

Accelerating the sustainability shift

ABN AMRO Bank N.V.

Integrated Annual Review 2019



Banking for better, for generations to come

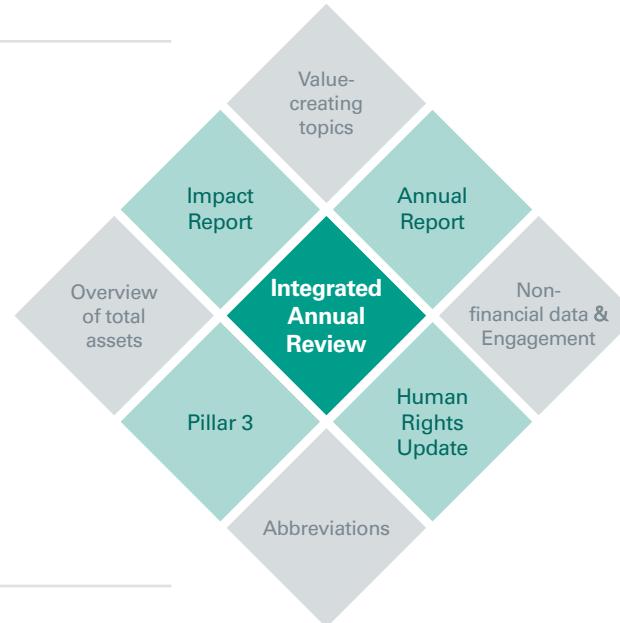
ABN AMRO is one of the Netherlands' leading banks. We provide loans, mortgages and other banking services. We lend to companies and individuals. In doing so, we play an important role in society. Through our lending, we support economic growth and job creation. We're also committed to accelerating the shift to a sustainable economy – by providing more sustainable financing, by working closely with clients and by building a bank fit for the future. We take a responsible, long-term approach to doing business.



About this report

Welcome to ABN AMRO's 2019 Integrated Annual Review

ABN AMRO takes a 'core and more' approach to reporting. This Review is the bank's 'core' report. It is published alongside a number of other 'more' reports (see illustration, right). This Review explains how, over time, our bank creates value for its stakeholders. ABN AMRO plays an important social role, not just as a provider of banking and financial services, but also as a responsible employer. The Review describes ABN AMRO's business, strategy and performance – and its support for the long-term transition to a more sustainable economy.



Statement from the Executive Board

Collectively, as ABN AMRO's Executive Board, we take responsibility for the content, accuracy and integrity of this Review. We have overseen both its preparation and presentation. In our opinion, this Review gives a fair and balanced impression of ABN AMRO's performance, strategy and management, as well as the bank's ability to create value for stakeholders over the short, medium and long term. The Review also addresses ABN AMRO's risks and opportunities from both a financial and non-financial viewpoint. We also confirm that this Review has been prepared in accordance with the International Integrated Reporting <IR> Framework.

Kees van Dijkhuizen
Chief
Executive Officer

Clifford Abrahams
Chief
Financial Officer

Christian Bornfeld
Chief Innovation &
Technology Officer

Tanja Cuppen
Chief
Risk Officer

For more information on our approach to reporting, see [page 63](#). To prepare this Review, we used the International <IR> Framework, as published by the International Integrated Reporting Council (IIRC). EY, our independent assurance provider, has also assured that this Review is in accordance with the <IR> Framework. All abbreviations used are detailed on [page 76](#). All our reports are available online at our [download centre](#).

Interview with our CEO

2019 was an eventful year for ABN AMRO, also one in which the bank made progress on various fronts. Kees van Dijkhuizen talks about the bank's activities on detecting financial crime, digitalisation, low interest rates and ABN AMRO's pioneering role in sustainability.

Kees, how do you look back on 2019?

"We can look back on a solid year financially, despite the difficult low interest environment. We posted a return on equity of 10% while strengthening our Basel IV capital ratio to above 14%. Our share price development was, however, disappointing, also due to investor concerns about low interest rates and the investigation by the Dutch public prosecutor. We take investor concerns very seriously and have already taken firm action. For instance, we announced that we would charge negative interest for clients in the Netherlands with deposits over EUR 2.5 million, and we have a detailed delivery plan in place for building a future-proof organisation dedicated to detecting financial crime. We have a strong capital position and are delivering on our cost-savings programme. All in all, ABN AMRO is in good shape to face the current challenges."



Kees van Dijkhuizen, CEO

"Our purpose, Banking for better, and our strategy enjoy widespread support."

What would you say were the most important highlights and low points?

"Our purpose, Banking for better, for generations to come, and our strategy enjoy widespread support – no less than 92% of our workforce is keen to help create a sustainable bank. A low point in 2019 was, of course, that we had to announce that the Dutch public prosecutor is investigating whether we'd been strict enough in applying anti-money laundering laws."

Banks are expected to fulfil an important role in society. What are your thoughts on this?

"I am regularly approached by people who want to know why a bank should be responsible for something typically performed by the government. In response, I explain that we want to be a key gatekeeper in preventing financial crime. Crimes are committed everywhere, and banks are sometimes used for this purpose. Clients trust us with their money, so we do everything we can to keep financial transactions secure. In 2019, ABN AMRO collaborated more intensively with other banks and with the Dutch police, the public prosecutor, the Fiscal Information and Investigation Office (FIOD) and the Financial Intelligence Unit. We discussed this several times with various cabinet members, including the Dutch Prime Minister and the Ministers of Finance and Justice & Security. One result of these talks is that banks are now allowed to work together to monitor financial transactions. Banks want to be allowed to exchange information about criminals. The privacy issues associated with this are currently being explored."

We also want to keep society safe when it comes to cash. Last year, ABN AMRO temporarily closed 380 ATMs very quickly to prevent casualties caused by violent ATM explosive attacks. That was a hard decision to take, but we stand by it. And in 2019, we announced – as the first bank in the Netherlands – that we would not charge negative interest to clients with savings under EUR 100,000. That, too, is an example of banking for better."

"We posted a return on equity of 10% while strengthening our Basel IV capital ratio to above 14%."

What dilemmas did the Executive Committee discuss with the Supervisory Board in 2019?

"We talked at length with the Supervisory Board about the public prosecutor's investigation, of course. And we exchanged ideas about how our bank can remain relevant in a low interest – and some say negative interest – world. We also reflected on the collaboration between the Executive Committee and the Supervisory Board. We did this intensively during a combined trip to New York, where we explored innovation in the industry among other things. While in New York, we visited our office in the city and met with researchers from Columbia University, FinTechs, McKinsey and several US banks."

Accelerating the sustainability shift is the theme of this Annual Review. How is ABN AMRO contributing to this goal?

"Sustainability is at the heart of our strategy. With total assets of just over EUR 375 billion, our bank can really make an impact, so we have a responsibility to help make the world a better place. Last year, for instance, we introduced the Sustainable Home Mortgage. Our sustainable investment portfolio at Private Banking has doubled in the space of just two years. More than half of new investors now opt for sustainable investment. And, in 2019, ABN AMRO signed the UN Principles for Responsible Banking, together with 129 other international banks. The signatories, representing one-third of the total assets of all banks worldwide, agreed that they will align their business strategies with the UN Sustainable Development Goals and with the Paris Climate Agreement. ABN AMRO is also trying to encourage more challenging industries, such as palm oil and energy, to move in the right direction. If a company refuses



"Two-thirds of our mortgage consultations now take place by video banking. Clients who use this service are extremely satisfied with it."

to cooperate, we can ultimately end our relationship with them. And we are one of the pioneers in carbon accounting, a method for measuring carbon emissions associated with loans and investments. The more financial institutions that join us, the better. Banks in the US are now also showing an interest in this initiative."

The financial industry is becoming ever more digitalised. What do clients think of this development?

"At ABN AMRO, we also want to lead the way in digitalisation – and our clients appreciate that. Things are moving faster than we expected a few years ago. Two-thirds of our mortgage consultations now take place by video banking, sometimes in the evening, sometimes at the weekend. Clients who use this service are extremely satisfied with it. Remote working is also helping us to boost efficiency. Honestly, we didn't expect this service to catch on at Private Banking, but more than 20% of their advisory meetings are now held via video banking. Of course, we haven't lost sight of our more vulnerable clients; they're assisted by our financial coaches."

Is there room for growth?

"Eighty percent of our operations are based in the Netherlands, a healthy market. Our share of the Dutch mortgage market grew in 2019. At the same time, clients are paying back their mortgages early – because of low interest rates. So we need to pursue growth in other client segments, such as lending to small and medium-sized businesses. Our returns outside the Netherlands must improve before we can pursue further growth abroad."

The world has changed since our Investor Day in 2018. What developments have taken place in terms of dividends, targets and costs?

"At the end of 2018, everyone expected interest rates to rise – but they took a downward turn instead. Interest rates in Europe fell sharply, pushing down our net interest income. At the same time, we're spending more on compliance and on detecting financial crime. So we won't be able to meet our cost/income ratio target in the short term – meeting that target will take a bit longer. We are, however, still one of the best performing banks in Europe in terms of returns and capital position."

Your term ends on 22 April. How do you look back on your time as the CEO of ABN AMRO?

"In the past three years, ABN AMRO has delivered good results. We've made great strides in terms of digitalisation. And we've launched an inspiring new purpose and strategy, which our clients and employees are enthusiastic about. I look back on all this with great pleasure. My intended successor will press ahead with our anti-money laundering policy and with new business models in the low interest rate environment. I have every confidence that, under his leadership, the bank has a bright future."

"Clients trust us with their money, so we do everything we can to keep financial transactions secure."



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Our bank

As a bank, we support sustainable economic growth

Our bank

ABN AMRO is one of the Netherlands' leading banks. Our focus is on Northwest Europe; we are also active in specific markets internationally. Headquartered in Amsterdam, ABN AMRO provides banking and other financial services to retail, private and corporate clients. Worldwide, we employ just under 18,000 people. In the Netherlands, we are the principal bank for around 20% of the population and one in four small and medium-sized businesses.

Geography

Rest of the world

Australia: Sydney
Brazil: São Paulo
Asia: Shanghai, Hong Kong, Tokyo and Singapore
US: Dallas, New York, Chicago



Please note that ABN AMRO's offices in the United Arab Emirates (UAE) closed in 2019. During the year, the bank also sold its operations in the Channel Islands.

Europe

Belgium
Germany
France
Greece
UK
Netherlands
Norway

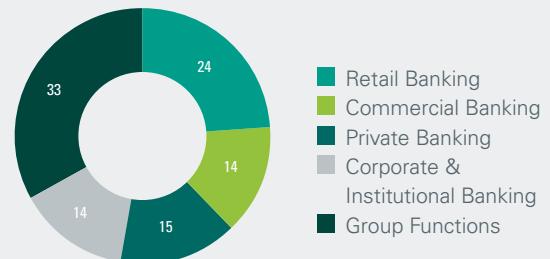


● Main European operations ● Branch offices

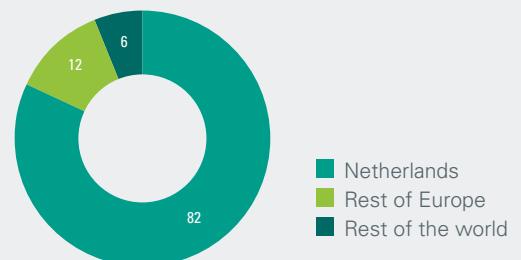
Number of employees (in FTEs)

17,977

By business (in %)



By location (in %)



Our businesses

Retail Banking

- ▶ Five million clients across the Netherlands
- ▶ Top-three bank in the Netherlands
- ▶ Number two bank in new mortgage sales and savings
- ▶ 129 bank branches in the Netherlands
- ▶ Leader in digital banking – 24/7 advice and service centres

¹ SME – Small and medium-sized enterprises.

Commercial Banking

- ▶ Established partner for Dutch SMEs¹
- ▶ Over 350,000 SME clients
- ▶ Primary bank for around a quarter of Dutch SMEs
- ▶ Selective presence in UK, Germany, France, Belgium and the Netherlands
- ▶ Serving clients with annual turnover up to EUR 250 million

Private Banking

- ▶ Focused on Northwest Europe
- ▶ Market leader in the Netherlands
- ▶ Also leading player in Germany and France, and top-ten player in Belgium
- ▶ EUR 195 billion in client assets
- ▶ Fully-integrated financial advice and wealth management

Corporate & Institutional Banking

- ▶ Around 3,000 clients worldwide
- ▶ Wide range of services in selected global markets
- ▶ Specialist activities in clearing and trade & commodity finance
- ▶ Present in 14 countries, including in key financial and logistical hubs

ABN AMRO's businesses are supported by Group Functions, including Innovation & Technology; Finance; Risk Management & Compliance; Human Resources & Transformation; Group Audit; Strategy & Sustainability; Legal; Corporate Office and Brand, Marketing & Communications.

Total client loans (in EUR billions)



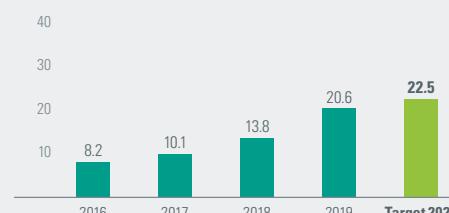
Return on equity (in %)



Net profit (in EUR millions)



Sustainable investments (client assets) (in EUR billions)



Our business model



Most of ABN AMRO's revenue comes from providing mortgages, and loans to corporate clients and consumers. Net interest income (NII) is generated as the difference between interest charged to clients on loans and funding costs.



ABN AMRO also provides financial products and services, including payments, credit cards and other financial services. In return, clients pay fees and commissions. To corporate clients, ABN AMRO offers services such as financial advice and access to capital markets. Offering multiple products and services to clients, competitive pricing and operational excellence are all key drivers of revenue growth.



To retail and smaller corporate clients, we distribute products and services mainly through digital channels; most mortgages are sold through intermediaries.



Competition from outside the banking sector is increasing across the board – from FinTechs and insurers to BigTech companies. To remain competitive, we continue to focus on digitalisation, on reinventing business models – and on working closely with partners and clients. To remain relevant to clients, we provide expertise, cost efficiency and effective capital management.

Year in review

- ▶ ABN AMRO becomes the world's first mainstream bank to allow clients to pay using wearables such as rings, watches and bracelets
- ▶ New partnership agreed with Lyanthe to develop digital accounting for small businesses



Jan



Feb



Mar



Apr



May



Jun

- ▶ Acquisition of Societe Generale's private bank in Belgium doubles ABN AMRO's assets under management in the country to EUR 12 billion
- ▶ Second Human Rights Report released, based on the UN's Guiding Principles Reporting Framework

- ▶ Sale announced of Channel Islands private banking operations to Butterfield
- ▶ Kendu app offers asset management to investors investing as little as EUR 50

- ▶ CEO Kees van Dijkhuizen announces he will step down when his current term expires in April 2020
- ▶ New partnership agreed with Yes Corporate Finance, providing advice to SMEs on acquisitions and succession planning

- ▶ Sustainable Home Mortgage launched to help clients finance energy-saving measures for their homes
- ▶ ABN AMRO says it will expand its Mission 2030 programme to include standards agreed as part of the Paris Climate Agreement

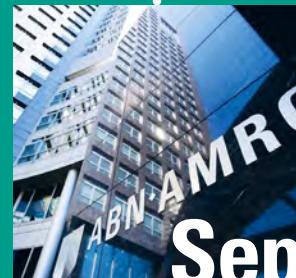
- ▶ Dutch cabinet's plans mark an important step towards stronger cooperation between government and banks to prevent money laundering
- ▶ Euromoney names ABN AMRO as Western Europe's Best Bank for Sustainable Finance



Jul



Aug



Sep



Oct



Nov



Dec

- ▶ ABN AMRO will cooperate fully with Dutch public prosecutor's investigation relating to requirements under the law on the Prevention of Money Laundering and Terrorist Financing¹
- ▶ Two-year collective labour agreement signed with trade unions, along with an updated pension plan for 2020-2024
- ▶ ABN AMRO signs up to new UN Principles for Responsible Banking

- ▶ ABN AMRO decides not to charge negative interest rates to clients with deposits below EUR 100,000
- ▶ Digital Impact Fund doubled to EUR 100 million, and renamed ABN AMRO Ventures
- ▶ Dutch Transparency Benchmark awards ABN AMRO 'Most Innovative Report' for the bank's first Impact Report published in March 2019

- ▶ EUR 114 million set aside to cover additional Retail Banking costs associated with ABN AMRO's Detecting Financial Crime activities
- ▶ Access to ABN AMRO's Grip app and mobile banking extended to clients of other major banks in the Netherlands

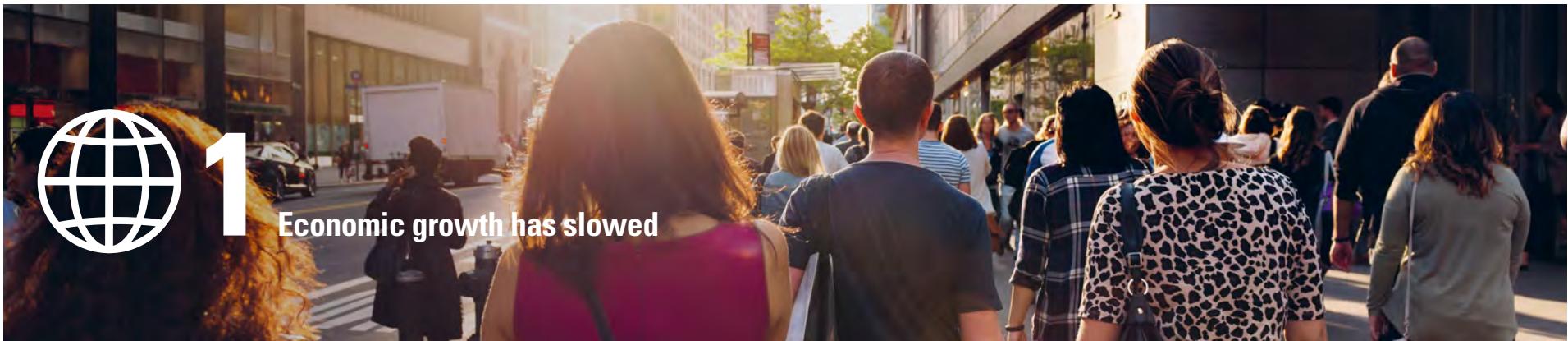
- ▶ Project financing finalised for the new Fryslân wind farm in the Netherlands
- ▶ Apple Pay made available to ABN AMRO clients

- ▶ ABN AMRO temporarily shuts down 380 ATMs in the Netherlands, following recent attacks

¹ Wet ter voorkoming van witwassen en financieren van terrorisme (Wwft).

The world around us

ABN AMRO's operating environment is shaped not only by economic conditions and financial markets, but more than ever by society's expectations. In recent years, these expectations have increased, particularly with regard to the role banks can play in combating financial crime and climate change. In 2019, market conditions remained challenging for banks.



During the year, global economic growth slowed because of trade tensions, a slowdown in manufacturing and increased political uncertainty. World economic growth was an estimated 2.9% in 2019, down from 3.5% the previous year. Global trade, meanwhile, registered zero growth – the result, in part, of the current dispute between the US and China. In the Netherlands – ABN AMRO's primary market – the economy has proved resilient. In 2019, domestic demand became the main driver of growth, as international trade slowed. Private consumption, government spending and investments all contributed to GDP growth. During the year, growth in the Netherlands was lower at 1.7%, but still above the eurozone average of 1.2%. Other markets where ABN AMRO is active – Belgium, France, Germany and the US – also grew, though at a lower rate than in 2018. During the year, growing political uncertainty affected the world

economy, stemming from political tensions (including Brexit), escalating trade disputes, continued tensions in the Middle East and street protests in a number of countries.

Interest rates in Europe, meanwhile, remain at historic lows, in part because of long-term factors, such as ageing populations. In 2019, rates continued to fall – at the end of the year, the European Central Bank (ECB) deposit rate was cut to -0.5%. For banks, low interest rates present a real challenge – they put pressure on profitability. Interest rates on client savings have been further reduced, but as client rates are low and in some cases negative, it will be increasingly difficult to offset the decline.



2 Society's expectations are increasing

In recent years, what society expects of banks has changed. In the Netherlands, banks are under increased public scrutiny. Much of this stems from the 2008 financial crisis, when several banks needed financial support from the Dutch State. A decade on, trust in banks remains low.¹ Regulation has increased. Banks are also expected to invest for positive impact, combat climate change and support the international development agenda.

There is an increased focus on the role of banks in detecting and preventing financial crime and money laundering. An estimated EUR 16 billion are laundered in the Netherlands each year.² In 2019, the Dutch government introduced plans to combat money

laundering – and reinforce the role of banks as gatekeepers for the financial system. Proposed measures included a ban on cash transactions over EUR 3,000 and tighter rules on customer due diligence. There is also more legislation – a push for increased disclosure on social and environmental impact, for example through TCFD³, and the EU Directive on Non-Financial and Diversity Information. In human rights, banks – like other companies – are expected to comply with the Protect, Respect and Remedy Framework, set out in the UN Guiding Principles on Business and Human Rights; human rights were also the centre of the Dutch Banking Sector Agreement, introduced in 2016.⁴

¹ Source: Edelman Trust Barometer 2019 – financial services (only 48% of people surveyed in the Netherlands said they trusted the financial sector).

² Source: Dutch Ministry of Finance.

³ Task Force for Climate-Related Financial Disclosures.

⁴ Dutch Banking Sector Agreement on international responsible business conduct regarding human rights (October 2016). For more information, see imoconvenant.nl.



3 Banking has gone digital

In recent years, technology has fundamentally changed banking. Clients expect 24/7 banking wherever they are in the world - exactly the same access offered by other service providers. They also expect constant innovation. Technology is becoming faster, less expensive and more universal. As a result, banks need to invest more; in many areas, they need to reinvent themselves. Nowadays, most retail banking is conducted digitally. Finance has become a digital industry. It's also ripe for disruption. Start-ups and tech companies are in a position to compete – offering new, innovative products and services. At the same time, bank branches are closing because of the increase in mobile banking.

The role of banks as an intermediary is also under pressure; companies can now deal with customers directly online, thanks to a combination of technology, open banking and new regulation, in particular with the EU's Payment Services Directive (PSD II). Consumers also find themselves in the driving seat – there is a premium on customer service. The risk is that banks will eventually become utilities – they will be able to offer payment services and information, but will have to compete in a market where other companies also have direct access to their clients.



4 Banks are adjusting to higher capital requirements

Since the financial crisis, banks have been required to hold more capital as a buffer. To implement Basel IV, it is estimated that European banks will need just over EUR 90 billion in additional capital.¹ Other regulations also affect banks' capital requirements. These include TRIM², the ECB's review of banks' internal risk models. TRIM is designed to ensure consistency across the sector, and act as a frontrunner for Basel IV. At the same time, new rules are being introduced for non-performing exposures (NPE); these are loans and other credits that are not being repaid as scheduled. New rules require banks to fully provision their NPEs.³

ABN AMRO is well capitalised and in a good position to meet stricter requirements. At the end of 2019, ABN AMRO's fully-loaded CET1 capital ratio stood at 18.1%, well within the bank's 17.5-18.5% target range. ABN AMRO's CET1 ratio includes EUR 10 billion in risk-weighted assets added in anticipation of TRIM and further model reviews. Under Basel IV, our ratio at the end of 2019 stood at over 14%.

¹ For Group 1 banks. Source: Basel Committee on Banking Supervision (results of the cumulative quantitative impact study).

² Targeted Review of Internal Models.

³ The timescale varies: banks have two years in the case of non-collateralised NPEs, and up to seven years for collateralised.

Strategy & value creation

Our strategy is based on supporting clients' transition to sustainability, reinventing the customer experience and building a future-proof bank.



Our **strategy**

To remain relevant and responsible now and in the future, we have defined a clear purpose to guide us through change: Banking for better, for generations to come.

To continue creating lasting value for all of our stakeholders, we pursue a strategy aimed at building a bank fit for the future, able to adapt to a rapidly changing economic and social environment. Central to this strategy are the bank's clients, and helping them make the shift to sustainability. Our strategy is based on three pillars: support clients' transition to sustainability, reinvent the customer experience, and build a future-proof bank.

Strategic pillar 1

Support our clients' transition to sustainability



Strategic pillar 2

Reinvent the customer experience



Strategic pillar 3

Build a future-proof bank





Strategic pillar 1

Support our clients' transition to sustainability

What's the rationale?

ABN AMRO wants to contribute to a more sustainable economy, and we see sustainability as a business opportunity. Businesses are switching to more sustainable and / or circular models. Individuals, too, are moving to more sustainable lifestyles – they want to reduce their impact on the environment. We support clients as they make this transition to new products and models that enhance people's welfare. We want to lead by example, by taking a responsible approach to investment, maintaining high standards of ethics and integrity, and having a positive impact on society.

What are we doing?

ABN AMRO is making more sustainable financing available to businesses. We are also investing more in renewable energies and, through our Mission 2030 programme, helping clients increase energy efficiency at their homes and commercial premises. At the same time, we are working closely with clients to increase the amount they invest sustainably. For private banking clients in the Netherlands, sustainable investments are already the default option.



Strategic pillar 2

Reinvent the customer experience

What's the rationale?

We need to keep pace with client expectations. Clients expect flawless service that is right the first time, every time – whether they are taking out a loan, opening new accounts, making payments or transferring money. They also want 24/7 access online, and via their phones and tablets. To compete, we have to offer clients proactive advice, as well as safe and hassle-free banking.

What are we doing?

We are continuing to invest in digitalisation to improve client service; at the same time, we work hard to protect data privacy and security. In many cases, our goal is to take the hassle out of banking. We're also extending self-service features – in the Netherlands, these are proving very popular. In our processes, we're removing the 'paper' – so there's no longer the need for pen-and-ink signatures. Engagement with clients has decreased because of digitalisation; in response, we've introduced special 'real-time triggers' to ensure we maintain continuous contact and support our clients. We are introducing new apps, and extending video banking that allows us to serve clients outside the usual bank opening hours. We are also putting more money into FinTech through our EUR 100 million ABN AMRO Ventures¹. To support this approach, we are establishing partnerships to develop new products and services. In doing so, we will retain the client relationship; our partners will contribute new technologies and solutions.

¹ Formerly ABN AMRO's Digital Impact Fund.



Strategic pillar 3

Build a future-proof bank

What's the rationale?

To deliver our strategy, we have to be highly efficient. We have to engage our employees, develop new skills and reduce costs. Our aim is to be a purpose-led organisation that encourages high performance levels, and that has a diverse and inclusive workforce. Compliance is effectively our licence to operate; we take our role as a gatekeeper very seriously. At the same time, we are increasing our capacity, so we can keep up with the regulatory agenda. We know that clients expect banking to be safe, which is why we put such emphasis on data privacy and protection.

What are we doing?

ABN AMRO is rationalising its product portfolio, streamlining processes, changing its service model, and continuing to 'rejuvenate' its IT systems. Using new technologies should make the bank quicker and more responsive. We are looking to progress to the next level of digitalisation and productivity; we're doing this through product rationalisation, by changing the service model and balancing investments, while becoming more prudent and efficient in how we deliver our products and services. We are employing Artificial Intelligence to support regulatory compliance. Our IT transformation is on track; we have put in place a DevOps programme, combining IT operations and software development to help make us more efficient. We are also cutting costs: our aim now is to reduce costs by EUR 1.1 billion by the end of 2020.¹ Internally, we are developing a workforce that is fit for the future. That means having the right person at the right place at the right time. We are focused on attracting and retaining talent, and investing in our workplace to increase productivity and improve the employee experience.



Strategy implementation

ABN AMRO announced its refreshed strategy in November 2018. In 2019, the focus was on implementation. To oversee this process, we have put in place a dedicated strategy execution team, overseen by ABN AMRO's Chief Innovation & Technology Officer, and reporting regularly to the bank's Executive Committee.

Targets & progress

To support our strategy, we have put in place financial and non-financial targets. Our targets relate both to group performance and more specifically to the bank's three strategic pillars. Alongside these, we have other internal targets to ensure our strategy is integrated into our operations.

Meeting all targets will be a priority for 2020 and beyond. See our Performance section (pages 28-48) for details.

¹ Compared with 2015.

Key indicators & targets

To support implementation of our strategy, we've put in place a series of performance targets.

Group targets	Metric	Targets	2019 results	2018 results
Non-financial				
	Gender diversity at the top	30% women at the top	28%	28%
	Gender diversity at the subtop	35% women at the subtop	27%	27%
	Dow Jones Sustainability Index (DJSI) ranking	Top 5% of banking sector	Top 10% of banking sector	Top 5% of banking sector
	Banking Confidence Monitor	Leading among large Dutch banks	3.2	3.3
Financial				
	Return on average equity	10-13%	10.0%	11.4%
	Cost/income ratio	56-58%	61.2%	58.8%
	CET1 (fully-loaded)	17.5-18.5%	18.1%	18.4%
	Dividend payout ratio	At least 50% of net sustainable profit	62%	62%
Strategic pillars	Metric	2022 targets	2020 targets	2019 targets
Support our clients' transition to sustainability				
We are committed to helping our clients become more sustainable	► Renewable energy commitment as a % of energy portfolio ► Sustainable financing ► Sustainable investments (client assets)	26% ² EUR 7.5 billion EUR 30 billion ⁴	20% EUR 3.0 billion EUR 22.5 billion ⁵	14% EUR 1.5 billion EUR 14.5 billion
We provide our clients with insight into their sustainability performance	Clients rated on our CASY ⁶ sustainability rating tool ► Commercial Banking ► Corporate & Institutional Banking	100% 100%	100% 100%	100% 84%
We help our clients invest to make their homes and real estate more sustainable	► Average energy label (residential properties) ► Average energy label (commercial properties)	70% rated A-C 47% average A	63% rated A-C 31% average A	61% rated A-C 23% average A
Reinvent the customer experience				
Net Promoter Score (relational)	► Retail Banking ► Commercial Banking ► Private Banking ► Corporate & Institutional Banking	≥ -4 ≥ +1 ≥ +9 ≥ +32	≥ -10 ⁷ ≥ +1 ⁸ ≥ +9 ⁹ ≥ +29 ¹⁰	≥ -6 ≥ 0 ≥ +1 ≥ +32
Build a future-proof bank				
Employee engagement		≥ 80%	80%	80%

¹ We introduced new targets in 2018 as part of our strategy refresh.

Therefore, we did not report against all strategic pillar metrics.

Figures available for 2018 are as follows: NPS Retail Banking (-9); NPS Private Banking (-1), NPS Commercial Banking (-2),

NPS Corporate & Institutional Banking (+45) and Employee engagement (80%).

² Target for 2022 is indicative only; we are currently enhancing our methodology for this metric.

³ Sustainable financing is a new KPI which is still under development. We expect to report results in 2020.

⁴ Please note that our target for 2022 will be reviewed to reflect the EU taxonomy for sustainable activities.

⁵ This target was originally set at EUR 16 billion; it has been readjusted to EUR 22.5 billion.

⁶ CASY - Client Assessment on Sustainability.

⁷ This target was originally set at ≥-3; it has been readjusted to ≥-10.

⁸ This target was originally set at ≥+3; it has been readjusted to ≥+1.

⁹ This target was originally set at ≥+3; it has been readjusted to ≥+9.

¹⁰ This target was originally set at ≥+36; it has been readjusted to ≥+29.

For more details on non-financial indicators please see page 70.

Creating value

ABN AMRO creates values in various ways - by supporting business, providing access to banking services and by enabling clients to buy their own homes.

As a bank, we create value not only as a lender, but also as an employer and a provider of investment services. Like any company, however, our activities may also have negative effects. For example, by lending to business, we may help drive economic growth and job creation. But, in doing so, we may also increase carbon emissions and cause damage to the environment. Our strategy is straightforward: to increase long-term value for our stakeholders, while minimising the negative effects of our business, wherever possible. Over the next several pages, we describe:

- ▶ the principles behind value creation
(Creating value, pages 20-21)
- ▶ the principal groups we create value for
(Our stakeholders, page 22)
- ▶ the areas where we believe we can create most value (Our value-creating topics, page 23)
- ▶ our value creation model (How we create value, pages 24-25)
- ▶ and, finally, the impact this process of value creation has on our stakeholders (page 26).

Our value creation model

Our value creation model is shown on pages 24-25.

This model is based on the Integrated Reporting Framework, issued by the International Integrated Reporting Council (IIRC). It sets out inputs, outputs and outcomes – in other words, the resources or ‘capitals’ that we use in our business and that may be either increased or decreased as a result of the bank’s activities. For the purposes of the model, we use six distinct capital types:

- ▶ Financial (all forms of money and other financial assets)
- ▶ Manufactured (all fixed assets, including property, equipment and selected financial assets)
- ▶ Intellectual (intangible assets, including intellectual property, systems and processes)
- ▶ Human (employees’ individual skills, know-how and productivity)
- ▶ Social (social ties, norms, networks and relations with stakeholder groups)
- ▶ Natural (natural resources, including energy, water and climate).



Our model is built around our value-creating topics (VCTs). These are the areas where we believe the bank can create long-term value for stakeholders, ranging from the benefits of digitalisation and innovation to sustainable financing and investments in the circular economy (see [page 33](#)). These VCTs are tied directly to our strategy; we have also set metrics and targets for most topics. Not all are reported externally.

How to read our value creation model

The model comprises three main parts:

- ▶ Inputs – the resources we use to operate our business; these may be financial resources, such as income from fees and commissions, or the time, skills and knowledge of our employees.
- ▶ Outputs – the results of our business activities; these may be the salaries we pay employees, or the number of mortgages we approve each year.
- ▶ Outcomes – these relate to the consequences of our activities, or the ‘results of the results’. For example, we may grant a mortgage, as an output. But each mortgage granted has a consequence – through increased house construction, for example, or the social benefits of home ownership for our clients.

At the centre of this model are our business activities – what we do as a bank. In effect, this is the engine room, where value is created or depleted through lending,

investment, and procurement, or through our employment practices. Of course, our business is complex – our value creation model provides only an overview. Even so, the model allows us to identify potential risks, opportunities and trade-offs within our broader value chain. We can also see how ABN AMRO’s value chain is connected to other value chains – through our relations with clients or suppliers.

Impact reporting

Alongside our value creation model, we have also developed detailed reporting to assess the bank’s impact on stakeholders (both positive and negative). This reporting breaks down results by both capital and stakeholder group (tying the assessment directly to our value creation model).

We realise that, ultimately, our licence to operate depends on creating positive long-term value for our stakeholders. Our 2019 results show that, overall, we had a positive effect on clients and employees. For investors, we created value through dividends and interest payments – though we lost value during the year because of the decline in the bank’s share price. For details of our 2019 results, please refer to [page 26](#). Measuring impact is still a young science – our methodology continues to evolve. Our reporting already provides significant insights, however. We are currently looking

into how we can incorporate impact metrics into our decision-making.

Availability of resources & inputs

ABN AMRO’s business relies on certain resources and inputs. We need financial capital, for example – and the skills and commitment of our workforce. Our operating environment may affect the availability of these resources. Going into 2020, we see the main risks as follows (shown by capital):

- ▶ Financial: decrease in revenue as a result of persistently low interest rates; increased pressure from regulators, requiring us to hold more capital (including Basel IV, TRIM, NPE)
- ▶ Manufactured: increased environmental controls relating to offices and other premises; social risks within the bank’s supply chain
- ▶ Intellectual: implementation risk, associated primarily with the bank’s IT transformation
- ▶ Human: shortage of new skills; rising cost of talent, particularly in areas relating to IT and new digital technologies
- ▶ Social: further loss of trust resulting from the Dutch public prosecutor’s current investigation into the bank
- ▶ Natural: increased climate risk through lending and investment, notably as a result of increased flooding and drought in the Netherlands.

Our stakeholders

ABN AMRO's stakeholders include clients, employees, investors and society. Value created for each of these groups depends on their relationship with the bank. We engage regularly with our stakeholders¹ – through polls, surveys, meetings, conferences and seminars.

	Who are our stakeholders?	What are their expectations?	What is our relationship?
Clients	 <ul style="list-style-type: none"> ► Retail and SME clients ► Commercial, Corporate & Institutional Banking clients ► Private Banking clients ► Public sector clients ► Brokers, intermediaries and other distributors 	<ul style="list-style-type: none"> ► Effortless customer experience ► Proactive, relevant financial and sustainability advice ► Access to safe, non-discriminatory, and stable banking services 	<p>Our clients receive services, including loans. For these, they pay fees or interest. In return, they are able to save or make deposits. ABN AMRO creates value for clients – by financing home ownership, for example, or by saving them time through quicker, more efficient banking services. Loans enable corporate clients to build and grow their businesses.</p>
Employees	 <ul style="list-style-type: none"> ► Full-time and part-time employees ► Sub-contractors 	<ul style="list-style-type: none"> ► Training, development and career opportunities ► Recognition, fair salaries and benefits ► Open, collaborative working environment ► Diversity & inclusion ► Clear vision and direction 	<p>Employees invest time, skills and know-how. In return, they receive salaries and other benefits. ABN AMRO also trains employees in new skills. In most cases, employment increases well-being. On average, ABN AMRO has higher job satisfaction than other companies in the Netherlands.</p>
Investors	 <ul style="list-style-type: none"> ► Shareholders ► Bondholders 	<ul style="list-style-type: none"> ► Attractive, sustainable returns ► Stable and controlled risk appetite ► Well-managed balance sheet ► Responsible investment & financing proposition 	<p>Investors provide ABN AMRO with financial capital. They receive returns on their investments through interest and dividends. Shareholders may lose value if our share price declines; similarly, bondholders may lose value if we fail to repay our bonds.</p>
Society	 <ul style="list-style-type: none"> ► Suppliers and external consultants ► Other business partners ► Local communities ► Governments and regulators ► NGOs 	<ul style="list-style-type: none"> ► Investment in sustainable economic growth ► Integration of environmental, social and governance (ESG) factors into business decisions ► High standards of ethics and integrity ► Responsible approach to employment and tax ► Act as a reliable gatekeeper for the financial system 	<p>Society provides ABN AMRO with its licence to operate. In return, the bank pays taxes and supports economic growth and job creation. ABN AMRO may, however, affect society negatively – if loans or investments contribute indirectly to labour rights violations or increased pollution, for example.</p>

¹ For more details on the bank's engagement process, see ABN AMRO's Non-financial data & Engagement report, available online. ABN AMRO defines its stakeholders 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 as a business'. Using this definition, we recognise four main stakeholder groups: clients, employees, investors and society.

Our value-creating topics

ABN AMRO conducts a regular assessment of its operating environment.¹ This allows the bank to identify its most important value-creating topics – social, economic, financial or environmental. From these we selected our nine 'strategic differentiators'² – those areas where ABN AMRO potentially creates most value for its stakeholders. These differentiators form the basis of the bank's strategy and its approach to value creation; each differentiator is tied directly to our three strategic pillars; in turn, each of these pillars has specific KPIs and metrics (see [page 19](#)).³ In addition to the differentiators, we also chose a further nine 'fundamental value creators', which help protect the bank's long-term licence to operate.

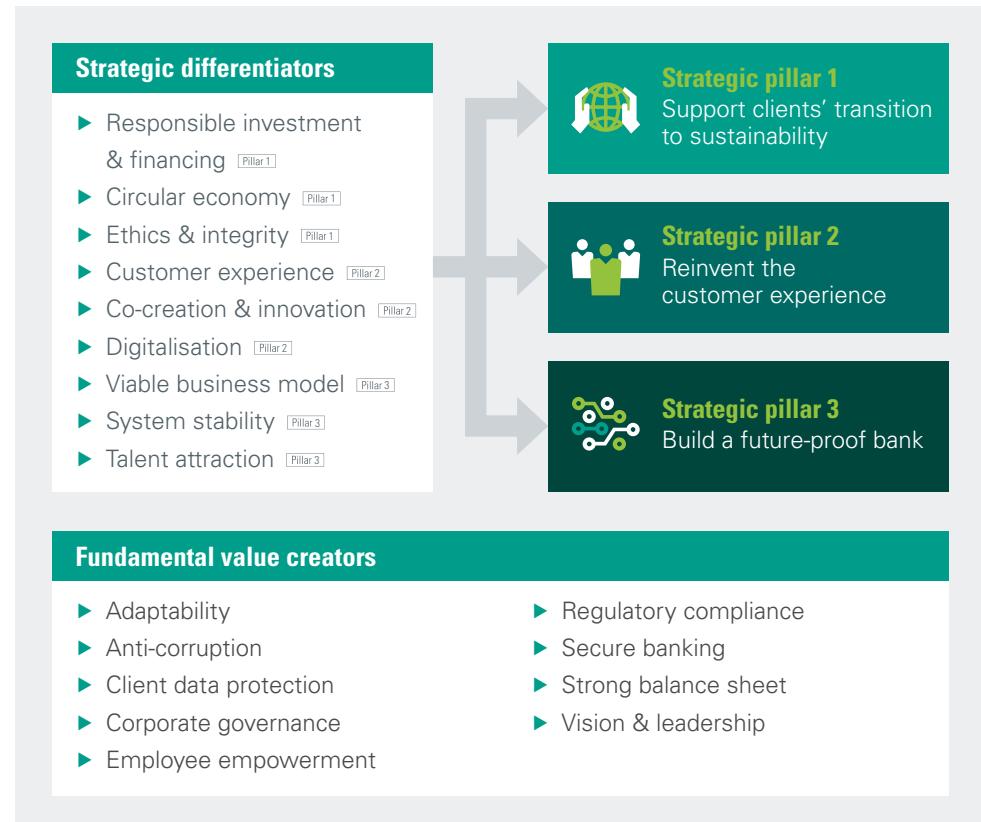
We carry out our assessment every two years. The last took place in 2018; we reviewed the results in 2019 against recent market developments.⁴

We concluded that no deviation in the results was significant enough to prompt a change in the strategic differentiators we had already identified.

Our differentiators are selected on the basis of:

- ▶ A comprehensive analysis of media, trend reports, peer disclosures, and reporting requirements
- ▶ Input from the bank's senior management and other internal stakeholders.

Results are presented to members of ABN AMRO's Executive Committee for discussion and approval.⁵ Topics are ranked according to magnitude (their potential impact on value creation) and likelihood (how likely a topic is to bring about this impact). The table on [page 27](#) sets out ABN AMRO's strategic differentiators, and the opportunities and risks associated with them.



¹ For more information on ABN AMRO's 2018 assessment of its operating environment (and the methodology used), see the bank's separate Value-Creating Topics Report, available online. For reporting on ABN AMRO's strategic differentiators and fundamental value creators, see [Performance](#), from [page 28](#). ABN AMRO's 2018 operating environment assessment covered all the bank's businesses and consolidated entities worldwide. As part of this assessment, strategic differentiators and fundamental value creators were chosen from a longer list of value-creating topics.

² In our 2018 Review, our Strategic Differentiators were referred to as value-creating topics. For this Review, they have been renamed strategic differentiators. All nine are linked directly to our strategic pillars.

³ Please note that we do not have strategic KPIs in place for all strategic differentiators. We do have non-strategic KPIs, however (as is the case, for example, with System stability). In addition, we have other internal metrics and targets, some of which are not published externally.

⁴ Market developments were based on a big data analysis. Results were compared with a similar analysis conducted as part of the original 2018 materiality assessment.

⁵ Only results of the full assessment are presented to the Executive Board; the Board does not usually review annual updates.

How we create value

Input

Financial All forms of money and other financial assets	EUR 6.5 billion Net interest income EUR 1.6 billion Total fees & commissions EUR 21.5 billion Total equity EUR 83 billion Corporate and commercial lending ¹
Manufactured All fixed assets, including property, equipment and selected financial assets	EUR 235 billion Total deposits (excluding banks) EUR 998 million Total spending on General IT
Intellectual Intangible assets, including intellectual property, systems and processes	Each year, we invest in technology to improve both internal processes and our service to clients. We also work hard to combat financial crime.
Human Employees' individual skills, know-how and productivity	Total number of employees (FTEs) 17,977 in 16 countries We invest in our people through training and skills development to support implementation of our strategy and increase their employability.
Social Social ties, norms, networks, brand and relations with stakeholder groups	EUR 7.6 million Investments made by ABN AMRO's Social Impact Fund 31,900 Hours of community investment through ABN AMRO Foundation
Natural Natural resources, including energy, water and climate	146 GWh Total energy use (excluding mobility) of which 62% was renewable energy EUR 750 million Total investments through the ABN AMRO green bond

Our strategic pillars

Support our clients' transition to sustainability

- ▶ Responsible investment & financing
- ▶ Circular economy
- ▶ Ethics and integrity

Reinvent the customer experience

- ▶ Customer experience
- ▶ Co-creation and innovation
- ▶ Digitalisation

Build a future-proof bank

- ▶ Viable business model
- ▶ System stability
- ▶ Talent attraction



¹ Excludes professional counterparties and other loans.

Output

EUR 1.28 Proposed full-year dividend per share
EUR 634 million Corporation tax paid
EUR 3.4 billion Interest paid to clients and ECB

EUR 148.2 billion Size of residential mortgages portfolio
EUR 99.1 billion Total corporate loans to business clients
EUR 20.6 billion Sustainable investments (clients assets)

3.2 Trust (confidence in own bank)
181 Total client complaints relating to privacy breaches in the Netherlands
136 Total client complaints relating to breaches of other regulatory or voluntary codes in the Netherlands

80% Employee engagement score
3.4% Absentee rate

Customer loyalty (Net Promoter Score)
 ▶ **-10** Retail Banking ▶ **+9** Private Banking
 ▶ **+1** Commercial Banking ▶ **+29** Corporate & Institutional Banking
49 Number of human rights-related risk assessments conducted
99.9% Percentage availability of digital /mobile banking

32 kilo-tonnes Carbon emissions from own operations, 100% compensated by green certificates (includes scopes 1, 2 and 3)²
14% Percentage of renewables in overall energy portfolio

Outcome

Financial

In 2019, we generated value through dividends and interest payments, salaries, taxes and lending. At the same time, we took in financial capital - in the form of net interest income, fees and commissions. Financial value was also affected by a decline in our share price.

Manufactured

During the year, we created manufactured value through home ownership and by providing faster access to banking services.

Intellectual

Through advice, we created intellectual value for clients. We also took in intellectual capital from others, including suppliers and business partners. At the same time, there were adverse effects, for instance from incidents of cybercrime.

Human

During the year, employees continued to contribute time, skills and knowledge. In return, we created value through training, development and increased well-being. We also 'consumed' human capital through services provided by business partners.

Social

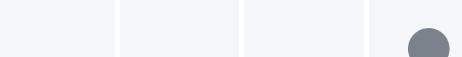
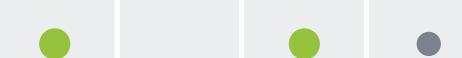
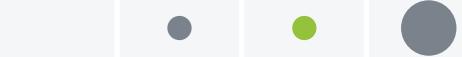
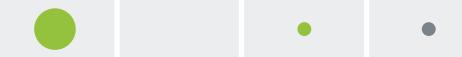
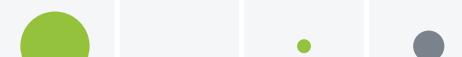
We created social value, largely through the benefits of home ownership and an increase in the bank's brand value. That said, some clients had financial difficulties, struggling to repay loans and mortgages. Through lending, we may also have cases in our wider value chain of fraud, low pay or labour rights violations.

Natural

During 2019, we depleted value through carbon emissions, use of natural resources and pollution, both through our own operations and as a result of our lending and investment activities.³

Impact²

 Positive impact
 Negative impact



² For more details on our impact, see page 26, Impact by stakeholder group (EUR millions equivalent - presented in ranges).

³ For more details on the bank's carbon emissions (including disclosures on scope 3) see ABN AMRO's Non-financial data & Engagement report, available online.

Our impact

2019 results by stakeholder group

- ▶ During the year, we created most value for **clients** through our mortgages; on the chart (right), this shows as a positive impact under manufactured capital, among others. Clients also benefited from financial advice (intellectual) and quicker transactions, thanks to continued investment in mobile banking (both intellectual and manufactured). In exchange for our services, clients paid fees, commissions and interest (shown as a negative financial impact); some clients also experienced financial difficulties during the year in repaying loans and mortgages (social).
- ▶ **Employees** contributed time, skills and knowledge (human). In return, they received salaries (financial), and gains through training and increased well-being (human). Some staff may also have been affected by job losses or health problems related to stress (human).
- ▶ In 2019, **investors** continued to provide us with financial capital. In return, they received dividend and interest payments. For shareholders, value was lost through a significant decrease in our share price. Long-term value was created through further investment in our assets and workforce (manufactured and human); the bank's brand value also increased (social).
- ▶ For **society**, we created value through our lending and investment, helping drive growth and job creation. We paid taxes, and made payments to suppliers and business partners (financial). Adverse effects included carbon emissions, increased use of natural resources (natural) and possible cases of fraud, low pay and labour rights violations within our value chain (social). From society's perspective, we are also an overall consumer of human capital, mainly through services provided by business partners.

Value created for stakeholders

Impact by stakeholder group (EUR millions equivalent – presented in ranges)



Note on table

This table shows an overview of impact by stakeholder group and capital. Impacts are shown in ranges; these represent the euro-equivalent impact on each stakeholder group. Negative impact is shown in grey, positive in green. Negative impact covers two different categories: voluntary costs (where costs are incurred willingly, as in the case of interest payments on loans, for example) and true negative costs (such as pollution or labour rights violations, which cannot be compensated by benefits elsewhere in the value chain). We do our best to minimise these costs by reducing social and environmental risks, not only in our own operations, but also in our extended value chain. The table covers all in-scope activities. For more details on our approach to impact reporting, see [page 66](#).

Opportunities & risks

	Strategic differentiators	Summary of strategic response
 <p>Strategic pillar 1 Support our clients' transition to sustainability</p>	<p>Opportunities</p> <ul style="list-style-type: none"> ▶ Responsible investment & financing ▶ Circular economy ▶ Ethics & integrity <p>Risks</p> <ul style="list-style-type: none"> ▶ Increased pressure from changing regulation and market perception (also risk of non-compliance with new regulations – e.g. EU taxonomy for sustainable activities, MiFID II) ▶ Exposure to climate, social or ethical risks through our lending and investment 	<p>Accelerate the sustainability shift by stepping up green financing, increasing investments in renewables and improving energy efficiency in bank's real estate portfolio.</p>
 <p>Strategic pillar 2 Reinvent the customer experience</p>	<p>Opportunities</p> <ul style="list-style-type: none"> ▶ Customer experience ▶ Digitalisation ▶ Co-creation and innovation <p>Risks</p> <ul style="list-style-type: none"> ▶ Adapting to change too slowly – and losing the client relationship ▶ Failing to maintain a balance between improving offering to clients and need to safeguard system security and stability ▶ Remaining too internally focused (i.e. sticking to what we know already) 	<p>Improve customer experience by investing in digital technologies, introducing new products and business models, and working with external partners.</p>
 <p>Strategic pillar 3 Build a future-proof bank</p>	<p>Opportunities</p> <ul style="list-style-type: none"> ▶ Viable business model ▶ System stability ▶ Talent attraction <p>Risks</p> <ul style="list-style-type: none"> ▶ Losing stakeholders' trust if we fail to provide stable, reliable banking ▶ Failing in our role as a gatekeeper to the financial system (i.e. failing to comply with rules on fraud, corruption, anti-money laundering or business ethics) ▶ Increased competition from actors with more innovative business models or ability to evolve more quickly (including BigTechs and FinTechs) ▶ Pressure on profitability because of continued low interest rates and higher compliance costs 	<p>Adapt our working environment, streamlining our systems, products and processes, and fulfilling our role as a gatekeeper to the financial system.</p>

The table above shows our strategic differentiators. Against each, we've mapped out opportunities and risks for our business over the short, medium and long term. We take measures to mitigate risks through our strategy and our risk management (for more details, see [page 59](#) and our [Annual Report](#), available online).

Key:  – short-term (0-2 years),  – medium-term (2-5 years),  – long-term (more than 5 years) – these are indicative only. Often there is an effect over the short, medium and long term; in the table, we have shown the principal effects only.

DDoS: Distributed Denial of Service

A woman with dark skin and curly hair tied up in a bun is wearing a red short-sleeved shirt. She is holding a green soccer ball with white star patterns above her head with both hands, looking upwards. The background is a bright, slightly overexposed outdoor setting with green trees and a building with a blue roof in the distance.

Performance

Over the past year, we have endeavoured to create value for our stakeholders – for clients, employees, investors and society

Overview

2019 was not an easy year. Our earnings were affected by continued low interest rates. Despite that, we reduced expenses, maintained our strong capital position, and made clear progress with our work on sustainability. We also increased our share of the Dutch mortgage market.

During the year, we pushed ahead with our strategy – we continued to invest in mobile banking, launched new products, delivered on cost savings and further strengthened our capital position. We also stepped up investment in renewable energy, and met targets with regard to our Mission 2030 programme. In Private Banking, we are firmly focused on Northwest Europe. We have also taken steps to improve profitability at Corporate & Institutional Banking; more such steps will be needed in 2020.

Low interest rates continued to put pressure on deposit margins. Profits were lower – Retail, Private and Corporate & Institutional Banking all saw declines in 2019. Return on equity (ROE) also fell, though we were

still within our target range. Our ROE has consistently been 10% or above since the bank's IPO in 2015 – we don't, however, expect to meet our minimum 10% target in 2020.

Employee engagement was unchanged – a positive performance, given recent restructuring within the bank. Our Net Promoter Score (NPS) – the main measure of customer loyalty – improved in Private Banking, but there is still work to be done in Retail, Commercial and Corporate & Institutional Banking.



Employee engagement

Unchanged

80%



Operating expenses

-2%

Just under **EUR 5.3 billion**

Financial performance

In 2019, we reported a solid result, despite continued low interest rates and rising costs associated with our Detecting Financial Crime (DFC) activities.

Full-year results

For 2019, we reported a 13% decrease in full-year profit. This was due mainly to two factors: a decline in income from volatile items and additional provisions for our Customer Due Diligence (CDD) remediation programme. Among volatile items, we saw a significant drop-off in income from our equity participations in other companies – and lower hedge accounting related income.

Return on equity for 2019 came in at 10.0%, down from 11.4% the previous year, but still within our target range. The decrease was due primarily to lower operating income, which fell just over 5% to EUR 8.6 billion.

Our net interest income for 2019 was down – as expected, given the current pressure on deposit margins due to persistently low interest rates. Interest income from residential mortgages declined – a reflection of slightly lower volumes.

Our share of new mortgage production in the Netherlands grew, however – to 18% in 2019 (compared with 17% in 2018). Interest income from consumer loans was up; income from corporate loans was slightly lower, however, as margins improved but volumes decreased. Net fee and commission income, meanwhile, fell nearly 4%, largely due to the sale of a majority stake in the mortgage service provider Stater.

Personnel expenses were down 8% – the result of continued progress with our cost-saving programmes, partly offset by increased expenses from DFC activities. Overall, operating expenses decreased 2% to under EUR 5.3 billion.

Our cost/income ratio rose to 61%. With continued low interest rates, it will take us longer than planned to reach our target of 56-58%.

Impairment charges were flat compared with 2018 – a reflection, in part of benign conditions with regard to domestic lending. Most impairments stemmed from Corporate & Institutional Banking, primarily in the offshore energy and logistics sectors.

Retail Banking

Our profit from Retail Banking fell by 23% in 2019; operating income was lower – a reflection of internal reallocation of net interest income and continued low interest rates. Net interest income was down 7%. Impairments were higher, following model and methodology changes. We also took an additional provision to cover expenses from our CDD remediation programme. The Dutch mortgage market remained highly competitive; as a result, our interest income from home loans saw a modest decline; consumer loans were also down year on year.

Commercial Banking

Profit from Commercial Banking was up, year on year, despite a decline in net interest income and continued pressure on deposit margins. Lending to clients grew slightly in 2019. Personnel expenses were down – in part due to transfers to Group Functions during the year. Impairments were down 28%, reflecting a strong Dutch economy. Commercial Banking also took a provision for CDD, though the amount was slightly lower than in 2018.

Private Banking

Private Banking profit fell 37% – due to re-allocation of net interest income, pressure on deposit margins, high incidental items in 2018, and an increase in impairments. Net interest income was down 7%. A slight increase in client lending was offset by lower margins. Impairment charges were higher – largely because of impairment releases in 2018. Overall, client assets increased – a reflection of positive financial markets, though net new assets were negative following a significant outflow of custody assets in the fourth quarter.

Corporate & Institutional Banking

In 2019, profit from Corporate & Institutional Banking declined significantly, despite an increase in net interest income. Other operating income was sharply lower, however – a reflection of a decline in income from private equity. Operating expenses decreased thanks to lower provisions from SME derivatives-related issues.

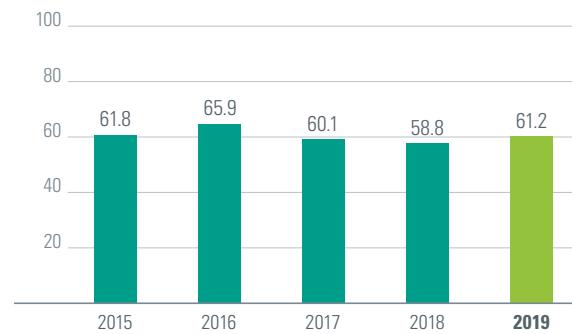
Condensed Profit & Loss statement

(in EUR millions)	2019	2018	% change
Operating income	8,605	9,093	-5%
Operating expenses	5,268	5,351	-2%
Operating result	3,337	3,742	-11%
Impairment charges on financial instruments	657	655	+0.3%
Operating profit before taxation	2,680	3,086	-13%
Income tax expense	634	736	-14%
Profit for the period	2,046	2,350	-13%

For our full Income Statement, see [page 68](#).

Cost/income ratio (2015-2019)

(in %)



For further details on our financial performance, see the chapter Investors: performance on [page 39](#).

Clients: performance

Over the past year, we have invested to improve and reinvent customer service. We have provided more financing for companies to make the shift to sustainability, and we are working to strengthen data privacy and protection. We are also rethinking financial services, introducing new products and partnerships, and investing in digital technologies. To deliver our promise to clients, we need an efficient, streamlined organisation, fit for the future.

Customer experience, digitalisation and co-creation & innovation

Over the past year, ABN AMRO has developed new products and opened up new ways of banking.

To do this, we are making use of new technologies – this allows us to improve the customer experience, speed up service and take more of the hassle out of banking. During the year, we rolled out more self-service features, using Artificial Intelligence and chatbots. We also made Apple Pay available to ABN AMRO clients, and extended our existing apps. Tikkie – the bank's payments app – now has six million registered users across the Netherlands. In 2019, we became the first bank in the world to allow clients to pay higher amounts using wearables such as rings, watches and bracelets. At the same time, we are using electronic signatures, and expanding our mobile banking – when opening an account, for example, ABN AMRO clients can now use our app to upload their ID.

We are also pushing ahead with next-generation video banking. Two-thirds of mortgage meetings now take place by video, often outside working hours, so our clients no longer have to come to the bank or take time off work. We see technology as a way of strengthening customer service – we have seen that video banking, for example, is more popular with clients than traditional face-to-face meetings. Our aim is to provide an integrated service – where digital and 'human' come together to provide the best possible customer experience.

Alongside improvements to our current offering, we are also rethinking financial services – focusing on where we can make a positive difference for clients and where we see potential for revenue. We have re-designed our offering to SME clients through New10 – a fully digital lender; it now takes just 15 minutes for clients to obtain a decision on business loans ranging from EUR 20,000 to EUR 1 million. In the next few years, we will use New10 as the operating model for SME loans within Commercial Banking. We are also the only bank in the

Netherlands able to integrate other banks onto its payment platforms, following the new EU Payments Services Directive (PSD II).

We have also introduced new products, including automated accounting for corporate clients and a new 30-year fixed-rate mortgage fund. Last year, we discontinued the Wallet app for Android; the app was used by fewer than 5% of our clients. We also finalised our review of clients who had bought interest rate derivatives in recent years, possibly without sufficient advice. Virtually all those qualifying for compensation have now received an offer from the bank.

To support our approach, we are working closely with business partners. In Commercial Banking, we agreed partnerships with Yes Corporate Finance, Firm24 and Ask Hugo to support SME clients with business and legal advice. We started work with Lyanthe on digital accounting. We are also offering networking through our Opportunity Network, and we are currently planning a new offer on information security.

Delivering better customer experience will mean changes internally. We are on track with our IT transformation, improving efficiency and shortening time to market. Within the bank, we want to encourage more innovation – to develop 'intrapreneurs' as part of a broader approach to talent management. We are also shifting to a more agile way of working, extending our DevOps programme, and moving more applications to an

off-premise cloud. At the same time, we expect to halve our product offering over the next few years. As part of this, we embarked in 2019 on a review of the bank's credit products; the goal is to standardise our products and make them simpler for clients.

As we do more digitally, we have less reliance on bricks-and-mortar branches and contact centres – and less need for middle and back office functions within the bank. In recent years, parts of banking in the Netherlands have become commoditised. Examples include mortgage processing and cash handling – possibly, in the future, customer due diligence. In these areas, banks, in effect, become 'utilities'. Our approach is to build up these utilities, especially in non-competitive areas – where they give us scale and act as protection from larger banks, inside and outside the Netherlands.

To measure our progress with customer experience, we use the Net Promoter Score (NPS). We have set clear goals to improve NPS across our businesses. Last year, unfortunately, we adjusted our 2020 targets to reflect changing current market conditions (see page 19). In 2019, we saw a significant improvement in Private Banking, while Commercial Banking also improved. Retail Banking was slightly lower, while Corporate & Institutional Banking dropped as expected, following recent restructuring. Trust among ABN AMRO clients,

according to the Dutch Banking Association's latest Trust Monitor, fell to 3.2, down from 3.3 the previous year; the banking sector average was unchanged at 3.3.

Responsible investment & financing and Circular economy

ABN AMRO continued to expand sustainable financing in 2019. The goal is to increase this financing to EUR 3 billion in outstanding volume by 2020, around 7% of ABN AMRO's total commercial banking loan book. Additionally, we expect EUR 1 billion to be committed to circular economy projects. Demand is clearly growing as companies switch to sustainability. Part of this is about investing more in the circular economy – in businesses that re-use materials or waste streams, and keep overall waste to a minimum.¹ By the end of 2019, ABN AMRO had nearly EUR 590 million committed to finance clients' circular economy projects.

Private Banking clients are also increasing their sustainable investments with us. In 2019, the bank introduced a new sustainable structured product in France and the Netherlands. In Belgium and Germany, we launched a Sustainable Advisory product and Sustainable Fund Mandate.² By the end of 2019, clients' sustainable investments with ABN AMRO totalled EUR 20.6 billion – that means we have already surpassed our original EUR 16 billion target for 2020, a year ahead of schedule.

¹ In 2018, ABN AMRO launched circular-economy finance guidelines, alongside fellow banks ING and Rabobank. For more information, see our corporate website.

² This mandate covers all asset classes; the mandate's aim is to invest in companies that have a positive impact, socially or environmentally (through either their operations or products).





Sustainable investment

Clients' sustainable investments with ABN AMRO

EUR 20.6 billion



Registered Tikkie users

End 2019

6 million



Retail sales made digitally

During 2019

70%



Video banking

Proportion of mortgage meetings taking place by video

2/3

This amount is equivalent to 7% of total client assets. We've now set a new target – to increase clients' sustainable investments to EUR 30 billion by 2022. We also adjusted our 2020 target to EUR 22.5 billion.

Alongside this, we are helping our retail clients reduce their environmental footprint. Last year, we launched our Sustainable Home Mortgage. This mortgage will finance home improvements, strengthening energy efficiency and reducing utility bills for our clients. We are also making progress with Mission 2030. By the end of 2019, 60.1% of residential properties on our books had an energy label between A and C, up from 59.6% the year before. Nearly 14% had an A rating, up from 13%. Our goal is to increase the proportion rated A-C to at least 63% by 2020. For commercial properties, 26% were rated A at the end of 2019, an improvement from 13% the year before. For 2020, we want to increase that figure to at least 31%. Last year, the number of properties migrating to an A rating went up by 45%. Mission 2030 covers approximately 800,000 homes across the Netherlands – the programme is contributing to Dutch climate targets. Nearly 13% of carbon emissions in the Netherlands comes from the country's homes and offices.¹

ABN AMRO is also doing more to share its knowledge on sustainability. This is key to achieving our goals, and to helping clients make the sustainability shift. 42% of our Commercial Banking clients and 84% of our Corporate & Institutional Banking clients are already rated on our CASY sustainability tool.

Using the tool, we can work directly with clients to address possible improvements. We believe all clients eventually should be CASY rated - we have set a target of 100%. We realise there are challenges, but we are determined to meet this target and will continue to work towards it in the coming years. ABN AMRO is also active elsewhere: we are developing a business model for sustainable urbanisation, for example – and sharing our expertise in building management and energy efficiency. For more information on our approach to responsible financing, see [Governance \(page 55\)](#).

Part of responsible financing is helping clients in difficulty: an estimated 1.3 million households in the Netherlands currently have trouble paying their bills. ABN AMRO has initiatives in place to support clients with money problems. We provide budget coaches, as well as free personal finance assessments. ABN AMRO is also part of the Geldfit, or 'money fit', programme, offering support to those in financial difficulty. In recent years, ABN AMRO's coaches have helped more than 40,000 clients. The success rate is high: of the 40,000, three-quarters have managed to get their finances back on track.

Client data protection & secure banking

Clients don't only want quick, effective customer service; they also want to know that ABN AMRO will protect their data and privacy. In 2019, we continued work to strengthen data protection. We have implemented GDPR – the EU's General Data Protection Regulation. Across the bank, we use European standards as the norm. We are now updating our strategy on personal data privacy.

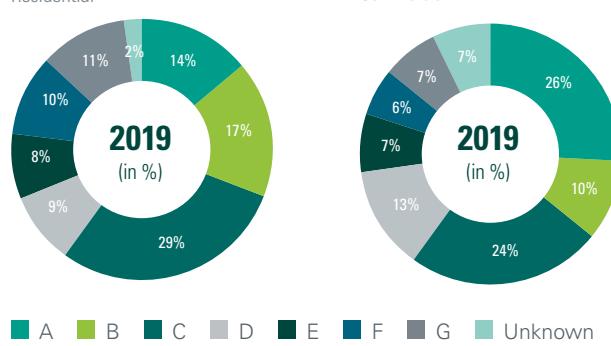
¹ Source: Dutch Central Bureau of Statistics (Greenhouse gas emissions from built environment 2018, CO₂ equivalent)

This strategy will cover areas such as how the bank uses transaction data to make personal offers to clients. We realise there's a balance to be struck: using data to provide customised advice, but not using it in ways that clients find unacceptable. Unfortunately, we also saw some data loss, including early in the year for clients at Tikkie Pay.

Mission 2030 covers approximately 800,000 homes across the Netherlands – the programme is contributing to Dutch climate targets.

Mission 2030

Residential



Charts show percentage of ABN AMRO's real estate portfolio by energy label (A label being the most efficient, G the least). Please note that A label also includes properties labelled A+, A++ and A+++.



Challenge

Negative interest rates

What is the challenge?

Interest rates in Europe are at record lows, and have been for some time. The eurozone deposit rate has been negative since June 2014.

This leaves banks like ABN AMRO with a choice. On the one hand, banks could pass these negative rates on to their clients. But this would leave clients out of pocket. It may also deter long-term savings, or even encourage people to withdraw their money from banks altogether. On the other, banks could choose themselves to absorb the cost of negative rates. This, however, would put further pressure on banks' lending margins.

The ECB has already acknowledged concerns over weak profitability among eurozone banks.¹

What is our approach?

ABN AMRO has decided it will not charge negative rates in the coming years on deposits below EUR 100,000 (the same as the threshold for the EU Deposit Guarantee Scheme). As a result, 95% of our clients, representing around 40% of our deposit base, will be safeguarded from negative rates. We will, however, charge 0.5% on deposits above EUR 2.5 million as from 1 April 2020 – this applies to around 5,200 retail and commercial clients. For shareholders, this approach mitigates part of the pressure on net interest income from lower deposit margins.

¹ Source: ECB Financial Stability Review, November 2019

Employees: performance

To implement its strategy successfully, ABN AMRO needs a skilled, engaged workforce. Over the past year, we have pushed ahead with our Future-Fit Workforce initiative, invested more in digitising the workplace and identified critical skills for the bank's future.

Employee empowerment

A committed, engaged workforce brings definite benefits. There is a direct correlation, for example, between employee engagement and better customer service. ABN AMRO regularly measures employee engagement, primarily through an annual survey covering everything from 'client focus' and 'turnover risk' to 'inclusive environment'. The latest survey, carried out in October 2019, showed an overall engagement score of 80% – unchanged from 2018, and in line with the bank's target. There were gains in 'efficiency' and 'talent & development', though ABN AMRO still lags behind the financial sector in areas such as 'senior management' and 'vision & direction'. We are addressing these areas – in recent years, we have introduced a new purpose and strategy built around sustainability, and we have worked to further strengthen our corporate culture (see *Vision & Leadership*, page 57). The survey results were discussed by the bank's Executive Committee; addressing these areas will be a priority in 2020. Alongside the annual survey, we have started monthly employee experience polls, part of a continuous listening approach. These polls go to around 2,000 employees each month, providing more frequent feedback. They also enable the bank to be

more responsive – and to pinpoint issues as they arise within specific businesses or employee skill groups.

Adaptability

The world of work is changing profoundly. Companies need to be adaptable; they need to respond quickly to changes in market trends or the arrival of new technologies. Under the DevOps programme, ABN AMRO is including software developers in IT operating teams to improve efficiency. In 2019, we shifted 125 teams to this new approach. We expect to increase that to at least 600 over the next three years. We are also taking other steps to increase efficiency – using more cloud computing, for example (including from external software providers), and rationalising our product portfolio to make it simpler and more intuitive. Over the past year, employees have become more 'cost-conscious'.¹

With digitalisation comes a need for new skills. At the same time, other jobs are disappearing. In 2019, for example, we lost around 235 mid and back-office positions as we standardised and automated more of our processes. As part of the Future-Fit Workforce initiative,

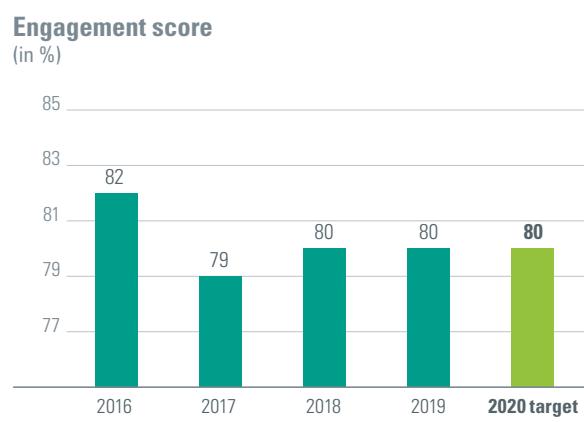
ABN AMRO has identified critical skill clusters that will be required by the bank in the years ahead. These include data & digital, sustainability and service design. The next step will be to quantify – and begin to close – skills gaps within the workforce. Our Reboot programme is helping in this respect; through this initiative, we are working with former refugees with IT backgrounds, with a view to bringing them into the bank's workforce.

Talent attraction

Where possible, ABN AMRO prefers to develop skills internally. The bank has extensive training programmes – it is also putting more emphasis on self-driven learning, where employees decide for themselves which development programmes they want to follow. That said, we are also recruiting skills from outside – in 2019, we launched a data talent programme, mainly for post-graduates. The programme started in Retail Banking, but it will soon be expanded to risk management and IT.

Attracting talent depends on a number of factors, including the right culture, a diverse, inclusive working environment, as well as good pay and benefits. ABN AMRO has a dedicated culture transformation team – we are working

¹ Based on results from 2019 Employee Engagement Survey (80% of employees agreed with the statement: my team is cost-conscious, up 2 percentage points from 2018).



on establishing a more open, collaborative corporate culture, with more self-organisation. Already, more ABN AMRO employees are adopting an agile way of working. To guide employees, we have mapped out a set of culture principles. These include innovation, adaptability, client focus, taking a long-term perspective, and collaboration. Much of the focus has been on leadership – as the most effective way of driving cultural change throughout ABN AMRO. Culture is now embedded in Together & Better, the bank's performance management system. We are also bringing culture into recruitment, and aligning the KPIs we use for performance appraisals with the bank's overall strategy and purpose. Strict compliance with rules and regulations will be part of these KPIs. Increasingly, people want to work for companies that have a clear social purpose – one year after its launch, we are seeing strong commitment among our employees to our strategy. In our latest survey, 92% of ABN AMRO employees say they support building a sustainable bank. In 2019, the bank set up the Circl Academy to act as a new sustainability 'training ground' for employees.

In 2019, ABN AMRO worked to improve its record on diversity & inclusion. A diverse and inclusive workforce is of paramount importance to us. It allows employees to perform at their best and provides new ideas and initiatives. At the same time, it places us at the heart of society. In 2019, we pursued a number of initiatives in this area, including mentoring programmes for women and bicultural employees; these included our Career Sponsoring and Talent Proof programmes. Our aim with these is to build an effective pipeline of new candidates for senior management positions. To show our support for the LGBTI+ community, we launched campaigns during Pride Week in Amsterdam and Rotterdam. In October, more than 1,000 employees took part in Diversity Week at the bank – four days of workshops and lectures on diversity and inclusion. During the year, we also increased paid paternity leave to six weeks and made a commitment to hire at least 80 former refugees by 2022.¹ We are also working to bring more disabled people into the workforce. So far, we have taken on 93 disabled employees – well above our target.

For gender and cultural diversity, we have set clear targets. Our aim is to have at least 30% women in senior management and 35% in upper-middle management. In terms of cultural diversity, our targets are for 6% and 7% respectively. At the end of 2019, however, we were behind on these targets.² In 2020, we will intensify our efforts to improve in these areas, with a more targeted approach to recruitment to help increase diversity among new candidates. Our 2019 Employee Engagement Survey showed 86% of employees believe the bank provides an inclusive work environment, up two percentage points from the previous year.

Salaries and benefits are an important part of recruitment and talent retention. In 2019, ABN AMRO signed a Collective Labour Agreement (CLA) with trade unions. The agreement provides for a salary increase of 2.75% in each of the next two years; the increase helps address public calls in the Netherlands for higher wages. The agreement also sets out an updated pension plan, and raises annual holiday entitlement for ABN AMRO employees to five weeks.

¹ This commitment relates to 'status holders' – refugees with residence permits in the Netherlands.

² In 2019, we had 28% women in senior management, and 27% in upper-middle management. Cultural diversity in senior management was 3.4% and in upper-middle management 5.9%.

Investors: performance

During the year, ABN AMRO continued to focus on diligently executing our strategy, further cost reduction, and ensuring the bank continues to be well-capitalised ahead of new regulations.

Viable business model

During 2019, we continued to reduce costs, invested in new technologies, rationalised products and processes, and reorganised some of our key business activities.

Since 2015, we have maintained relatively flat costs despite increased regulations, the need for IT investments and wage inflation. Over that period, the bank has made cost savings of around EUR 900 million. Most savings have come from a reduction in employee numbers and process optimisation and digitalisation programmes. By the end of 2020, we want that figure to reach EUR 1.1 billion. These cost savings will mitigate increasing costs for our DFC activities. In 2019, our cost/income ratio – a key measure of the bank's efficiency – was just over 61%, below the average for European banks.¹ Low interest rates, however, make it difficult to offset the current pressure on deposit margins. As a result, if rates stay low, it will take longer to reach our cost/income target of 56-58%.

By lowering costs, we are also making room for spending elsewhere. On IT spending, the bank wants to hit the 'sweet spot': investing enough, but not too much. Meanwhile, we have also stepped up spending on DFC activities.

ABN AMRO has reorganised some activities. In private banking, we are firmly rooted in onshore Northwest Europe. In 2019, we agreed to sell our business in the Channel Islands – and finalised the acquisition of Societe Generale's private banking operations in Belgium, doubling the size of our Belgian operations. At the same time, ABN AMRO has refocused Corporate & Institutional Banking (CIB) to make it more profitable. In doing so, we have reduced CIB's risk-weighted assets (RWAs) by EUR 5 billion, as planned. Highly cyclical sectors such as the offshore sector have been de-risked. Furthermore, progress has been made in reducing CIB's cost base and in developing a more capital-efficient operating model. Unfortunately, the downturn in the offshore sector is more severe than anticipated, resulting in high impairments in 2019. Going into 2020, we will continue to de-risk cyclical sectors (including offshore), and will conduct a further

¹ At the end of the third quarter of 2019, the weighted average for European banks' cost/income ratio stood at 63.2% – source: European Banking Authority, Risk Dashboard (Q4, 2019).



Investing for positive social and environmental impact

We are putting more money into renewable energy, and stepping up our green bond operations. In 2019, via our Energy Transition Fund, we made investments in solar power companies: Ideematec, NorSun and Eternal Sun. Alongside other banks, ABN AMRO has also put in place project financing for the new Fryslân wind farm, to be opened in 2021. The wind farm will produce enough power for half a million Dutch households. By 2020, ABN AMRO wants a fifth of its EUR 14.7 billion energy portfolio to be invested in renewables. Over the past year, we have made progress towards this goal. At the end of 2019, we had just over EUR 2 billion in renewables, equivalent to 14%.

During the year, ABN AMRO issued its fourth green bond. Proceeds from these bonds now total EUR 2.5 billion – money that will go to renewables and sustainable real estate. ABN AMRO publishes regular impact reports on these bonds. The bank also acted last year as sole advisor for the Dutch government's first-ever green bond. At the same time, we're investing more of our liquidity buffer in green bonds. We're committing to increase our euro green bond holdings to EUR 1 billion by the end of 2020, and to EUR 2.5 billion two years later.

In parallel, we have a social impact fund – this fund invests in social enterprises working in areas from organic farming and fair trade to telecommunications in developing countries. Beyond the fund, we are also supporting coffee farmers, part of our role in trade and commodities. In 2019, we joined a new international initiative to provide financing to smallholder farmers in Kenya, Honduras and Mexico.

review of CIB's activities to decide what additional measures might be necessary to improve profitability.

ABN AMRO's ambition is to increase income from fees – by providing advice and additional services. To some extent, this helps protect the bank from the effect of low interest rates, though fees represent less than a quarter of total operating income. In 2019, fees and commissions – excluding divestments – increased to EUR 1.6 billion.

Dutch mortgage market

Residential mortgages are a big part of our business; they represent just under 60% of our client loan book. Last year, house prices rose by approximately 7%, due partly to a shortage of properties for sale. Tougher environmental requirements are further reducing availability – the number of building permits issued plummeted in 2019. Low interest rates are also encouraging some home owners to pay off their mortgages early.

The mortgage market in the Netherlands remains highly competitive. In 2019, our interest income from mortgages declined; volumes were slightly lower – though, overall, our share of new mortgage production went up to 18%. Banks, as a whole, account for almost two-thirds of home loans. Our underlying loan-to-market value ratio has been declining. We expect this to continue in the next few years, largely as a result of higher house prices, increased mortgage redemptions and stricter rules on borrowing.¹

¹ Relating to restrictions on maximum loan-to-market value ratios for new mortgages.

TCFD reporting

For the first time this year, we are reporting against the Financial Stability Board's Task Force on Climate-related Financial Disclosures' (TCFD) recommended pillars: governance, strategy, risk management and metrics & targets.

TCFD recommendations on climate change

For ABN AMRO, climate change will bring both risks and opportunities. We see clear opportunities, for example, in business' shift to sustainability. But there are also risks – physical risks, for example through more frequent and severe extreme weather events, and transition risks resulting from the transition to a lower carbon economy. Over the past year, we have extended our work on climate risk. We have adopted the PCAF¹ methodology to measure the climate footprint of our loans and investments. We have also carried out our first climate risk scenario analysis – in line with recommendations from the TCFD.

Dutch mortgage portfolio

We focused the first climate risk scenario analysis (part of the TCFD strategy pillar) on our Dutch residential mortgage portfolio; this is the bank's largest lending portfolio. The analysis is based on the +4°C scenario provided by the Dutch Meteorological Institute.² Under this scenario, we would expect an increase in extreme weather events, including flooding and drought. Impacts would be both direct (damage to property) and indirect (via property prices and the broader economy). In the next 30 years, most of our properties have only a low

probability of damage from drought or flooding, therefore impact at portfolio and bank level seems limited. There are however a small number of houses with a high probability. In these cases, the individual impact would be severe, particularly for more vulnerable households.

Upstream oil & gas

During 2019, we also looked at risks in our upstream oil & gas portfolio (against a +2°C scenario from the International Energy Agency). Our assessment covered emission costs, new investments in low-carbon

technologies and risks to future revenues (most relevant for this portfolio). Initial work suggests that the impact on credit risk from current facilities would be limited – though we will broaden our analysis in 2020 to other risk types such as business and market risk, and widen the scope of the analysis to mid stream, down stream and other energy sub-sectors.

For more information on our TCFD reporting, see our Annual Report, available online.

TCFD pillar
Governance
Adoption of the TCFD recommendations has been defined as a key strategic initiative, overseen by the Executive Committee. Climate risk is managed in line with the bank's risk governance.
Strategy
We see climate change as both a business opportunity and a risk. Regarding business opportunities, climate is a focus area in our strategy (pillar 1: supporting clients' transition to sustainability). To assess risks, we are conducting more analyses relating to our lending and investments. In 2019, these included: <ul style="list-style-type: none"> ▶ Climate scenario analysis (e.g. physical risk in our Dutch mortgage portfolio) ▶ Benchmarking of the bank's energy portfolio against the objectives of the Paris Climate Agreement. In addition, we're working with other organisations to build knowledge and capacity (including UNEP-FI and 2° Investing Initiative).
Risk management
Climate risk is included in ABN AMRO's risk taxonomy, risk appetite and financial planning. The bank considers climate risk a 'material risk', and recognises two risk types: physical and transition risk (separate, but interconnected). We manage climate risk in line with both our Sustainability Risk Policy and our broader objective of maintaining a moderate risk profile. Relevant corporate clients are screened and monitored on their climate impact. (see page 58)
Metrics & targets
ABN AMRO is still at an early stage of its reporting. Ultimately, our goal is to develop metrics based on various climate scenarios. We do, however, have climate-related targets and metrics in place; these include greenhouse gas emissions from our own operations, renewable energy and energy performance of properties in our real estate portfolios.

¹ The Partnership for Carbon Accounting Financials. ABN AMRO is a founding member of PCAF. For more information on our PCAF reporting, please see our separate Non-financial data & Engagement report, available online.

² +4°C is generally the most extreme, but not the most unlikely scenario. +2°C (the scenario used for our upstream oil & gas portfolio) reflects the target agreed in the Paris Climate Agreement (well below +2°C).

Strong balance sheet

Our capital position remains strong, with a fully-loaded Basel III CET1 ratio of 18.1% at year-end 2019 and a Basel IV CET1 ratio over 14%. We have set a target range for our CET1 ratio – the bank's main measure of capital – of 17.5-18.5%, consisting of a Basel IV implementation buffer on top of the current SREP capital requirement, the Pillar 2 guidance and a management buffer. At the end of 2019, ABN AMRO's CET1 ratio was well within the target range. We take a prudent approach to capital management – one that reflects upcoming changes to capital rules. We are already pricing long-dated long-dated mortgages, for example, for the effects of Basel IV. Our strong capital management allows ABN AMRO to maintain returns to shareholders. We have said we will pay out at least 50% of the bank's net sustainable profit¹ in dividends.

While we have a strong capital position and expect ongoing capital generation, we currently face a number of uncertainties. These include further significant TRIM impacts, and we remain subject to an investigation by the Dutch public prosecutor. In addition, the Dutch central bank (DNB) wants Dutch banks to increase RWAs for mortgages. For ABN AMRO, this results in increasing RWAs by around EUR 7.5 billion in 2020. Given these uncertainties, we deemed it prudent not to increase the dividend payout ratio for 2019. Therefore, we have

proposed maintaining the dividend payout stable unchanged from 2018 at 62%, and paying a final dividend of EUR 0.68 per share, bringing our full-year 2019 dividend proposal to EUR 1.28 per share.

Cost of risk

For 2019, our cost of risk was 24 basis points, unchanged from the previous year. We're below the through-the cycle average of 25-30 basis points. For 2020 we expect to end within this range. Impairments for CIB clients, in the offshore sector in particular, which is suffering a prolonged downturn, remained high despite ABN AMRO having reduced its exposure to highly cyclical sectors, such as offshore energy, in the past 18 months. The derisking will continue in 2020.

Share price performance

In 2019, ABN AMRO shares lost significant ground. This was largely due to concerns over low interest rates and the Dutch public prosecutor's investigation. Shares finished the year 24% lower. By comparison, the STOXX Europe 600 index of European banks was down just under 5%.

Share price development

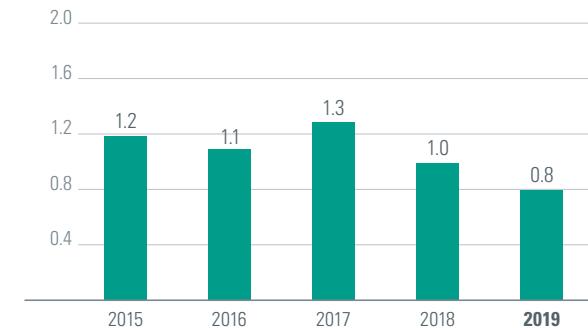
(in %)



Source: S&P Global Market Intelligence.

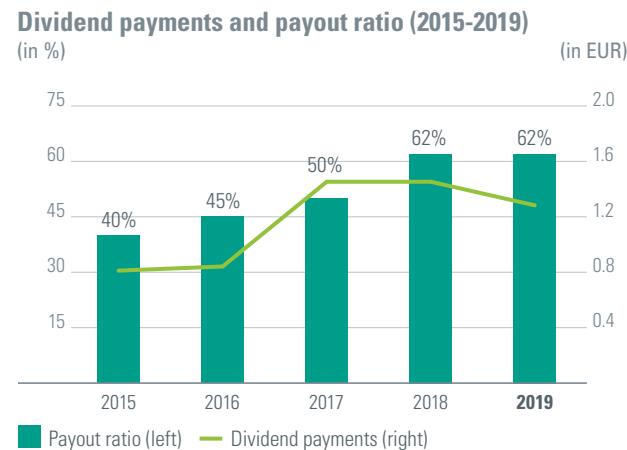
Share price/tangible book value

(in multiples)

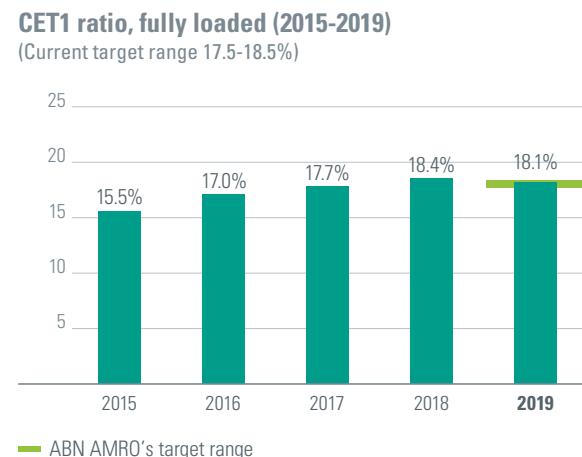


Value of tangible assets as multiple of share price. Tangible assets include all physical assets; intangible assets, such as goodwill, are excluded.

¹ Refers to net sustainable profit, excluding exceptional items that significantly distort profitability, attributable to owners of the parent company excluding AT1 capital securities. Additional distributions of above 50%, which can either be special dividends or share buy-backs (subject to regulatory approval), will be considered if capital is within or above the target range and will be subject to other circumstances, including regulatory and commercial considerations. The combined distribution will be at least 50% of net sustainable profit. Any distribution of dividend remains discretionary, and deviations from the above policy may be proposed by ABN AMRO. Please refer to the Capital review chapter in the Annual Report for more information on the dividend policy.



Dividend payments in euros per share. Final dividend payment for 2019 will be submitted to shareholders for approval at ABN AMRO's next AGM in April, 2020. Payout ratios shown as a percentage of net sustainable profit.



Challenge

Sustainable financing

What is the challenge?

We want to expand sustainable financing. But doing so may mean more risk – for two reasons: the first is concentration risk, that we become too dependent on one area of activity. More importantly perhaps, there is currently a shortage of viable sustainability projects – this is still a developing market, and one which, in recent years, has attracted significant demand from investors. So, to continue expanding, do we take on higher-risk projects? Or do we accept that, in striving for a 'moderate' risk profile, we may not be able to expand sustainable financing as we would like?

What is our approach?

For us, this is not an 'either/or' question – we can do both. We are investing in training for employees in corporate banking, so they have the knowledge and expertise they need not only to advise clients, but also to identify new viable financing opportunities. At the same time, we have a dedicated Sustainable Finance Desk, which acts as a repository of knowledge for the bank; we have also built sustainability into our risk management approach.

Society: performance

In recent years, society's expectations of banks has increased. Since the 2008 financial crisis, we have seen more regulation, and more emphasis on business ethics – on protecting human rights, tackling financial crime, and on banks' essential role as gatekeepers of the financial system.

Ethics & integrity

Public prosecutor investigation

In September 2019, the Dutch public prosecutor informed ABN AMRO that it is the subject of an investigation relating to requirements under the Dutch Act on the prevention of money laundering and financing of terrorism (Wwft).

The scope of the investigation includes whether the bank has complied with the Wwft in relation to having client files in good order, timely reporting of unusual transactions and discontinuing relationships with clients in good time.

The timing of the completion of the investigation and the outcome are uncertain. Therefore, the financial impact of a potential fine, if any, cannot be reliably estimated at this time. ABN AMRO is cooperating fully.

As one of the country's leading banks, we process a large number of transactions. We want to prevent the financial system being misused for money laundering or other irregular transactions. We have measures in place to detect, investigate and report suspicious (or potentially) suspicious transactions to the Financial Intelligence Unit (FIU).

We have increased cooperation with the Dutch police and the FIU. We are also working closely with the Ministries of Justice and Finance. Currently, we are looking at setting up a joint organisation with other Dutch banks that will help check and cross-reference payment transactions.

Customer due diligence & compliance

It is important that, as a bank, we know our clients – that we know exactly who we are lending or providing services to. In recent years, we have stepped up due diligence in this area – we have an extensive Customer Due Diligence (CDD) programme. In 2019, the Dutch central bank instructed us to review all retail clients. More than 2,000 people currently work for ABN AMRO on detecting financial crime - this is likely to increase further, going into 2020. Over the past two years, we have provisioned EUR 259 million to cover the costs of our DFC activities.

Internally, we provide extensive training on compliance. This training also equips employees to deal with ethical dilemmas – usually where black-and-white policies do not provide a clear course of action. Ultimately, dilemmas

can be referred to ABN AMRO's Ethics Committee, chaired by the CEO. Ethics goes to the heart of our purpose as a bank – and to our role in society. Compliance is part of our long-term licence to operate; we need to make sure that we not only comply with existing laws, but that we also have the capacity to keep up with new rules and regulations.

Cum/Ex transactions

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). 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. ABN AMRO is cooperating with the requests and investigations of the German authorities to the fullest extent possible. More information is available on our website.



Human rights

For ABN AMRO, respecting human rights is part of responsible business. We may affect human rights directly through our financial products and services – or, indirectly, through our corporate clients or through the companies our Private Banking clients invest in. We acknowledge that our impact may not always be positive, not only as a lender, but also as an employer and provider of investment and financial services. We have clients active in a number of sectors, with operations and supply chains around the world. As their bank, we have a responsibility to identify real or potential adverse human rights impacts.

To reduce risk, we regularly assess our corporate clients (both existing and prospective) – to ensure they do business in a way that respects human rights. We carry out assessments when clients first sign up with the bank – and as part of our credit approval process. For client acceptance, sustainability checks are integrated into our regular Risk Assessment Forms. For credit approval, we have developed a separate tool: our CASY sustainability risk index. This supports us when performing a detailed assessment of clients with more than EUR 1 million in outstanding debt or active in sectors where we have no specific sector policy. Clients operating in sectors we define as high-risk or sensitive require additional checks by the bank's sustainability experts. Our Sustainable Banking department carried out enhanced due diligence on human rights 49 times in 2019.

ABN AMRO Foundation

ABN AMRO Foundation helps disadvantaged children. Last year, more than 6,700 of the bank's employees volunteered to support ABN AMRO Foundation projects. These projects helped children with issues related to family income, language barriers or other social problems. In 2019, ABN AMRO Foundation organised 277 activities, ranging from sports clinics and photography workshops to museum visits, programming classes and coaching for young entrepreneurs. ABN AMRO Foundation is part of the bank's long-term commitment to local communities – we believe that every child should have an equal chance in life to fulfil their talent.

ABN AMRO Foundation: key figures for 2019

Number of children/youngsters helped

 **19,514**

Number of volunteer hours

 **31,900**

Number of volunteers involved

 **6,751**

Number of projects

 **277**

Since the financial crisis, we have seen more regulation, more emphasis on business ethics – and on banks' essential role as gatekeepers of the financial system.

At the end of 2019, we had more than

 **2,000**

FTEs working on our Detecting Financial Crime activities, including both ABN AMRO and external staff.

In 2019, we carried out

 **49**

human rights-related risk assessments.

In terms of policy, we have a Human Rights Statement, based on international conventions; these include OECD guidelines and requirements under the Protect, Respect and Remedy Framework, part of the UN Guiding Principles on Business and Human Rights. We operate in accordance with these conventions. The Dutch Banking Sector Agreement also sets out banks' responsibilities with regard to human rights. Currently, we are working on two areas that emerged from our work with the agreement over the past three years: ensuring access to remedy for victims of human rights abuses and the effectiveness of clients' grievance mechanisms.

Our Human Rights Statement applies to all ABN AMRO businesses, and to relations associated with our business activities. Respect for human rights is also incorporated into our Code of Conduct, and into the bank's sector-specific policies (see page 58). Employees' basic rights, meanwhile, are protected as part of ABN AMRO's International Framework Agreement (IFA) with trade unions.

Our policies cover a broad range of human rights issues. We need to focus, however, on the most severe risks. To do so, we have identified four priority – or 'salient' – issues, following consultation with management and stakeholders:

- ▶ Privacy (protecting client data)
- ▶ Discrimination (equal access to financial services, respecting international labour rights, workplace equality)
- ▶ Labour rights (living wage, supplier standards)
- ▶ Land-related rights (community relocations, land rights).

These issues form the basis of our work in this area.¹ In June 2019, we devoted specific attention to human rights defenders and the decline in civic freedoms. Together with a number of companies, NGOs, government representatives, academics and frontline human rights defenders, we discussed the business community's role in helping improve the situation. We also stepped up our work on human trafficking – our Chief Risk Officer (CRO) Tanja Cuppen joined the Financial Services Commission on Modern Slavery & Human Trafficking. Since 2015, ABN AMRO has been working on a project with the Inspectorate of the Dutch Ministry of Social Affairs and Employment (Inspectorate SZW) and the University of Amsterdam (UvA) with the aim of sharing knowledge to identify human trafficking. For more information on our Human Rights reporting, see our Human Rights Update, available online.

System stability

ABN AMRO has a responsibility to provide reliable access to banking services. With clients switching to mobile banking, ABN AMRO is investing in new technology to protect its online systems. In 2019, availability of ABN AMRO's internet and mobile banking reached just over 99.9%, above the sector average. The bank has an information security strategy, updated each year. This is aimed at protecting client data, preventing cyber attacks, and maintaining round-the-clock banking services.

At the same time, ABN AMRO has closed branches in the Netherlands. More than 70% of our retail sales are now made digitally. Less cash is being used – country-wide, there are fewer cash dispensers.² Along with ING and Rabobank,

¹ ABN AMRO publishes regular Human Rights Reports or Updates, available online. These describe the bank's approach and explain how consideration for human rights is incorporated into daily decision-making.

² In 2008, there were 64 ATMs in the Netherlands for every 100,000 inhabitants. By 2018, that had dropped to just over 41 (source: World Bank).

we are transferring our ATMs to Geldmaat. The first Geldmaat ATM opened in June 2019. The transfer will help guarantee accessibility of cash for clients. In 2019, the Netherlands saw a sharp increase in explosive attacks on ATMs; in December, as an emergency measure, we were forced to temporarily close 380 cash dispensers across the country (together with 90 Geldmaat ATMs). Our approach, in these circumstances, is always to put the safety of local neighbourhoods first.

ABN AMRO relies on having a stable financial system, particularly in the Netherlands. Recently, banks' capitalisation has improved. That includes ABN AMRO - the European Banking Authority's (EBA) last stress test confirmed our strong capital position.¹ The sector faces challenges, however: persistently low interest rates, increasing competition, climate change, skills shortages, the cost of adapting to new technologies. Regulation has also increased, as we have seen. That means more resources diverted to compliance. It is also likely that, in future, banks – including ABN AMRO – will have to hold more capital, primarily because of new rules under Basel IV (see page [14](#) and [42](#)).

Supporting the international development agenda

In 2015, UN member states adopted the 2030 Agenda for Sustainable Development. At the heart of this agenda are seventeen Sustainable Development Goals (SDGs), covering everything from ending poverty to protecting human rights and combating climate change. In 2017, ABN AMRO identified three SDGs as most closely related to the bank's sustainability approach – where the bank believes it has most to contribute, both in terms of positive impact and in reducing the negative effects of its business.¹

GOAL	Our contribution
 SDG 8 Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> ▶ Human rights and labour standards are built into the bank's lending, investment and procurement policies. ▶ We provide loans and support to SMEs to help them expand, drive economic growth and create new jobs. ▶ We issue social impact bonds, which are used to raise funds to help young people on state benefits get a job. ▶ We partner with authorities to identify suspicious financial transactions.
 SDG 12 Responsible consumption and production Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> ▶ We grant loans that are used to upgrade infrastructure, improve energy efficiency and retrofit industries with cleaner technologies. ▶ We provided nearly EUR 590 million to fund circular economy initiatives.
 SDG 13 Climate action Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> ▶ We help clients make their homes and commercial properties more energy efficient to reduce CO₂ emissions. ▶ We provide green financing through green bonds, our Energy Transition Fund and our Groenbank in the Netherlands. ▶ We are working with clients to increase their sustainable investments, which now exceed EUR 20 billion ▶ We are on track to achieve our target of investing 20% of our overall energy portfolio in renewable energy by 2020.

In September 2019, ABN AMRO became a founding signatory to the UN Principles for Responsible Banking. Under the principles, we have committed to bringing our business into line with the SDGs and Paris Climate Agreement. In signing the principles, we have joined a coalition of 130 banks worldwide. Together, these banks represent more than USD 47 trillion in assets. In 2020, we will report on our progress against the principles.

¹ Based on results of stress tests published by the EBA in November 2018.

¹ These SDGs were chosen following consultation with both internal and external stakeholders. See ABN AMRO's Impact Report for details of the bank's contribution to all SDGs.

Regulatory compliance & corporate governance

ABN AMRO has now implemented the EBA's new guidelines on internal governance. It is the first update of the guidelines since 2011. The EBA guidelines cover banks' risk management and internal controls, compliance, organisation and senior management.

A key part of compliance is to ensure ABN AMRO pays a fair amount of tax. Our approach is straightforward – where we make profits, we also pay tax. In 2019, we paid EUR 634 million in corporation tax, 87% of which was in the Netherlands. The bank's bill was nearly 17% lower than in 2018.

Income tax expenses
(2013-2019, in EUR millions)

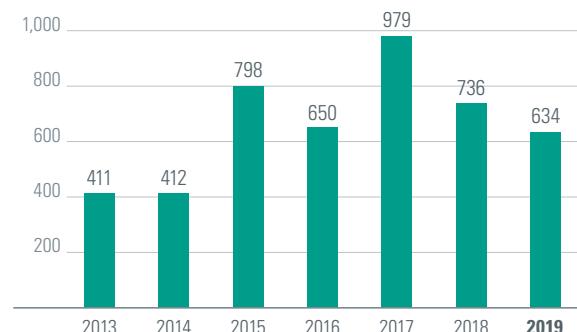


Chart covers income tax expenses only. ABN AMRO also pays other forms of tax, including social security contributions and VAT (or GST).



Challenge

Social role of banks

What is the challenge?

Recently, regulators have tightened controls to combat money laundering. Though necessary, these controls will mean additional costs for banks, not only financial but also in terms of resources. That may eventually hamper banks' ability to lend and invest. It's through lending and investing that we support economic growth and job creation. But it's also our role to act as a gatekeeper – to help protect the financial system.

What is our approach?

For ABN AMRO, there is no trade-off: we want to comply with laws and regulations, whatever the subject – whether that is money laundering, data protection or employment standards. And we invest in compliance. We now have more than 2,000 FTEs working on Detecting Financial Crime. Inevitably, this kind of activity diverts resources – time, money and manpower

– that could be used elsewhere. Additional controls also mean a higher risk 'hurdle'. The result may be to exclude certain individuals, markets or even sectors as 'too risky', when there is no specific evidence of wrong-doing. Banks are using technology to lessen the burden; they are also working together to manage financial crime risk. At ABN AMRO, we have clear policies on anti-corruption, bribery and international sanctions. But it is clear that banks like ABN AMRO need support from governments and regulators. In the Netherlands, the right steps are being taken. The Dutch police and FIU already work closely with banks, including ABN AMRO. The government has also set out proposals to increase cooperation and make more public resources available. Like other banks, ABN AMRO needs the right regulatory framework in place – and a strong commitment from government to fight financial crime.

Outlook – 2020 and beyond

Going into 2020, ABN AMRO continues to face challenges. These include negative interest rates, slowing economic growth in the Netherlands, and continued political uncertainty in many parts of the world. We cannot predict the outcome of the Dutch public prosecutor's current investigation into the bank. In 2020, Robert Swaak will start as ABN AMRO's new CEO, pending regulatory approval.

In 2020, we expect a slowdown in the Dutch economy, mainly the result of lower export growth. Brexit may also have an adverse effect if further negotiations about future trade relations between the UK and the European Union fail. Outside the Netherlands, the world economy faces definite headwinds, including continued international trade tensions and concerns over the COVID-19 outbreak. The US economy is expected to slow, as is China's and Japan's. Meanwhile, the risk of recession in the euro zone has also risen.

Interest rates are likely to remain low. Indications are that the ECB will cut interest rates and will provide further monetary stimulus. The banking sector will have to adapt to a 'lower for longer' environment. Low rates will continue to depress our net interest income, as well as delaying achievement of our cost/income ratio target of 56-58%.

We expect to maintain a strong capital position, despite uncertainties, heading into 2020. These include the current investigation by the public prosecutor, risk model reviews under TRIM and a change in the Dutch central bank's position on mortgages.¹

ABN AMRO expects house sales in the Netherlands to decline by around 5% in 2020. A shortage of homes for sale is hampering transactions. House prices will continue to rise on the back of low interest rates, strong demand and dwindling housing construction. In 2019, ABN AMRO increased its share of the Dutch mortgage market – in 2020, the bank will continue its disciplined approach to pricing to protect margins in its mortgage business.

ABN AMRO expects key skills to remain in short supply, particularly those related to IT and data analytics. This is not unique to the banking sector – companies across all sectors are hiring more IT and data specialists. ABN AMRO's aim is to attract more talent earlier in the recruitment process when candidates leave full-time education. We are already the most popular IT employer among Dutch banks.

Society's expectations of banks like ABN AMRO have increased. That trend will continue in 2020. In the Netherlands, there is a continued focus on business ethics, as well as banks' record on climate change and human rights. In 2020, ABN AMRO will again dedicate significant resources to combating financial crime (see page 50). Investments will also continue in IT and new digital technologies. In line with our strategy, we also expect to further extend sustainable financing – notably by helping clients make their homes more sustainable, by investing in renewable energy and the circular economy, and by supporting clients who want to invest more in sustainable businesses and processes.

¹ The Dutch central bank (DNB) wants Dutch banks to increase RWAs for mortgages, for ABN AMRO this results in increasing RWAs by around EUR 7.5 billion in 2020.

Detecting financial crime

On the front line in the fight against financial crime

In recent years, money laundering has grown in sophistication. With new technologies, criminals can move money anywhere in the world quickly and easily. The UN estimates that money laundering accounts for 2-5% of global annual GDP – that's as much as USD 2 trillion a year. This is not just a problem for the banking sector, but for governments and regulators as well. To tackle money laundering, it's clear close public-private cooperation is needed.

Banks like ABN AMRO are on the front line – as gatekeepers of the financial system. It's banks that monitor transactions for suspicious activity – there are more than 7 billion such transactions a year in the Netherlands. The vast majority are perfectly legitimate; only a small percentage will show evidence of criminal intent, often linked to drugs, human trafficking or organised crime.

House in order

For CEO Kees van Dijkhuizen, this is part of ABN AMRO's day-to-day business. Last year, he told employees that the public prosecutor's current investigation "proves that we need to have our house in order." "Excelling at compliance with laws and regulations," he said, "that's what banking is all about."



CEO Kees van Dijkhuizen speaks to employees at the opening of our new Detecting Financial Crime centre in Amersfoort.

Currently, ABN AMRO has more than 2,000 FTEs fully committed to detecting financial crime. Operations analyst Josephine Ottolander, says 'potentially unusual' transactions are automatically red-flagged. "We work through different scenarios – for example, large amounts being deposited or withdrawn, or payments from high-risk geographies – something that's out of the ordinary."

After that, it's a matter of investigation. Transactions are matched against client profiles to identify possible anomalies. Documents may then be requested from the clients themselves. Ultimately, if there's no credible explanation, the bank can report them to the Financial Intelligence Unit (FIU) and close clients' accounts.

Client profiles

Key to this process is establishing reliable client profiles. Recently, ABN AMRO extended its Detecting Financial Crime (DFC) activities to cover all five million of the bank's retail clients. "That's where we spend most of our time – on client profiles," says Josephine. "When I joined three years ago, we were dealing with around 2,500 alerts a month. Now it's 6,000." Like many of her colleagues, Josephine's background is in criminology.

The deeper 'dirty money' gets into the banking system, the harder it is to identify its origin. Criminals regularly change their methods, switch banks and make use of new digital technologies and correspondent banks to 'layer' transactions and make them more difficult to detect. In response, Dutch banks are also investing more

in technology – fighting fire with fire by using artificial intelligence to speed up detection and lessen the heavy burden on banks' resources. ABN AMRO is still expanding its financial crime unit: our aim is to add another 1,000 FTEs in 2020.

Task force

Banks are also working more with the government and judiciary. In 2019, we took the initiative to set up a new serious crimes task force in the Netherlands, together with the public prosecutor, the police, the FIU and the Fiscal Intelligence & Investigation Service, as well as fellow banks ING, Rabobank and Volksbank. Similar efforts are happening elsewhere – the UK and US also have task forces. In Europe, ideas have been put forward for a pan-European regulator.

Adriaan van Dorp, Managing Director of Security & Integrity Management, welcomes increased cooperation: "You can achieve more by working together with banks and public authorities because criminals often have accounts with, say, three banks," he says.

"There is a lot more focus on these issues worldwide – on money laundering, tax evasion, bribery, corruption. Expectations of what we can do as a bank are very high. It's not easy, but we want to meet those expectations."



"Three years ago, we were dealing with around 2,500 alerts a month. Now it's 6,000."

Josephine Ottolander, ABN AMRO Operations Analyst

Leadership & Governance

Our governance structure is based on the principle of long-term value creation



Interview with our Supervisory Board Chairman

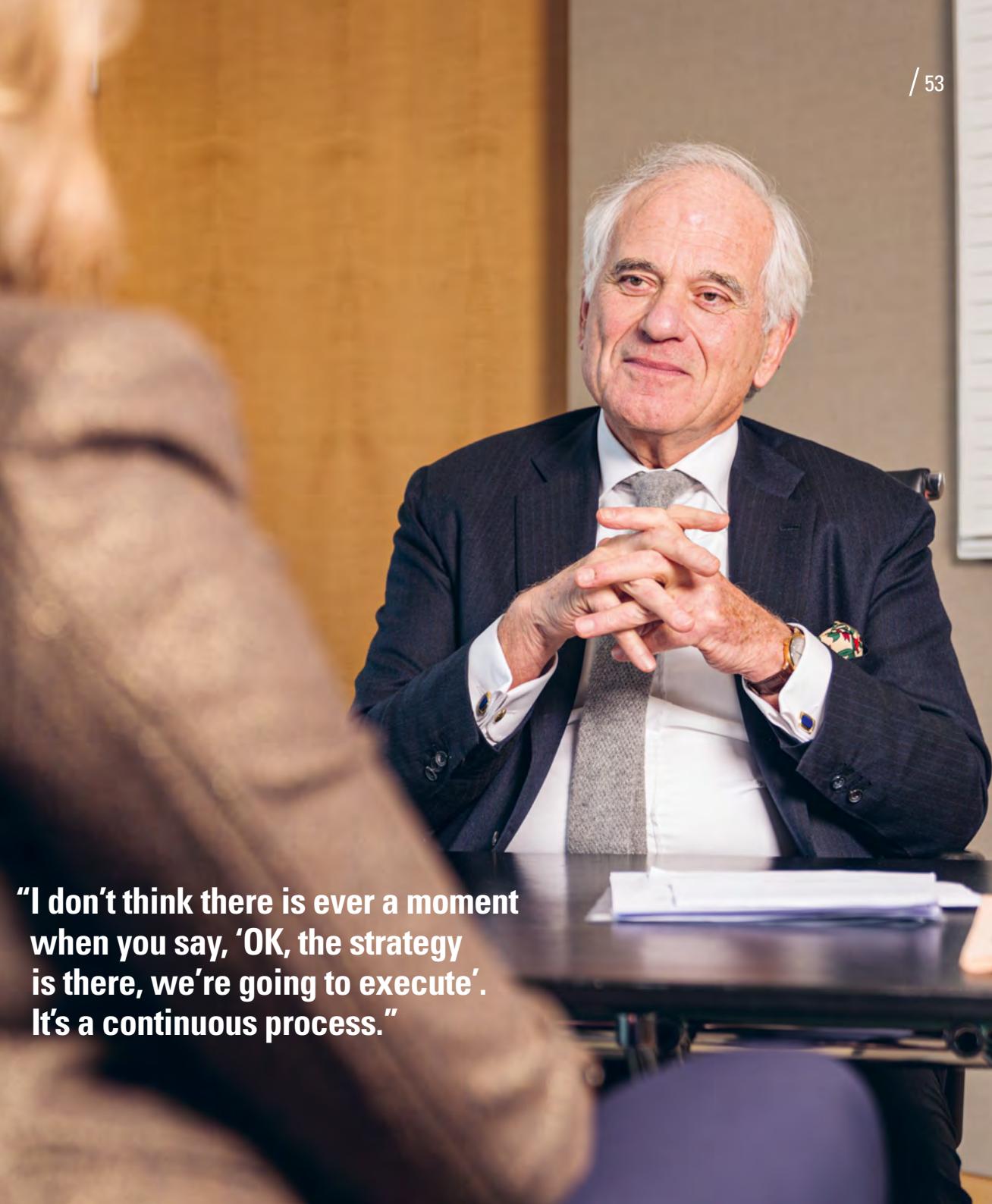
Chairman Tom de Swaan talks about strategy, working with the Executive Board, and using compliance to create long-term value.

ABN AMRO updated its strategy in November 2018. In your view, how well is the bank implementing this strategy?

"I don't think there is ever a moment when you say, 'OK, the strategy is there, we're going to execute'. It's a continuous process. Overall, we're on track. If you look across the financial sector, there are certainly issues out there, especially on detecting financial crime and the pressure we are seeing from negative interest rates. There are longer-term issues, too: what will be banks' contribution to a future digitalised economy, for example? On digitalisation, we're clearly at the forefront of banks in the Netherlands."

What about the relationship between the Executive Board and Supervisory Board? How well are they working together?

"It's working very well. We've spent a lot of time together. The tone at the top is very important. At the same time, we have brought in lots of banking experience, with the appointments of Anna Storakers and Michiel Lap. Laetitia Griffith just joined in December. She brings something different – a lot of knowledge on the legal side, social issues and the environment. That's also very important. Overall, the composition is good.



"I don't think there is ever a moment when you say, 'OK, the strategy is there, we're going to execute'. It's a continuous process."

One issue we'll have to consider is diversity. That's still lacking – not just gender diversity, but diversity more generally. Diversity will be high on the Supervisory Board's agenda for the coming year."

"Kees has served the bank in an exemplary fashion. ABN AMRO owes him a great deal."

What's your outlook for 2020? What will be the challenges for ABN AMRO?

"It will depend very much on the macro-economic environment. If you look at the projections, it seems we'll have a positive year. But we'll still see pressure on the top-line because of negative interest rates – and we'll have to find solutions to cope with that. We have already put some measures in place. It's important, though, that we have a positive outlook. Internally, we need to focus on HR – on talent development and talent spotting. We have to have a culture within the bank so that, despite what's happening in the world around us, we continue to create value."

Last year, what were the main topics for the Supervisory Board? Obviously, the public prosecutor's investigation must have taken a lot of time?

"Yes, that's an important topic – it took up a lot of time. When it comes to compliance, we should see it as a value creator. People want a bank that is safe and reliable. Compliance can be perceived sometimes as a hassle because of the extra information and documentation we need to ask from our clients, but it creates real value. It's an opportunity to communicate with your clients – to give them a sense of the value we offer as a bank. During the year, we also discussed the performance of the bank, particularly given negative interest rates. And we spent a lot of time on Kees van Dijkhuizen's succession. In 2020, we'll devote a lot of time to the longer-term agenda for the bank: digitalisation, the use of data, artificial intelligence, the platform economy, and so on. We will have deep dives on longer-term issues."

You mention Kees's succession – how do you look back on his time as CEO?

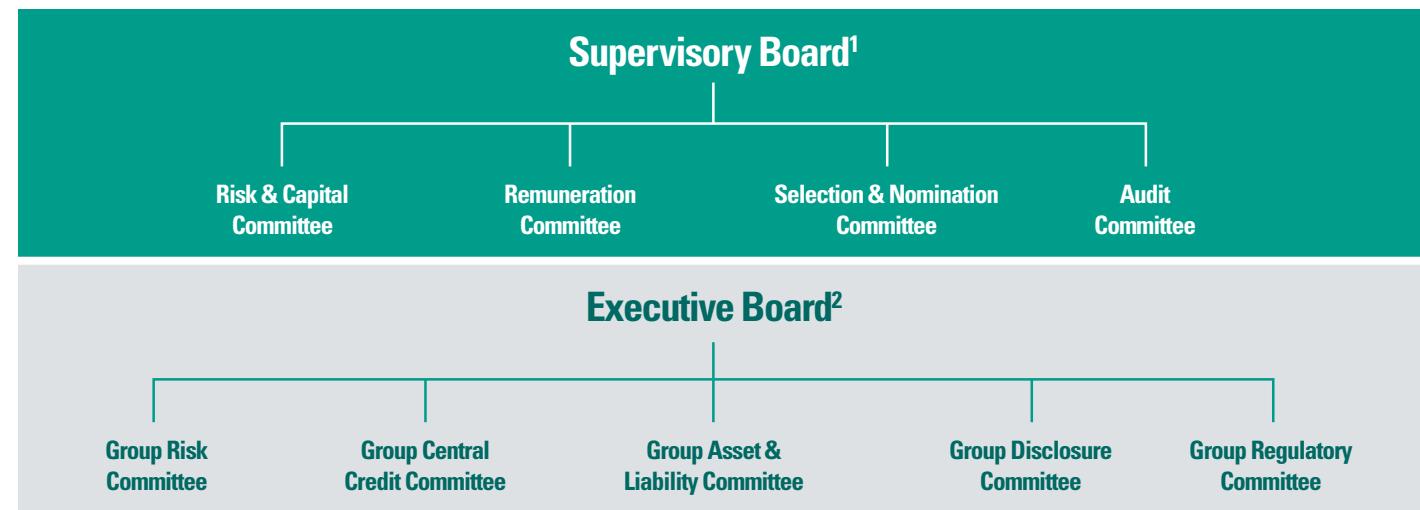
"He has had a very important role. He has steered the bank well, among others in terms of sustainability, in making the bank fit for purpose, future-proof. What Kees has done well is to translate this into real action. We're not there yet – it's a continuous process. Kees has served the bank in an exemplary fashion. ABN AMRO owes him a great deal. We've nominated Robert Swaak as Kees's successor. The appointment still has to be approved by the regulator. But Robert will bring a host of experience – he spent a long time with PwC, so there's hardly a bank in Europe he hasn't seen from the inside, either as an advisor or an auditor."

"People want a bank that is safe and reliable. When it comes to compliance, we should see it as a value creator."

Our system of governance

ABN AMRO has a two-tier management structure, like most other Dutch companies.

- ▶ The Executive Board is the bank's statutory management board, responsible for the general course of business (including compliance with laws and regulations), as well as ABN AMRO's strategy, risk management, corporate standards and values. The Executive Board is supported by an Executive Committee. This Committee is charged with day-to-day management of the bank.
 - ▶ The Supervisory Board oversees the work of the Executive Board. It is independent of management, and advises, challenges and supports the Executive Board. In carrying out their functions, members of the Supervisory Board are guided by the interests of the bank, and are required to take into account the legitimate interests of the bank's stakeholders.
- For more information on our leadership and governance, see ABN AMRO's 2019 Annual Report, available online.



¹ Former Remuneration, Selection & Nomination Committee was split into two separate committees in November 2019.

² Members of ABN AMRO's Executive Board also sit on the bank's Executive Committee.

Together, the Executive and Supervisory Boards are responsible for ABN AMRO's long-term value creation.

Boards' approach to value creation

Together, the Executive and Supervisory Boards are responsible for ABN AMRO's long-term value creation:

- ▶ Both Boards are expected to take into account the long-term viability of the bank's strategy when making decisions.
- ▶ In developing the strategy, the Executive Board takes a view on long-term value creation (taking into account relevant stakeholder interests).
- ▶ When implementing the bank's strategy, the Executive Board's aim is to contribute to long-term value creation, and to build and maintain the corporate culture required to ensure this.

In addition, the Executive Board oversees the preparation and presentation of this Review. All content is presented to our Supervisory Board before publication.

Remuneration

Members of ABN AMRO's Executive Board are not currently eligible for variable compensation. ABN AMRO does, however, pay incentives for other identified staff – these are based on a mix of performance indicators, including both financial and non-financial.¹ In early 2020, we modified aspects of our Remuneration Policy which will be submitted to shareholders for approval at the 2020 AGM. For more information, see the Remuneration Report in our 2019 Annual Report, available online.

Members of the Executive Board and Executive Committee

Our Executive Board comprises four members: the bank's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Innovation & Technology Officer. The Executive Committee consists of the members of the Executive Board, plus the CEOs of Retail, Commercial, Private Banking and Corporate & Institutional Banking, and Chief HR & Transformation Officer.

- ▶ Kees van Dijkhuizen has announced he will step down as CEO. He has served on ABN AMRO's Executive Board for seven years, initially as the bank's CFO. Kees has been CEO since the beginning of 2017. During that time, he has overseen a strengthening in the bank's operating profit and capital position, as well as the introduction of the bank's new purpose and refreshed strategy. Robert Swaak, former Chairman of PwC Netherlands' Management Board, has been nominated as ABN AMRO's new CEO. Subject to regulatory approval, Robert will take over from Kees at the bank's 2020 AGM.
- ▶ Gert-Jan Meppelink – responsible for HR, Transformation and Communications (HTC) – left the Executive Committee during 2019. He stepped down by mutual consent following a restructuring of HTC. Under the restructuring, HR & Transformation continues to be a responsibility of the Executive Committee; Brand, Marketing & Communications, however, comes under the direct responsibility of the bank's CEO.

¹ In 2019, ABN AMRO used the following non-financial indicators: DJSI performance, Trust Monitor, Employee Engagement, NPS and 'House in Order' (related to compliance and risk culture).

Composition of the Supervisory Board

Supervisory Board members have various backgrounds – in business, law and politics. ABN AMRO's goal is to have a 'balanced' Supervisory Board in terms of gender, expertise and personal style. This diversity ensures more effective Board accountability. As part of this goal, ABN AMRO aims to increase the proportion of women on its Supervisory Board to at least 30%. At the end of 2019, two of the bank's seven Supervisory Board members were women (29%). Last year, there were some changes to the membership of the Supervisory Board:

- ▶ Anna Storakers and Michiel Lap joined the Board. Both have extensive experience in international banking. Ms Storakers and Mr Lap replaced Steven ten Have and Frederieke Leeflang, who resigned their positions at the 2019 AGM.
- ▶ Laetitia Griffith was also appointed to the Board. She was formerly a member of the Dutch House of Representatives; she has also served on the country's Council of State. Ms Griffith replaces Annemiek Roobek, who has stepped down after nine years on the Board.

Vision & leadership

Senior management sets the tone within an organisation; this tone is crucial to successful strategy implementation. In recent years, we have focused on building an executive team that can connect up purpose, strategy and culture within the bank. We have refreshed our strategy – and brought in a new purpose. As part of this, the bank took a conscious decision to focus more on the long term, and

to concentrate on value creation for stakeholders. We measure 'vision & direction' through our annual Employee Engagement Survey, as well through the Dutch Banking Association's Trust Monitor and by measuring the degree of acceptance of our strategy among both clients and employees. In 2019, we refreshed both our succession management process and our leadership development programme.

Shareholders, ownership structure & regulation

ABN AMRO's shareholders meet at least once a year. They are responsible for appointments to the Supervisory Board, and for adopting the bank's annual accounts. ABN AMRO's largest shareholder is the Dutch State, which owns 56.3% of the bank.¹ This stake is held through NL Financial Investments (NLFI). NLFI acts independently of the Dutch government to avoid conflicts of interest. There is a 'Relationship Agreement' in place between NLFI and ABN AMRO. NLFI has no seat on our Supervisory Board; it doesn't take part in executive decisions. The government's intention is to fully re-privatise ABN AMRO. As one of the eurozone's larger banks, ABN AMRO is regulated directly by the European Central Bank jointly by the Dutch central bank. This level of regulation for leading banks helps ensure the overall stability of Europe's financial system. In 2019, we completed a legal merger between two entities – ABN AMRO Bank and ABN AMRO Group. The merger has a positive impact on some of the bank's capital ratios, and will also help simplify administrative processes.

Gender diversity

Percentage of women on ABN AMRO's Supervisory Board



29%

Supervisory Board meetings

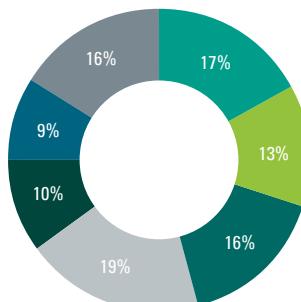
Number of Board and Committee meetings during 2019



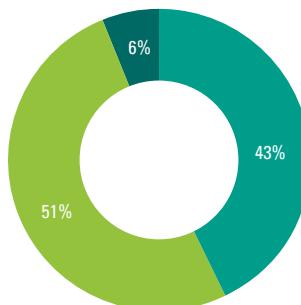
27

¹ At end-2019. This stake comprises: 49.9% of ABN AMRO shares, plus 6.4% in depositary receipts, issued by the ABN AMRO Trust Office (Stichting Administratiekantoor AAB), an independent structure created as a defence against any hostile situations.

Advice provided by Sustainable Banking department by sector (2019)



Outcome of requests referred to Sustainable Banking department



Second chart shows outcome of requests referred to ABN AMRO's Sustainable Banking department. Requests include client acceptance, requests for finance and other requests.

Internal controls, anti-corruption and engagement

ABN AMRO has a series of internal policies and controls. These include policies on bribery and corruption, privacy and use of client data, money laundering, responsible tax and human rights. The bank has a Code of Conduct, applying to all employees worldwide. We provide training to employees to ensure compliance with this Code. In addition, bankers are required to sign an oath in the Netherlands to respect minimum standards of professional conduct. Last year, 61 of our mortgage advisors were suspended for temporarily breaking the terms of this oath.

ABN AMRO has built ESG factors into its decision-making. For us, this is part of being a responsible corporate citizen. We also have a Sustainable Risk Policy, which sets out principles guiding our approach to lending, investment, procurement and product development.

Sector guidelines

Our Sustainable Risk Policy is supported by specific sector guidelines (covering – among others – energy, agriculture, extractives, manufacturing, chemicals & pharmaceuticals). These guidelines set out minimum ESG standards in areas like corruption, working conditions, environmental performance and health & safety. For the most part, ABN AMRO's standards are based on accepted international norms, including the UN Global Compact, the International Labour Organisation's Fundamental Principles and Rights

at Work, the OECD's Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the Equator Principles, which cover responsible project finance. ABN AMRO expects clients to live up to these standards. In most cases, the same standards are also applied to our suppliers and the companies we invest in.

In 2019, ABN AMRO's Sustainable Banking department provided advice on 407 clients operating in higher-risk sectors. In total, 6% of requests were denied; another 51% were given 'qualified approval'.¹ With clients or companies that fall short of its ESG standards, ABN AMRO's approach is to engage, though the bank may exclude clients if there is no reasonable prospect of improvement. Before excluding, we take into account the risk each client represents; this includes, for example, assessing how much revenue the client may receive from activities responsible for the shortfall in standards. We will not finance activities we do not consider to be ecologically, socially or ethically responsible. These activities include new thermal coal plants, tobacco, tar sands, oil & gas exploration in the Arctic – or companies involved in human rights abuses, or deforestation to make way for large-scale agriculture. Precise terms are set out in our Exclusion List, available online.

We hold dialogues directly with the companies we lend to as part of our responsible financing approach. This dialogue helps us maintain high environmental, social and ethical standards, but is separate from formal engagement, which takes place with a more limited number of

¹ With 'qualified approval', the bank usually requires a change in approach or improvement in sustainability performance.

companies. In 2019, we engaged 26 companies formally, addressing issues such as deforestation, child labour, human rights, water pollution and corruption.

For more information about our internal controls, see ABN AMRO's Annual Report, available online.

Risk management

Risk is an integral part of any bank's business. ABN AMRO has five main risk 'types'; these are associated mainly with credit risk or with movements in financial markets (interest rates, currencies, equity prices). ABN AMRO also faces operational or business risks (linked to regulatory compliance, HR, legal, tax, sustainability). To manage these risks, ABN AMRO has a comprehensive risk management framework, operating at all levels of the bank. Risk management begins with the businesses themselves; they 'own' the risk, set the correct risk appetite and make sure proper, effective controls are in place. The businesses are ABN AMRO's first line of defence to keep the bank within the boundaries of its risk appetite. The second line of defence is ABN AMRO's risk control function – responsible for rules and frameworks, and ensuring that the first line performs as intended. Internal audit – the third line of defence – assures all governance and control processes are carried out by the first and second lines. The Executive Board has ultimate responsibility for risk management, overseen by the bank's Supervisory Board. ABN AMRO's approach to risk management is based on a number of key principles:

- ▶ that the bank should offer only products and services that are in the interests of its clients, and that clients understand
- ▶ that the bank should avoid concentrating too much risk in one sector, client or country
- ▶ that the bank should limit risk associated with unexpected currency or interest rate fluctuations
- ▶ that the bank should maintain a financial buffer, so that it can always meet its obligations, even in times of economic stress.

We hold dialogues with the companies we lend to – this helps us maintain high environmental, social and ethical standards.

Management Control Statement

Every year, based on ABN AMRO's risk management processes and in compliance with the Corporate Governance Code, the Executive Board issues a Management Control Statement, addressing the internal risk management and control systems.

For the Board's detailed statement, see the Risk, funding & capital management section in the Annual Report, available online.

Executive Committee

From left to right

Daphne de Kluis

CEO Commercial Banking

Christian Bornfeld

Chief Innovation & Technology Officer

Tanja Cuppen

Chief Risk Officer

Kees van Dijkhuizen

Chief Executive Officer and Chairman

Pieter van Mierlo

CEO Private Banking

Rutger van Nouhuys

CEO Corporate & Institutional Banking

Frans van der Horst

CEO Retail Banking

Clifford Abrahams

Chief Financial Officer and Vice-Chairman



Supervisory Board

From left to right

Arjen Dorland

Vice-Chairman

Michiel Lap

Anna Storåkers

Tom de Swaan

Chairman

Laetitia Griffith

Jurgen Stegmann

Tjalling Tiemstra



Appendix

We are transparent in our reporting, providing relevant and timely information to our investors and other stakeholders.

Our approach to reporting

ABN AMRO takes a 'core and more' approach to reporting. This Review is the bank's 'core' report. It is published alongside a number of other 'more' reports. These include the Annual Report, which contains the bank's financial statements, as well as other publications and regulatory disclosures. For more information, see abnamro.com.

Purpose of this Review

The primary purpose of this Review is to explain how ABN AMRO, over time, creates value for its stakeholders, not only as a provider of banking and other financial services, but also as an employer. In doing so, the Review provides a comprehensive overview of ABN AMRO's business, operating environment, strategy and performance. The Review has been written for all stakeholders, but will be of particular interest to investors (providers of financial capital).

Review and approval of content

Contents of this Review are based on extensive reporting by ABN AMRO businesses and operating units.

Production of this Review is overseen by a dedicated project team. The team members are drawn from our Communications, Finance, Investor Relations, Strategy and Sustainable Banking teams. Content is reviewed by ABN AMRO's Group Disclosure Committee, and approved by the bank's Executive Board before

publication. Some information has been drawn from other ABN AMRO publications, notably the bank's Annual Report. The Review should not be seen, however, as a substitute for these other publications.

Scope and boundaries

- ▶ Unless otherwise stated, this Review covers ABN AMRO Bank N.V. (including all businesses and consolidated entities worldwide). Annual data relates to the bank's financial year, which runs from 1 January to 31 December.
- ▶ Only content that is material to the bank's strategy, performance, reputation or value creation has been included in this Review. Content is based on both internal and external sources. Where external sources are used, an explanation has been provided in the text.
- ▶ This Review is structured around our value creation model, and describes value created (or depleted) for each of the bank's main stakeholder groups (clients, employees, investors and society). Risks to value creation described in this Review are assessed in

accordance with ABN AMRO's overall risk management approach (for further details, see the Risk, Funding & Capital section of our 2019 Annual Report).

- ▶ For this Review, we have also drawn from ABN AMRO's impact reporting. This reporting covers most of ABN AMRO's activities (based on their contribution to the bank's consolidated income), and all material impacts (as explained in the bank's Impact Report, available online). For more details on our Impact reporting approach, see [pages 66 and 67](#).
- ▶ We have medium-term strategic targets for 2022 (see [page 19](#)). Group targets for 2020 are 'continuous'; these depend ultimately on developments in our operating environment (for example, new regulation). Long-term strategic targets – beyond 2022 – are currently under development.

Involvement of stakeholders in the reporting process

► ABN AMRO regularly consults its stakeholders – their views are incorporated into the bank's decisions, strategy and reporting. ABN AMRO identifies the most important issues for stakeholders through its materiality process. These issues may be social, economic, financial or environmental in nature. Our main stakeholder groups are: clients, employees, investors and society. For more information about ABN AMRO's stakeholders, see [page 22](#). We carry out a materiality exercise every two years. The last exercise took place in 2018; in 2019, we reviewed the results against current market developments.

Performance data

► For this Review, all financial data has been taken directly from ABN AMRO's 2019 Annual Report. Figures are presented generally in euros (EUR), the bank's reporting currency. Financial information contained in the Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU IFRS). All capital metrics and risk exposures are reported under the Basel III (CRD IV /CRR) framework. As from 2019, all capital figures and ratios, including comparatives, are shown on a fully-loaded basis (unless otherwise stated). Non-financial data is collected centrally; this includes data relating to environmental performance, customer loyalty, and employee engagement.

► Annual averages are based on month-end figures (management does not believe that using daily averages would make any material difference to these 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 may not tally due to rounding. For the most part, larger figures are rounded to the nearest million or billion. Some percentages are calculated using rounded figures. Certain metrics used in this Review have inherent limitations (for example, estimated data vs. reported data). Where applicable, this is mentioned in the text.

External assurance

External assurance for this Review was provided by EY; its report can be found on [pages 74-75](#). ABN AMRO believes external assurance strengthens the credibility of its reporting, and helps improve the bank's own reporting systems and processes. EY provided limited assurance for all content, data and graphics in this Review, and reasonable assurance for ABN AMRO's value-creating topics chapter (see [page 23](#)).

Forward-looking statements

This Review contains certain 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 the document's publication date. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and does not assume any responsibility to do so. The reader should, however, take into account further disclosures of a forward-looking nature that ABN AMRO may make in its interim reports.

Compliance with International Integrated Reporting Framework

This Review is written in accordance with the International Integrated Reporting *<IR>* Framework.¹ This framework comprises both guiding principles and content elements. Details of our compliance may be found below:

Guiding principles	Our approach	Reference	Content elements	Reference
Strategic focus & orientation	This Review is structured around ABN AMRO's approach to value creation. Strategy and performance sections relate directly to the bank's ability to create value for stakeholders.	Strategy and value creation (pages 15-26), setting out ABN AMRO's three strategic pillars, the bank's chosen strategic differentiators and its approach to value creation.	Organisational overview and external environment	<ul style="list-style-type: none"> ▶ Our bank (pages 8-9) ▶ The world around us (pages 12-14)
Connectivity of information	This Review makes a clear connection between ABN AMRO's operating environment, its strategic differentiators, opportunities and risks associated with these topics, strategy and performance.	The world around us (pages 12-14), and Our value-creating topics (page 23), describing ABN AMRO's business environment, its strategic differentiators, and risks and opportunities.	Governance	<ul style="list-style-type: none"> ▶ Leadership & governance (pages 52-57)
Stakeholder relationships	In this Review, ABN AMRO defines its main stakeholder groups. The Review also addresses the relationship between the bank and these stakeholder groups. This is done with a view to better understanding ABN AMRO's business environment.	Our stakeholders (page 22), describing the bank's main stakeholder groups, their expectations of ABN AMRO and our current relationship.	Business model	<ul style="list-style-type: none"> ▶ Our business model (page 9)
Materiality	This Review focuses on areas that have the most impact on ABN AMRO's business, performance, reputation and stakeholders, and where the bank believes it can create most value (strategic differentiators).	Our value-creating topics (page 23), identifying material issues affecting ABN AMRO and its stakeholders, as well as methodology used to identify these issues.	Risks & opportunities	<ul style="list-style-type: none"> ▶ Our value-creating topics (page 23) ▶ Opportunities & Risks (page 27)
Conciseness	ABN AMRO applies a materiality principle to this Review to ensure focused content and sufficient information to understand the bank's business and performance in its proper context.	Our approach to reporting (pages 63-64), explaining how ABN AMRO applies the materiality principle to content for this Review.	Strategy & resource allocation	<ul style="list-style-type: none"> ▶ Our strategy (pages 15-19)
Reliability & completeness	ABN AMRO ensures this through internal review and external assurance. This approach strengthens credibility in ABN AMRO's reporting and ensures the correct balance between positive and negative issues affecting the bank.	Our approach to reporting (pages 63-64), describing ABN AMRO's review & approval process for this Review. See also the External Assurance Report of the independent auditor (pages 74-75).	Performance	<ul style="list-style-type: none"> ▶ Performance (pages 28-48)
Consistency & comparability	This is ABN AMRO's third successive annual integrated report, using the IIRC framework. Where possible, data is shown in context. ABN AMRO is committed to continuity in its reporting and to facilitating comparability with other companies using the same framework.	Our approach to reporting (pages 63-64), defining scope, boundaries and methodologies. Comparative performance data for the previous reporting period (2018) is also included where appropriate.	Outlook	<ul style="list-style-type: none"> ▶ Outlook (page 49)
				<ul style="list-style-type: none"> ▶ Our approach to reporting (pages 63)

All page numbers in the tables above refer to the present Review.

¹ For more information, see integratedreporting.org.

Impact reporting

In this Review, we are publishing an assessment of ABN AMRO's impact during the reporting year on its main stakeholder groups. This assessment is contained in our Impact Statement on [page 72](#). We provide an assessment based on what we believe to be a representative selection of material impacts. Impact ranges have been estimated and monetised for inclusion in our assessment. For more details on our methodology, please see our separate ABN AMRO Impact Assessment 2019: Note on Methodology (1.0), available online.

Scope

Our impact assessment relates to the 2019 calendar year. The assessment covers the majority of ABN AMRO's business activities (as measured by their contribution to the bank's consolidated income¹).

The scope of our assessment is based on the following:

- ▶ materiality exercises carried out by ABN AMRO and other banks
- ▶ existing impact studies from ABN AMRO and other organisations
- ▶ consultations with internal experts.

Some impacts have not been included, mainly because of limited availability of data. These include: ABN AMRO's contribution to money creation and financial system stability, as well as fraud, forced labour and other rights violations in the bank's value chain.

Use of data

To carry out this assessment, we have used primary data (directly from ABN AMRO), secondary data (from external sources), and data from our partners at Impact Institute. Our data sources include the following:

- ▶ ABN AMRO financial and risk data, including the bank's consolidated income, balance sheet and cash flow statements. More detailed data was taken from internal management information systems.
- ▶ Selected ABN AMRO non-financial data from the bank's Non-financial data & Engagement report and other internal sources
- ▶ Academic research, as well as international and national statistical organisations
- ▶ Impact Institute, including data on monetisation factors based on research and the Global Impact database (version 2.3), which includes key sources such as Eora and Exiobase.²

Process

Between 2014 and 2018, we conducted a number of pilot impact assessments. These assessments strengthened our understanding of the impact we have, as a bank, through both our operations and value chain. While this remains a work in progress, we believe that, with this assessment, we already have an extensive overview and understanding of our impact. Production of the impact assessment was overseen by a Steering Committee comprising team members of our Communications, Strategy and Sustainable Banking departments. During the process,

Risk Management, Finance and business lines departments were also consulted.

Our first bank-wide assessment was published in our 2018 Impact Report. We have now included results from our second assessment in this 2019 Integrated Annual Review.

Notes

- ▶ This assessment covers both positive and negative impacts; it also includes direct impacts from ABN AMRO's operations and indirect impacts, such as those related to clients' value chains and suppliers of goods, services and capital. Impacts are presented in ranges equivalent to the estimated euro impact on stakeholder groups.
- ▶ Our assessment includes analysis of both B2B (business-to-business) and B2C (business-to-client) activities. For B2B activities, we have included the entire value chain on both sector and country levels.
- ▶ Impacts are categorised according to the relevant IIRC capital and stakeholder group.
- ▶ All well-being impacts relate to the well-being of individuals; in these cases, all individuals are given equal weighting. To calculate impacts on basic rights, we use the cost of remediation - i.e. the cost of remedying any abuse or violation.
- ▶ All impacts are absolute; marginal impacts are out of scope for this assessment.
- ▶ To assess impact, we use a best-estimate valuation. Where there is uncertainty over data or models, our general approach is to select the more conservative option.

¹ The assessment covers 95% of ABN AMRO's business activities for internalities, and 75% for externalities.

² For more details on sources used, see ABN AMRO Impact Assessment 2019: Note on Methodology (1.0), available online (abnamro.com/impactmethodology2019).

- ▶ Some costs are voluntary – i.e. they are incurred willingly by stakeholders anticipating that, in return, they will receive at least the equivalent value in services from ABN AMRO. For example, clients repaying mortgages (negative financial capital) would expect to receive value in return through home ownership (positive manufactured capital).
- ▶ External costs are not netted, unless shown as a disaggregated figure elsewhere in the Review.

Attribution

Our assessment covers both direct and indirect impacts. Direct impacts result from ABN AMRO's own operations. Indirect impacts are those to which the bank contributes through, for example, the business activities of its clients or suppliers of goods, services and capital. ABN AMRO's Impact assessment shows overall 'attributed' impact – i.e. the total impact that may be attributed to the bank.

Direct impacts of ABN AMRO, which are mainly internal impacts such as wages and payments from clients, are attributed fully to ABN AMRO. Indirect impacts of ABN AMRO, which are mainly externalities such as contribution to climate change, are attributed proportionally among our value chain partners, where appropriate. Fifty percent of externalities are attributed to the organisation that has a primary responsibility (e.g. the organisation whose operations were responsible for the greenhouse gas emissions). The remaining 50% is allocated among value chains according to their added value in the value chain. We estimate, based on the consolidated income statement, that ABN AMRO's average share of the added value in the value chains it operates in is 44% per euro of revenue or expense. Therefore 44% of the 50% impact attributed to the value chain partners may be attributed to ABN AMRO (this calculation was applied to the example of 'well-being effects of employment', resulting in 72% of the impact in that case being attributed to ABN AMRO – see example right).

Examples of impact calculations

Our assessment is based on calculating individual impacts; below are two examples. These are for purposes of illustration only and are not intended to represent exact calculations.

1 Well-being effects of employment

This is included under human capital, and refers to the well-being effects of employment (particularly, the contribution of a good working environment to overall 'life satisfaction'). To estimate the impact, we use the European Social Survey scale (2018); this estimates employment's well-being effect on life satisfaction at +7 points (on a 0-100 scale). On average, ABN AMRO has higher employee engagement than other Dutch companies. Based on this, we increased the average effect for ABN AMRO employees to +8.6 points. To calculate the overall impact, we attributed a factor of EUR 2,217¹ for each additional point (based on average salaries), and multiplied the result by total FTEs at the end of 2019 (17,977).

Much of this impact may be attributed directly to ABN AMRO (as the employer). We estimate this at 72% (based on an added value calculation). The remaining 28% may be attributed to other economic actors in the value chain. This comes to a positive impact of around EUR 250 million. In a similar way, other human capital impacts (positive and negative) on employees are calculated. The sum of these impacts is estimated in the impact range between EUR -50 to -100 million.

2 Use of scarce materials

This impact refers to the depletion of fossil fuels. ABN AMRO is responsible for fossil fuels used in its own operations. To calculate this, information was taken from the bank's own Non-financial data & Engagement report (which provides data on energy use, business travel and carbon emissions). ABN AMRO also has shared responsibility for consumption of fossil fuels by its clients (through their business activities and value chains). To calculate this shared responsibility, we matched average fossil fuel consumption data for sectors and countries to ABN AMRO's interest and fee income from the same sectors and countries; we also used remediation costs for this fossil fuel depletion.

¹ Fujiwara and Dolan (2012) and Fujiwara (2013).

Income statement

(in millions)	Note	2019	2018
Income			
Interest income calculated using the effective interest method ¹		9,701	10,007
Other interest and similar income ¹		355	317
Interest expense calculated using the effective interest method ¹		3,407	3,590
Other interest and similar expense ¹		181	140
Net interest income	4	6,468	6,593
Fee and commission income ¹		2,121	2,174
Fee and commission expense ¹		489	475
Net fee and commission income	5	1,632	1,699
Net trading income	6	84	173
Share of result in equity accounted investments		37	43
Other operating income	7	383	584
Operating income		8,605	9,093
Expenses			
Personnel expenses	8	2,247	2,441
General and administrative expenses	9	2,781	2,737
Depreciation and amortisation of tangible and intangible assets	23	240	173
Operating expenses		5,268	5,351
Impairment charges on financial instruments		657	655
Total expenses		5,925	6,006
Profit/(loss) before taxation		2,680	3,086
Income tax expense ¹	10	634	736
Profit/(loss) for the period¹		2,046	2,350
<i>Attributable to:</i>			
Owners of the parent company ¹		2,046	2,312
Non-controlling interests			39
Earnings per share (in euros)			
Basic earnings per ordinary share ^{2,3}	11	2.06	2.35

¹ Comparative figures for 2018 have been restated. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements.

² 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.

³ As a result of the merger of ABN AMRO Group N.V. and ABN AMRO Bank N.V. the numbers of shares have been adjusted for comparison reasons by aligning the number of shares of ABN AMRO Bank N.V. to the number of shares of ABN AMRO Group N.V. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements.

Statement of financial position

(in millions)	Note	31 December 2019	31 December 2018	(in millions)	Note	31 December 2019	31 December 2018
Assets							
Cash and balances at central banks ¹	12	27,061	35,716	Financial liabilities held for trading	13	675	253
Financial assets held for trading	13	1,137	495	Derivatives	14	6,505	7,159
Derivatives	14	5,730	6,191	Securities financing	17	8,234	7,407
Financial investments	16	45,277	42,184	Due to banks	26	12,785	13,437
Securities financing	17	14,905	12,375	Current accounts	27	91,900	84,192
Loans and advances banks ¹	19	5,011	6,780	Demand deposits ²	27	120,892	126,063
Residential mortgages	20	150,880	150,784	Time deposits ²	27	21,232	25,058
Consumer loans	20	11,997	11,945	Other due to customers	27	967	810
Corporate loans at amortised cost	20	97,672	100,408	Issued debt	28	75,275	80,784
Corporate loans at fair value through P&L	20	1,261	783	Subordinated liabilities	28	10,041	9,805
Other loans and advances customers	20	6,292	6,966	Provisions	29	983	1,204
Equity accounted investments	22	639	522	Liabilities held for sale	24	41	
Property and equipment	23	1,706	1,506	Tax liabilities	10	63	36
Goodwill and other intangible assets	23	178	164	Other liabilities	31	4,030	3,686
Assets held for sale	24	14	56	Total liabilities		353,582	359,935
Tax assets	10	764	516	Equity			
Other assets	25	4,530	3,904	Share capital		940	800
Total assets		375,054	381,295	Share premium		12,970	4,041
Liabilities							
Equity							
Other reserves (incl. retained earnings/profit for the period)							
Accumulated other comprehensive income							
AT1 capital securities							
Equity attributable to owners of the parent company							
Equity attributable to non-controlling interests							
Total equity							
Total liabilities and equity							
Committed credit facilities							
Guarantees and other commitments							

¹ ABN AMRO has reclassified EUR 1.3 billion from loans and advances banks to cash and balances at central banks in the comparative figures for 2018. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements.

² ABN AMRO has reclassified EUR 2.0 billion from time deposits to demand deposits in the comparative figures for 2018. Please refer to Note 1 Accounting policies in the Consolidated Annual Financial Statements.

Strategic and other non-financial performance indicators

Non-financial	2019	2018	Definitions used
Gender diversity at the top	28%	28%	Percentage of women at scales 14 and above, according to the Hay salary scale (Netherlands only).
Gender diversity at the sub-top	27%	27%	Percentage of women at scales 12 and 13, according to the Hay salary scale (Netherlands only).
Gender diversity total	44%	44%	Percentage of women within ABN AMRO's workforce (Netherlands only).
Dow Jones Sustainability Index (DJSI)	Top 10%	Top 5%	Published by S&P Global, in cooperation with RobecoSAM, the DJSI tracks the sustainability performance of leading companies (according to ESG criteria). Scores are not directly comparable, from year to year, because of regular recalibrations and changes in methodology.
Trust Monitor for banks	3.2	3.3	Degree of confidence in ABN AMRO among existing clients; measured on a scale of 1-5.
Financial	2019	2018	Definitions used
Return on average equity	10.0%	11.4%	Annual profit (excluding coupons attributable to Additional Tier One capital securities and results from non-controlling interests) as a percentage of average equity attributable to company's owners (excluding Additional Tier One capital securities).
Cost / income ratio	61.2%	58.8%	Operating expenses as a percentage of operating income.
CET1 ratio (fully-loaded)	18.1%	18.4%	Common Equity Tier 1 as a percentage of total risk-weighted assets.
Dividend payout ratio	62%	62%	Percentage of sustainable net profit attributable to company's owners (excluding coupons attributable to Additional Tier One capital securities and results from non-controlling interests to shareholders through dividend payments).

Strategic pillars	2019	2018 ¹	Definitions used
Renewable energy commitment as a percentage of energy portfolio	14%		Based on nominal amount committed to renewable energy /non-fossil power generation clients, divided by total commitment to oil & gas (fossil) clients.
Sustainable financing in billions EUR	— ²		This amount represents the outstanding loans within the Commercial Banking loan book, complying with the Sustainable Risk Policy / Sustainable Finance Framework.
Sustainable investments (client assets) in billions EUR	20.6	13.8	Assets invested by ABN AMRO on behalf of clients in investment funds, products and securities that explicitly base their investment approach and decisions on sustainability criteria. These investments factor in social and environmental factors. Scope includes all countries where ABN AMRO is active in private banking. Selection of sustainable assets is based on criteria developed by ABN AMRO, as well as other external criteria. Assets include both listed and non-listed securities. More information on these criteria are available online abnamro.com/sustainableinvestments .
Clients rated on ABN AMRO's CASY rating tool Commercial Banking	42%		Percentage of CB lending clients (with a proposed loan of > EUR 1 million) that have been categorized in low, medium or high sustainability risk and adherence to the ABN AMRO sustainability risk policy has been determined at below, at or above par.
Clients rated on ABN AMRO's CASY rating tool Corporate & Institutional Banking	84%		Percentage of CIB lending clients (excluding financial institutions, clearing entities and facilities under financial restructuring) that have been categorized in low, medium or high sustainability risk and adherence to the ABN AMRO sustainability risk policy has been determined at below, at or above par.
Average energy label (residential properties)	60%		Percentage of residential properties with A, B or C energy labels within the bank's overall mortgage portfolio.
Average energy label (commercial properties)	26%		Percentage of commercial properties with A energy label within the bank's overall mortgage portfolio.

¹ New targets were introduced as part of the 2018 strategy refresh and therefore we have not reported on all strategy pillar metrics.

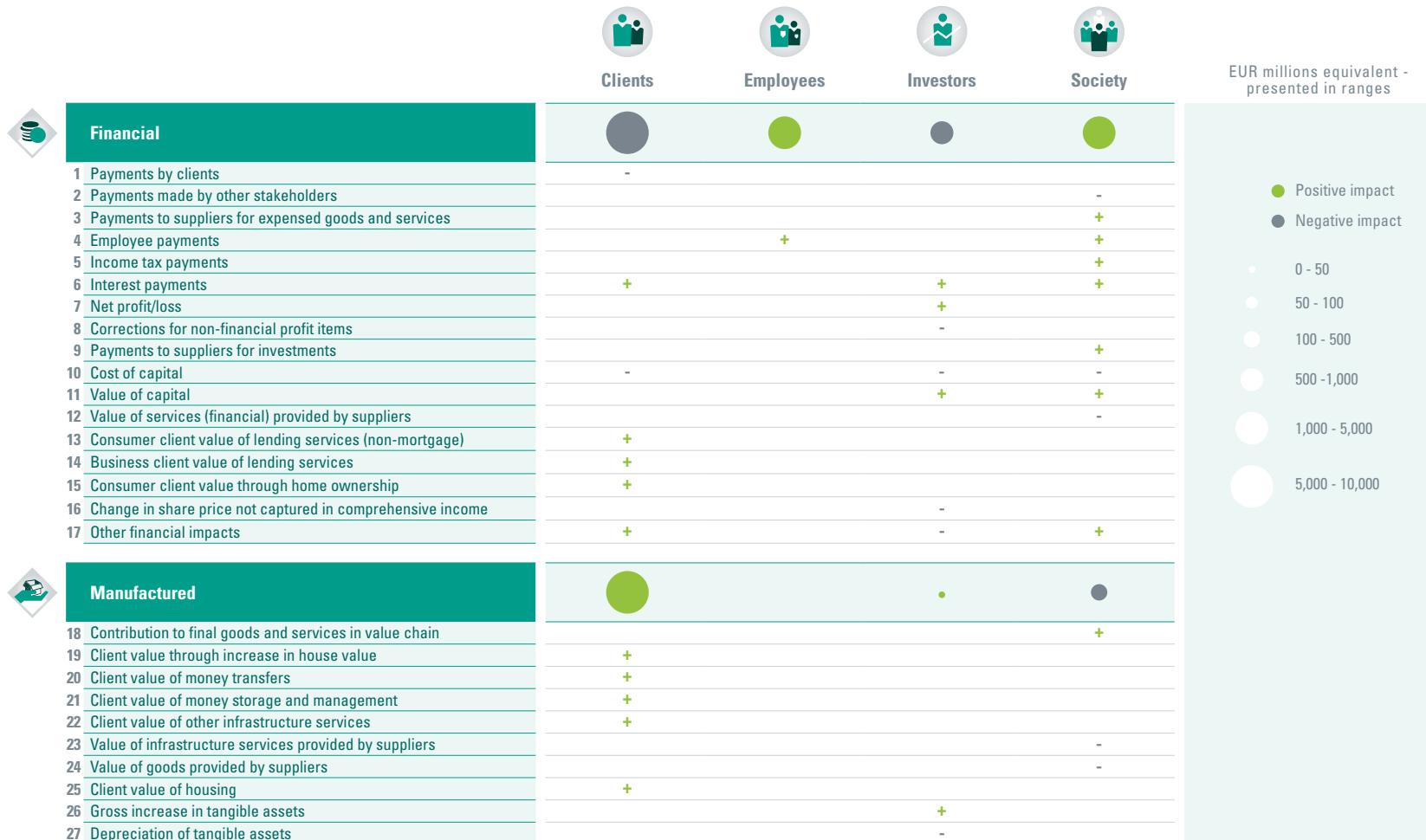
² Sustainable financing is a new KPI which is still under development. We expect to report results in 2020.

Strategic pillars	2019	2018 ¹	Definitions used
Net Promoter Score (relational)			
Retail Banking	-10	-9	
Commercial Banking	1	-2	
Private Banking (consolidated)	9	-1	
Corporate & Institutional Banking	29	45	
Employee engagement			
Group	80%	80%	Relates to degree of commitment and dedication employees feel towards their job (based on ABN AMRO's regular Employee Engagement Survey, conducted by Willis Towers Watson). Total respondents by business (2019):
Retail Banking	80%	80%	► Group: 16,721
Commercial Banking	80%	77%	► Retail Banking: 4,140
Private Banking	79%	75%	► Commercial Banking: 2,298
Corporate & Institutional Banking	78%	78%	► Private Banking 2,665
			► Corporate & Institutional Banking: 2,146
Other			
% availability of digital services	99.9%	99.5%	Availability of internet and mobile banking services during peak hours (defined as 'early morning to after midnight').

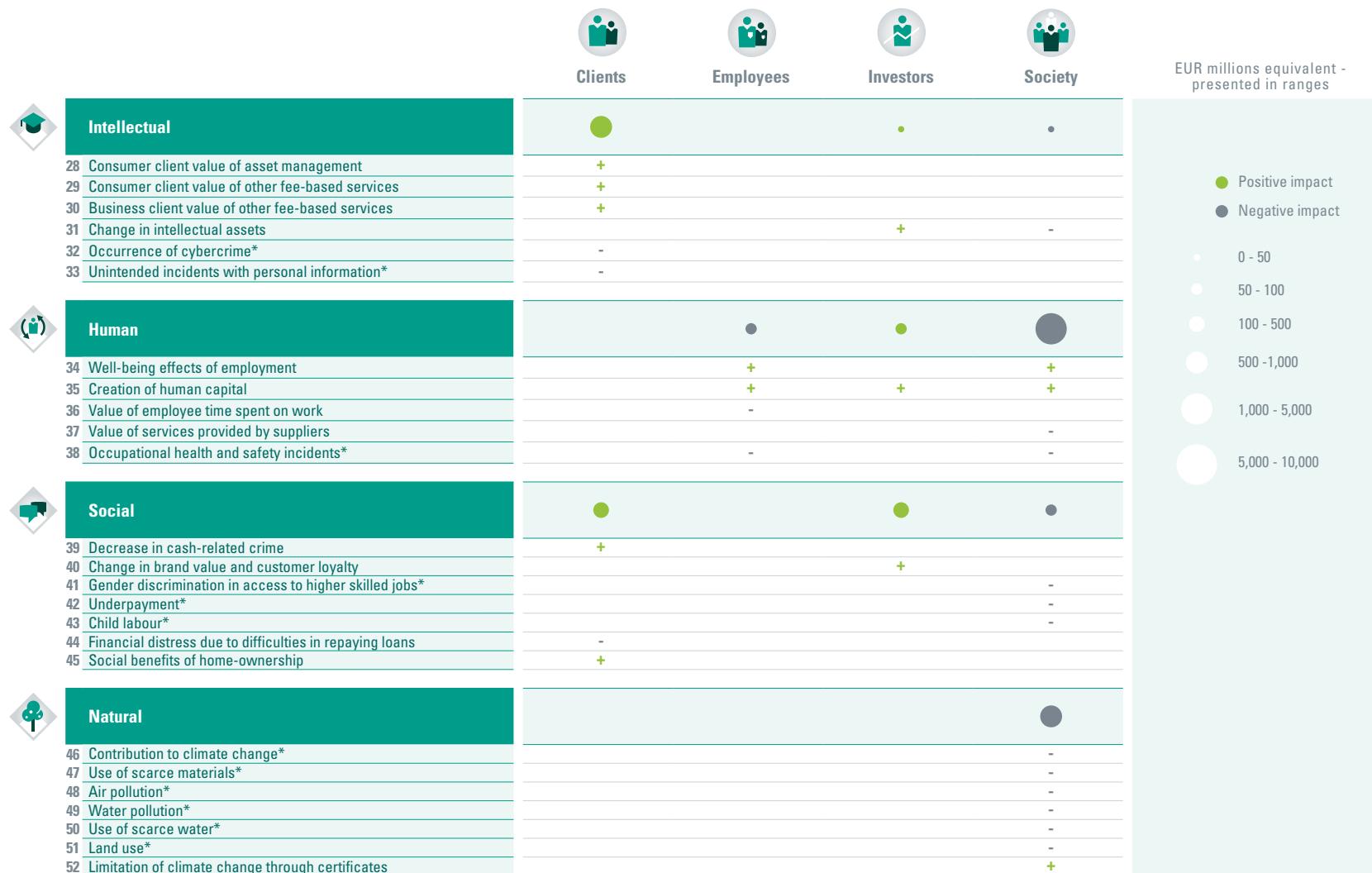
¹ New targets were introduced as part of the 2018 strategy refresh and, therefore we have not reported on all strategy pillar metrics.

Impact statement

The Impact statement below provides an overview of all impact in scope by both capital and stakeholder group. Positive impacts are shown in green, negative in grey. All external costs¹ are marked with an asterisk.



¹ Negative impacts which cannot be compensated by benefits elsewhere in the value chain.



Assurance report of the independent auditor



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 Integrated Annual Review for the year 2019 of ABN AMRO Bank N.V. based in Amsterdam (hereinafter: the Integrated Annual Review). The Integrated Annual Review describes the themes that are central to ABN AMRO Bank N.V.'s strategy and value creation. The Integrated Annual Review includes information derived from other reports published by ABN AMRO Bank N.V. as described on page 1 of the Integrated Annual Review. Furthermore we have audited the section "Our Value-creating topics" on page 23 of the Integrated Annual Review.

A review is aimed at obtaining a limited level of assurance. An audit is aimed at obtaining a reasonable level of assurance. An overview of our main procedures performed is included in the annex to this assurance report.

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

In our opinion the section "Our value-creating topics" is prepared, in all material respects, in accordance with the reporting criteria as disclosed on page 23 of the Integrated Annual Review.

Basis for our conclusions

We have performed our review of the Integrated Annual Review 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 Integrated Annual Review, 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 Integrated Annual Review are the International <IR> Framework of the IIRC and the supplemental reporting criteria applied as disclosed in the appendix "Our approach to reporting" of the Integrated Annual Review. The reporting criteria used for the section "Our value-creating topics" are disclosed on page 23 of the Integrated Annual Review.

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 Integrated Annual Review includes prospective information such as ambitions, strategy, plans, expectations and 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 Integrated Annual Review.

Calculation factors to determine the impact as included in the section "Our impact" as included in the Integrated Annual Review are mostly based on external sources and by using several assumptions. The assumptions and sources used are explained in the document 'ABN AMRO Impact Assessment 2019: Note on Methodology (1.0)' on www.abnamro.com/impactmethodology2019 (hereinafter: the Note on methodology). We have not performed procedures on the content of these assumptions and external sources, other than evaluating the suitability and plausibility of these assumptions and external sources used.

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

Responsibilities of the Executive Board and the Supervisory Board for the Integrated Annual Review

The Executive Board is responsible for the preparation of the Integrated Annual Review, including the section "Our value-creating topics", in accordance with the reporting criteria as included in the section Reporting criteria, including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the Integrated Annual Review and the reporting policy are summarized in the appendix "Our approach to reporting" of the Integrated Annual Review.

The Executive Board is also responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the Integrated Annual Review, 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 Integrated Annual Review 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 kwaliteitsystemen" (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. A further description of our responsibilities is included in the annex to this assurance report.

Amsterdam, 10 March 2020

Ernst & Young Accountants LLP

signed by J. Niewold

Annex to the assurance report of the independent auditor

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 Review and the section "Our value-creating topics". 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 overall presentation, structure and content of the Integrated Annual Review and the section "Our value-creating topics"
- ▶ Considering whether the Integrated Annual Review as a whole, including the disclosures, reflects the purpose of the reporting criteria used

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

- ▶ Reconciling the income statement and the statement of financial position on pages 68 and 69 of the Integrated Annual Review with the full set of audited consolidated financial statements of ABN AMRO Bank N.V. for the year ended 31 December 2019 as included in the separately published Annual Report 2019 of ABN AMRO Bank N.V. (hereinafter: the financial statements)
- ▶ Reconciling the financial information included in other sections of the Integrated Annual Review with the financial statements, or with information underlying the financial statements in case the reconciliation cannot be made directly

Our review of the Integrated Annual Review included amongst others:

- ▶ Obtaining an understanding of the reporting processes for the Integrated Annual Review, 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 Integrated Annual Review 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 Integrated Annual Review responsive to this risk analysis. These further review procedures consisted amongst others of:

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

- ▶ Interviewing management and relevant staff responsible for the sustainability strategy, policy and results
- ▶ Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Integrated Annual Review
- ▶ Obtaining assurance information that the Integrated Annual Review reconciles with underlying records of the company
- ▶ Reviewing, on a limited test basis, relevant internal and external documentation
- ▶ Evaluating whether the assumptions used in the calculation of the impact as included in the section "Our impact" are plausible, which are included in the Note on methodology.
- ▶ Evaluating the suitability and plausibility of the external sources used in the calculations on which the impact as included in the section "Our impact" is based, which are included in the Note on methodology.
- ▶ Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

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"
- ▶ Performing an analytical review of the data and trends

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.

Abbreviations

AGM	Annual General Meeting	GDPR	General Data Protection Regulation	PBI	Private Banking International
AI	artificial intelligence	GST	General Sales Tax	PBNL	Private Banking Netherlands
ATM	automatic teller machine	HR	Human Resources	PCAF	Partnership for Carbon Accounting Financials
bps	basis points	HTC	Human Resources, Transformation & Communications	PRI	Principles for Responsible Investment
CASY	Client Assessment on Sustainability	ICS	International Card Services	ROE	Return on Equity
CEO	Chief Executive Officer	IFA	International Framework Agreement	RRP	Regulatory Response Process
CET	Common Equity Tier	IFRS	International Financial Reporting Standards	RSPO	Roundtable for Sustainable Palm Oil
CFO	Chief Financial Officer	ILO	International Labour Organisation	RWA	Risk-Weighted Assets
CIB	Corporate & Institutional Banking	IMF	International Monetary Fund	SDG	Sustainable Development Goal
CRO	Chief Risk Officer	IPO	Initial Public Offering	SME	small and medium-sized enterprise
DDoS	Distributed Denial of Service	IR	Integrated Reporting	SREP	Supervisory Review and Evaluation Process
DFC	Detecting Financial Crime	IIRC	International Integrated Reporting Council	TCFD	Task Force on Climate-Related Financial Disclosures
DJSI	Dow Jones Sustainability Index	NGO	non-governmental organisation	TRIM	Targeted Review of Internal Models
DNB	De Nederlandsche Bank – the Dutch central bank	NII	Net Interest Income	UNEP-FI	UN Environment Programme-Finance Initiative
DPA	Dutch Data Protection Authority	NLFI	NL Financial Investments	VAT	value added tax
EBA	European Banking Authority	NPE	Non-Performing Exposures	Wwft	Dutch law on the prevention of money laundering and terrorist financing
ECB	European Central Bank	NPS	Net Promoter Score		
ESG	Environmental, Social, Governance	OECD	Organisation for Economic Cooperation & Development		
GDP	gross domestic product				

Enquiries & contact details

We welcome feedback on our Review. Please send any comments or suggestions to brand.marketing.communications@nl.abnamro.com

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Our Annual Report may be found at:
abnamro.com/annualreport
abnamro.com/ir

Please note that information on our websites is not part of this Review, unless expressly stated otherwise.

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