly due to lower IR swaps as a result of increased interest rates and, to a lesser extent, lower volumes.

Other includes the lease liability relating to the sale and leaseback of ABN AMRO's head office at Gustav Mahlerlaan in Amsterdam. Please refer to Note 15 Property, equipment and intangible assets in the Company Annual Financial Statements and Note 24 Property and equipment, leases, goodwill and other intangible assets in the Consolidated Annual Financial Statements for more details of the transaction.

23 Equity

Issued capital and reserves

At 31 December 2021, the authorised share capital of ABN AMRO Bank N.V. amounted to 2,400,000,000 shares. The authorised share capital consists of 2,200,000,000 ordinary A-shares with a nominal value of EUR 1.00 and 200,000,000 ordinary B-shares with a nominal value of EUR 1.00. Every share is entitled to one vote during the General Meeting. The total amount of issued shares at 31 December 2021 was 940,000,001 (2020: 940,000,001). For further information, please refer to the Capital section in the Risk, funding & capital.

Revaluation reserves

(in millions)	31 December 2021	31 December 2020
Fair value reserve	238	155
Cash flow hedge reserve	-1,540	-1,854
Accumulated share of OCI of associates and joint ventures	133	88
Unrealised gains on FVTPL items	560	433
Revaluation reserves	-609	-1,178

Legal reserves

(in millions)	31 December 2021	31 December 2020
Internally developed software		10
Accumulated share of result in equity-accounted investments (net of dividends)	76	85
Accumulated share of result in participating interests (net of dividends)	3	
Statutory reserves	100	90
Other legal reserves	178	185

Distribution of the dividends

The final dividend for 2019 of EUR 0.68 per share was paid on 25 October 2021 for a total of EUR 639 million. For the year 2021 a final dividend has been proposed of EUR 0.61 per share.

Capital securities

Securities classified as Additional Tier 1 (AT1) capital are perpetual, junior, resettable securities that are callable and are considered part of equity. The payment of interest on the AT1 capital securities had an impact on equity of EUR 91 million.

24 Maturity of assets and liabilities

(in millions)	31 December 2021									
	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets										
Cash and balances at central banks	60,489									60,489
Short-term government paper	803	400	1,928	1,018	5,020	5,200	11,253	10,792		36,414
Loans and advances banks	3,142	5,035	142,909	816	4,323	8,707	700	996		166,629
Loans and advances customers	6,598	13,468	6,518	2,474	13,389	15,039	27,967	17,783		103,236
Debt securities	388		42	216	167	792	8,241	1,970		11,817
Equity securities									35	35
Participating interests in group companies	6,329									6,329
Equity-accounted investments	262									262
Intangible assets	25									25
Property and equipment	573									573
Other assets	943	537	293	239	110	240	468	2,538		5,369
Total assets	79,552	19,440	151,690	4,763	23,009	29,978	48,629	34,080	35	391,178
Liabilities										
Due to banks	7,463	1,260	6,837	407	5,960	33,667	3,367	3,444		62,405
Due to customers	212,630	12,795	3,359	1,011	288	293	1,213	3,420		235,008
Issued debt	51	5,251	4,338	1,433	2,459	4,420	11,684	27,283		56,919
Subordinated liabilities				537	1,045	112	2,308	3,547		7,549
Provisions	782	49		5		1	7	9		852
Other liabilities	14	799	495	123	368	1,122	556	2,974		6,450
Total liabilities	220,939	20,155	15,029	3,515	10,120	39,615	19,134	40,676		369,184
Total equity									21,994	21,994
Total liabilities and equity	220,939	20,155	15,029	3,515	10,120	39,615	19,134	40,676	21,994	391,178

	31 December 2020									
(in millions)	On demand	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets										
Cash and balances at central banks	57,936									57,936
Short-term government paper	1,078	875	2,379	3,335	1,959	4,001	12,937	12,802		39,366
Loans and advances banks	4,125	4,243	149,932	2,994	2,177	1,594	203	1,151		166,418
Loans and advances customers	9,659	13,063	6,580	3,657	10,945	17,790	29,240	18,247		109,182
Debt securities	481	17	217	223	140	771	2,805	2,870		7,523
Equity securities									35	35
Participating interests in group companies	4,633							3,186		7,819
Equity-accounted investments	261									261
Intangible assets	19									19
Property and equipment	833									833
Other assets	582	964	494	732	314	643	1,198	3,415		8,341
Total assets	79,605	19,163	159,602	10,940	15,535	24,798	46,382	41,672	35	397,733
Liabilities										
Due to banks	7,861	1,624	7,923	405	4,367	6,325	34,148	3,322		65,976
Due to customers	205,149	13,111	3,163	1,817	502	717	1,065	3,772		229,297
Issued debt	118	6,075	2,713	2,618	4,112	7,247	13,320	27,051		63,253
Subordinated liabilities				1,561		1,570	3,796	1,143		8,069
Provisions	596	48		5	1	1	8	3		662
Other liabilities	55	780	665	239	275	1,101	900	5,470		9,485
Total liabilities	213,779	21,638	14,464	6,645	9,258	16,962	53,237	40,761		376,743
Total equity									20,989	20,989
Total liabilities and equity	213,779	21,638	14,464	6,645	9,258	16,962	53,237	40,761	20,989	397,733

25 Contingent liabilities

(in millions)	31 December 2021	31 December 2020
Committed credit facilities	62,860	64,948
Guarantees and other commitments		
Guarantees granted	30,163	23,749
Irrevocable letters of credit	4,109	4,612
Recourse risks arising from discounted bills	1,392	1,454
Total guarantees and other commitments	35,663	29,815
Total	98,523	94,763
(in millions)	31 December 2021	31 December 2020
Group companies	19,956	22,902
Third parties	42,904	42,046
Committed credit facilities	62,860	64,948
(in millions)	31 December 2021	31 December 2020
Group companies	33,668	26,763
Third parties	1,995	3,052
Guarantees and other commitments	35,663	29,815

Commitments and contingent liabilities increased by EUR 3.7 billion, mainly related to an increase in guarantees granted to group companies by Markets and was partly offset by lower committed credit facilities.

The increase was mainly due to an increase of EUR 6.4 billion in guarantees granted to group companies. This was partly offset by a decrease of EUR 0.5 billion in irrevocable letters of credit and a decrease of EUR 2.1 billion in the volume of committed credit facilities to group companies.

More information regarding the disclosed legal and compliance cases is provided in Note 35 Commitments and contingent liabilities in the Consolidated Annual Financial Statements.

26 Assets pledged

(in millions)	31 December 2021	31 December 2020
Cash and balances at central banks	425	208
Financial assets held for trading	252	418
Financial investments FVOCI	2,778	2,896
Loans and advances banks	1,110	891
Loans and advances customers	8,508	11,621
- of which <i>Corporate loans</i>	8,345	10,912
Assets pledged as security	13,073	16,034

The total of assets pledged decreased by EUR 3.0 billion at 31 December 2021, mainly due to a decrease in the Single Resolution Fund (SFR) position.

More information regarding transferred, pledged, encumbered and restricted assets is provided in Note 34 in the Consolidated Annual Financial Statements.

27 Segment information

The total number of FTEs at 31 December 2021 was 15,757 (31 December 2020: 15,126). This increase was mainly due to additional resources for the upscaling of AML activities.

The total number of FTEs in Retail Banking was 3,076 (2020: 3,130), in Commercial Banking 1,604 (2020: 1,503), in Private Banking 1,659 (2020: 1,671), in Corporate & Institutional Banking 1,542 (2020: 1,686) and in Group Functions 7,875 (2020: 7,135).

More financial information on the segments is provided in Note 2 Segment reporting in the Consolidated Annual Financial Statements.

The average number of FTEs per country is disclosed in the Consolidated Annual Financial Statements in Note 11 Income tax expense, tax assets and tax liabilities.

28 Remuneration

For more information, please refer to Note 36 Remuneration of Executive Board and Supervisory Board in the Consolidated Annual Financial Statements.

29 Related parties

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships, with the exception of items specifically disclosed in the Consolidated Annual Financial Statements. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties. Total assets with related parties amounted to EUR 4.4 billion at 31 December 2021, compared with EUR 5.9 billion at 31 December 2020. Total liabilities amounted to EUR 1.1 billion at 31 December 2021, compared with EUR 2.1 billion at 31 December 2020. For more information, please refer to Note 36 and Note 38 in the Consolidated Annual Financial Statements.

30 Post balance sheet events

ABN AMRO EUR 500 million share buyback programme

In line with ABN AMRO's capital framework, the bank's management has announced an inaugural share buyback programme of EUR 500 million. The programme commenced on 10 February 2022 and is expected to end no later than June 2022.

Through this programme ABN AMRO has added share buybacks as an instrument to manage its capital position. The Basel IV threshold for share buybacks remains unchanged for the time being as the bank's capital buffer is sufficient to consider future share buybacks. ABN AMRO is aiming for a gradual reduction over time, in constructive dialogue with the regulator.

Sale of ABN AMRO Levensverzekering N.V.

On 15 February 2022, ABN AMRO announced that it had reached agreement on the sale of ABN AMRO Levensverzekering N.V., the life insurance subsidiary of ABN AMRO Verzekeringen Holding B.V., to NN Group N.V. After this transaction, ABN AMRO Verzekeringen Holding B.V. will continue as a non-life insurer and intermediary. The sale of ABN AMRO Levensverzekering N.V. is subject to regulatory approval. ABN AMRO estimates that it will recognise a gain from the sale, which is expected to close in the second half of 2022.

Russia-Ukraine war

In light of the recent developments in respect of the conflict between Russia and Ukraine, ABN AMRO has assessed the direct and indirect impact of this political event on the bank and its customers. The bank's direct exposure to Russia is approximately EUR 50 million and this has largely been mitigated because it relates partly to assets of Russian clients outside Russia and to short-term trade transactions. The bank has no direct exposure in respect of Ukraine or Belarus.

Further escalation of the conflict could also have indirect consequences for the bank's customers in the form, for example, of higher gas prices, sanctions on trade with Russia and increased cybersecurity concerns as a result of a probable increase in criminal activities. These indirect consequences are difficult to quantify, but the bank's management is paying appropriate attention to the developments.

Authorisation of the Company Annual Financial Statements

8 March 2022

Supervisory Board

T. (Tom) de Swaan, Chair

A.C. (Arjen) Dorland, Vice-Chair

L.J. (Laetitia) Griffith

M.P. (Michiel) Lap

A.M. (Anna) Storakers

M.L. (Mariken) Tannemaat

J.S.T. (Tjalling) Tiemstra

Executive Board

Robert Swaak, Chief Executive Officer and Chair

Christian Bornfeld, Chief Innovation & Technology Officer and Vice-Chair

Tanja Cuppen, Chief Risk Officer

Lars Kramer, Chief Financial Officer

Annerie Vreugdenhil, Chief Commercial Officer - Personal & Business Banking (from 1 March 2022)

Choy van der Hooft-Cheong, Chief Commercial Officer - Wealth Management

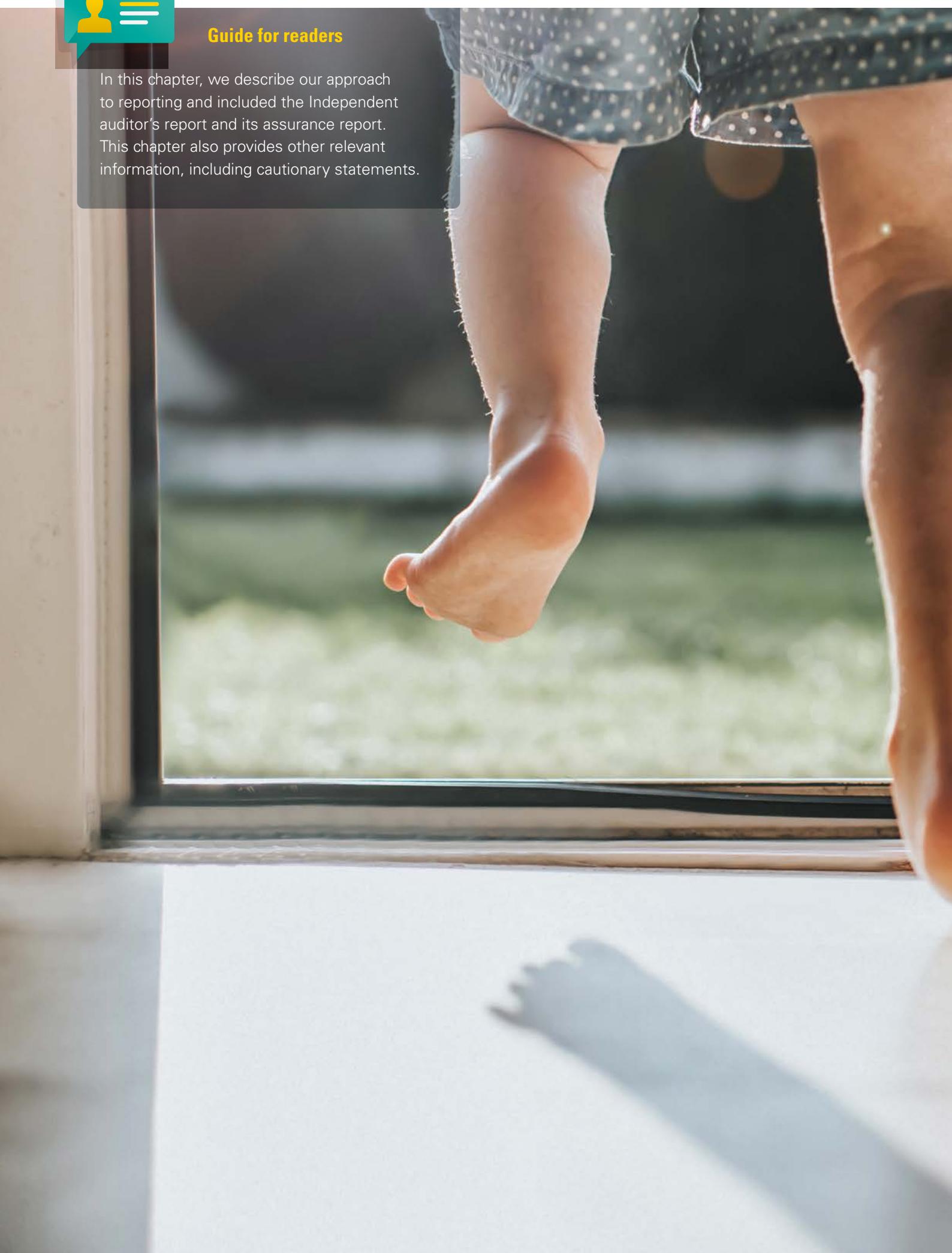
Dan Dorner, Chief Commercial Officer - Corporate Banking

Gerard Penning, Chief Human Resources Officer



Guide for readers

In this chapter, we describe our approach to reporting and included the Independent auditor's report and its assurance report. This chapter also provides other relevant information, including cautionary statements.



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Our approach to reporting

General

Purpose of our Integrated Annual Report

The purpose of our Integrated Annual Report is to explain how, over time, we create value for our stakeholders – not only as a provider of banking and other financial services, but also as a responsible employer and an active contributor to society as a whole. We do this by explaining our business, strategy and financials and non-financial performance during the year, but also by providing information in the areas of risk and capital management and our governance structure – all in compliance with regulatory requirements. This report has been written for all stakeholders, including providers of financial capital.

Basis of preparation

Content in this report is based on extensive internal reporting. Where external sources are used, this is clearly indicated in the text. To decide content, ABN AMRO applies a materiality test; only content that is sufficiently material to the bank's strategy, performance, reputation or value creation is included. Content is reviewed by ABN AMRO's Group Disclosure Committee, and approved by the bank's Executive Board and Supervisory Board prior to publication. Ultimately, the Executive Board is responsible for the content, accuracy and integrity of the report. In addition to adherence to all regulatory requirements, the Executive Board also confirms that this report has been prepared and assured in accordance with the International Integrated Reporting <IR> Framework. Production of this report is overseen by ABN AMRO's Finance and Brand, Marketing & Communications departments.

General reporting guidance

- ▶ Our Integrated Annual Report is our primary statutory and regulatory reporting disclosure. In addition, we publish other reports, including the bank's Impact Report, Pillar 3 Report, Social Impact and Human Rights Update 2021. Though published as part of our annual reporting suite, all reports have their own individual purpose and should be read stand-alone.
- ▶ Unless stated otherwise, this report covers ABN AMRO Bank N.V. (including all business and consolidated entities). Annual data relates to the bank's financial year (1 January - 31 December).
- ▶ The financial information contained in this Integrated Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS). Certain sections of the Risk, funding & capital chapter of this

Integrated Annual Report contain audited information and are part of the Consolidated Annual Financial Statements. Audited information in these sections is labelled as 'Audited' in the respective headings. All capital metrics and risk exposures in this chapter are reported under the Basel III (CRD IV/CRR) framework (unless otherwise stated). All capital figures and ratios, including comparatives, are shown on a fully-loaded basis (unless otherwise stated).

- ▶ The Company Annual Financial Statements comply with Title 9, Book 2 of the Dutch Civil Code, and apply the EU IFRS valuation principles which are also applied in the Consolidated Annual Financial Statements. For more general reporting guidance on the Company Annual Financial Statements, please also see Note 1 on [page 268](#).
- ▶ This report is presented in euros (EUR), which is ABN AMRO's functional and presentation currency, rounded to the nearest million, and sets out the results for the entire ABN AMRO organisation worldwide (unless otherwise stated).
- ▶ All financial year-end averages in this report are based on month-end figures. Management does not believe these month-end averages present trends that are materially different from those that would be presented by daily averages. Certain figures in this report may not tally exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.
- ▶ Non-financial data is collected centrally; this includes data relating to environmental performance, customer loyalty and employee engagement.
- ▶ Please be aware that information provided in this report does not constitute an offer, investment advice or a financial service. Its purpose is not to encourage any person to buy or sell any ABN AMRO product or service. Nor should it be used as a basis for any investment decision. Any such decision can – and should – be based on the contents of this report, a definite prospectus and other key investor information (if, and to the extent, required).

Targets on our strategic KPIs

At ABN AMRO, we want to inform our stakeholders in a clear and consistent matter. This also applies to our targets – if and how we achieved our strategic objectives for the year. Due to the volatile and rapidly changing environment we operate in and recent changes to our organisational

structure and client service model, however, we deem that our 2024 targets provide the most reliable information. As such, we have chosen not to include intermediate (short-term) targets for our strategic KPIs, but only disclose clear targets for 2024. Performance of our strategic KPIs is nevertheless monitored carefully and we have initiated internal procedures to update our KPI set where needed and define clear short-term targets. We aim to announce our updated strategic KPIs and targets when we publish our Q2 results in August 2022. In addition to our strategic KPIs, we also have different operational KPIs on product level. As our operational sustainability KPIs play a vital role in our climate strategy, which we also expect to finalise during 2022, we have chosen to disclose these with intermediate targets towards 2024. We have also decided to increase these operational KPIs for the coming years to reflect the significant demand for sustainable financing and investments.

In line with 2020, we have not set targets beyond 2024. We will assess these targets periodically and update them accordingly for the period beyond 2024 at the appropriate time.

Value creation

Value-creating topics

Every two years, we conduct an extensive assessment of our operating environment; this allows us to identify our value-creating topics (VCTs) – where we believe ABN AMRO has potential to create the most value for its stakeholders. From these VCTs, we select ‘strategic differentiators’; these form the basis of the bank’s strategy, key performance metrics, targets and approach to reporting. We also identify ‘fundamental value creators’ – topics we believe are crucial in maintaining the bank’s licence to operate.

Our assessment comprises four distinct steps:

1. We define an initial long list of topics, based on a comprehensive review of media and trend reports, peer disclosures, current reporting requirements and the bank’s Risk Event register.
2. The long list is reduced to a short list, which is then submitted for prioritisation to stakeholders, the bank’s Executive Committee¹ and other senior management. Topics are rated according to their ‘magnitude’ (i.e., potential impact on value creation) and ‘likelihood’ (i.e., how likely a topic is to bring about this impact) – see materiality matrix.
3. From the results, we identify our strategic differentiators (see page 34) and fundamental value creators.
4. Based on the materiality matrix results, an assessment was conducted by Strategy & Sustainability and our Strategy Execution Team to define which topics were strategically differentiating to ABN AMRO based on our corporate strategy, strategic pillars and KPIs. The materiality matrix including the classification of strategic differentiators and the KPIs was subsequently validated by the Executive Committee¹.

Forward-looking statements

Some sections of this report contain statements that may be construed as forward-looking. These statements are not historical facts, and represent ABN AMRO’s beliefs regarding future events, many of which are inherently uncertain and beyond the bank’s control. The statements apply only at publication date. ABN AMRO does not intend to publicly update or revise these statements after publication, and assumes no responsibility to do so. Readers should, however, take into account disclosures made in future interim reports.

External assurance

External assurance for this report was provided by EY (see Assurance Reports on pages 381-391). ABN AMRO believes that external assurance strengthens the credibility of its reporting, and helps improve internal information-gathering systems and processes. For this report, EY audited the Financial Statements (comprising the Consolidated and Company Annual Financial Statements, pages 261-367). EY has reviewed (limited assurance) the non-financial information included in the report (pages 5-65) and audited (reasonable assurance) the section “Our Value-creating topics” (page 371).

3. From the results, we identify our strategic differentiators (see page 34) and fundamental value creators.
4. Based on the materiality matrix results, an assessment was conducted by Strategy & Sustainability and our Strategy Execution Team to define which topics were strategically differentiating to ABN AMRO based on our corporate strategy, strategic pillars and KPIs. The materiality matrix including the classification of strategic differentiators and the KPIs was subsequently validated by the Executive Committee¹.

The assessment is overseen by Project and Steering Groups. Members are drawn from our Strategy & Sustainability, Operational Risk, Investor Relations, Brand, Marketing & Communications and Customer Experience departments. Results are presented to the bank’s Executive Committee¹ for discussion and approval. The assessment covers all ABN AMRO businesses and consolidated entities worldwide.

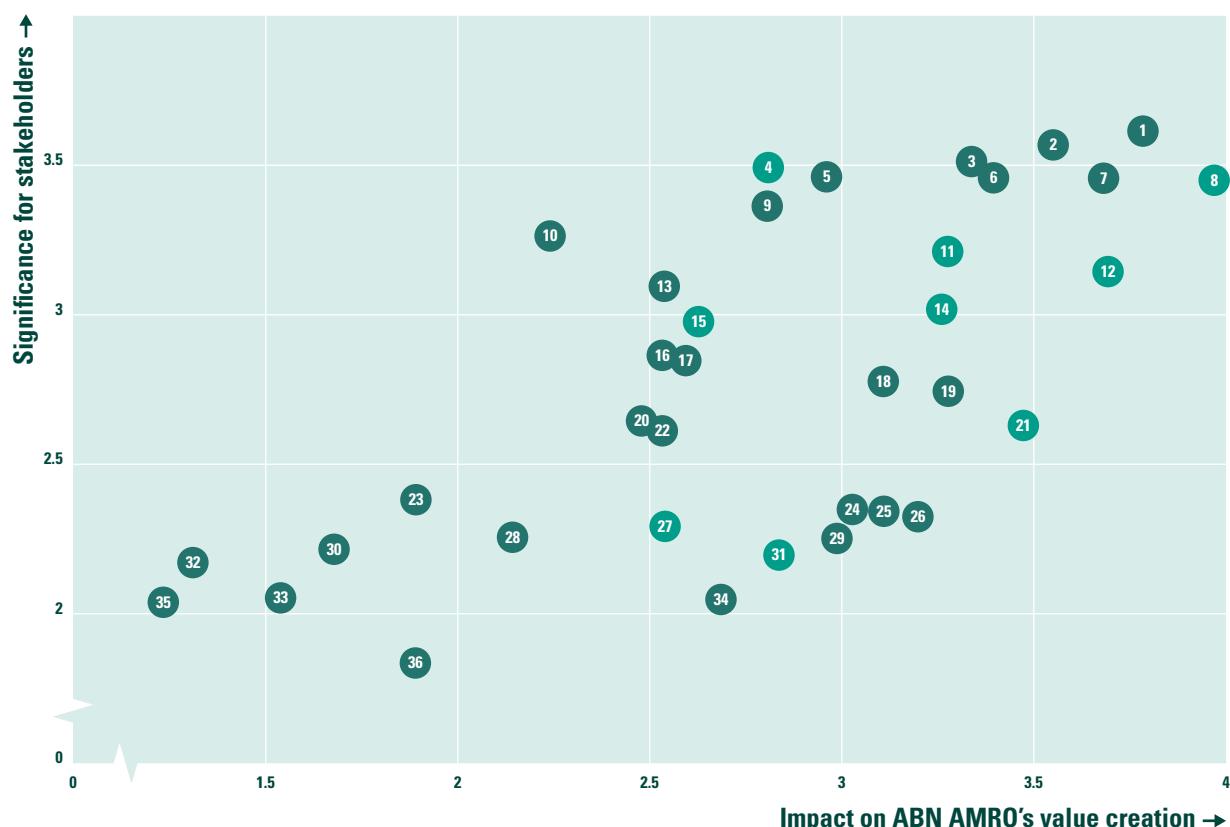
Our last assessment was conducted in 2020. To analyse this assessment, we carried out a ‘pulse check’ in 2021 (including a full media and peer analysis, a survey of regulatory developments and input from our Risk Event

¹ At the end of 2021, the Executive Committee ceased to exist in favour of an extended composition of the Executive Board.

Register and Scenario Booklet). This pulse check identified several emerging topics from among our fundamental value-creators which are gaining in importance for the bank: corporate governance, geopolitical instability, employee health & safety and a new topic: biodiversity. We will

monitor these topics closely ahead of our next assessment, scheduled for 2022. For 2021, our strategic differentiators and prioritisation of the topics in the matrix remain unchanged.

Materiality matrix



Strategic Differentiators

These are topics, vital to our strategy, where we believe we can create most value for our stakeholders:

- | | | |
|---|-----------------------------------|------------------------------------|
| (4) Risk profile/management | (12) Customer experience | (21) Digitalisation |
| (8) Viable business model | (14) Clear and appropriate advice | (27) Circular economy |
| (11) Responsible investment & financing | (15) Financial performance | (31) Diversity & equal opportunity |

Fundamental Value Creators

These are topics that play a vital role in implementing our strategy:

- | | | |
|----------------------------|--------------------------------|--------------------------------------|
| (1) Ethics & integrity | (16) Human rights | (26) Co-creation and innovation |
| (2) Secure banking | (17) Financial inclusion | (28) Community investment |
| (3) System stability | (18) Stakeholder engagement | (29) Employee training and education |
| (5) Client data protection | (19) Adaptability | (30) Responsible procurement |
| (6) Strong balance sheet | (20) Employee health & safety | (32) Fair taxes |
| (7) Vision & leadership | (22) Non-financial performance | (33) Geopolitical instability |
| (9) Anti-corruption | (23) Environmental impact | (34) Platforms and eco-systems |
| (10) Corporate governance | (24) Talent attraction | (35) Remuneration policy |
| (13) Regulatory compliance | (25) Employee empowerment | (36) Policy influence |

¹ Results based on last assessment, conducted in November 2020.



Definitions used for value-creating topics

Topic	Definition	Categorisation
Adaptability	Keeping pace with, and constantly adapting to, developments within the bank and in the outside world	Fundamental Value Creator
Anti-corruption	Detecting and preventing corruption and other illegal financial activities (particularly money laundering and terrorist financing)	Fundamental Value Creator
Circular economy	Promoting the responsible use of resources by financing circular business activities	Strategic Differentiator
Clear and appropriate advice	Giving advice that is relevant, in the client's interest, and understandable	Strategic Differentiator
Client data protection	Ensuring that clients' data is protected by ABN AMRO's policies and systems in compliance with relevant regulatory requirements	Fundamental Value Creator
Co-creation and innovation	Collaborating and innovating to meet clients' needs, and creating more efficient services and operations	Fundamental Value Creator
Community investment	Supporting community projects and initiatives, contributing to society and benefiting future generations	Fundamental Value Creator
Corporate governance	Adhering to policies and practices that ensure accountability, fairness and transparency	Fundamental Value Creator
Customer experience	Ensuring all interactions meet clients' expectations by putting clients at the centre of everything the bank does	Strategic Differentiator
Digitalisation	Harnessing advances in digital technology to improve service to clients	Strategic Differentiator
Diversity & equal opportunity	Reflecting the diversity of society in ABN AMRO's employee population, and taking diversity into account in the bank's products and services	Strategic Differentiator
Employee empowerment	Creating an open culture where employees are empowered to perform to the best of their ability	Fundamental Value Creator
Employee health & safety	Advocating best practice in vitality, health and safety for ABN AMRO employees	Fundamental Value Creator
Employee training & education	Providing employees with training and education to increase their knowledge and stimulate personal and professional development	Fundamental Value Creator
Environmental impact	Monitoring the environmental impact of ABN AMRO's own operations	Fundamental Value Creator
Ethics & integrity	Complying with laws and regulations, and acting in a morally correct manner by considering the rights and interests of all legitimate stakeholders	Fundamental Value Creator
Fair taxes	Adhering to and advocating transparent tax policies to promote tax integrity	Fundamental Value Creator
Financial inclusion	Ensuring equal access to affordable and clear financial services in understandable language	Fundamental Value Creator
Financial performance	Delivering stable, healthy results that meet the bank's financial targets	Strategic Differentiator
Geopolitical instability	Responding to political, social, economic, demographic and geographical developments and trends	Fundamental Value Creator
Human rights	Respecting human rights in ABN AMRO's operations and in business relationships through the bank's value chain	Fundamental Value Creator
Non-financial performance	Delivering stable and healthy non-financial results in areas such as customer satisfaction and diversity	Fundamental Value Creator
Platforms and eco-systems	Facilitating clients' access to products and services by working with innovative companies across different distribution channels	Fundamental Value Creator
Policy influence	Fostering constructive dialogue with politicians, policymakers and others to exert influence and encourage positive change	Fundamental Value Creator
Regulatory compliance	Complying with internal /external rules and regulations, both existing and upcoming	Fundamental Value Creator
Remuneration policy	Having a responsible and transparent remuneration policy for board members, senior managers and other employees	Fundamental Value Creator
Responsible investment and financing	Selling and/or investing in products, companies or initiatives that endeavour to make a positive environmental and/or social impact	Strategic Differentiator
Responsible procurement	Respecting social and environmental standards throughout the bank's procurement chain and in related business relations	Fundamental Value Creator
Risk profile /management	Ensuring that the bank's risk profile, systems and procedures enable the bank to manage risk effectively	Strategic Differentiator



Topic	Definition	Categorisation
Secure banking	Protecting data belonging to ABN AMRO and the bank's clients against potential security breaches and attacks	Fundamental Value Creator
Stakeholder engagement	Involving stakeholders in the bank's decision-making and activities	Fundamental Value Creator
System stability	Ensuring that ABN AMRO's banking systems and services are reliable, stable and accessible for clients	Fundamental Value Creator
Strong balance sheet	Ensuring that ABN AMRO has sufficient financial resources to withstand possible stress	Fundamental Value Creator
Talent attraction	Attracting and retaining qualified, motivated and future-fit professionals	Fundamental Value Creator
Viable business model	Maintaining a business model that delivers positive financial and non-financial results in both the medium and long term	Strategic Differentiator
Vision & leadership	Clearly defining, communicating and implementing a vision, purpose and strategy for the bank	Fundamental Value Creator

Results based on last assessment, conducted in November 2020.

How to read our value creation model

Our value creation model (VCM) is based on the Integrated Reporting <IR> Framework. The model comprises inputs, business activities, outputs and outcomes. Inputs relate to the resources we use to operate our business; outputs and outcomes to the results of our business activities and the consequences of these activities for stakeholders and capitals. For our model, we use six types of capital, based on the <IR> Framework:

In addition, the VCM also shows our business activities – in effect, the bank's 'engine room', where value may be created or depleted through our lending, investment services, procurement, employment practices etc. Please note that our VCM provides an overview only. Our activities are complex; they comprise different value chains (by market or business line) and also connect directly to other value chains through relationships with clients, suppliers and employees.

<IR> Capital	Definition
Manufactured	Fixed assets, including the value of houses and the value of banking and investment services provided by ABN AMRO
Financial	Money and financial assets, including fees, commissions and other income for the bank; payments to suppliers, employees and investors; earnings and cost of capital
Intellectual	Systems, processes and other intellectual property, including asset management, other fee-based services and data protection
Human	Employees' time, skills and productivity, including the effects of employment and workplace health & safety on well-being
Social	Social ties, norms, networks and stakeholder relations, including brand and customer loyalty and the bank's impact on social issues (such as child labour, gender discrimination, low pay, and financial distress among clients unable to repay loans)
Natural	Use of natural resources, including the bank's contribution to climate change and impact on the environment, such as pollution

The VCM can be found on pages 40-41.

Definitions

Strategic Key Performance Indicators

Indicator	2021	2020	Definition used
Absolute cost base	5.3	5.1	Operating expenses excluding AML settlement and restructuring costs.
Cost of risk (basis points)	-7	78	Annualised impairment charges on loans and advances made to clients, divided by the average total loans and advances for the year (on the basis of gross carrying amount and excluding fair value adjustments resulting from hedge accounting).
Return on average equity	6%	-0.8%	Annual profits (excluding coupons attributable to Additional Tier 1 capital securities and results from non-controlling interests) as a percentage of average equity attributable to the bank's owners (excluding Additional Tier 1 capital securities). ¹
CET1 ratio (fully-loaded)	16%	15%	Common Equity Tier 1 as a percentage of total risk-weighted assets under Basel III regulations (where the CET1 ratio refers to Basel IV, this is stated in the text).
Relational Net Promoter Score			To calculate NPS, clients are asked if they would recommend ABN AMRO to friends or colleagues on a scale of 0-10. Those scoring 9 or 10 are 'promoters'; those scoring below 7 are 'detractors'. NPS is then calculated by subtracting the percentage of detractors from the percentage of promoters. ABN AMRO also measures employee NPS (or eNPS). Like the client NPS, the eNPS survey asks employees if they would recommend ABN AMRO as an employer to friends or family.
Mortgages	-1	-1	The score is based on a weighted average (on exposure) between the ABN AMRO label and Florius. Scores based on quarterly online survey carried out by Kantar TNS (sample size for 2021: 9,217 clients) for ABN AMRO and by MWM2 (sample size for 2021: 4.758) for Florius.
SME	-33	-21	The SME segment is defined as all business clients with annual turnover below EUR 10 million. Based on biannual online /telephone survey carried out by Ipsos (sample size for 2021: 1,288 clients).
Marketshare			
Mortgages	16%	14%	Market share of new residential mortgages in the Netherlands, based on monthly market scan by the Dutch Land Registry (Kadaster). Market share is calculated as new mortgages of ABN AMRO labels divided by all new passed mortgages that are registered by the Dutch Land Registry. The Dutch Land Registry has updated its methodology for determining market shares as of 2021. Previously published data (15%) has been updated.
SME	18%	18%	This score is based on an annual online survey performed by Ipsos (sample size of 4,200 companies). The comparative figure is based on a survey performed by McKinsey in 2019.
Sustainability (acceleration) asset volume	27%	20%	Loans or investments that adhere to the sustainability acceleration standards. These standards contain clear definitions with regard to clients' sustainability policies, practice and governance and include both environmental and social criteria for labelling a loan or investment as sustainable. Definitions are often based on current market practice or improving the sustainability performance of clients. In the course of 2021, consistency between the financial figures on the balance sheet and the sustainability (acceleration) asset volume was further aligned and improved. Comparative figures for 31 December 2020 have not been adjusted retrospectively. We have aligned our definition of sustainable client assets with the definitions set in the EU SFDR regulation and therefore have changed the terminology used to ESG and Impact investments. 2020 figures have not been retrospectively adjusted for this change. The overall target for sustainability (acceleration) asset volume is calculated as the sum of sustainability (acceleration) asset volume (mortgages and corporate loans) and sustainability (acceleration) client asset volume, divided by the sum of the outstanding mortgage loan book, corporate loan book and relevant client asset volume.

¹ Excluding Corporate & Institutional Banking's non-core activities, return on equity for 2020 was 5.4%.

Indicator	2021	2020	Definition used
Gender diversity (subtop)	30%	28%	Bank-wide percentage of women in subtop (Hay scales 12 or 13) within the bank's workforce (in the Netherlands only).
Dow Jones Sustainability Index (DJSI)	Top 15%	Top 10%	Published by S&P Global, the DJSI tracks the sustainability performance of leading companies. Scores are not directly comparable year-on-year because of regular recalibrations and changes to methodology
Straight-through-processing rate of high volume processes	N/a	N/a	Percentage of digitalised high volume product & service processes within the bank. Due to the organisational changes the KPI will be disclosed as of Q2 2022.

Other sustainability definitions

EU Taxonomy	
EU Taxonomy	The EU Taxonomy is a classification system that defines what economic activities are sustainable as set out in Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852). The obligation to disclose according to the EU Taxonomy is limited to corporates that are required to report under the Non-Financial Reporting Directive (NFRD). For credit institutions, the regulation distinguishes between exposures to NFRD and non-NFRD companies, households, local governments, central governments, central banks and supranational issuers.
Non-Financial Reporting Directive scope	The NFRD (Directive 2014/95/EU) requires all large undertakings which are public-interest entities and that employ on average more than 500 employees during their respective financial years to report on their non-financial information.
EU Taxonomy eligibility	An economic activity that is included in the list of activities that can potentially be environmentally sustainable. Currently, only two of the six environmental objectives of the EU Taxonomy have been implemented in the Delegated Acts. Our eligibility percentage therefore only reflects these two objectives in our 2021 disclosure.
EU Taxonomy mandatory eligibility	The reporting requirements under the EU Taxonomy are limited to specific counterparties. The mandatory eligibility percentage should be limited to all exposures eligible for the EU Taxonomy to households, local governments and NFRD exposures. Eligibility for NFRD exposures may only be based on actual eligibility percentages of our NFRD counterparties. Because this information is not yet publicly available, we have included estimates on NFRD eligibility voluntarily.
EU Taxonomy voluntary eligibility	We have elected to voluntarily estimate and disclose eligibility of our corporate exposures based on their main economic activity using the respective NACE codes of our corporate counterparties. This voluntary disclosure is in addition to our mandatory eligibility disclosure and may not be comparable between issuers given that the method applied by ABN AMRO is based on NACE and not the actual eligibility percentages of our NFRD corporate counterparties. For non-NFRD corporate counterparties, we have also used NACE to determine eligibility; however, non-NFRD corporates are not included in the scope of the numerator for both eligibility and alignment under the regulation.
EU Taxonomy Alignment	An economic activity that meets all requirements for a sustainable activity. These requirements are: 1) the activity significantly contributes to an environmental objective, 2) the activity does no significant harm to any other environmental objective, and 3) the activity meets a set of minimum social safeguards.
Covered assets	This term is defined as the total on-balance sheet assets minus exposures to central governments, central banks and supranational issuers and assets held for trading.
Green Asset Ratio	This ratio is calculated by dividing our EU Taxonomy-aligned exposures by our total covered assets.

Energy labels

Energy labels

Energy labels are governed at European level and described in the Directive (2010/31/EU) on the energy performance on buildings. The directive was updated on 1 January 2021, which resulted in a new methodology for calculating the energy performance. The energy label figures in this report consist of a combination of energy labels under the old methodology (prior to 1 January 2021) and the new methodology. Buildings from 2016 onwards without a definite energy label are classified under the old methodology and estimated at energy label A. Buildings built after the 1st of January 2021 are classified under the new methodology and estimated at energy label A++. Both estimates are based on the Dutch Building Decree. The category 'no label' consists of properties that are not required to have a label in the Regulation, while 'unknown' means ABN AMRO does not have the label of the property.

We use both preliminary labels (based on official government sources) and definitive labels in our energy label disclosure. In the event multiple real estate objects are related to one loan, the amount of the loan has been allocated to energy labels based on the floor area in square metres of the real estate objects.

In line with the European Banking Authority's requirements for reporting on financial information, the energy labels are assigned to any immovable property collateral, regardless of the loan/collateral ratio (commonly referred as the loan-to-value ratio).

Greenhouse gas (GHG) emissions

Greenhouse gas emissions

- ▶ Scope 1: Direct GHG emissions that occur from owned or controlled sources
- ▶ Scope 2: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling
- ▶ Scope 3: All indirect GHG emissions (not included in Scope 2) occurring in the value chain, including air travel and financed emissions

The financed GHG emissions have been calculated according to the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry (2020) for the corporate loan book, mortgage portfolio and client asset portfolio. Scope 1, scope 2 and scope 3 related to air travel have been calculated in accordance with the guidelines from the Greenhouse Gas Protocol.

GHG emissions for corporates

The ISS ESG database has been used for listed companies, while for unlisted companies the CBS and the PCAF databases have been used, which provide country and sector-specific carbon intensity information.

GHG emissions for client assets

For the client assets portfolio, the calculations have been made using the ISS ESG database.

GHG emissions for mortgages

For mortgages the CBS database was used, which provides country-specific energy information per building unit. To convert the energy data into carbon emission data, the emission factors provided by www.co2emissiefactoren.nl have been used. An attribution factor on portfolio level has been applied, using the average loan to market value. As of Q4 2021, the indexation of collateral values is based on Calcasa information instead of the CBS index. Historic figures have not been adjusted.

GHG emissions for commercial real estate

For the residential commercial real estate portfolio, the data sources and the calculations are aligned with the mortgage portfolio. For the non-residential share of the commercial real estate portfolio, the calculations are based on floor area, energy labels and asset types, and the emission factors provided by the CBS database have been used. An attribution factor at portfolio level for residential and non-residential commercial real estate has been applied, using the loan-to-market value based on the most recent property value.

Sectors that highly contribute to climate change

Sectors highly contributing to climate change

These sectors are identified by NACE codes A to H and L, which are Agriculture, Mining, Manufacturing, Energy, Water Supply, Construction, Wholesale and Retail Trade, Transport and Real Estate/Built Environment, as specified in Recital 6 of the Commission Delegated Regulation (EU) 2020/1818.

Carbon-related assets

A carbon-related organisation is an organisation that directly takes part in exploration, mining, extraction, distribution or refining of fossil fuels. These organisations can be identified as the companies excluded from EU-Paris Aligned Benchmarks (under Article 12(1) (d)-(g) Commission Delegated Regulation (EU) 2020/1818). Identification of such an organisation should be done based on revenue split. However, in this Integrated Annual Report this was done only for the client asset portfolio, while for the banking book portfolio these exposures were identified based on the NACE code of the counterparty's principal activity, due to data constraint. The NACE codes used to identify such organisations were: B05.10, B05.20, B06.10, B06.20, B09.10, C19.20, C20.11, D35.11, D35.21, D35.22 and D35.23. Since NACE code D35.11 does not distinguish between renewable and non-renewable energy, but renewable energy should not be labelled as carbon-related, we have excluded all exposures to clients where the principal activity is renewable energy or the loan specifically finances a renewable energy project.

Compliance with the Integrated Reporting Framework

This report has been written in accordance with the International Integrated Reporting Framework, overseen by the Value Reporting Foundation.¹ The <IR> Framework comprises Guiding Principles and Content Elements² and focuses, in particular, on an organisation's ability of to create value. This report presents ABN AMRO's ability to create

value mainly in the Introduction and Strategy, value creation & performance – while also taking into account regulatory requirements and specific stakeholder needs in the chapters Risk, funding & capital, Leadership & governance, Annual Financial Statements and Other.

Guiding principles	Our Approach	Page references
(A) Strategic focus and future orientation	Our Strategy, value creation & performance chapter provides detailed insight into our strategy; through ambitions and KPIs we show our ability to create value. In our value creation model this is further presented, including the use of and effects on our capitals. Our performance chapters describe in detail the execution of our strategy, our outlook, and future availability of resources.	<ul style="list-style-type: none"> ▶ Our strategy (pages 31-37) ▶ Our value creation model (pages 40-41) ▶ Performance (pages 45-81) ▶ Outlook (pages 80-81)
(B) Connectivity of information	The report has a clear structure, providing a holistic view of ABN AMRO – as well as relevant risks and opportunities for the business and how the company is governed, safeguarding the creation of value. In addition, reader guides and references – including the more regulatory driven chapters – add to an understanding of the interrelatedness of factors affecting our ability to create value.	<ul style="list-style-type: none"> ▶ Our operating environment (pages 18-25) ▶ Our strategy (pages 31-37) ▶ Opportunities & risks (pages 36-37) ▶ Performance (pages 45-81) ▶ Outlook (pages 80-81) ▶ Risk, Funding & Capital (pages 83-202) ▶ Leadership & governance (pages 205-257)
(C) Stakeholder relationships	Our main stakeholder groups are identified and clearly presented in this report. To respond to their needs and interests, we describe the progress made on our value-creating topics – chosen by our stakeholders through extensive engagement. It also addresses the nature of relationships between stakeholders and the bank, and the value created (or depleted) for separate stakeholder groups – based both on our value-creating topics and on regulatory requirements.	<ul style="list-style-type: none"> ▶ Our value creation model (pages 40-41) ▶ Opportunities & risks (pages 36-37) ▶ Performance (pages 45-81) ▶ Risk, Funding & Capital (pages 83-202) ▶ Leadership & governance (pages 205-257) ▶ Value-creating topics (page 371)
(D) Materiality	The report focuses on areas that have most impact on ABN AMRO and its stakeholders: our value-creating topics (material matters). We also describe our strategic differentiators – areas where we believe we can create most value for our stakeholders.	<ul style="list-style-type: none"> ▶ Our value creation model (pages 40-41) ▶ Performance (pages 45-81) ▶ Risk, Funding & Capital (pages 83-202) ▶ Leadership & governance (pages 205-257) ▶ Value-creating topics (page 371)
(E) Conciseness	ABN AMRO applies the materiality principle to ensure focused content. This report acts as a standalone document, providing sufficient information for stakeholders to form an opinion or take decisions with regard to their relationship with the bank. We need to remain compliant, as described in the introduction of this section, with different regulations possibly increasing the amount of text or topics beyond the conciseness principle.	<ul style="list-style-type: none"> ▶ Our approach to reporting (pages 370-380)
(F) Reliability and completeness	The report includes all material matters, properly balanced both positively and negatively and without material error. To achieve this, the report is subject to a robust review and approval process on accuracy and completeness, ultimately approved by the Executive Board. We also request our external auditor EY to provide assurance on this Report adding to the reliability of information presented.	<ul style="list-style-type: none"> ▶ Our approach to reporting (pages 370-380)
(G) Consistency and comparability	All data, where possible and relevant is shown in context and compared with previous years' performance /data. In case of deviations, this is clearly stated in the report.	<ul style="list-style-type: none"> ▶ Our approach to reporting (pages 370-380)

¹ For further information, see www.valuereportingfoundation.org. The VRF was formed in June 2021 by the merger of the International Integrated Reporting Council (IIRC) and the Sustainable Accounting Standards Board (SASB). According to plans announced by the IFRS Foundation, the VRF will be incorporated into the new International Sustainability Standards Board (ISSB) by June 2022.

² For decisions made regarding targets, we refer to "Our approach to reporting".

Content Element	Our Approach	Page references
(H) Organisational overview and external environment	The sections 'Our bank' and 'Operating Environment' provide a clear view on who we are as a company and under which circumstances we operate.	<ul style="list-style-type: none"> ▶ Our bank (pages 11-17) ▶ Our operating environment (pages 18-25)
(I) Governance	<p>We describe our governance structure in the chapter 'Governance & leadership', including how it supports the process of long-term value creation and remuneration.</p> <p>In addition, our CEO, CFO, CRO and Supervisory Board Chair gave interviews providing their views on the company's performance in the reporting year and beyond.</p>	<ul style="list-style-type: none"> ▶ Interview with our Chief Executive Officer (pages 6-9) ▶ Interview with our Chief Financial Officer (pages 66-67) ▶ Interview with our Chief Risk Officer (pages 84-85) ▶ Interview with our Supervisory Board Chair (pages 221-223) ▶ Leadership & governance (pages 205-257)
(J) Business model	Our business model is clearly stated in the sections 'Our bank' and 'Our value creation model'.	<ul style="list-style-type: none"> ▶ Our bank (pages 11-17) ▶ Our value creation model (pages 40-41)
(K) Risks and opportunities	<p>Our strategy and operating environment bring clear opportunities and risks potentially affecting our ability to create value. The section 'Opportunities & risks' presents our principal strategic business opportunities and risks, while the 'Performance' section provides insight into actions during the year for different elements.</p> <p>Information on our other risk types and measurement approaches based on our regulatory requirements can be found in the 'Risk, funding & capital' chapter of this report.</p>	<ul style="list-style-type: none"> ▶ Our operating environment (pages 18-25) ▶ Opportunities & risks (pages 36-37) ▶ Performance (pages 45-81) ▶ Risk, funding & capital (pages 83-202)
(L) Strategy and resource allocation	Following our company profile and operating environment in the Introduction, the section 'Our strategy' provides insight into ABN AMRO's strategic direction and how we intend to get there. In addition, the 'Outlook' section looks beyond the reporting year, including the availability of resources.	<ul style="list-style-type: none"> ▶ Our strategy (pages 31-37) ▶ Outlook (pages 80-81)
(M) Performance	<p>The section Strategy, value creation & performance describes our performance along the lines of our strategic pillars, providing context on our strategic KPIs. In 'Our value creation model' we explain the outcomes of the year in terms of the effects on our capitals. The Annual Financial Statements 2021 detail our financial performance.</p> <p>We disclose our strategic KPI objectives only for 2024, and provide insight into our years' performance towards that goal. The section 'Our approach to reporting' includes 'Targets on our strategic KPIs', explaining why we did not include short and long-term targets – in line with requirement 1.18 of the <IR> Framework.</p>	<ul style="list-style-type: none"> ▶ Our value creation model (pages 40-41) ▶ Performance (pages 45-81) ▶ Annual Financial Statements (pages 261-367) ▶ Our approach to reporting (pages 370-380) ▶ Targets on our strategic KPIs (page 35)
(N) Outlook	<p>The 'Outlook' section provides clear forward-looking information, including the availability of resources.</p> <p>In addition, our CEO, CFO, CRO and Supervisory Board Chair, gave interviews including a brief outlook.</p>	<ul style="list-style-type: none"> ▶ Interview with our Chief Executive Officer (pages 6-9) ▶ Interview with our Chief Financial Officer (pages 66-67) ▶ Outlook (pages 80-81) ▶ Interview with our Chief Risk Officer (pages 84-85) ▶ Interview with our Supervisory Board Chair (pages 221-223)
(O) Basis of preparation and presentation	The basis of our preparation and presentation is included in 'Our approach to reporting'. We decide which matters to include in our report based on the materiality principle and in compliance with relevant regulations.	<ul style="list-style-type: none"> ▶ Our approach to reporting (pages 370-380)

Independent auditor's report

To: the Executive Board and Supervisory Board of ABN AMRO Bank N.V.

Report on the audit of the financial statements 2021 included in the integrated annual report

Our opinion

We have audited the financial statements 2021 of ABN AMRO Bank N.V. (hereinafter: ABN AMRO or the bank), based in Amsterdam. The financial statements comprise the consolidated and company annual financial statements.

In our opinion:

- ▶ the accompanying consolidated annual financial statements give a true and fair view of the financial position of ABN AMRO as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- ▶ the accompanying company annual financial statements give a true and fair view of the financial position of ABN AMRO as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated annual financial statements comprise:

- ▶ the consolidated statement of financial position as at 31 December 2021
- ▶ the following statements for 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- ▶ the notes comprising a summary of the significant accounting policies and other explanatory information.

The company annual financial statements comprise:

- ▶ the company statement of financial position as at 31 December 2021
- ▶ the company income statement for 2021
- ▶ the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of ABN AMRO in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

ABN AMRO provides a broad range of financial services to retail, private and corporate banking clients. These activities are conducted primarily in the Netherlands, with foreign operations mainly related to private banking activities in Germany and France and clearing operations in the United States. The bank is at the head of a group of entities and we tailored our group audit approach accordingly.

Materiality

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality	EUR 160 million (2020: EUR 145 million)
Benchmark applied	0.7% of total equity (2020: 0.7% of total equity)
Explanation	Based on our professional judgment, a benchmark of 0.7% of total equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of ABN AMRO. We determined materiality consistently with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ABN AMRO is at the head of a group of components. The financial information of this group is included in the consolidated annual financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group components. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or on specific items.

Our group audit mainly focused on significant group components of ABN AMRO in the Netherlands, France, Germany and the United States. We have:

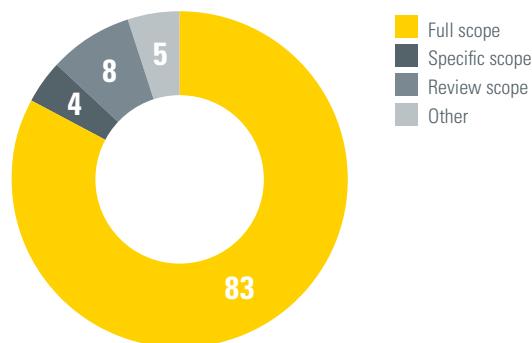
- ▶ performed ourselves audit procedures at the central group level and at the components in the Netherlands;
- ▶ used the work of other component auditors within our EY network when auditing the group entities in France, Germany and the United States;
- ▶ performed review procedures or specific audit procedures at other group components.

We sent instructions to component auditors, covering the significant areas and the information required to be reported to us. Based on our risk assessment, we determined the level of involvement in component audits. Because of the continuing travel restrictions and social distancing due to the Covid-19 pandemic, our site visits of the component teams in France, Germany and the United States were virtual and encompassed some, or all, of the following activities: reviewing key local working papers and conclusions, meeting with local management teams and obtaining an understanding of key processes. We interacted regularly with the component teams during various stages of the audit, using videoconferencing facilities. Where deemed appropriate, we attended component closing meetings with management, also using video conferencing facilities. We reviewed key working papers of component auditors using the EY electronic audit file platform, screen sharing or by the provision of copies of work papers submitted to the group audit team.

Through these procedures we covered in total 95% of the group's total assets and 88% of operating income.

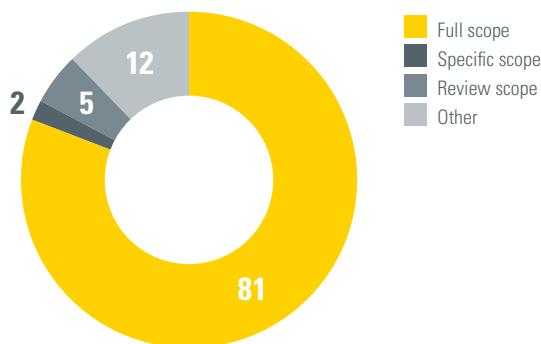
Total assets

(in %)



Operating income

(in %)



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group level and at component level included the appropriate skills and competences which are needed for an audit of a listed bank. We included team members with specialised knowledge in the areas of IT audit, forensics, treasury, income tax and sustainability and have made use of our own specialists in the areas of valuation of derivatives, financial investments, real estate and goodwill, credit risk modelling, macro-economic forecasting, regulatory reporting compliance and legal, and actuarial calculations.

Our focus on climate risks and the energy transition

Climate change and energy transition are emerging topics and lead to significant change for many businesses and society. The executive board of ABN AMRO (hereinafter 'management') has reported in the section climate risk



management of the integrated annual report how the bank is addressing climate-related and environmental risk and taking into account related regulatory and supervisory guidance and recommendations. Furthermore, we refer to the introduction and strategy sections of the integrated annual report where ABN AMRO discloses its assessment and implementation plans in connection to climate related risks and the effects of energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related and environmental risks and the effects of the energy transition are taken into account in estimates and significant assumptions underlying the valuation of certain account balances of ABN AMRO, including those related to the estimation of expected credit losses. Furthermore, we read the specific non-financial information on climate risks, eligible assets in the energy transition and carbon reduction and considered whether there is any material inconsistency with the financial statements.

We describe in our key audit matter relating to the estimation of impairment allowances for loans and advances to customers the audit procedures responsive to the assessed risk related to climate and environmental risk and energy transition. Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions per 31 December 2021.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the bank and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to the section Risk, funding & capital as included in the integrated annual report of ABN AMRO for management's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and implementation, and where appropriate, tested

the operating effectiveness of certain of the internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. We also considered whether the Covid-19 pandemic gives rise to specific fraud risk factors with remote working, office closures or illness possibly diluting the effectiveness of internal controls.

We incorporated elements of unpredictability in our audit and we also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. We performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the 'critical accounting estimates and judgements' section of the accounting policies in the notes to the financial statements. We also used data analysis procedures to identify and address high-risk journal entries. As described in our key audit matter related to impairment allowances for loans and advances to customers, we specifically considered whether the judgments and assumptions in the determination of this allowance indicate a management bias that may represent a risk of material misstatement due to fraud.

We considered available information and made enquiries of relevant executives (including internal audit, legal, security affairs, compliance, risk management and human resources), business line management and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications of fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, enquiries of relevant executives (including internal audit, legal, compliance, risk management and human resources), business line management and the supervisory board, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances and disclosures.

ABN AMRO is subject to laws and regulations that directly affect the financial statements, including financial reporting standards, corporate tax law and various banking supervisory regulations. Also, ABN AMRO is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or instructions.

We inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Specific attention was paid the status of the remediation of non-compliance with AML regulations. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether ABN AMRO has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether ABN AMRO implemented remediation plans. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. Specifically with regard to the progress on the AML remediation activities, we make reference to the key audit matter on provisions and contingent liabilities for legal claims and compliance matters.

Our audit response related to going concern

As disclosed in the 'basis of preparation' of the notes to the financial statements, management assessed ABN AMRO's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated this specific assessment and the level of professional judgment, the risk of management bias, and applied professional scepticism in doing so. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. Furthermore, we assessed the impact that such events and conditions may have on the bank's operations and forecasted cash flows, with a focus on whether the bank meets the regulatory solvency and liquidity requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the bank's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a bank to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

The following key audit matters that were included in our last year's auditor's report are not considered a separate matter for this year:

- ▶ The impact of the Covid-19 pandemic – while the pandemic continues to impact normal operations and we continued to pay attention to this in our audit, we do no longer consider this as a key audit matter as uncertainties around this topic have decreased.
- ▶ Investigation on compliance with the Dutch Act on the prevention of money laundering and financing of terrorism – in 2021 ABN AMRO entered into a settlement with the Netherlands Public Prosecution Service in connection with its investigation of the bank's anti-money laundering activities in the Netherlands over the period 2014 up to 2020. As such, this is no longer considered a separate key audit matter in 2021.



Estimation of impairment allowances for loans and advances to customers

Risk

Loans and advances to customers are measured at amortized cost, less an allowance for impairment. Impairment allowances represent the company's best estimate of expected credit losses. At 31 December 2021, the gross loan portfolio of ABN AMRO amounts to EUR 260.7 billion. The allowances for expected credit losses of EUR 2.4 billion are deducted from the gross loan balance and disclosed in Note 21 to the financial statements and in the sections credit risk management and credit risk review in the integrated annual report.

The expected credit losses are calculated based on risk staging of loans and using assumptions such as the probability of default, the loss given default, macro-economic scenarios and other forward-looking information. Following the granting of Covid-19 relief measures to certain customers, changes to the stage allocation have been made. Further, in response to the higher estimation uncertainties under the current economic circumstances a number of expert overlays have been recorded.

The determination of impairment allowances is a key area of judgment for management. The determination of the individual or collective recoverability of loans and advances to customers is subject to inherent estimation uncertainty. This also involves setting assumptions and determining scenarios for macro-economic developments, geopolitical trends, climate and other environmental related factors.

Given the materiality of the loans and advances to customers of ABN AMRO, the complex accounting requirements with respect to calculating allowances for expected credit losses and the subjectivity involved in the judgments made and the inherent risk for management override, we considered this to be a key audit matter.

Our audit approach

Our audit procedures included, amongst others, evaluating the appropriateness of ABN AMRO's accounting policies related to expected credit losses according to IFRS 9 "Financial Instruments". We also obtained an understanding of the impairment allowance process, evaluated the design and tested operating effectiveness of internal controls relevant to the expected credit loss calculations. We performed substantive procedures, including the reconciliation of the data used in the allowance calculations and disclosures to source systems.

Further, with the support of our internal modelling specialists, we assessed the appropriateness of the models used by ABN AMRO for collectively determined impairment allowances and verified whether the models were adequately designed, implemented and periodically validated. We performed an overall assessment of the provision levels by risk stage to determine if they were reasonable considering the risk profile of the loan and advances portfolios, arrears management and credit risk management practices. We challenged the criteria used to allocate loans to risk stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate stage allocation. Finally, we assessed the retrospective review procedures performed by management which compare modelled predictions to actual results and expert overlays. To assess the estimation uncertainty inherent in the calculations, we developed for a sample of models our independent range of estimates.

For individually assessed loan impairment allowances, we selected individual loans files on a risk-based basis across all stages and performed detailed credit file reviews to assess whether the bank correctly applied its credit risk and staging policy. We challenged the recovery scenarios applied and the applied weighting of these scenarios. With the support of our valuation specialists, we assessed the assumptions underlying the loan impairment calculation, such as estimated future cash flows and collateral valuations. Furthermore, we tested the data used by agreeing the data to source systems and underlying documentation and we reperformed the impairment calculations.

Regarding the application of macro-economic scenarios and forward-looking information, we assessed with the support of our internal economic specialists the base case and alternative economic scenarios including the impact of Covid-19. This included challenging probability weights and the severity and magnitude of modelled downside scenarios, as well as assessing the sensitivity of changes in the assumptions in the calculations. We tested the appropriateness and the associated considerations of expert overlays and post model adjustments and recalculated a sample of these amounts. We also assessed the expert overlays and post model adjustments based on findings from specific regulatory inspections, industry sector trends, product wind-down decisions and considered the ongoing model redevelopments at ABN AMRO, as well as geopolitical, climate and other environmental related factors.

Finally, we evaluated the adequacy of the related disclosures, as included in Note 21 to the financial statements and in the risk management section of the integrated annual report. In particular we evaluated that disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different economic scenarios.

Key observations

Based on our procedures performed we consider the estimation of and disclosures on the impairment allowances for loans and advances to customers to be reasonable and in compliance with EU-IFRS.

Estimation of other provisions and contingent liabilities and related disclosures

Risk

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", ABN AMRO provides for liabilities related to, among others, legal claims, restructuring, and compliance remediation matters. As disclosed in Note 30 of the financial statements, ABN AMRO recognized at 31 December 2021 legal provisions, including the provision for compensation of variable interest, reorganization and other provisions, of EUR 398 million, EUR 178 million and EUR 181 million respectively. In Note 35 the commitments and contingent liabilities are disclosed. This includes contingent liabilities in respect of legal proceedings related to arbitration and a number of duty of care proceedings. Furthermore, in the integrated annual report developments with regard to legal and compliance risk are disclosed.

Developments at ABN AMRO with regard to the internal organization, services to customers and the range of products, as well as heightened regulatory scrutiny, give rise to increased attention from management when estimating the provisions, specifically in the determination of whether outflows in respect of identified matters are probable and can be estimated reliably and the appropriateness of assumptions and judgments used in the estimation of the provisions and disclosure of contingent liabilities. Therefore, we considered this to be a key audit matter.

Our audit approach

We evaluated ABN AMRO's accounting policies related to provisions and contingent liabilities in accordance with IAS 37, and whether assumptions and the methods for making estimates are appropriate and have been applied consistently. We also obtained an understanding of the organizational controls and the legal and regulatory framework of the company. Further, we evaluated the design and implementation of controls by ABN AMRO to identify, monitor and disclose provisions for obligations and contingent liabilities, and to assess the completeness and accuracy of data used to estimate provisions.

For significant provisions we challenged the provisioning methodology and tested the underlying data and assumptions used. Specifically, for the provision related to the variable interest client compensation scheme we performed test of details to underlying contract data and assessed the assumptions and judgments made by the bank, including the expected number of client responses to compensation offerings. We also performed test of details on the anti-money laundering remediation provision and assessed the progress of the number of files considered remediated and the use of external resources in the remediation. For the various restructuring programs following the new strategy of ABN AMRO we tested the calculations and assessed whether the IAS 37 criteria are met to record provisions per 31 December 2021. Lastly, for cases that were settled during 2021, such as the EUR 448 million payment in April 2021 to the Netherlands Public Prosecution Service in connection with its inspection of anti-money laundering activities at ABN AMRO, we verified the actual outflows.

We examined the relevant internal reports, minutes of management and supervisory board meetings, as well as regulatory and legal correspondence to assess developments and we performed follow-up procedures to examine the company's assessment of the impact on the financial statements and the adequacy of risk management disclosures. We obtained legal letters from external counsel and, where appropriate, involved legal and compliance specialists.

Furthermore, we evaluated whether the disclosures provided on the other provisions and contingent liabilities with regard to restructuring, legal and compliance matters are in compliance with the EU-IFRS requirements, and in particular whether they adequately convey the degree of estimation uncertainty and the range of possible outcomes. Finally, we evaluated the appropriateness of the compliance and legal risk disclosures in the integrated annual report.

Key observations

Based on our procedures performed we consider the provisions and the disclosures on provisions and contingent liabilities to be reasonable and in compliance with EU-IFRS.

Reliability and continuity of IT environment

Risk

The activities and financial reporting of ABN AMRO are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, infrastructure and operations, support the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls.

As described in the risk management section operational (non-financial) risk in the integrated annual report, the IT environment and the IT organization of ABN AMRO continues to be strengthened. There is a risk that the general IT control measures may not always operate as intended and, as a result, internal controls are ineffective. Therefore, we identified the reliability and continuity of the IT environment to be a key audit matter.

Our audit approach

IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes and tested the operating effectiveness of general IT controls, as well as application controls over data processing, data feeds and interfaces where relevant for the financial reporting.

In certain areas we performed additional substantive procedures on access management, cyber security, security event monitoring and segregation of duties for the related systems. We also assessed the possible impact of changes in IT during the year resulting from the internal transformation activities and remedial measures on the operating effectiveness of general IT controls and the automated controls. Where applicable, we tested internal controls related to cloud computing and third-party service providers.

Key observations

Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the integrated annual report

The integrated annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. Management and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the supervisory board as auditor of ABN AMRO on 11 September 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

ABN AMRO has prepared the integrated annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the integrated annual report, prepared in the XHTML format, including the partially marked-up consolidated annual financial statements, as included in the reporting package by ABN AMRO, complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the integrated annual report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the integrated annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the Netherlands Institute of Chartered Accountants, included amongst others:

- ▶ obtaining an understanding of the bank's financial reporting process, including the preparation of the reporting package
- ▶ obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- ▶ examining the information related to the consolidated annual financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the bank's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt

on the bank's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the bank's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 8 March 2022

Ernst & Young Accountants LLP
signed by A.B. Roeders

Assurance report of the independent auditor

To: the Executive Board and Supervisory Board of ABN AMRO Bank N.V.

Our conclusions

We have reviewed the non-financial information in the Integrated Annual Report for the year 2021 of ABN AMRO Bank N.V. based in Amsterdam (hereinafter: the Integrated Annual Report). Furthermore we have audited the section "Our Value-creating topics" as included in the non-financial information on page 34 of the Integrated Annual Report. A review is aimed at obtaining a limited level of assurance. An audit is aimed at obtaining a reasonable level of assurance. The non-financial information in scope is included in the chapters "Introduction" and "Strategy, value creation & performance" (up to and including page 65) (hereafter: the non-financial information).

Based on our review nothing has come to our attention that causes us to believe that the non-financial information is not prepared, in all material respects, in accordance with the reporting criteria as explained in the section "Reporting criteria" of our report.

In our opinion the section "Our value-creating topics" is prepared, in all material respects, in accordance with the reporting criteria explained in the section "Reporting criteria" of our report.

Basis for our conclusions

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

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

our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

Reporting criteria

The non-financial information, including the section "Our value-creating topics", needs to be read and understood together with the reporting criteria. ABN AMRO Bank N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the non-financial information are the International <IR> Framework of the Value Reporting Foundation and the supplemental reporting criteria applied as disclosed in the appendix "Our approach to reporting" in the Integrated Annual Report.

The reporting criteria used for the preparation of the section "Our value-creating topics" are disclosed in the section "Value-creating topics" on [page 371](#) of the Integrated Annual Report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review and our audit

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

The references to external sources or websites in the Integrated Annual Report are not part of the non-financial information as assured by us. We therefore do not provide assurance on this information.

Our conclusions are not modified in respect to these matters.

Responsibilities of the Executive Board and the Supervisory Board for the non-financial information

The Executive Board is responsible for the preparation of reliable and adequate non-financial information, including the section "Our value-creating topics", in accordance with the reporting criteria as included in the section "Reporting criteria" of our report, including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the non-financial information and the reporting policy are summarized in the appendix "Our approach to reporting" of the Integrated Annual Report.

Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information, including the section "Our value-creating topics" that is free from material misstatement, whether due to errors or fraud.

The Supervisory Board is responsible for overseeing the reporting process of ABN AMRO Bank N.V.

Our responsibilities

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

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

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

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

Our review and our audit included amongst others:

- ▶ Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues in the sector, the characteristics of the company and the themes that are most relevant to achieving the company's strategy and value creation
- ▶ Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Integrated Annual Report. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board
- ▶ Obtaining an understanding of the value creation model of ABN AMRO Bank N.V.
- ▶ Evaluating the consistency of the non-financial information and the section "Our value-creating topics" with the information in the Integrated Annual Report which is not included in the scope of our review and our audit
- ▶ Evaluating the overall presentation, structure and content of the non-financial information and the section "Our value-creating topics"
- ▶ Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used

Our review of the non-financial information included amongst others:

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

- ▶ Interviewing management and relevant staff responsible for the strategy, policy and results related to the non-financial information
- ▶ Interviewing management and relevant staff responsible for the strategy, policy and results related to the non-financial information
- ▶ Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the non-financial information
- ▶ Obtaining assurance information that the non-financial information reconciles with underlying records of the company
- ▶ Reviewing, on a limited test basis, relevant internal and external documentation
- ▶ Evaluating ABN AMRO's approach to reporting in accordance with the <IR> Framework as disclosed in the section "Compliance with the Integrated Reporting Framework" on pages 379 and 380 of the Integrated Annual Report.
- ▶ Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

Our audit of the section "Our value-creating topics" included amongst others:

- ▶ Obtaining an understanding of the systems and processes for collecting and reporting the data in the section "Our value-creating topics", including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Identifying and assessing the risks that the section "Our value-creating topics" is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the section "Value-creating topics" is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further audit procedures consisted amongst others of:
 - ▶ Interviewing relevant staff responsible for providing the information and carrying out internal control procedures on the data in the section "Our value-creating topics"
 - ▶ Obtaining assurance information that the section "Our value-creating topics" reconciles with underlying records of the company
 - ▶ Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the section "Our value-creating topics"

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

Amsterdam, 8 March 2022

Ernst & Young Accountants LLP
signed by J. Niewold

Other information

Major subsidiaries and participating interests as at 31 December 2021

Retail Banking

ABN AMRO Assuradeuren B.V.	49%	Zwolle, The Netherlands
ABN AMRO Ventures B.V.		Amsterdam, The Netherlands
ABN AMRO Hypotheken Groep B.V. ¹		Amersfoort, The Netherlands
ABN AMRO Kredieten B.V. ¹		Bunnik, The Netherlands
ABN AMRO Levensverzekering N.V.	49%	Zwolle, The Netherlands
ABN AMRO Pensioeninstelling N.V.		Amsterdam, The Netherlands
ABN AMRO Schadeverzekering N.V.	49%	Zwolle, The Netherlands
ABN AMRO Verzekeringen B.V.	49%	Zwolle, The Netherlands
ALFAM Holding N.V. ¹		Bunnik, The Netherlands
Alpha Credit Nederland B.V. ¹		Bunnik, The Netherlands
Credivance N.V. ¹		Bunnik, The Netherlands
Currence Holding B.V.	36%	Amsterdam, The Netherlands
DEFAM B.V. ¹		Bunnik, The Netherlands
International Card Services B.V. ¹		Diemen, The Netherlands
Moneyou B.V. ¹		Amsterdam, The Netherlands
Moneyou Kredieten B.V. ¹		Amsterdam, The Netherlands
Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
Stater N.V.	25%	Amersfoort, The Netherlands

Commercial Banking

ABN AMRO Asset Based Finance N.V. ¹		Utrecht, The Netherlands
ABN AMRO Groenbank B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Strategic Partnership Fund B.V.		Amsterdam, The Netherlands
European Merchant Services B.V.	49%	Amsterdam, The Netherlands
New10 B.V. ¹		Amsterdam, The Netherlands

Private Banking

ABN AMRO Investment Solutions S.A.	99.9%	Paris, France
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
Banque Neuflize OBC S.A.	99.9%	Paris, France
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschafts K.G.	50%	Frankfurt am Main, Germany
Cofiloisirs S.A.	46%	Paris, France
IFCIC S.A.	16%	Paris, France
Neuflize Vie S.A.	60%	Paris, France

Corporate & Institutional Banking

ABN AMRO Acquisition Finance Holding B.V.		Amsterdam, The Netherlands
ABN AMRO Capital USA LLC		New York, USA
ABN AMRO Clearing Bank N.V. ¹		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Clearing London Ltd		London, United Kingdom
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Nominees Pty Ltd		Sydney, Australia
ABN AMRO Clearing Sydney Pty Ltd		Sydney, Australia
ABN AMRO Clearing Tokyo Co Ltd		Tokyo, Japan
ABN AMRO Effecten Compagnie B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Sustainable Impact Fund PE B.V.		Amsterdam, The Netherlands

continued>

ABN AMRO Holdings USA LLC	New York, USA
ABN AMRO Investment Holding B.V. ¹	Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V.	Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund B.V.	Amsterdam, The Netherlands
ABN AMRO Securities (USA) LLC	New York, USA
Banco ABN AMRO S.A.	São Paulo, Brazil
ABN AMRO Corretora de Títulos e Valores Mobiliários Ltda	São Paulo, Brazil
Franx B.V.	Amsterdam, The Netherlands
Maas Capital Investments B.V.	Amsterdam, The Netherlands
Maas Capital Offshore B.V.	Amsterdam, The Netherlands
Principal Finance Investments Holding B.V.	Amsterdam, The Netherlands

Group Functions

ABN AMRO Arbo Services B.V. ¹	Amsterdam, The Netherlands
ABN AMRO Captive N.V.	Amsterdam, The Netherlands
ABN AMRO Funding USA LLC	New York, USA
Geldmaat B.V.	33% Weesp, The Netherlands
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	20% Den Haag, The Netherlands

Branches/Representative Offices

ABN AMRO Asset Based Finance N.V. (United Kingdom) Branch ¹	London, United Kingdom
ABN AMRO Asset Based Finance N.V. (Deutschland) Branch ¹	Frankfurt am Main, Germany
ABN AMRO Asset Based Finance N.V. (France) Branch ¹	Levallois-Perret, France
ABN AMRO Bank N.V. (Belgium) Branch	Berchem, Belgium
ABN AMRO Bank N.V., Frankfurt Branch	Frankfurt am Main, Germany
ABN AMRO Bank N.V. (Greece) Branch	Athens, Greece
ABN AMRO Bank N.V. Hong Kong Branch	Hong Kong, China
ABN AMRO Bank N.V. Oslo Branch	Oslo, Norway
ABN AMRO Bank N.V. Shanghai Branch	Shanghai, China
ABN AMRO Bank N.V. (Singapore) Branch	Singapore, Singapore
ABN AMRO Bank N.V., Sydney Branch	Sydney, Australia
ABN AMRO Bank N.V. (United Kingdom) Branch	London, United Kingdom
ABN AMRO Bank N.V., Paris Branch	Paris, France
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)	Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Representative Office New York	New York, USA
ABN AMRO Clearing Bank N.V., London Branch ¹	London, United Kingdom
ABN AMRO Clearing Bank N.V., Singapore Branch ¹	Singapore, Singapore
International Card Services B.V. (Deutschland) Branch ¹	Düsseldorf, Germany

¹ A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

Provisions of the Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are set out in Article 10 of the Articles of Association. In accordance with the reserve and dividend policy and subject to approval by the Supervisory Board, the Executive Board submits a proposal to the General Meeting of Shareholders specifying which part of the profit is to be reserved. The remainder of the profit is at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Executive Board and subject to approval by the Supervisory Board.

Fiscal unity

ABN AMRO Bank N.V. constitutes a fiscal unity with several Dutch subsidiaries for corporate income tax purposes. All members of the fiscal unity are jointly and severally liable for the corporate income tax liabilities of the fiscal unity.

Cautionary statements

The Bank has included in this Annual Report and may from time to time make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "aim", "desire", "strive", "probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO's beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank's control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- ▶ The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO in particular;
- ▶ The effect on ABN AMRO's capital of write-downs in respect of credit and other risk exposures;
- ▶ Risks relating to ABN AMRO's stock exchange listing;
- ▶ Risks related to ABN AMRO's corporate transactions (e.g. merger, separation and integration process);
- ▶ General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO's performance, liquidity and financial position;
- ▶ Macroeconomic and geopolitical risks;
- ▶ Reductions in ABN AMRO's credit ratings;

- ▶ Actions taken by the European Commission, governments and their agencies to support individual banks and the banking system;
- ▶ Monetary and interest rate policies of the ECB and G20 central banks;
- ▶ Inflation or deflation;
- ▶ Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- ▶ Liquidity risks and related market risk losses;
- ▶ Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- ▶ Changes in Dutch and foreign laws, regulations, policies and taxes, or the interpretation and monitoring thereof;
- ▶ Changes in competition and pricing environments;
- ▶ Inability to hedge certain risks economically;
- ▶ Adequacy of loss reserves and impairment allowances;
- ▶ Technological changes;
- ▶ Changes in consumer spending, investment and saving habits;
- ▶ Effective capital and liquidity management;
- ▶ ABN AMRO's success in managing the risks involved in the foregoing;
- ▶ Public health crises, epidemics and pandemics such as the Covid-19 pandemic, including government orders and restrictions associated therewith, and the impact thereof on economic conditions in countries in which ABN AMRO operates and the effects thereof on ABN AMRO's business, operations, employees, clients and counterparties.

The forward-looking statements made in this Integrated Annual Report are only applicable as from the date of publication of this document. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO may make in ABN AMRO's interim reports.

Enquiries

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abnamro.com/corporatereporting

abnamro.com/annualreport

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