ABN·AMRO

# Interim Financial Report 2016

ABN AMRO Bank N.V.

# Notes to the reader

## Introduction

This is the Interim Financial Report for the year 2016 of ABN AMRO Bank N.V. (ABN AMRO Bank). ABN AMRO Bank N.V. is a wholly owned subsidiary of ABN AMRO Group N.V. (ABN AMRO Group) and operates through the following segments: Retail Banking, Private Banking, Corporate Banking and Group Functions. The objective of this Interim Financial Report is to comply with regulatory requirements.

The report represents our Interim Report 2016 and our Condensed Consolidated Interim Financial Statements for 2016. The Interim Report contains the financial review, and selected risk, capital, liquidity and funding disclosures for the first half of 2016.

Information in ABN AMRO Bank's Interim Report is not an offer, investment advice or financial service. The Interim Report of ABN AMRO Bank N.V. does not give an extensive overview of all proceedings of ABN AMRO Group. The information in this Interim Report is not intended to encourage any person to buy or sell any product or service from either ABN AMRO Group or ABN AMRO Bank, or to be used as a basis for an investment decision. A decision to invest in products and services of both ABN AMRO Group and ABN AMRO Bank can and should be based on the information in this Interim Report in conjunction with information included in a definitive prospectus and the Key Investor Information (if and to the extent required) as well as the Interim Report of ABN AMRO Group N.V.

## Presentation of information

The Condensed consolidated Interim Financial Statements in this report have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). The Condensed consolidated Interim Financial Statements in this report have been neither audited nor reviewed by the external auditor.

In the second quarter ABN AMRO implemented an adjustment to its offsetting policy with regard to notional cash pool agreements. Comparative figures are adjusted where applicable. Please refer to Note 1 Accounting policies for further details.

To provide a better understanding of the underlying results, ABN AMRO has adjusted its results reported in accordance with EU IFRS for defined special items.

This report is presented in euros (EUR), which is ABN AMRO's presentation currency, rounded to the nearest million (unless otherwise stated). All annual averages in this Interim Report are based on month-end figures. Management does not believe that these month-end averages present trends that are materially different from those that would be presented by daily averages.

Certain figures in this report may not tally exactly due to rounding. Furthermore, certain percentages in this document have been calculated using rounded figures.

## Other publications

In addition, the Interim Financial Report of ABN AMRO Bank's parent company, ABN AMRO Group N.V., including the reviewed Condensed Consolidated Interim Financial Statements is available on abnamro.com/ir.

For a download of this report or more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com.

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# Managing Board Report

# Financial review

This financial review includes a discussion and analysis of the results and sets out the financial condition of ABN AMRO based on underlying results.

In the second quarter ABN AMRO implemented an amendment to the accounting policy on notional cash pool balances (see for further details note 1 Accounting policies in the Interim Financial Statements). This amendment led to an increase in corporate loans and demand deposits in Corporate Banking and inflates the balance sheet. Following the adjustment of the policy, mitigating actions have been taken to reduce the impact of notional cash pooling products on the balance sheet. As a result, the carrying amount has been reduced significantly and is expected to further decrease towards year-end 2016. As a result of the policy amendment and as required by IFRS, the comparative figures have been adjusted accordingly. The impact was EUR 15.5 billion at 31 December 2015, EUR 17.8 billion at 31 March 2016 and EUR 5.6 billion at 30 June 2016.

To ensure a correct (historical) interpretation on the performance of ABN AMRO, the balance sheet analysis of Loans & receivables - customers and Due to customers specifies the impact of the amended policy. In addition, the net interest margin (NIM), cost of risk (CoR) and loan-to-deposit (LtD) ratios in this section are presented excluding the impact of this policy change on the comparative figures before 30 June 2016 and therefore remain in line with previous disclosed figures.

## First half year results

| (in millions) | First half 2016 | First half 2015 | Change |
|---|---|---|---|
| Net interest income | 3,128 | 3,056 | 2% |
| Net fee and commission income | 866 | 926 | -6% |
| Other operating income | 178 | 312 | -43% |
| **Operating income** | **4,172** | **4,294** | **-3%** |
| Personnel expenses | 1,234 | 1,233 | |
| Other expenses | 1,344 | 1,232 | 9% |
| **Operating expenses** | **2,579** | **2,465** | **5%** |
| **Operating result** | **1,593** | **1,828** | **-13%** |
| Impairment charges on loans and other receivables | 56 | 287 | -80% |
| **Operating profit/(loss) before taxation** | **1,537** | **1,542** | |
| Income tax expense | 400 | 398 | 1% |
| **Underlying profit/(loss) for the period** | **1,136** | **1,144** | **-1%** |
| Special items | -271 | | |
| **Reported profit/(loss) for the period** | **866** | **1,144** | **-24%** |
| *Of which available for AT 1 capital securities (net of tax)* | 22 | | |
| *Of which Non-controlling interests* | 1 | 1 | |

The **underlying profit for the period** for the first half of 2016 was EUR 1,136 million, which was virtually flat compared with the first half of 2015. Lower operating income (despite higher net interest income) and higher expenses (mainly due to EUR 110 million regulatory levies in H1 2016) were fully offset by lower impairment charges.

**Reported profit for the period** for the first half of 2016 amounted to EUR 866 million and included an addition to the provision for SMEs with derivative-related issues of EUR 361 million gross (EUR 271 million net of tax).

The **underlying return on equity (ROE)** decreased to 13.1% in the first half of 2016 compared with 14.7% in the same period of 2015. If the regulatory levies in both years had been divided equally over the quarters, ROE would have been 12.8% in the first half of 2016 versus 13.4% in the same period of 2015.

**Operating income** was EUR 4,172 million and decreased EUR 122 million compared with EUR 4,294 million in the first half of 2015. The increase in net interest income was more than offset by lower net fees and commissions and other operating income.

**Net interest income**, at EUR 3,128 million in H1 2016, was EUR 72 million higher compared with the same period in 2015. The increase was due to several non-recurring interest provisions in 2015 at both Retail Banking and Group Functions. Higher net interest income from mortgages, corporate loans (mainly margin driven) and deposits (both volumes and margins) was partly offset by increased liquidity costs.

**Net fee and commission income**, at EUR 866 million in the first half of 2016, was EUR 60 million lower than in the same period of 2015. This was related to the uncertainty and volatility in the financial markets during the first half of 2016, which negatively impacted Retail Banking and Private Banking in particular.

**Other operating income**, at EUR 178 million in the first half of 2016, was considerably lower than it was in the same period of 2015 (EUR 313 million). The decrease was due largely to lower CVA/DVA/FVA results (EUR 47 million negative in H1 2016 versus EUR 74 million positive in H1 2015). In addition, hedge accounting related-results were also lower in the first half of 2016 as well as Equity Participations results (EUR 2 million in H1 2016 versus EUR 47 million in H1 2015). This was partly offset by a profit of EUR 116 million on ABN AMRO's equity stake in Visa Europe. Both years included a provision related to the part of the Securities financing activities discontinued in 2009 (Group Functions) and provisions for SME derivative-related issues (Corporate Banking), although the level of these provisions was higher in H1 2015.

**Personnel expenses** were EUR 1,234 million in the first half of 2016 and remained stable compared with H1 2015. A slight increase in overall personnel expenses was compensated by a restructuring provision in the beginning of 2015 and a small decrease in FTEs.

**Other expenses** increased by EUR 112 million to EUR 1,344 million in the first half of 2016 from EUR 1,232 million in the first half of 2015. The increase was related to EUR 110 million regulatory levies booked in 2016, of which EUR 66 million is related to the Single Resolution Fund (including a EUR 32 million refund on the 2015 payment) and EUR 44 million for an accrual related to the Deposit Guarantee Scheme.

The **operating result** decreased by EUR 235 million compared with the first half 2015 and the cost/income ratio increased by 4.4 percentage points to 61.8%. If the regulatory levies were to be divided equally over the year, the cost/income ratio would be 62.2% in the first half of 2016 (versus 60.3% in the first half 2015).

**Impairment charges** on loans and other receivables were EUR 56 million in the first half of 2016 versus EUR 287 million in the same period last year. The continued improvement of economic conditions in the Netherlands resulted in lower impairment charges and 2015 included a single large addition. Both years recorded similar significant IBNI releases (EUR 130 million in H1 2016 versus EUR 138 million in H1 2015).

Impairment charges on residential mortgages were limited in the first half of 2016 but higher than H1 2015 due to considerable IBNI releases in the first half of 2015. The cost of risk for mortgages was 5bps in the first half of 2016.

Impairment charges on corporate loans decreased in H1 2016. Impairment charges at Commercial Clients in particular were significantly lower, partly offset by higher impairment charges at International Clients mainly in ECT Clients (EUR 141 million in H1 2016 versus EUR 36 million in H1 2015).

The **cost of risk** was 4bps in the first half of 2016, down from 21bps in the first half of 2015.

## Balance sheet

### Condensed consolidated statement of financial position

As a result of the amended accounting policy on notional cash pool balances, the comparative balance sheet figures have been adjusted by EUR 15.5 billion at 31 December 2015. For more information, please refer to the introductory remark to this section and to note 1 Accounting policies in the Condensed consolidated Interim Financial Statements.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Cash and balances at central banks | 12,773 | 26,195 |
| Financial assets held for trading | 4,459 | 1,706 |
| Derivatives | 23,350 | 19,138 |
| Financial investments | 46,392 | 40,542 |
| Securities financing | 34,460 | 20,062 |
| Loans and receivables - banks | 17,152 | 15,680 |
| Loans and receivables - customers | 271,456 | 274,842 |
| Other | 8,897 | 7,676 |
| **Total assets** | **418,940** | **405,840** |
| Financial liabilities held for trading | 1,990 | 459 |
| Derivatives | 27,016 | 22,425 |
| Securities financing | 23,132 | 11,372 |
| Due to banks | 12,214 | 14,630 |
| Due to customers | 240,942 | 245,819 |
| Issued debt | 76,505 | 76,207 |
| Subordinated liabilities | 11,214 | 9,708 |
| Other | 7,968 | 7,635 |
| **Total liabilities** | **400,981** | **388,255** |
| Equity attributable to the owners of the parent company | 16,962 | 16,575 |
| Capital securities | 993 | 993 |
| Equity attributable to non-controlling interests | 5 | 17 |
| **Total equity** | **17,960** | **17,584** |
| **Total liabilities and equity** | **418,940** | **405,840** |
| Committed credit facilities | 21,830 | 21,559 |
| Guarantees and other commitments | 13,883 | 13,868 |

### Main developments of total assets and liabilities compared with 31 December 2015

**Total assets** increased by EUR 13.1 billion to EUR 418.9 billion at 30 June 2016. Excluding the effect of the new offsetting policy, Total assets increased with EUR 23.0 billion. The increase in Securities financing and Financial investments was partly offset by decreased Cash and balances at central banks.

**Total liabilities** increased by EUR 12.7 billion to EUR 401.0 billion at 30 June 2016. Excluding the effect of the new offsetting policy, Total liabilities increased with EUR 22.6 billion. This was due mainly to higher Securities financing, Due to customers and Derivatives.

**Total equity** rose by EUR 0.4 billion to EUR 18.0 billion, due mainly to the inclusion of the reported profit for the first half of 2016, partly offset by the final 2015 dividend payment.

# Results by segment

The results by segment section includes a discussion and analysis of the results of the financial condition of ABN AMRO Bank at segment level for the first half of 2016 compared with the first half of 2015. Most of the interest expenses and operating expenses incurred by Group Functions are allocated to the business lines through net interest income and other expenses, respectively.

# Retail Banking

### Operating results

| (in millions) | First half 2016 | First half 2015 | Change |
|---|---|---|---|
| Net interest income | 1,685 | 1,645 | 2% |
| Net fee and commission income | 225 | 262 | -14% |
| Other operating income | 120 | 17 | |
| **Operating income** | **2,029** | **1,924** | **5%** |
| Personnel expenses | 242 | 246 | -2% |
| Other expenses | 846 | 734 | 15% |
| **Operating expenses** | **1,088** | **980** | **11%** |
| **Operating result** | **942** | **944** | |
| Impairment charges on loans and other receivables | 48 | 38 | 27% |
| **Operating profit/(loss) before taxation** | **894** | **906** | **-1%** |
| Income tax expense | 220 | 226 | -3% |
| **Underlying profit/(loss) for the period** | **674** | **680** | **-1%** |
| Special items | | | |
| **Reported profit/(loss) for the period** | **674** | **680** | **-1%** |

Retail Banking's **underlying profit for the period** for the first half of 2016, at EUR 674 million, is EUR 6 million lower than the first half of 2015. An increase in operating income was offset by an increase in operating expenses (partly related to regulatory levies).

**Net interest income** was EUR 1,685 million and increased EUR 40 million compared with the first half of 2015. This improvement can be largely attributed to a non-recurring provision of around EUR 30 million for inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products which was booked in the first half of 2015 and partly released in H1 2016.

Margins on residential mortgages continued to improve in the first half of 2016, due to repricing of the residential mortgage backbook. This was partly offset by lower average residential mortgage loan volumes. Interest income on consumer loans decreased due to both lower average volumes and margins. Net interest income on deposits showed an increase compared with the first half of 2015 as margins and average savings volumes grew.

**Net fee and commission income** decreased by EUR 37 million compared with the same period of 2015, partly due to the uncertainty and volatility in the financial markets in the first six months of 2016.

**Other operating income** amounted to EUR 120 million and included the profit (EUR 101 million) related to the sale of Visa Europe to Visa Inc.

**Personnel expenses** were EUR 242 million and declined by EUR 4 million compared with the first half of 2015. The decline was due mainly to a lower average number of staff employed in Retail Banking following a further reduction in the number of branches.

**Other expenses** went up EUR 112 million in the first half of 2016. The **regulatory levies** in H1 2016 were EUR 54 million. Excluding the regulatory levies, other expenses increased by EUR 58 million. This was mainly attributable to higher (allocated) project costs, including the Retail Digitalisation programme.

**Operating result** was virtually flat at EUR 942 million in the first half of 2016. The cost/income ratio increased by 2.7 percentage points to 53.6%. If the regulatory levies were to be divided equally over the four quarters, the cost/income ratio would be 54.2% in H1 2016 (53.8% in H1 2015).

**Impairment charges** on loans and other receivables were EUR 48 million in the first half of 2016, versus EUR 38 million in the first half of 2015. Both periods included IBNI releases, although these were much lower in H1 2016 (EUR 27 million) compared with H1 2015 (EUR 69 million).

The recovery of the Dutch economy and confidence in the housing market further improved in the first half of 2016 and were reflected in lower impairment charges for mortgages (excluding IBNI releases). Consumer loans also benefited from further improved economic conditions, leading to lower loan impairments with slightly higher IBNI releases.

# Private Banking

### Operating results

| (in millions) | First half 2016 | First half 2015 | Change |
|---|---|---|---|
| Net interest income | 318 | 293 | 8% |
| Net fee and commission income | 287 | 322 | -11% |
| Other operating income | 55 | 63 | -12% |
| **Operating income** | **660** | **678** | **-3%** |
| Personnel expenses | 249 | 249 | |
| Other expenses | 278 | 253 | 10% |
| **Operating expenses** | **527** | **501** | **5%** |
| **Operating result** | **132** | **176** | **-25%** |
| Impairment charges on loans and other receivables | 12 | -15 | |
| **Operating profit/(loss) before taxation** | **120** | **191** | **-37%** |
| Income tax expense | 24 | 32 | -24% |
| **Underlying profit/(loss) for the period** | **96** | **159** | **-40%** |
| Special items | | | |
| **Reported profit/(loss) for the period** | **96** | **159** | **-40%** |

Private Banking's **underlying profit for the period** decreased to EUR 96 million in the first half of 2016, down by EUR 63 million compared with the very good first half of 2015. The decrease was due to a combination of lower operating income, higher regulatory expenses and loan impairment additions instead of releases.

**Net interest income** went up to EUR 318 million in H1 2016, an improvement of EUR 25 million compared with H1 2015. Margins on deposits in particular improved, while average asset volumes decreased.

**Net fee and commission income** decreased significantly to EUR 287 million in the first half of 2016, a decline of EUR 35 million compared with the same period of the previous year. Uncertainty and volatility in the financial markets in H1 2016 had a negative impact on the stock markets, leading to a decline in average client assets and lower transaction volumes.

**Other operating income** in H1 2016 was EUR 8 million lower, due mainly to lower trading income.
The release of the provision related to the sale of the Swiss private banking activities in 2011 was partly offset by the sale of premises in the first half of 2015.

**Personnel expenses** remained unchanged at EUR 249 million in H1 2016 compared with H1 2015.

**Other expenses** increased by EUR 25 million compared with H1 2015, which was partly related to regulatory levies (EUR 8 million) and higher (allocated) project costs.

**Operating result** decreased by EUR 44 million to EUR 132 million in H1 2016 compared with the first half of 2015. The cost/income ratio for Private Banking amounted to 79.9% in H1 2016, an increase of 5.9 percentage points compared with H1 2015. If the regulatory levies were to be divided equally over the four quarters, the cost/income ratio would be 80.0% compared with 75.2% in H1 2015.

**Impairment charges** on loans and other receivables increased to an addition of EUR 12 million compared with a release of EUR 15 million (mainly IBNI) in the first half of 2015.

# Corporate Banking

## Operating results

| (in millions) | First half 2016 | First half 2015 | Change |
|---|---|---|---|
| Net interest income | 1,104 | 1,081 | 2% |
| Net fee and commission income | 381 | 378 | 1% |
| Other operating income | 39 | 164 | -76% |
| **Operating income** | **1,524** | **1,623** | **-6%** |
| Personnel expenses | 325 | 344 | -6% |
| Other expenses | 618 | 563 | 10% |
| **Operating expenses** | **942** | **907** | **4%** |
| **Operating result** | **582** | **716** | **-19%** |
| Impairment charges on loans and other receivables | 2 | 268 | -99% |
| **Operating profit/(loss) before taxation** | **580** | **448** | **30%** |
| Income tax expense | 144 | 94 | 54% |
| **Underlying profit/(loss) for the period** | **436** | **354** | **23%** |
| Special items | -271 | | |
| **Reported profit/(loss) for the period** | **165** | **354** | **-53%** |

Corporate Banking's **underlying profit for the period** was EUR 436 million in the first half of 2016 and was EUR 82 million higher compared with the same period previous year. This was due mainly to almost nil impairment charges in H1 2016. Operating income decreased (mainly related to negative CVA / DVA / FVA results) and operating expenses increased (driven by regulatory levies) versus H1 2015.

**Reported profit for the period** for the first half of 2016 amounted to EUR 165 million and included an addition to the provision for SMEs with derivative-related issues of EUR 361 million gross (EUR 271 million net of tax; classified as special item).

**Net interest income** increased modestly by EUR 23 million to EUR 1,104 million in H1 2016 compared with H1 2015. Both Commercial Clients and Capital Markets Solutions showed growth, while International Clients decreased.

Net interest incomeat Commercial Clients increased by EUR 12 million to EUR 672 million in the first half of 2016. Margins on loans and deposits and average deposit volumes increased, while average loan volumes decreased compared with the same period in 2015.

Net interest income at International Clients declined by EUR 8 million compared with H1 2015, coming to EUR 353 million.

Net interest income in Capital Markets Solutions increased by EUR 18 million to EUR 78 million in H1 2016, due mainly to improved net interest income at Sales & Trading.

**Net fee and commission income** amounted to EUR 381 million and remained nearly flat compared with the first half of 2015.

**Other operating income** declined by EUR 125 million to EUR 39 million in the first half of 2016. The decrease was mainly driven by negative CVA/DVA/FVA results (EUR 47 million negative in H1 2016 versus EUR 41 million positive in H1 2015), limited revaluation results of Equity Participations at International Clients (EUR 2 million in H1 2016 versus EUR 47 million in H1 2015) and lower results from Sales & Trading activities. This was partly offset by the lower addition in 2016 to the provision for SME derivative-related issues and positive revaluations of equity stakes at Commercial Clients in H1 2016.

**Personnel expenses** decreased to EUR 325 million in H1 2016, down by EUR 19 million compared with the same period of 2015. This was due mainly to a restructuring provision at Commercial Clients in Q1 2015. The number of FTEs remained fairly stable compared with H1 2015.

**Other expenses** increased by EUR 55 million compared with the first half of 2015, due mainly to the regulatory levies of EUR 43 million. The remainder of the increase was related to higher (allocated) project costs.

**Operating result** was EUR 582 million in the first half of 2016, down EUR 134 million compared with the same period in 2015. The cost/income ratio increased to 61.8% in H1 2016, from 55.9% in H1 2015. If the regulatory levies were divided equally over the four quarters, the cost/income ratio would be 62.2% in H1 2016 (59.8% in H1 2015).

**Impairment charges** on loans and other receivables were only EUR 2 million, compared with an addition of EUR 268 million in the first half of 2015.

Impairment charges at Commercial Clients decreased by EUR 350 million to a release of EUR 123 million in the first half of 2016. The decline was the result of higher impairment releases and an IBNI release of EUR 109 million in H1 2016, which is more than double the IBNI release in H1 2015. Moreover, Q1 2015 included a single large addition of approximately EUR 100 million.

Loan impairments in International Clients were EUR 126 million, which is significantly higher than H1 2015 (up EUR 96 million). Impairment charges for ECT in particular increased to EUR 141 million compared with EUR 36 million in the same period of 2015.

Loan impairments in Capital Markets Solutions amounted to almost zero.

# Group Functions

## Operating results

| (in millions) | First half 2016 | First half 2015 | Change |
|---|---|---|---|
| Net interest income | 22 | 37 | -41% |
| Net fee and commission income | -27 | -37 | 28% |
| Other operating income | -37 | 69 | |
| **Operating income** | **-41** | **69** | |
| Personnel expenses | 419 | 394 | 6% |
| Other expenses | -397 | -317 | -25% |
| **Operating expenses** | **22** | **77** | **-71%** |
| **Operating result** | **-63** | **-8** | |
| Impairment charges on loans and other receivables | -6 | -4 | -33% |
| **Operating profit/(loss) before taxation** | **-58** | **-3** | |
| Income tax expense | 12 | 46 | -73% |
| **Underlying profit/(loss) for the period** | **-70** | **-49** | **-42%** |
| Special items | | | |
| **Reported profit/(loss) for the period** | **-70** | **-49** | **-42%** |

Group Functions' **underlying profit for the period** was a loss of EUR 70 million in the first half of 2016 compared with a loss of EUR 49 million in the same period of 2015.

**Net interest income** declined to EUR 22 million in the first half of 2016 compared with EUR 37 million in H1 2015. The decrease was partly due to higher liquidity costs.

**Net fee and commission income i**mproved by EUR 10 million as lower fees were paid to Capital Markets Solutions related to Securities Financing results.

**Other operating income** was EUR 37 million negative in the first half of 2016 and was EUR 106 million lower than in H1 2015. This was mainly the result of significantly lower hedge accounting-related results and no CVA/DVA results in 2016 (versus EUR 33 million positive CVA/DVA results in H1 2015). Both years included provisions related to the part of the Securities financing activities discontinued in 2009 but the impact was lower in 2016 than in 2015.

**Personnel expenses** increased by EUR 25 million to EUR 419 million in the first half of 2016. This was due mainly to several smaller releases from personnel provisions in H1 2015. The average number of FTEs increased slightly.

**Other expenses** decreased by EUR 80 million compared with the same period in 2015. Group Functions had higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes. This was, however, more than offset by the fact that more operating expenses were allocated to the commercial segments (recorded as negative expenses).

**Securities financing assets and liabilities** increased by EUR 11.6 billion and EUR 10.6 billion respectively compared with 31 December 2015. This was related to the cyclicality of the business.

# Additional financial information

## Difference between underlying and reported results

To provide a better understanding of the underlying results, ABN AMRO has adjusted reported results for defined special items and material divestments.

Special items are material and non-recurring items which are not related to normal business activities.

In Q2 2016, the addition to the provision for SMEs with derivative-related issues of EUR 361 million gross (EUR 271 million net of tax) was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the advice of the committee of independent experts on the reassessment of SME interest rate derivatives. The increase in the provision is classified as a special item.

### Reconciliation from underlying to reported results

| | First half 2016 | | | First half 2015 | | |
|---|---|---|---|---|---|---|
| (in millions) | Underlying | Special items | Reported | Underlying | Special items | Reported |
| Net interest income | 3,128 | -10 | 3,118 | 3,056 | | 3,056 |
| Net fee and commission income | 866 | | 866 | 926 | | 926 |
| Other operating income | 178 | -351 | -173 | 312 | | 312 |
| **Operating income** | **4,172** | **-361** | **3,811** | **4,294** | | **4,294** |
| Personnel expenses | 1,234 | | 1,234 | 1,233 | | 1,233 |
| Other expenses | 1,344 | | 1,344 | 1,232 | | 1,232 |
| **Operating expenses** | **2,579** | | **2,579** | **2,465** | | **2,465** |
| **Operating result** | **1,593** | **-361** | **1,232** | **1,828** | | **1,828** |
| Impairment charges on loans and other receivables | 56 | | 56 | 287 | | 287 |
| **Operating profit/(loss) before taxation** | **1,537** | **-361** | **1,176** | **1,542** | | **1,542** |
| Income tax expense | 400 | -90 | 310 | 398 | | 398 |
| **Profit/(loss) for the period** | **1,136** | **-271** | **866** | **1,144** | | **1,144** |

### Special items

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| SME derivatives | -361 | |
| **Total impact on Operating Income** | **-361** | |
| **Operating expenses** | | |
| **Total impact on Operating expenses** | | |
| **Loan impairments** | | |
| **Total impact on Loan impairments** | | |
| **Total impact on Income tax expense** | **-90** | |
| **Total impact on result for the period** | **-271** | |

# Risk, funding & capital information

## Key figures

| | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Total loans and receivables - customers, gross excluding Fair value adjustments | 269,724 | 274,347 |
| *Of which Residential mortgages* | 146,607 | 146,932 |
| *Of which Consumer loans* | 14,679 | 15,147 |
| *Of which Corporate loans* | 93,501 | 100,387 |
| *Of which Other loans and receivables - customers* | 14,936 | 11,881 |
| Total Exposure at Default (EAD) | 368,267 | 369,169 |
| Total RWA (REA)/total EAD | 28.8% | 29.3% |
| **Regulatory capital** | | |
| Total RWA (REA) | 106,137 | 108,001 |
| *Of which Credit risk*[1] | 85,596 | 86,063 |
| *Of which Operational risk* | 17,003 | 16,227 |
| *Of which Market risk* | 3,539 | 5,710 |
| Fully-loaded CET1 ratio | 16.2% | 15.5% |
| Fully-loaded leverage ratio | 3.7% | 3.8% |
| **Credit quality indicators** | | |
| Forbearance ratio[2] | 3.8% | 3.8% |
| Past due ratio[2] | 1.6% | 2.7% |
| Impaired ratio[2] | 2.7% | 2.7% |
| Coverage ratio[2] | 50.8% | 53.0% |
| **Liquidity and funding indicators** | | |
| Loan-to-Deposit ratio | 107.7% | 108.4% |
| LCR | >100% | >100% |
| NSFR | >100% | >100% |

1 RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA per 30 June 2016 is EUR 1.2 bln ( 31 December 2015 EUR 1.1 billion).
2 Loans and receivables - customers only.

| | First half 2016 | First half 2015 |
|---|---|---|
| Underlying cost of risk (in bps)[1] | 4 | 19 |

1 Annualised impairment charges on Loans and receivables - customers for the period divided by the average Loans and receivables - customers on basis gross carrying amount and excluding fair value adjustment from hedge accounting.

## Change in accounting policies

In the second quarter of 2016, ABN AMRO implemented an amendment to its offsetting policy on notional cash pool balances (see for further details note 1 "Accounting Policies" in the interim financial statements).

As a result of the amended offsetting policy and as required by IFRS, the comparative figures have been adjusted accordingly. The impact was EUR 15.5 billion at 31 December 2015 and EUR 5.6 billion at 30 June 2016.

This amendment led to an increase in the corporate loans for the comparative periods.

As a result of the adjusted comparative figures, the credit quality indicators were also affected by this change. However, the risk profile did not materially change.

The ratios presented in the Risk chapter include the impact of the policy amendment.

The following reconciliation table provides insight in the change of the credit quality indicators of our loan portfolio due to the adjusted comparative figures.

**Reconcilation table relating to the new offsetting policy**

| (in millions) | 31 December 2015 after adjustment | 31 December 2015 before adjustment |
|---|---|---|
| **Total loans and receivables - customers** | | |
| Total loans and receivables - customers, gross excluding Fair value adjustments | 274,347 | 258,824 |
| Total carrying amount Loans and receivables - customers | 274,842 | 259,319 |
| Forborne Loans and receivables - customers | 10,504 | 9,065 |
| Past due (but not impaired) Loans and receivables - customers | 7,320 | 4,858 |
| Impaired Loans and receivables - customers | 7,345 | 6,973 |
| **Credit quality indicators** | | |
| Forbearance ratio | 3.8% | 3.5% |
| Past due ratio | 2.7% | 1.9% |
| Impaired ratio | 2.7% | 2.7% |
| Coverage ratio | 53.0% | 55.8% |
| Underlying cost of risk (year to date, in bps) | 17 | 19 |
| **Corporate loans** | | |
| Corporate loans, gross excluding Fair value adjustments | 100,387 | 84,864 |
| Carrying amount Corporate loans | 97,007 | 81,484 |
| Forborne Corporate loans | 7,715 | 6,276 |
| Past due (but not impaired) Corporate loans | 3,538 | 1,076 |
| Impaired Corporate loans | 5,244 | 4,872 |
| **Credit quality indicators - Corporate loans** | | |
| Forbearance ratio | 7.7% | 7.4% |
| Past due ratio | 3.5% | 1.3% |
| Impaired ratio | 5.2% | 5.7% |
| Coverage ratio | 59.1% | 63.6% |
| Underlying cost of risk (year to date in bps) | 38 | 48 |

## Developments in the first six months

In the first half of 2016, the total on-balance impairment charges decreased significantly by EUR 228 million to EUR 56 million, compared with EUR 284 million in the same period last year. The decrease was mainly attributable to the improved economy in the Netherlands. Both periods were impacted by a considerable IBNI release (EUR 130 million in H1 2016 compared with EUR 138 million in the first half of 2015). The cost of risk dropped to 4bps in the first half of this year, compared with 19bps in the same period last year.

The residential mortgage portfolio decreased slightly to EUR 146.6 billion at 30 June 2016 compared with year-end

2015, as a result of higher total redemptions than the production of new mortgages. Consumer loans declined slightly. The drop in corporate loans was driven by the new offsetting policy on notional cash pool balances (impact EUR 5.6 billion at 30 June 2016, compared with EUR 15.5 billion at 31 December 2015). In addition, the corporate loan portfolio grew as a result of growth in ECT Clients.

Total RWA (REA) decreased by EUR 1.9 billion to EUR 106.1 billion at 30 June 2016, compared with EUR 108.0 billion at 31 December 2015. This movement was mainly related to market risk, as a result of the use of the Internal Model Approach (IMA) as from 1 January 2016.

Exposure at Default decreased by EUR 0.9 billion to EUR 368.3 billion at 30 June 2016, compared with EUR 369.2 at 31 December 2015.

## Credit risk

### Reporting scope risk

The table below provides an overview of the figures reported in the consolidated balance sheet (net) and the figures reported in the credit risk section (gross).

| | 30 June 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross carrying amount | Loan impairment allowance | Carrying amount | Gross carrying amount | Loan impairment allowance | Carrying amount |
| **Loans and receivables - banks** | **17,154** | **2** | **17,152** | **15,682** | **2** | **15,680** |
| Residential mortgages | 150,152 | 286 | 149,866 | 150,333 | 324 | 150,009 |
| Less: Fair value adjustment from hedge accounting on residential mortgages | 3,544 | | 3,544 | 3,401 | | 3,401 |
| **Residential mortgages, excluding fair value adjustments** | **146,607** | **286** | **146,322** | **146,932** | **324** | **146,608** |
| **Consumer loans** | **14,679** | **508** | **14,171** | **15,147** | **561** | **14,587** |
| Corporate loans[2] | 95,659 | 3,094 | 92,564 | 101,835 | 3,380 | 98,454 |
| Less: Fair value adjustment from hedge accounting on corporate loans | 2,157 | | 2,157 | 1,448 | | 1,448 |
| **Corporate loans, excluding fair value adjustments** | **93,501** | **3,094** | **90,407** | **100,387** | **3,380** | **97,007** |
| Other loans and receivables - customers[1] | 14,936 | 82 | 14,854 | 11,882 | 90 | 11,792 |
| Less: Fair value adjustment from hedge accounting on other loans and receivables - customers | | | | 1 | | 1 |
| **Other loans and receivables - customers, excluding fair value adjustments[1]** | **14,936** | **82** | **14,854** | **11,881** | **90** | **11,791** |
| **Total loans and receivables - customers, excluding fair value adjustments** | **269,724** | **3,970** | **265,754** | **274,347** | **4,355** | **269,992** |
| Fair value adjustments on Loans and receivables - customers | 5,702 | | 5,702 | 4,850 | | 4,850 |
| **Total loans and receivables - customers** | **275,426** | **3,970** | **271,456** | **279,197** | **4,355** | **274,842** |
| **Total loans and receivables, excluding fair value adjustments** | **286,878** | **3,972** | **282,906** | **290,029** | **4,357** | **285,672** |
| Total fair value adjustments on Loans and receivables | 5,702 | | 5,702 | 4,850 | | 4,850 |
| **Total loans and receivables** | **292,580** | **3,972** | **288,608** | **294,879** | **4,357** | **290,521** |
| Other | | | 130,333 | | | 115,318 |
| **Total assets** | | | **418,940** | | | **405,840** |

[1] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
[2] For comparison reasons the historical periods before 30 june 2016 have been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements).

## Credit risk mitigation

### Collateral & guarantees received as security at 30 june 2016 IFS

| (in millions) | Carrying amount | Collateral received: Master netting agree-ment[4] | Financial instru-ments | Property & equip-ment | Other collateral and guaran-tees | Total risk mitigation | Surplus collateral[5] | Net exposure[6] |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 30 June 2016 |
| **Loans and receivables - banks** | **17,152** | **9,100** | **1,476** | | **51** | **10,627** | **1,088** | **7,612** |
| **Loans and receivables - customers** | | | | | | | | |
| Residential mortgages[1,2] | 146,322 | | 257 | 173,241 | 7,267 | 180,765 | 47,961 | 13,517 |
| Consumer loans[1] | 14,171 | | 6,399 | 5,220 | 45 | 11,664 | 4,798 | 7,305 |
| Corporate loans[1] | 90,407 | 2,948 | 33,330 | 40,674 | 13,210 | 90,161 | 22,484 | 22,730 |
| Other loans and receivables - customers[1,3] | 14,854 | 984 | 3,738 | 3,155 | 1,379 | 9,255 | 819 | 6,418 |
| Fair value adjustment from hedge accounting | 5,702 | | | | | | | 5,702 |
| **Total Loans and receivables - customers** | **271,456** | **3,932** | **43,724** | **222,290** | **21,900** | **291,846** | **76,062** | **55,672** |
| **Total Loans and receivables** | **288,608** | **13,032** | **45,199** | **222,290** | **21,952** | **302,473** | **77,150** | **63,284** |

1 Carrying amount includes loan impairment allowances.
2 As of 31 March 2016, we revised our allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
4 The Master netting agreement amount presents legal netting rights and cash collateral.
5 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
6 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

### Collateral & guarantees received as security at 31 December 2015 IFS

| (in millions) | Carrying amount | Collateral received: Master netting agree-ment[5] | Financial instru-ments | Property & equipment | Other collateral and guaran-tees | Total risk mitigation | Surplus collateral[6] | Net exposure[7] |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 31 December 2015 |
| **Loans and receivables - banks** | **15,680** | **7,282** | **1,742** | | **4** | **9,027** | **1,332** | **7,984** |
| **Loans and receivables - customers** | | | | | | | | |
| Residential mortgages[1,2] | 146,608 | | 160 | 170,418 | 7,887 | 178,465 | 45,877 | 14,020 |
| Consumer loans[1] | 14,587 | | 6,474 | 5,419 | 53 | 11,946 | 4,540 | 7,181 |
| Corporate loans[1,3] | 97,007 | 3,920 | 45,243 | 42,594 | 13,006 | 104,763 | 24,891 | 17,135 |
| Other loans and receivables - customers[1,4] | 11,791 | 748 | 2,590 | 3,006 | 1,406 | 7,750 | 842 | 4,883 |
| Fair value adjustment from hedge accounting | 4,850 | | | | | | | 4,850 |
| **Total Loans and receivables - customers[3]** | **274,842** | **4,668** | **54,467** | **221,437** | **22,352** | **302,924** | **76,151** | **48,068** |
| **Total Loans and receivables[3]** | **290,521** | **11,950** | **56,209** | **221,437** | **22,356** | **311,951** | **77,483** | **56,053** |

1 Carrying amount includes loan impairment allowances.
2 As of 31 March 2016, we revised our allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
3 For comparison reasons the historical periods before 30 june 2016 have been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements).
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 The Master netting agreement amount presents legal netting rights and cash collateral.
6 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
7 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

## Developments in the first six months

Total net exposure of Total loans and receivables - customers increased to EUR 55.7 billion at 30 June 2016 compared with EUR 48.1 billion at 31 December 2015, mainly due to an increase in corporate loans, other loans and receivables - customers and fair value adjustment from hedge accounting.

Within residential mortgages, total risk mitigation increased by EUR 2.3 million to EUR 180.8 billion at 30 June 2016 compared with EUR 178.5 billion at year-end 2015, mainly as a result of increased collateral in the form of property & equipment. This development is related to improved house prices and is visible mainly in the increase of surplus collateral and, to a lesser extent, in a decrease in net exposure.

Financial instruments of corporate loans decreased by EUR 11.9 billion to EUR 33.3 billion at 30 June 2016 compared with EUR 45.2 billion at 31 December 2015. This is the result of the new offsetting policy, which had an impact of EUR 9.9 billion, in combination with a decrease in Clearing.

The net exposure of other loans and receivables-customers increased by EUR 1.5 billion at 30 June 2016, mainly due to Clearing.

The net exposure of Consumer loans remained fairly stable.

## Management of forborne, past due and impaired loans

### Forborne loans

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

Clients (potential) in financial difficulty, for whom contract amendments have been made since 1 January 2012 that are considered concessions on the part of the bank, are accounted for as forborne assets. Contracts that were in a recovery phase at the reporting date are not considered forborne anymore. Additionally, as of 31 March 2016, contracts can discontinue the forborne status as a result of passing its probation period (i.e. cease to be forborne). Such contracts are excluded from the forborne portfolio as of 31 March 2016. The probation period depends on whether the contract is performing or non-performing when the forbearance measure is taken. This period is at least two years for a performing contract and at least three years for a non-performing contract. A contract can only qualify for ‘cease to be forborne’ when the contract is considered performing after its probation period.

## Overview forbearance as at 30 June 2016 IFS

| (in millions) | Gross carrying amount | Performing assets[3] Temporary modification | Permanent modification | Refinancing | Total | Non-performing assets[3] Temporary modification | Permanent modification | Refinancing | Total | Total forborne assets | Forbearance ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 30 June 2016 | |
| **Loans and receivables - banks** | **17,154** | | | | | | | | | | **0.0%** |
| **Loans and receivables - customers** | | | | | | | | | | | |
| Residential mortgages[1] | 146,607 | 870 | 16 | 143 | 1,028 | 230 | 6 | 24 | 261 | 1,289 | 0.9% |
| Consumer loans | 14,679 | 155 | 92 | 190 | 437 | 114 | 33 | 30 | 177 | 614 | 4.2% |
| Corporate loans[1] | 93,501 | 2,623 | 1,526 | 1,190 | 5,338 | 825 | 1,117 | 857 | 2,799 | 8,137 | 8.7% |
| Other loans and receivables - customers[1,2] | 14,936 | 111 | 82 | 7 | 199 | 83 | 45 | 2 | 130 | 330 | 2.2% |
| **Total Loans and receivables - customers** | **269,724** | **3,759** | **1,715** | **1,529** | **7,003** | **1,252** | **1,201** | **914** | **3,367** | **10,370** | **3.8%** |
| **Total[1]** | **286,878** | **3,759** | **1,715** | **1,529** | **7,003** | **1,252** | **1,201** | **914** | **3,367** | **10,370** | **3.6%** |

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
3 For reporting purposes, performing is considered as non-default and non-performing is considered as default.

## Overview forbearance as at 31 December 2015 IFS

| (in millions) | Gross carrying amount | Performing assets[4] Temporary modification | Permanent modification | Refinancing | Total | Non-performing assets[4] Temporary modification | Permanent modification | Refinancing | Total | Total forborne assets | Forbearance ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 31 December 2015 | |
| **Loans and receivables - banks** | **15,682** | | | | | | | | | | **0.0%** |
| **Loans and receivables - customers** | | | | | | | | | | | |
| Residential mortgages[1] | 146,932 | 1,122 | 23 | 204 | 1,349 | 354 | 14 | 39 | 408 | 1,757 | 1.2% |
| Consumer loans | 15,147 | 174 | 77 | 174 | 426 | 105 | 72 | 47 | 223 | 648 | 4.3% |
| Corporate loans[1,2] | 100,387 | 2,074 | 1,533 | 1,496 | 5,102 | 634 | 938 | 1,041 | 2,613 | 7,715 | 7.7% |
| Other loans and receivables - customers[1,3] | 11,881 | 110 | 39 | | 148 | 109 | 124 | 2 | 235 | 383 | 3.2% |
| **Total Loans and receivables - customers[1,2]** | **274,347** | **3,481** | **1,671** | **1,874** | **7,025** | **1,202** | **1,148** | **1,129** | **3,479** | **10,504** | **3.8%** |
| **Total[1,2]** | **290,029** | **3,481** | **1,671** | **1,874** | **7,025** | **1,202** | **1,148** | **1,129** | **3,479** | **10,504** | **3.6%** |

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 For comparison reasons the historical periods before 30 june 2016 have been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements).
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
4 For reporting purposes, performing is considered as non-default and non-performing is considered as default.

## Developments in the first six months

The total forborne portfolio decreased slightly from EUR 10.5 billion at 31 December 2015 to EUR 10.4 billion at 30 June 2016. This decline was mainly due to developments within the residential mortgages portfolio partly offset by an increase in corporate loans.

Total forborne assets within Residential mortgages decreased significantly, amounting to EUR 1.3 billion at 30 June 2016, compared with EUR 1.8 billion at year-end 2015. The performing forborne portfolio with temporary modifications declined by EUR 0.3 billion, which was mainly the result of cease to be forborne. The non-performing forborne portfolio with temporary modifications decreased from EUR 0.4 billion at 31 December 2015 to EUR 0.2 billion at 30 June 2016. This decline was mainly the result of forborne contracts to which a recovery strategy has been applied.

Forborne Corporate loans increased significantly to EUR 8.1 billion at 30 June 2016, compared with EUR 7.7 billion at 31 December 2015. Apart from the impact of the new offsetting policy, the increase in total forborne exposure for Corporate loans would have been the same. Due to a large inflow of new forborne exposure the performing forborne exposure with temporary modifications increased significantly from EUR 2.1 billion at year-end 2015 to EUR 2.6 billion at 30 June 2016. This inflow was mainly related to the industrial goods & services sector and, to a lesser extent, to the oil & gas sector. The performing forborne portfolio with refinancing measures decreased, amounting to EUR 1.2 billion at June 2016, compared with EUR 1.5 billion at year-end 2015. This decline was mainly the result of cease to be forborne.

For Corporate loans the non-performing forborne portfolio with refinancing measures decreased by EUR 0.2 billion, mainly as a result of forborne contracts to which a recovery strategy has been applied. This decline was more than offset by an increase in the non-performing forborne portfolio with temporary and permanent modifications, which increased by EUR 0.4 billion due mainly to an inflow of new forborne exposure related to the industrial goods & services sector.

Total forborne assets within Consumer loans and Other loans and receivables - customers remained fairly stable compared with 31 December 2015.

## Past due loans

### Financial assets past due but not impaired as at 30 June 2016 IFS

| | | | | | | | | 30 June 2016 |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | Days past due | | | | | |
| (in millions) | Gross | Assets not classified as impaired | <= 30 days | > 30 days & <= 60 days | > 60 days & <= 90 days | > 90 days | Total past due but not impaired | Past due ratio |
| **Loans and receivables - banks** | **17,154** | **17,153** | | | | | | **0.0%** |
| **Loans and receivables - customers** | | | | | | | | |
| Residential mortgages[1] | 146,607 | 145,640 | 1,867 | 249 | 55 | 16 | 2,187 | 1.5% |
| Consumer loans | 14,679 | 13,968 | 288 | 77 | 53 | 133 | 551 | 3.8% |
| Corporate loans[1] | 93,501 | 88,181 | 705 | 150 | 63 | 337 | 1,256 | 1.3% |
| Other loans and receivables - customers[2] | 14,936 | 14,772 | 205 | 16 | 10 | 70 | 300 | 2.0% |
| **Total Loans and receivables - customers** | **269,724** | **262,561** | **3,066** | **491** | **181** | **556** | **4,294** | **1.6%** |
| **Total Loans and receivables** | **286,878** | **279,714** | **3,066** | **491** | **181** | **556** | **4,294** | **1.5%** |

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

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## Financial assets past due but not impaired as at 31 December 2015 IFS

| | | | | | | | | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | Days past due | | | | | |
| (in millions) | Gross | Assets not classified as impaired | <= 30 days | > 30 days & <= 60 days | > 60 days & <= 90 days | > 90 days | Total past due but not impaired | Past due ratio |
| **Loans and receivables - banks** | **15,682** | **15,680** | | | | | | **0.0%** |
| **Loans and receivables - customers** | | | | | | | | |
| Residential mortgages[1] | 146,932 | 145,900 | 2,354 | 322 | 70 | 30 | 2,776 | 1.9% |
| Consumer loans | 15,147 | 14,287 | 306 | 122 | 30 | 149 | 607 | 4.0% |
| Corporate loans[1, 2] | 100,387 | 95,143 | 3,047 | 138 | 9 | 344 | 3,538 | 3.5% |
| Other loans and receivables - customers[3] | 11,881 | 11,671 | 187 | 36 | 17 | 160 | 400 | 3.4% |
| **Total Loans and receivables - customers[2]** | **274,347** | **267,002** | **5,894** | **617** | **126** | **683** | **7,320** | **2.7%** |
| **Total Loans and receivables[2]** | **290,029** | **282,682** | **5,894** | **617** | **126** | **683** | **7,320** | **2.5%** |

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 For comparison reasons the historical periods before 30 june 2016 have been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements).
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

## Developments in the first six months

The total past due exposure on loans and receivables at 30 June 2016 decreased by EUR 3.0 billion to EUR 4.3 billion, down from EUR 7.3 billion at year-end 2015. Apart from the impact of the new offsetting policy, total past due exposure decreased by EUR 0.7 billion.

Residential mortgages past due exposure decreased by EUR 0.6 billion to EUR 2.2 billion at 30 June 2016, as result of holiday allowances, further improvement of the Dutch economy and active management of the portfolio in arrears.

The decrease in past due exposure for corporate loans was mainly attributable to a decline of EUR 2.3 billion in the <=30 day past due bucket. Apart from the impact of the new offsetting policy, total past due exposure for Corporate loans increased by EUR 0.1 billion and related to ECT Clients, within International Clients.

The decline of EUR 0.1 billion in Other loans and receivables - customers is predominantly attributable to the >90 days bucket and the result of improved credit quality.

For Consumer loans there was no material movement in relation to total past due exposure.

## Impaired loans

### Coverage and impaired ratio as of 30 June 2016 IFS

| | 30 June 2016 | | | | |
|---|---|---|---|---|---|
| (in millions) | Gross carrying amount | Impaired exposures | Allowances for Impairments for identified credit risk | Coverage ratio | Impaired ratio |
| **Loans and receivables - banks** | **17,154** | **2** | **-2** | **100.0%** | **0.0%** |
| **Loans and receivables - customers** | | | | | |
| Residential mortgages | 146,607 | 967 | -205 | 21.2% | 0.7% |
| Consumer loans | 14,679 | 711 | -442 | 62.1% | 4.8% |
| Corporate loans | 93,501 | 5,320 | -2,919 | 54.9% | 5.7% |
| Other loans and receivables - customers[1, 2] | 14,936 | 164 | -71 | 43.3% | 1.1% |
| **Total Loans and receivables - customers** | **269,724** | **7,163** | **-3,637** | **50.8%** | **2.7%** |
| **Total Loans and receivables[3]** | **286,878** | **7,165** | **-3,638** | **50.8%** | **2.5%** |
| Securities financing | 34,461 | | | 100.0% | 0.0% |
| **Total on- and off-balance sheet** | **439,650** | **7,192** | **-3,643** | **50.7%** | **1.6%** |

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
3 Amounts excluding Incurred But Not Identified (IBNI).

### Coverage and impaired ratio as of 31 December 2015 IFS

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| (in millions) | Gross carrying amount | Impaired exposures | Allowances for Impairments for identified credit risk | Coverage ratio | Impaired ratio |
| **Loans and receivables - banks** | **15,682** | **2** | **-2** | **100.0%** | **0.0%** |
| **Loans and receivables - customers** | | | | | |
| Residential mortgages | 146,932 | 1,031 | -245 | 23.8% | 0.7% |
| Consumer loans | 15,147 | 860 | -471 | 54.8% | 5.7% |
| Corporate loans[1] | 100,387 | 5,244 | -3,098 | 59.1% | 5.2% |
| Other loans and receivables - customers[2,3] | 11,881 | 210 | -78 | 37.4% | 1.8% |
| **Total Loans and receivables - customers[1]** | **274,347** | **7,345** | **-3,892** | **53.0%** | **2.7%** |
| **Total Loans and receivables[1, 4]** | **290,029** | **7,347** | **-3,894** | **53.0%** | **2.5%** |
| Securities financing | 20,073 | 11 | -11 | 100.0% | 0.1% |
| **Total on- and off-balance sheet[1]** | **430,305** | **7,388** | **-3,909** | **52.9%** | **1.7%** |

1 For comparison reasons the historical periods before 30 june 2016 have been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements).
2 Gross carrying amount excludes fair value adjustments from hedge accounting.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
4 Amounts excluding Incurred But Not Identified (IBNI).

## Developments in the first six months

In the first half of 2016 the impaired exposures and allowances for impairments decreased slightly for Total loans and receivables - customers. Decreases were noted in all sub-portfolios except the impaired corporate loan portfolio.

The coverage ratio for Total loans and receivables – customers decreased to 50.8% at 30 June 2016 compared with 53.0% at year-end 2015. The impaired ratio remained stable at 2.7%.

The coverage ratio for residential mortgages declined to 21.2% at 30 June 2016, compared with 23.8% at 31 December 2015. Allowances for impairments decreased due to the upturn of the Dutch housing market and the improved economy, which led to less inflow into default, higher outflow and lower loss levels on foreclosures. The impaired ratio remained stable at 0.7%.

In the consumer loan portfolio, the Impaired exposure and Allowances for impairments declined by respectively EUR 149 million and EUR 29 milion. Both decreases were due to the improved Dutch economy. This resulted in a coverage ratio of 62.1% at 30 June 2016 compared with 54.8% at year-end 2015. The impaired ratio improved to 4.8% in this period.

In the corporate loans portfolio the impaired exposures increased, driven by new impaired files in ECT Clients. These increases were mainly related to the oil & gas industry due to the challenging market circumstances in this sector. The impacted exposures have relatively low coverage ratios, while the reversals, mainly related to Commercial Clients, are exposures with higher coverage ratios. This resulted in a lower coverage ratio of 54.9% at 30 June 2016 compared with 59.1% at 31 December 2015. The impaired ratio increased to 5.7% in this period.

The coverage ratio for Other loans and receivables declined to 43.3% at 30 June 2016, compared with 31 December 2015, mainly as a result of a lower impaired volume. The impaired ratio improved to to 1.1%.

## Loan impairment charges and allowances IFS

First half 2016

| (in millions) | Securities financing | Banks | Corporate loans[1] | Residential mortgages | Consumer loans | Other loans | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January** | **11** | **2** | **3,470** | **324** | **561** | **1** | **4,368** |
| Impairment charges for the period | | | 353 | 45 | 88 | | 486 |
| Reversal of impairment allowances no longer required | -2 | | -331 | | -54 | | -388 |
| Recoveries of amounts previously written-off | | | -10 | -12 | -20 | | -42 |
| **Total impairment charges on loans and other receivables** | **-2** | | **12** | **33** | **14** | | **56** |
| Amount recorded in interest income from unwinding of discounting | | | -21 | -19 | -4 | | -44 |
| Currency translation differences | | | 1 | | | | 1 |
| Amounts written-off (net) | -8 | | -308 | -57 | -66 | | -438 |
| Reserve for unearned interest accrued on impaired loans | | | 38 | | 9 | | 46 |
| Other adjustments | | | -16 | 5 | -5 | -1 | -17 |
| **Balance as at 30 June** | | **2** | **3,176** | **286** | **508** | | **3,973** |
| **Reconciliation from reported to underlying impairment charges** | | | | | | | |
| **Total reported on-balance sheet impairment charges on loans and other receivables** | **-2** | | **12** | **33** | **14** | | **56** |
| **Total underlying on-balance sheet impairment charges on loans and other receivables** | **-2** | | **12** | **33** | **14** | | **56** |

[1] Corporate loans includes Financial lease receivables and Factoring.

| (in millions) | Securities financing | Banks | Corporate loans[1] | Residential mortgages | Consumer loans | Other loans | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | First half 2015 |
| **Balance as at 1 January** | **11** | | **3,439** | **538** | **654** | **129** | **4,771** |
| Impairment charges for the period | | | 553 | 68 | 89 | 16 | 726 |
| Reversal of impairment allowances no longer required | -1 | | -282 | -70 | -41 | -10 | -403 |
| Recoveries of amounts previously written-off | | | -7 | -12 | -20 | | -39 |
| **Total impairment charges on loans and other receivables** | **-1** | | **265** | **-14** | **28** | **6** | **284** |
| Amount recorded in interest income from unwinding of discounting | | | -22 | -28 | -6 | | -56 |
| Currency translation differences | 1 | | 52 | | | 3 | 56 |
| Amounts written-off (net) | | | -252 | -90 | -61 | -8 | -412 |
| Reserve for unearned interest accrued on impaired loans | | | 27 | | 8 | | 35 |
| Other adjustments | | | -11 | -4 | 16 | | |
| **Balance as at 30 June** | **10** | | **3,497** | **402** | **640** | **130** | **4,680** |
| **Reconciliation from reported to underlying impairment charges** | | | | | | | |
| **Total reported on-balance sheet impairment charges on loans and other receivables** | **-1** | | **265** | **-14** | **28** | **6** | **284** |
| **Total underlying on-balance sheet impairment charges on loans and other receivables** | **-1** | | **265** | **-14** | **28** | **6** | **284** |

[1] Corporate loans includes Financial lease receivables and Factoring.

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| On-balance sheet | 56 | 284 |
| Off-balance sheet | | 2 |
| **Total impairment charges on loans and other receivables** | **56** | **287** |

## Developments in the first six months

The total on-balance impairment charges decreased significantly by EUR 228 million to EUR 56 million in the first half of 2016, compared with EUR 284 million in the same period last year. The decrease was mainly attributable to the improved economy in the Netherlands. The IBNI release of EUR 130 million in H1 2016 was slightly lower, compared with an IBNI release of EUR 138 million in H1 2015.

The decline in the Impairment charges was mainly visible in the Corporate loan portfolio, where impairment charges decreased by EUR 253 million to EUR 12 million in H1 2016, compared with EUR 265 million in the first half of 2015.

Impairment charges dropped significantly within Commercial Clients as a result of the improved economy in the Netherlands. The decrease was partly offset by additions in the International Clients business, mainly related to the energy and transportation sectors within ECT Clients. The IBNI release for the Corporate loan portfolio, which is almost fully related to Commercial Clients, amounted to EUR 108 million in H1 2016, compared with an IBNI release of EUR 68 million in H1 2015.

Impairment charges for the Residential mortgages portfolio increased to EUR 33 million in H1 2016, compared with a release of EUR 14 million in the same period last year. This increase was mainly driven by an

IBNI release of EUR 53 million in H1 2015, compared with a small IBNI charge of EUR 2 million in the first half of 2016. Excluding the IBNI impact in this period, impairment charges were lower, as a result of the continued decline of the impaired portfolio and improvements in the Dutch housing market. Impairment charges for Residential mortgages are below the TTC benchmark of 5 to 7bps.

Consumer loans impairment charges decreased by EUR 14 million, coming to EUR 14 million in the first half of 2016, compared with the same period last year. This decline was also the result of the improvement of the Dutch economy and, to a lesser extent, an IBNI release.

Impairment charges for other loans decreased slightly by EUR 6 million in the first half of 2016 compared with the same period last year.

### Impaired loans by industry

The main movements in Impaired loans and Allowances for impairments per industry were driven by the oil and gas sector, due to challenging market circumstances. Furthermore, impaired exposures in basic resources increased as a result of a single international file and impaired exposures in industrials goods and services increased due to a few individual files.

The real estate sector improved due to better economic circumstances, resulting in a lower impaired volume as a result of clients returning to the performing portfolio. The releases in the allowances were mainly due to an improvement in underlying collateral values.

Private individuals decreased following the upturn in the Dutch housing market, resulting in a reduced impaired portfolio for Residential mortgages.

Financial services declined mainly as a result of a few clients who fully repaid their debt. Furthermore, retail and construction & materials declined mainly driven by write-offs and releases for allowances for impairments in the first quarter of this year.

Banks industry sector decreased due to a client that repaid its debt.

## Operational risk

As a result of the yearly revised calculations, RWA (REA) increased by EUR 0.8 billion to EUR 17.0 billion in the first half of 2016 compared with year-end 2015.

ABN AMRO is awaiting the ECB's response to the request for approval to use the Advanced Measurement Approach (AMA). The application was submitted to the ECB in the fourth quarter of 2015.

ABN AMRO is adhering to the advice of the committee of independent experts established by the Dutch Minister of Finance on the reassessment of SME interest rate derivatives that was published early July 2016. As a result, the bank increased the related provision by EUR 361 million gross (EUR 271 million net of tax) on top of the EUR 121 million provision already taken in 2015.

## Market risk

ABN AMRO is exposed to market risk in its trading book and banking book. ABN AMRO has limited exposure in the trading book.

RWA (REA) for market risk dropped significant to EUR 3.5 billion at 30 June 2016, compared with EUR 5.7 billion at 31 December 2015. This decline was mainly the result of the use of the Internal Model Approach (IMA) as from 1 January 2016 for EUR 2.6 billion, partly offset by business volume.

In H1 2016 duration of equity increased from 3.6 to 4 years, driven by business development.

## Liquidity risk

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% in the first half of 2016. This is in line with the bank's targeted early compliance with future regulatory requirements.

The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internal stress scenario. In this internal stress scenario it is assumed that wholesale funding markets deteriorate and retail and commercial clients withdraw a part of their deposits. The survival period was consistently >12 months in the first half of 2016.

The adjustment of notional cash pooling has led to a slightly lower LtD ratio. Applying the change in accounting policy retrospectively has led to an adjustment resulting in an increase of the Corporate loan balance and the Due to customers balance of EUR 5.6 billion for 30 June 2016. The impact on the 31 December 2015 Corporate loan balance and Due to customers balance is an increase of EUR 15.5 billion for 31 December 2015 (more information is provided in note 1 Accounting policies). The impact on the LtD ratio was limited to minus 1% for 31 December 2015 and close to zero for 30 June 2016.

The Loan-to-Deposit (LtD) ratio was stable during the first half of 2016 compared with year-end 2015.

Corrected for the impact of notional cash pooling (EUR 5.6 billion for 30 June 2016 and EUR 15.5 billion for 31 December 2015), Adjusted loans and receivables - customers increased by EUR 4.2 billion from EUR 257.6 billion at 31 December 2015 to EUR 261.8 billion at 30 June 2016. This was mainly due to higher outstanding client loans within Corporate Banking. Adjusted due to customers grew by EUR 6.1 billion from EUR 236.5 billion at 31 December 2015 to EUR 242.6 billion at 30 June 2016. Most of the deposit growth came from Retail Banking and Corporate Banking.

The liquidity buffer largely consists of cash and deposits at central banks, government bonds and retained RMBS. Most of the securities in the liquidity buffer, with the exception of retained RMBS, are eligible for the LCR. The haircuts used to determine the liquidity value in the internal assessment of the liquidity buffer deviate from Basel III regulations. This explains the differences between the liquidity values. For government bonds, the internal haircut is higher than the haircut based on Basel III regulations. As a result, the liquidity buffer value for government bonds is lower than the LCR eligible amount.

The liquidity buffer decreased by EUR 3.2 billion during the first six months of 2016, arriving at EUR 79.6 billion at 30 June 2016. The cash position decreased mainly due to a conversion of cash into financial investments and as a result of repayment of the Targeted Long Term Refinancing Operations (TLTRO I).

## Funding

ABN AMRO's strategy for wholesale funding is derived from the bank's moderate risk profile. This strategy aims to optimise and diversify the bank's funding sources in order to maintain market access and reach the targeted funding position. We aim to have a balance sheet with a diverse, stable and cost-efficient funding base.

Client deposits are a source of funding, complemented by a well-diversified portfolio of wholesale funding. Excluding the impact of notional cash pooling, client deposits amounted to EUR 235.3 billion at 30 June 2016, up by EUR 5.0 billion from EUR 230.3 billion at 31 December 2015 (more information is provided in note 1 Accounting policies). Total wholesale funding (as defined by issued debt plus subordinated liabilities) amounted to EUR 87.7 billion at 30 June 2016 compared with EUR 85.9 billion at 31 December 2015.

Long-term funding raised in the first six months of 2016 amounted to EUR 8.8 billion, of which 24% was raised in non-euro currencies. This includes EUR 3.7 billion of covered bonds and EUR 2.4 billion of Tier 2 capital instruments. The relatively high amount of covered bond issuance is in line with the growing demand for mortgages with long-term fixed interest rate periods. Long-term covered bonds mitigate liquidity repricing risk due to mortgages with long-term fixed interest rate periods. ABN AMRO issued a EUR 0.5 billion Green Bond in the second quarter of 2016.

A key goal of the funding strategy is to diversify funding sources. The available funding programmes allow us to issue various instruments in different currencies and markets, enabling us to diversify our investor base. A description of capital and funding instruments issued by ABN AMRO is provided on our website, abnamro.com. We continuously assess our wholesale funding base in order to determine the optimal use of funding sources.

The average remaining maturity of the total outstanding long-term wholesale funding was 4.8 years on 30 June 2016, an increase compared with 31 December 2015 (4.6 years). This was caused mainly by the issuance of Tier 2 capital instruments and long-term covered bonds in the first half of 2016.

The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date. Early redemption of subordinated instruments is subject to the approval of the regulators. However, this does not mean that the instruments will be called at the earliest possible call date.

In 2014, ABN AMRO participated in the first series of Targeted Long-Term Refinancing Operations (TLTRO I), which is the ECB's programme to support lending to the real economy. In April 2016, the ECB announced a voluntary repayment option of TLTRO I in June 2016 and a new series of Targeted Long-Term Refinancing Operations (TLTRO II). ABN AMRO participated in TLTRO I for a total amount of EUR 4.0 billion and fully repaid this amount in June 2016. The original due date was 2018.

## Capital management

ABN AMRO's solid capital position ensures that the bank is compliant with the fully-loaded capital requirements of the Capital Requirements Directive IV (CRD IV). The overall capital base increased substantially during the second quarter due to accumulated profit and Tier 2 issuances. The bank strives to optimise its capital structure in anticipation of pending regulatory requirements. The capital structure consists mainly of common equity and highly loss-absorbing capital to cover unexpected losses. The subordination of specific capital instruments provides further protection to senior creditors.

At 30 June 2016, the phase-in Common Equity Tier 1, Tier 1 and Total Capital ratios were 16.2%, 17.0% and 23.7% respectively. All capital ratios were well above regulatory minimum requirements and in line with the bank's risk appetite and strategic ambitions.

Compared to 31 December 2015, all risk-weighted capital ratios have materially increased. In the first quarter of 2016, ABN AMRO redeemed two grandfathered instruments which had a remaining eligibility for regulatory capital of EUR 1.2 billion at 31 December 2015. Specifically, the bank redeemed a GBP 150 million Tier 2 instrument and a EUR 1.0 billion Tier 1 instrument (of which EUR 700 million was eligible for Tier 1 and EUR 300 million was eligible for Tier 2 capital at 31 December 2015). Profit accumulation, an RWA decrease, and Tier 2 issuances have more than compensated for these redemptions, leading to a 0.7% increase in the fully-loaded Common Equity Tier 1 and Tier 1 ratios, and a 3.0% increase in the fully-loaded Total Capital ratio in the first half of 2016.

In 2016, ABN AMRO will be required to meet a minimum CET1 ratio of 10.25% on a consolidated basis, which is composed of a 9.5% SREP requirement and a 0.75% phase-in of the systemic risk buffer (SRB). The SRB is expected to grow by 0.75 percentage points per annum up to 3.0% in 2019. The 9.5% CET1 requirement for 2016 includes the capital conservation buffer. ABN AMRO is comfortably above the 10.25% minimum, with phase-in CET1 at 16.2% at 30 June 2016.

The CRR introduced a non-risk based leverage ratio to be monitored until 2017 and to be further refined and calibrated before becoming a binding measure as from 2018. The Commission Delegated Regulation (CDR), applicable since 1 January 2015, amended the definition of the leverage ratio to enhance comparability of leverage ratio disclosures. ABN AMRO aims for at least a 4% leverage ratio by year-end 2018, to be achieved by issuance of AT1 instruments, management of the exposure measure and profit retention.

The fully-loaded leverage ratio decreased from 3.8% at 31 December 2015 to 3.7% at 30 June 2016. The decrease can be attributed to seasonal volatility of the balance sheet, which was partly offset by profit accumulation in the first half of the year.

On 6 April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document are the change in the calculation of the derivative exposures and the credit conversion factors for off-balance sheet items. The revised calculation method of derivative exposures could potentially result in a decrease of the exposure measure for clearing guarantees. This decrease would amount to approximately EUR 52 billion, or a 45bps increase in the fully-loaded leverage ratio at 30 June 2016. An adjustment of credit conversion factors for off-balance sheet exposures, for example unconditionally cancellable commitments, will partly offset this potential increase.

The Bank Recovery and Resolution Directive (BRRD) provides authorities with more comprehensive and effective measures to deal with failing banks. Implementation of the BRRD in the European Union began in 2015 and the bail-in framework has been applicable since January 2016. Implementation of the bail-in framework has led to the introduction of additional loss-absorbing measures, such as the Minimum Requirement for own funds and Eligible Liabilities (MREL).

ABN AMRO is monitoring pending regulatory requirements in relation to MREL and aims for at least 8% MREL by year-end 2018 (through subordinated debt and profit retention). Final MREL terms will determine the precise measures to be undertaken to comply with a future MREL requirement. At 30 June 2016, the Bank had a 6.8% MREL (solely based on Own funds and Other subordinated liabilities).

ABN AMRO expects to continue to issue new capital instruments to further enhance its buffer of loss-absorbing instruments above 8% in 2018 in view of scheduled amortisations, MREL and any other regulatory changes.

CRD IV and CRR set the framework for implementation of Basel III in the European Union. CRD IV and CRR have been phased in since 1 January 2014 and will be fully effective by January 2019.

Also commonly referred to as Basel IV, the Basel Committee on Banking Supervision has presented two consultative papers on a revision of the Standardised Approach and the design of a capital floor framework based on this revised Standardised Approach. This framework will replace the current transitional floor based on the Basel I standard. The aim of the revised capital floor framework is to enhance the reliability and comparability of risk-weighted capital ratios. Revision of the Standardised Approach for Residential Real Estate and SMEs in combination with revision of the capital floors implies a potential significant risk-weighted assets inflation risk for ABN AMRO.

Regulatory developments, such as the Basel proposal (especially with respect to risk-weighting of mortgages and corporate loans) and increasing capital requirements set by the regulators, could have a significant impact on the bank's capital position going forward. Hence, ABN AMRO will continue to focus on capital efficiency and further strengthen its capital position.

Although Total Loss-Absorbing Capacity (TLAC) is currently not applicable to the bank, ABN AMRO continues to monitor TLAC requirements following publication of the final terms in November 2015. The final terms for TLAC are considered to be in line with the current ambition to steer MREL to 8%, while further convergence between TLAC and MREL requirements is anticipated.

# Responsibility statement

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act (Wet op het financieel toezicht (Wft)), the members of the Managing Board state that to the best of their knowledge:

- The Condensed Consolidated Interim Financial Statements, for the six months period ending on 30 June 2016, give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in the consolidation; and
- The Interim Report, for the six months period ending on 30 June 2016, gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of ABN AMRO Bank N.V. and the companies included in the consolidation.

Amsterdam,16 August 2016

### The Managing Board

**Gerrit Zalm,** Chairman
**Johan van Hall,** Vice-Chairman
**Kees van Dijkhuizen,** Member
**Caroline Princen,** Member
**Wietze Reehoorn,** Member
**Chris Vogelzang,** Member
**Joop Wijn,** Member

# Condensed Consolidated Interim Financial Statements 2016



Certain IFRS disclosures in the Risk, funding & capital information section are labelled as 'IFS' in the respective headings. These disclosures are an integral part of the Condensed Consolidated Interim Financial Statements.

## Condensed Consolidated income statement

| (in millions) | Note | First half 2016 | First half 2015 |
|---|---|---|---|
| **Income** | | | |
| Interest income | | 6,371 | 6,724 |
| Interest expense | | 3,253 | 3,668 |
| **Net interest income** | | **3,118** | **3,056** |
| Fee and commission income | | 1,540 | 1,510 |
| Fee and commission expense | | 674 | 585 |
| **Net fee and commission income** | | **866** | **926** |
| Net trading income | | -343 | 54 |
| Share of result in equity accounted investments | | 26 | 12 |
| Other operating income | | 145 | 246 |
| **Operating income** | 4 | **3,811** | **4,294** |
| **Expenses** | | | |
| Personnel expenses | | 1,234 | 1,233 |
| General and administrative expenses | | 1,258 | 1,148 |
| Depreciation and amortisation of tangible and intangible assets | | 86 | 84 |
| **Operating expenses** | 5 | **2,579** | **2,465** |
| Impairment charges on loans and other receivables | | 56 | 287 |
| **Total expenses** | | **2,635** | **2,752** |
| **Operating profit/(loss) before taxation** | | **1,176** | **1,542** |
| Income tax expense | 6 | 310 | 398 |
| **Profit/(loss) for the period** | | **866** | **1,144** |
| *Attributable to:* | | | |
| Owners of the company | | 865 | 1,142 |
| *- of which available for AT 1 capital securities* | | 22 | |
| Non-controlling interests | | 1 | 1 |

## Condensed Consolidated statement of comprehensive income

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| **Profit/(loss) for the period** | **866** | **1,144** |
| **Other comprehensive income:** | | |
| *Items that will not be reclassified to the income statement* | | |
| Remeasurement gains / (losses) on defined benefit plans | -11 | -4 |
| **Items that will not be reclassified to the income statement before taxation** | **-11** | **-4** |
| Income tax relating to items that will not be reclassified to the income statement | -3 | -1 |
| **Items that will not be reclassified to the income statement after taxation** | **-8** | **-3** |
| *Items that may be reclassified to the income statement* | | |
| Currency translation reserve | -25 | 118 |
| Available-for-sale reserve | 110 | 46 |
| Cash flow hedge reserve | -122 | -14 |
| Share of other comprehensive income of associates | -7 | 18 |
| Other changes | | -4 |
| **Other comprehensive income for the period before taxation** | **-44** | **164** |
| Income tax relating to components of other comprehensive income | -4 | 7 |
| **Other comprehensive income for the period after taxation** | **-40** | **157** |
| **Total comprehensive income/(expense) for the period after taxation** | **818** | **1,297** |
| **Total comprehensive income attributable to:** | | |
| Owners of the company | 817 | 1,296 |
| *- of which available for AT 1 capital securities* | 22 | |
| Non-controlling interests | 1 | 1 |

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# Condensed Consolidated statement of financial position

| (in millions) | Note | 30 June 2016 | 31 December 2015 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | | 12,773 | 26,195 |
| Financial assets held for trading | 7 | 4,459 | 1,706 |
| Derivatives | 8 | 23,350 | 19,138 |
| Financial investments | 9 | 46,392 | 40,542 |
| Securities financing | 10 | 34,460 | 20,062 |
| Loans and receivables - banks | 12 | 17,152 | 15,680 |
| Residential mortgages | 13 | 149,866 | 150,009 |
| Consumer loans | 13 | 14,171 | 14,587 |
| Corporate loans | 13 | 98,738 | 103,889 |
| Other loans and receivables - customers | 13 | 8,680 | 6,357 |
| Equity accounted investments | | 783 | 778 |
| Property and equipment | | 1,362 | 1,366 |
| Goodwill and other intangible assets | | 257 | 263 |
| Tax assets | | 772 | 345 |
| Other assets | | 5,724 | 4,925 |
| **Total assets** | | **418,940** | **405,840** |
| **Liabilities** | | | |
| Financial liabilities held for trading | 7 | 1,990 | 459 |
| Derivatives | 8 | 27,016 | 22,425 |
| Securities financing | 10 | 23,132 | 11,372 |
| Due to banks | 15 | 12,214 | 14,630 |
| Demand deposits | 16 | 128,071 | 134,632 |
| Saving deposits | 16 | 93,402 | 92,472 |
| Time deposits | 16 | 19,312 | 18,555 |
| Other due to customers | 16 | 157 | 160 |
| Issued debt | 17 | 76,505 | 76,207 |
| Subordinated liabilities | 17 | 11,214 | 9,708 |
| Provisions | 18 | 1,425 | 1,256 |
| Tax liabilities | | 111 | 650 |
| Other liabilities | | 6,433 | 5,729 |
| **Total liabilities** | | **400,981** | **388,255** |
| **Equity** | | | |
| Share capital | | 800 | 800 |
| Share premium | | 4,041 | 4,041 |
| Other reserves (incl. retained earnings/profit for the period) | | 12,563 | 12,128 |
| Other comprehensive income | | -442 | -394 |
| **Equity attributable to owners of the parent company** | | **16,961** | **16,575** |
| Capital securities | | 993 | 993 |
| Equity attributable to non-controlling interests | | 5 | 17 |
| **Total equity** | | **17,960** | **17,584** |
| **Total liabilities and equity** | | **418,940** | **405,840** |

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# Condensed Consolidated statement of changes in equity

| (in millions) | Share capital | Share premium reserve | Other reserves including retained earnings | Other compre-hensive income | Net profit/ (loss) attributable to share-holders | Total | Capital securities | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2014** | **800** | **4,041** | **9,704** | **-814** | **1,134** | **14,865** | | **12** | **14,877** |
| Total comprehensive income[1] | | | -4 | 157 | 1,142 | 1,296 | | 1 | 1,297 |
| Transfer | | | 1,134 | | -1,134 | | | | |
| Dividend | | | -275 | | | -275 | | | -275 |
| **Balance at 30 June 2015** | **800** | **4,041** | **10,559** | **-657** | **1,142** | **15,885** | | **14** | **15,899** |
| **Balance at 1 January 2016** | **800** | **4,041** | **10,209** | **-394** | **1,919** | **16,575** | **993** | **17** | **17,584** |
| Total comprehensive income | | | | -48 | 865 | 817 | | 1 | 818 |
| Transfer | | | 1,919 | | -1,919 | | | | |
| Dividend | | | -414 | | | -414 | | -12 | -426 |
| Interest AT 1 capital securities | | | -22 | | | -22 | | | -22 |
| Reclassification post-employment benefit plan[2] | | | | | | | | | |
| Increase/(decrease) of capital | | | | | | | | | |
| Other changes in equity | | | 5 | | | 5 | | | 5 |
| **Balance at 30 June 2016** | **800** | **4,041** | **11,698** | **-442** | **865** | **16,961** | **993** | **5** | **17,960** |

Specification of other comprehensive income is as follows:

| (in millions) | Remeasure-ment gains / (losses) on post-retirement benefit plans | Currency translation reserve | Available-for-sale reserve | Cash flow hedge reserve | Share of OCI of associates and joint ventures | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | **-38** | **36** | **329** | **-1,223** | **82** | **-814** |
| Net gains/(losses) arising during the period | -4 | 118 | 62 | -47 | 18 | 146 |
| Less: Net realised gains/(losses) included in income statement | | | 15 | -33 | | -17 |
| **Net gains/(losses) in equity** | -4 | 118 | 46 | -14 | 18 | 163 |
| Related income tax | -1 | | 11 | -3 | | 6 |
| **Balance at 30 June 2015** | **-42** | **153** | **365** | **-1,233** | **100** | **-657** |
| **Balance at 1 January 2016** | **-41** | **137** | **473** | **-1,056** | **93** | **-394** |
| Net gains/(losses) arising during the period | -11 | -25 | 229 | -106 | -7 | 80 |
| Less: Net realised gains/(losses) included in income statement | | | 119 | 16 | | 134 |
| **Net gains/(losses) in equity** | **-11** | **-25** | **110** | **-122** | **-7** | **-55** |
| Less: Related income tax | -3 | | 27 | -30 | | -7 |
| **Balance at 30 June 2016** | **-49** | **112** | **556** | **-1,148** | **86** | **-442** |

### 2016

Total comprehensive income amounted to EUR 818 million and includes EUR 865 million realised profit for first half year 2016, EUR 48 million unrealised losses and EUR 1 million on non-controlling interests.

Transfer includes the allocation of the profit/loss of the prior period to the other reserves.

A final dividend of EUR 413.6 million was paid out to ordinary shareholders bringing the total dividend over 2015 to EUR 763.6 million.

### 2015

Total comprehensive income amounted to EUR 1,297 million and includes EUR 1,142 million realised profit for first half year 2015, EUR 157 million unrealised profit and EUR 1 million on non-controlling interest.

Transfer includes the allocation of the profit/loss of the prior period to the other reserves.

A final dividend of EUR 275 million was paid out to ordinary shareholders bringing the total dividend regarding 2014 to EUR 400 million.

## Condensed Consolidated statement of cash flows

The following table shows the determination of cash and cash equivalents.

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| **Profit/(loss) for the period** | **866** | **1,144** |
| **Adjustments on non-cash items included in profit:** | | |
| (Un)realised gains/(losses) | 120 | -4 |
| Share of profits in associates and joint ventures | -28 | -17 |
| Depreciation, amortisation and accretion | 186 | 157 |
| Provisions and impairment losses | 494 | 335 |
| Income tax expense | 310 | 398 |
| **Changes in operating assets and liabilities:** | | |
| Assets held for trading | -2,754 | 2,460 |
| Derivatives - assets | -4,208 | 3,928 |
| Securities financing - assets | -14,564 | -15,848 |
| Loans and receivables - banks | -1,949 | 7,629 |
| Residential mortgages | 56 | 305 |
| Consumer loans | 334 | 421 |
| Corporate loans | 4,847 | -9,357 |
| Other loans and receivables - customers | -2,357 | -1,388 |
| Other assets | -421 | -493 |
| Liabilities held for trading | 1,531 | -335 |
| Derivatives - liabilities | 4,606 | -6,226 |
| Securities financing - liabilities | 11,845 | 7,989 |
| Due to banks | -2,391 | 2,047 |
| Demand deposits | -6,047 | 12,756 |
| Saving deposits | 955 | 5,841 |
| Time deposits | 934 | 1,164 |
| Other due to customers | -3 | 71 |
| Liabilities arising from insurance and investment contracts | -214 | -113 |
| Net changes in all other operational assets and liabilities | -754 | -114 |
| Dividend received from associates | 63 | 44 |
| Income tax paid | -1,260 | -164 |
| **Cash flow from operating activities** | **-9,805** | **12,629** |

continued >

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| **Investing activities:** | | |
| Purchases of financial investments | -12,907 | -9,896 |
| Proceeds from sales and redemptions of financial investments | 8,576 | 10,268 |
| Acquisition of subsidiaries (net of cash acquired), associates and joint ventures | -17 | -25 |
| Divestments of subsidiaries (net of cash sold), associates and joint ventures | 31 | 33 |
| Purchases of property and equipment | -168 | -112 |
| Proceeds from sales of property and equipment | 40 | 107 |
| Purchases of intangible assets | -13 | -20 |
| **Cash flow from investing activities** | **-4,459** | **354** |
| **Financing activities:** | | |
| Proceeds from the issuance of debt | 14,451 | 20,856 |
| Repayment of issued debt | -14,863 | -19,153 |
| Proceeds from subordinated liabilities issued | 2,618 | 1,492 |
| Repayment of subordinated liabilities issued | -1,342 | -3 |
| Dividends paid to the owners of the parent company | -414 | -275 |
| Dividends paid to non-controlling interests | -12 | |
| **Cash flow from financing activities** | **439** | **2,917** |
| **Net increase/(decrease) of cash and cash equivalents** | -13,825 | 15,900 |
| Cash and cash equivalents as at 1 January | 30,551 | 4,212 |
| Effect of exchange rate differences on cash and cash equivalents | -35 | 111 |
| **Cash and cash equivalents as at 30 June** | **16,692** | **20,223** |
| **Supplementary disclosure of operating cash flow information** | | |
| Interest paid | 4,060 | 3,756 |
| Interest received | 6,589 | 7,411 |
| Dividend received excluding associates | 5 | 47 |

| (in millions) | 30 June 2016 | 30 June 2015 |
|---|---|---|
| Cash and balances at central banks | 12,773 | 15,132 |
| Loans and receivables banks (less than 3 months)[1] | 3,918 | 5,091 |
| **Total cash and cash equivalents** | **16,692** | **20,223** |

[1] Loans and receivables banks with an original maturity less than 3 months is included in Loans and receivables - banks. See note 12.

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 Accounting policies

Certain IFRS disclosures in the Risk, funding & capital information section are labelled as 'IFS' in the respective headings.

The notes to the Condensed Consolidated Interim Financial Statements, including these 'IFS'-labelled sections in the Risk, funding & capital information section are an integral part of these financial statements.

### Corporate information

ABN AMRO Bank N.V. (referred to as 'ABN AMRO Bank') is a leading Dutch bank, providing financial services in the Netherlands and abroad, together with its consolidated group of entities (referred to as 'Group' or ABN AMRO). ABN AMRO Bank is a public limited liability company, incorporated under Dutch law on 9 April 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

ABN AMRO Bank is a wholly-owned subsidiary of ABN AMRO Group. At 30 June 2016, all shares in the capital of ABN AMRO Group were held by two foundations: NLFI and STAK AAG. On that date, NLFI held 77% and STAK AAG held 23% of the shares in the issued capital of ABN AMRO Group. Both foundations have issued depositary receipts for shares in ABN AMRO Group. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group and traded on Euronext Amsterdam.

ABN AMRO Bank provides a broad range of financial services to retail, private and corporate banking clients. These activities are conducted primarily in the Netherlands and selectively abroad.

The Condensed Consolidated Interim Financial Statements of ABN AMRO Bank for the six months ending on 30 June 2016 incorporate financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Condensed Consolidated Interim Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 16 August 2016.

### Basis of preparation

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting (endorsed by the European Union (EU)).

The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with ABN AMRO Bank's 2015 consolidated Annual Financial Statements, which were prepared

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Other

in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies used in these Condensed Consolidated Interim Financial Statements are consistent with those set out in the notes to the 2015 Consolidated Annual Financial Statements of ABN AMRO Bank, except for the changes in accounting policies described below.

The Condensed Consolidated Interim Financial Statements are presented in euros, which is ABN AMRO Bank's presentation currency, rounded to the nearest million (unless otherwise noted). Certain figures in these Condensed Consolidated Interim Financial Statements may not tally exactly due to rounding.

## Changes in accounting policies

In the first half of 2016 ABN AMRO Bank adopted the following amendments and interpretations:

- IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements
- IAS 1 Presentation of Financial Statements: Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 Cycle
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

None of the above amendments has a significant impact on the Condensed Consolidated Interim Financial Statements.

## Offsetting treatment of notional cash pool agreements

In the second quarter ABN AMRO implemented an adjustment to its offsetting policy. ABN AMRO offsets balances if there is legal enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. As a result of an IFRIC rejection notice issued on 6 April 2016 ABN AMRO changed its accounting policies for offsetting of cash pool arrangements to be able to continue to apply netting in compliance with IFRS. Also, changes in procedures and contractual arrangements were made. As a result, notional cash pool balances that cannot be supported with a settlement of those balances closely after reporting date are presented gross.

For the second quarter this resulted in an increase of the Loans and receivables - customers balance and the Due to customers balance of EUR 5.6 billion. The impact on the comparative 31 December 2015 Loans and receivables - customers balance and Due to customers balance is EUR 15.5 billion. The majority of this decrease of EUR 9.9 billion in Loans and receivables - customers and Due to customers in the first half of 2016 can be explained by adjusted netting procedures for a number of notional cash pooling contracts in order to meet the revised offsetting requirements as well as a replacement of some of the notional cash pooling contracts with alternative arrangements.

## New accounting standards and amendments

The following standards and amendments have been issued by the IASB, but are not yet effective for those Condensed Consolidated Interim Financial Statements. These standards are subject to endorsement by the European Union and are therefore not open for early adoption.

### IFRS 2 Share-based Payment

In June 2016 the IASB issued amendments to IFRS 2 Share-based Payments: Classification and Measurement of Share-based Payment Transactions which will become effective on 1 January 2018. The issuance consists of three amendments that clarify how to account for certain types of share-based payment transactions. ABN AMRO will start its impact assessment in the second half of 2016.

### IFRS 9 Financial Instruments

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and the mandatory effective date is 1 January 2018. ABN AMRO is currently assessing the impact on its financial statements. The impact on the financial statements is expected to be largest for the changes to the impairment model. IFRS 9 replaces the ‘incurred loss’ model with the ‘expected credit loss model’ which is designed to be more forward-looking. The result of this forward-looking approach will be higher loan loss impairments and corresponding lower equity.

In the first half of 2016, ABN AMRO made progress in developing IFRS 9 models. It will take at least the rest of 2016 to finalise these models. ABN AMRO has also made progress in analysing credit deterioration criteria and incorporation of forward-looking information. Although the IFRS 9 project is on schedule and milestones are being met, key implementation aspects of IFRS 9 still need further analysis. ABN AMRO is therefore keen for the EU to approve the IFRS 9 standard and for the regulators to provide finalised guidance. ABN AMRO expects to provide external disclosures in line with EDTF guidance.

## 2 Segment reporting

### Retail Banking

Retail Banking serves Mass Retail, Preferred Banking and YourBusiness Banking clients (SME clients with turnover up to EUR 1 million) and offers a wide variety of banking and insurance products and services through the bank’s branch network, online, via contact centres and through subsidiaries. In addition, MoneYou is part of Retail Banking.

### Private Banking

Private Banking provides total solutions to its clients’ global wealth management needs and offers a rich array of products and services designed to address their individual requirements. Private Banking operates under the brand name ABN AMRO MeesPierson in the Netherlands and internationally under ABN AMRO Private Banking, as well as local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany.

### Corporate Banking

Corporate Banking consists of the sub-segments Commercial Clients, International Clients and Capital Markets Solutions.

- Commercial Clients serves business clients with revenues from EUR 1 million up to EUR 250 million, and clients active in Commercial Real Estate (excluding publicly listed companies, which are served by the International Clients sub-segment). ABN AMRO’s Lease and Commercial Finance activities are also part of this sub-segment;

- International Clients serves business clients with revenues exceeding EUR 250 million, as well as Energy, Commodities & Transportation (ECT) Clients, Diamond & Jewellery Clients, Financial Institutions and Listed Commercial Real Estate clients;
- Capital Markets Solutions serves clients by providing products and services related to financial markets. This sub-segment includes Clearing.

## Group Functions

Group Functions supports the business segments and consists of Technology, Operations & Property Services (TOPS), Finance, Risk Management & Strategy, People, Regulations & Identity (PR&I), Group Audit and the Corporate Office. The majority of the Group Functions costs are allocated to the businesses. Group Functions' results include those of ALM/Treasury as well as the Securities financing activities.

## Segment income statement of the first six months of 2016

| | First half 2016 | | | | |
|---|---|---|---|---|---|
| (in millions) | Retail Banking | Private Banking | Corporate Banking | Group Functions | Total |
| Net interest income | 1,685 | 318 | 1,094 | 22 | 3,118 |
| Net fee and commission income | 225 | 287 | 381 | -27 | 866 |
| Net trading income | 2 | 21 | -330 | -37 | -343 |
| Share of result in equity accounted investments | 20 | 8 | -5 | 3 | 26 |
| Other operating income | 97 | 27 | 24 | -3 | 145 |
| **Operating income** | **2,029** | **660** | **1,163** | **-41** | **3,811** |
| Personnel expenses | 242 | 249 | 325 | 419 | 1,234 |
| General and administrative expenses | 229 | 130 | 167 | 733 | 1,258 |
| Depreciation and amortisation of tangible and intangible assets | 3 | 11 | 8 | 63 | 86 |
| Intersegment revenues/expenses | 613 | 137 | 443 | -1,193 | |
| **Operating expenses** | **1,088** | **527** | **942** | **22** | **2,579** |
| Impairment charges on loans and other receivables | 48 | 12 | 2 | -6 | 56 |
| **Total expenses** | **1,135** | **539** | **944** | **16** | **2,635** |
| **Operating profit/(loss) before taxation** | **894** | **120** | **219** | **-58** | **1,176** |
| Income tax expense | 220 | 24 | 54 | 12 | 310 |
| **Profit/(loss) for the period** | **674** | **96** | **165** | **-70** | **866** |
| - of which Special items and divestments | | | 271 | | 271 |
| **Underlying profit/(loss) for the period** | **674** | **96** | **436** | **-70** | **1,136** |
| *Attributable to:* | | | | | |
| Owners of the company | 674 | 96 | 165 | -70 | 865 |
| Non-controlling interests | | | 1 | | 1 |

## Segment income statement of the first six months of 2015

| | | | | | First half 2015 |
|---|---|---|---|---|---|
| (in millions) | Retail Banking | Private Banking | Corporate Banking | Group Functions | Total |
| Net interest income | 1,645 | 293 | 1,081 | 37 | 3,056 |
| Net fee and commission income | 262 | 322 | 378 | -37 | 926 |
| Net trading income | 5 | 35 | 100 | -85 | 54 |
| Share of result in equity accounted investments | 15 | 8 | -13 | 2 | 12 |
| Other operating income | -2 | 20 | 77 | 152 | 246 |
| **Operating income** | **1,924** | **678** | **1,623** | **69** | **4,294** |
| Personnel expenses | 246 | 249 | 344 | 394 | 1,233 |
| General and administrative expenses | 166 | 126 | 135 | 721 | 1,148 |
| Depreciation and amortisation of tangible and intangible assets | 4 | 12 | 9 | 60 | 84 |
| Intersegment revenues/expenses | 565 | 114 | 419 | -1,098 | |
| **Operating expenses** | **980** | **501** | **907** | **77** | **2,465** |
| Impairment charges on loans and other receivables | 38 | -15 | 268 | -4 | 287 |
| **Total expenses** | **1,018** | **486** | **1,176** | **72** | **2,752** |
| **Operating profit/(loss) before taxation** | **906** | **191** | **448** | **-3** | **1,542** |
| Income tax expense | 226 | 32 | 94 | 46 | 398 |
| **Underlying profit/(loss) for the period** | **680** | **159** | **354** | **-49** | |
| Special items and divestments | | | | | |
| **Profit/(loss) for the period** | **680** | **159** | **354** | **-49** | **1,144** |
| *Attributable to:* | | | | | |
| Owners of the company | 680 | 159 | 353 | -50 | 1,142 |
| Non-controlling interests | | | 1 | | 1 |

### Retail Banking

Net interest income was EUR 1,685 million and increased EUR 40 million compared with the first half of 2015. This improvement can be largely attributed to a non-recurring provision of around EUR 30 million for inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products which was booked in the first half of 2015 and partly released in H1 2016.

Margins on residential mortgages continued to improve in the first half of 2016, due to repricing of the residential mortgage backbook, and were partly offset by lower average residential mortgage loan volumes. Interest income on consumer loans decreased due to both lower average volumes and margins. Net interest income on deposits showed an increase compared with the first half of 2015 as margins and average savings volumes grew.

Net fee and commission income decreased by EUR 37 million compared with the same period of 2015, partly due to the uncertainty and volatility in the financial markets in the first six months of 2016.

Other operating income amounted to EUR 120 million and included the profit (EUR 101 million) related to the sale of Visa Europe to Visa Inc.

Personnel expenses were EUR 242 million and declined by EUR 4 million compared with the first half of 2015. The decline was due mainly to a lower average number of staff employed in Retail Banking following a further reduction in the number of branches.

Other expenses went up EUR 112 million in the first half of 2016. The regulatory levies in H1 2016 were EUR 54 million. Excluding the regulatory levies, other expenses increased by EUR 58 million. This was mainly attributable to higher (allocated) project costs, including the Retail Digitalisation programme.

Operating result was virtually flat at EUR 942 million in the first half of 2016. The cost/income ratio increased by 2.7 percentage points to 53.6%. If the regulatory levies were to be divided equally over the four quarters, the cost/income ratio would be 54.2% in H1 2016 (53.8% in H1 2015).

Impairment charges on loans and other receivables were EUR 48 million in the first half of 2016, versus EUR 38 million in the first half of 2015. Both periods included IBNI releases although these were much lower in H1 2016 (EUR 27 million) compared with H1 2015 (EUR 69 million).

The recovery of the Dutch economy and confidence in the housing market further improved in the first half of 2016 and were reflected in lower impairment charges for mortgages (excluding IBNI releases). Consumer loans also benefited from further improved economic conditions, leading to lower loan impairments with slightly higher IBNI releases.

### Private Banking

Net interest income went up to EUR 318 million in H1 2016, an improvement of EUR 25 million compared with H1 2015. Margins on deposits in particular improved, while average asset volumes decreased.

Net fee and commission income decreased significantly to EUR 287 million in the first half of 2016, a decline of EUR 35 million compared with the same period of the previous year. Uncertainty and volatility in the financial markets in H1 2016 had a negative impact on the stock markets, leading to a decline in average client assets and lower transaction volumes.

Other operating income in H1 2016 was EUR 8 million lower, due mainly to lower trading income. The release of the provision related to the sale of the Swiss private banking activities in 2011 was partly offset by the sale of premises in the first half of 2015.

Personnel expenses remained unchanged at EUR 249 million in H1 2016 compared with H1 2015.

Other expenses increased by EUR 25 million compared with H1 2015, which was partly related to regulatory levies (EUR 8 million) and higher (allocated) project costs.

Operating result decreased by EUR 44 million to EUR 132 million in H1 2016 compared with the first half of 2015. The cost/income ratio for Private Banking came to 79.9% in H1 2016, an increase of 5.9 percentage points compared with H1 2015. If the regulatory levies were to be divided equally over the four quarters, the cost/income ratio would be 80.0% compared with 75.2% in H1 2015.

Impairment charges on loans and other receivables increased to an addition of EUR 12 million compared with a release of EUR 15 million (mainly IBNI) in the first half of 2015.

### Corporate Banking

Net interest income increased modestly by EUR 13 million to EUR 1,094 million in H1 2016 compared with H1 2015. Both Commercial Clients and Capital Markets Solutions showed growth, while International Clients decreased.

Net interest income at Commercial Clients increased by EUR 2 million to EUR 662 million in the first half of 2016. Margins on loans and deposits and average deposit volumes increased, while average loan volumes decreased compared with the same period in 2015.

Net interest income at International Clients declined by EUR 8 million compared with H1 2015, coming to EUR 353 million.

Net interest income in Capital Markets Solutions increased by EUR 18 million to EUR 78 million in H1 2016, due mainly to improved net interest income at Sales & Trading.

Net fee and commission income amounted to EUR 381 million and remained nearly flat compared with the first half of 2015.

Other operating income declined by EUR 475 million to EUR 311 million negative in the first half of 2016. The decrease was mainly driven by an additional provision for the SME derivatives reassessment of EUR 361 million compared with the initial provision for SME derivative-related issues of around EUR 40 million in the first half of 2015. Moreover, negative CVA/DVA/FVA results (EUR 47 million negative H1 2016 versus EUR 41 million positive in H1 2015), limited revaluation results of Equity Participations at International Clients (EUR 2 million in H1 2016 versus EUR 47 million in H1 2015) and lower results from Sales & Trading activities. All of this was partly offset by positive revaluations of equity stakes at Commercial Clients in H1 2016.

Personnel expenses decreased to EUR 325 million in H1 2016, down by EUR 19 million compared with the same period of 2015. This was due mainly to a restructuring provision at Commercial Clients in Q1 2015. The number of FTEs remained fairly stable compared with H1 2015.

Other expenses increased by EUR 55 million compared with the first half of 2015 which was due mainly to the regulatory levies of EUR 43 million. The remainder of the increase was related to higher (allocated) project costs.

Operating result was EUR 221 million in the first half of 2016, down EUR 495 million compared with the same period in 2015. The cost/income ratio increased to 81.0% in H1 2016, from 55.9% in H1 2015.

Impairment charges on loans and other receivables were only EUR 2 million compared with an addition of EUR 268 million in the first half of 2015.

Impairment charges at Commercial Clients decreased by EUR 350 million to a release of EUR 123 million in the first half of 2016. The decline is the result of higher impairment releases and an IBNI release of EUR 109 million in H1 2016 which is more than double the IBNI release in H1 2015. Moreover, Q1 2015 included a single large addition of approximately EUR 100 million.

Loan impairments in International Clients were EUR 126 million, which is significantly higher (up EUR 96 million) than H1 2015. Impairment charges for ECT in particular increased to EUR 141 million compared with EUR 36 million in the same period of 2015.

Loan impairments in Capital Markets Solutions amounted to almost zero.

### Group Functions

Net interest income declined to EUR 22 million in the first half of 2016 compared with EUR 37 million in H1 2015. The decrease was partly due to higher liquidity costs.

Net fee and commission income improved by EUR 10 million as lower fees were paid to Capital Markets Solutions related to Securities financing results.

Other operating income was EUR 37 million negative in the first half of 2016 and was EUR 106 million lower than in H1 2015. This was mainly the result of significantly lower hedge accounting-related results and no CVA/DVA results in 2016 (versus EUR 33 million positive CVA/DVA results in H1 2015). Both years included provisions related to the part of the Securities financing activities discontinued in 2009, but the impact was in 2016 considerably lower than in 2015.

Personnel expenses increased by EUR 25 million to EUR 419 million in the first half of 2016. This was due mainly to several smaller releases from personnel provisions in H1 2015. The average number of FTEs increased slightly.

Other expenses decreased by EUR 80 million compared with the same period in 2015. Group Functions had higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes. This was, however, offset by the fact that more operating expenses were allocated to the commercial segments (recorded as negative expenses).

## Selected assets and liabilities by segment

| (in millions) | Retail Banking | Private Banking | Corporate Banking | Group Functions | 30 June 2016 Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Financial assets held for trading | | | 4,459 | | 4,459 |
| Derivatives | | 95 | 18,899 | 4,357 | 23,350 |
| Securities financing | | 45 | 7,356 | 27,059 | 34,460 |
| Residential mortgages | 143,343 | 2,971 | 8 | 3,544 | 149,866 |
| Consumer loans | 7,869 | 5,602 | 700 | | 14,171 |
| Corporate loans | 2,599 | 7,388 | 83,817 | 4,934 | 98,738 |
| Other loans and receivables - customers | | | 8,435 | 245 | 8,680 |
| Other | 2,140 | 8,327 | 16,855 | 57,893 | 85,215 |
| **Total assets** | **155,950** | **24,427** | **140,531** | **98,032** | **418,940** |
| **Liabilities** | | | | | |
| Financial liabilities held for trading | | | 1,990 | | 1,990 |
| Derivatives | | 51 | 17,100 | 9,865 | 27,016 |
| Securities financing | | 79 | 2,296 | 20,757 | 23,132 |
| Demand deposits | 25,249 | 41,582 | 60,845 | 395 | 128,071 |
| Saving deposits | 71,134 | 18,513 | 3,755 | | 93,402 |
| Time deposits | 6,278 | 6,472 | 5,083 | 1,479 | 19,312 |
| Other due to customers | | | 157 | | 157 |
| Other | 53,288 | -42,269 | 49,305 | 47,577 | 107,901 |
| **Total liabilities** | **155,950** | **24,427** | **140,531** | **80,072** | **400,981** |

| (in millions) | Retail Banking | Private Banking | Corporate Banking | Group Functions | 31 December 2015 Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Financial assets held for trading | | | 1,706 | | 1,706 |
| Derivatives | | 94 | 15,340 | 3,704 | 19,138 |
| Securities financing | | 20 | 4,591 | 15,451 | 20,062 |
| Residential mortgages | 143,525 | 3,072 | 12 | 3,401 | 150,009 |
| Consumer loans | 8,105 | 5,858 | 624 | | 14,587 |
| Corporate loans | 2,615 | 7,671 | 89,338 | 4,265 | 103,889 |
| Other loans and receivables - customers | -1 | | 6,143 | 215 | 6,357 |
| Other | 1,553 | 7,457 | 15,125 | 65,958 | 90,092 |
| **Total assets** | **155,797** | **24,171** | **132,878** | **92,994** | **405,840** |
| **Liabilities** | | | | | |
| Financial liabilities held for trading | | | 459 | | 459 |
| Derivatives | | 85 | 13,560 | 8,780 | 22,425 |
| Securities financing | | 8 | 1,155 | 10,209 | 11,372 |
| Demand deposits | 23,579 | 41,435 | 69,307 | 311 | 134,632 |
| Saving deposits | 69,952 | 18,498 | 4,022 | | 92,472 |
| Time deposits | 5,142 | 6,533 | 4,884 | 1,996 | 18,555 |
| Other due to customers | | | 160 | | 160 |
| Other | 57,123 | -42,387 | 39,331 | 54,112 | 108,180 |
| **Total liabilities** | **155,797** | **24,171** | **132,878** | **75,410** | **388,255** |

Total assets increased by EUR 13.1 billion to EUR 418.9 billion at 30 June 2016. Apart from the impact of the new offsetting policy, total assets increased by EUR 23.0 billion. The increase in Securities financing and Financial investments was partly offset by a decrease in Cash and balances at central banks.

Total liabilities increased by EUR 12.7 billion to EUR 401.0 billion at 30 June 2016. Apart from the impact of the new offsetting policy, Total liabilities increased by EUR 22.6 billion. This was due mainly to higher Securities financing, Due to customers and Derivatives.

Total equity rose by EUR 0.4 billion to EUR 18.0 billion, due mainly to the inclusion of the reported profit for the first half of 2016, partly offset by the final dividend payment for 2015.

## 3 Overview of financial assets and liabilities by measurement base

| | | | | | 30 June 2016 |
|---|---|---|---|---|---|
| (in millions) | Amortised cost | Fair value through profit or loss - Trading | Fair value through profit or loss - Other | Available for sale financial assets | Total |
| **Financial assets** | | | | | |
| Cash and balances at central banks | 12,773 | | | | 12,773 |
| Financial assets held for trading | | 4,459 | | | 4,459 |
| Derivatives | | 19,219 | 4,132 | | 23,350 |
| Financial investments | | | 914 | 45,478 | 46,392 |
| Securities financing | 34,460 | | | | 34,460 |
| Loans and receivables - Banks | 17,152 | | | | 17,152 |
| Loans and receivables - Customers | 271,456 | | | | 271,456 |
| Other assets | | | 2,893 | | 2,893 |
| **Total financial assets** | **335,841** | **23,678** | **7,939** | **45,478** | **412,936** |
| **Financial Liabilities** | | | | | |
| Financial liabilities held for trading | | 1,990 | | | 1,990 |
| Derivatives | | 17,159 | 9,857 | | 27,016 |
| Securities financing | 23,132 | | | | 23,132 |
| Due to banks | 12,214 | | | | 12,214 |
| Due to customers | 240,942 | | | | 240,942 |
| Issued debt | 74,835 | | 1,670 | | 76,505 |
| Subordinated liabilities | 11,214 | | | | 11,214 |
| Other liabilities | | | 2,896 | | 2,896 |
| **Total financial liabilities** | **362,337** | **19,149** | **14,423** | | **395,908** |

| | | | | | 31 December 2015 |
|---|---|---|---|---|---|
| (in millions) | Amortised cost | Fair value through profit or loss - Trading | Fair value through profit or loss - Other | Available for sale financial assets | Total |
| **Financial assets** | | | | | |
| Cash and balances at central banks | 26,195 | | | | 26,195 |
| Financial assets held for trading | | 1,706 | | | 1,706 |
| Derivatives | | 15,495 | 3,644 | | 19,138 |
| Financial investments | | | 770 | 39,772 | 40,542 |
| Securities financing | 20,062 | | | | 20,062 |
| Loans and receivables - Banks | 15,680 | | | | 15,680 |
| Loans and receivables - Customers | 274,842 | | | | 274,842 |
| Other assets | | | 2,543 | | 2,543 |
| **Total financial assets** | **336,778** | **17,200** | **6,956** | **39,772** | **400,706** |
| **Financial Liabilities** | | | | | |
| Financial liabilities held for trading | | 459 | | | 459 |
| Derivatives | | 13,725 | 8,700 | | 22,425 |
| Securities financing | 11,372 | | | | 11,372 |
| Due to banks | 14,630 | | | | 14,630 |
| Due to customers | 245,819 | | | | 245,819 |
| Issued debt | 74,492 | | 1,715 | | 76,207 |
| Subordinated liabilities | 9,708 | | | | 9,708 |
| Other liabilities | | | 2,543 | | 2,543 |
| **Total financial liabilities** | **356,021** | **14,184** | **12,958** | | **383,163** |

## 4 Operating income

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| Net interest income | 3,118 | 3,056 |
| Net fee and commission income | 866 | 926 |
| Net trading income | -343 | 54 |
| Share of result in equity accounted investments | 26 | 12 |
| Other income | 145 | 246 |
| **Total operating income** | **3,811** | **4,294** |

### Operating income in the first six months of 2016

Total operating income decreased by EUR 483 million to EUR 3,811 million compared with EUR 4,294 million during the first half of 2015.

Net interest income amounted to EUR 3,118 million in the first half of 2016 and was EUR 62 million higher compared with the same period in 2015. The increase was due mainly to several non-recurring interest provisions in 2015 at both Retail Banking and Group Functions. Higher net interest income from mortgages, corporate loans (mainly margin driven) and deposits (both volumes and margins) was partly offset by increased liquidity costs due to the higher liquidity buffer.

Net fee and commission income decreased by EUR 60 million to EUR 866 million in the first half of 2016 compared with EUR 926 million in the first half of 2015. This development was due to uncertainties in stock markets in Europe and Asia in Private Banking which caused a decline in securities, custodian fees, portfolio management and trust fees. Payment fees in Retail Banking decreased partly due to lower rates charged to clients. The abovementioned lower fees were partly offset by an increase in fees in the Clearing business due to volatility in the financial markets.

Net trading income decreased by EUR 397 million to a loss of EUR 343 million during the first half of 2016 compared with EUR 54 million in the first half of 2015. This decrease was driven by a one-off provision in Corporate Banking for an identified group of SMEs with possible interest rate derivative-related issues of 361 million (2015: EUR 42 million) and the unfavourable effect of CVA, DVA and FVA results which amounted to EUR 47 million (gain in 2015: EUR 74 million). Both years included provisions related to the part of the Securities financing activities discontinued in 2009, but this impact was lower in 2016 than it was in 2015.

Other income decreased by EUR 101 million to EUR 145 million in the first half of 2016 compared with the first half of 2015. Hedge accounting related-results were lower in the first half of 2016 together with lower revaluation and divestment results at Equity Participations. This was partly offset by a realised gain on our equity stake in Visa Europe.

## 5 Operating expenses

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| Personnel expenses | 1,234 | 1,233 |
| General and administrative expenses | 1,258 | 1,148 |
| Depreciation and amortisation of tangible and intangible assets | 86 | 84 |
| **Total operating expenses** | **2,579** | **2,465** |

### Operating expenses in the first six months of 2016

Total operating expenses increased by EUR 114 million to EUR 2,579 million during the first half of 2016 compared with EUR 2,465 million in the same period of the previous year, driven mainly by higher general and administrative expenses (EUR 110 million).

Personnel expenses amounted to EUR 1,234 million in the first half of 2016, an increase of EUR 1 million compared with the first half of 2015. More details are provided under Personnel expenses.

General and administrative expenses increased by EUR 110 million during the first half of 2016 compared with the first half of 2015. This was related mainly to EUR 110 million regulatory levies booked in 2016, of which EUR 66 million was related to the ex-ante Single Resolution Fund (including a EUR 32 million refund on the 2015 payment) and EUR 44 million for an accrual related to the Deposit Guarantee Scheme. Furthermore, costs related to the continuous improvement of IT processes, products and services increased and were offset by VAT refunds and other general expenses.

## Personnel expenses

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| Salaries and wages | 853 | 858 |
| Social security charges | 123 | 119 |
| Pension expenses relating to defined benefit plans | 3 | 12 |
| Defined contribution plan expenses | 172 | 155 |
| Other | 83 | 89 |
| **Total personnel expenses** | **1,234** | **1,233** |

### Personnel expenses in the first six months of 2016

Personnel expenses amounted to EUR 1,234 million during the first half of 2016 and increased slightly by EUR 1 million compared with the first half of 2015.

# 6 Income tax expense

| (in millions) | First half 2016 | First half 2015 |
|---|---|---|
| Income tax expense | 310 | 398 |

Income tax expense amounted to EUR 310 million in the first six months of 2016, EUR 88 million lower than the same period of the previous year. This was mainly the result of a lower operating profit.

# 7 Financial assets and liabilities held for trading

## Financial assets held for trading

Financial assets and liabilities held for trading relates mainly to client-facilitating activities carried out by the Capital Markets Solutions business. These contracts are managed on a combined basis and should therefore be assessed on a total portfolio basis and not as stand-alone asset and liability classes.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| **Trading securities:** | | |
| Government bonds | 3,249 | 1,333 |
| Corporate debt securities | 1,147 | 335 |
| Equity securities | 44 | 19 |
| **Total trading securities** | **4,440** | **1,686** |
| Trading book loans | 20 | 19 |
| **Total assets held for trading** | **4,459** | **1,706** |

Financial assets held for trading increased by EUR 2.8 billion to EUR 4.5 billion at 30 June 2016, compared with EUR 1.7 billion at 31 December 2015. This increase was mainly due to a higher volume of Government bonds (EUR 1.9 billion) and an increase in Corporate debt securities (EUR 0.8 billion).

The increase in the volume of Government bonds was mainly related to Dutch, French and German positions. These portfolios are mainly a result of primary dealership in these countries and for the purpose of client facilitation. Most of these contracts are hedged with short positions in Government bonds and futures (see also increase in bonds in Financial liabilities held for trading).

## Financial liabilities held for trading

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Bonds | 1,905 | 417 |
| Equity securities | 26 | 19 |
| **Total short security positions** | **1,932** | **435** |
| Other liabilities held for trading | 58 | 24 |
| **Total liabilities held for trading** | **1,990** | **459** |

Financial liabilities held for trading increased by EUR 1.5 billion to EUR 1.9 billion at 30 June 2016, compared with EUR 0.4 billion at 31 December 2015. This increase was partly driven by higher short positions in Bonds (EUR 1.5 billion), mainly related to Dutch, German and French Government bonds and Corporate debt securities.

## 8 Derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of our clients. Derivatives held for risk management purposes include all derivatives that qualify for hedge accounting and derivatives included in an economic hedge.

Derivatives comprise the following:

| | | | | | | | | | | 30 June 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Derivatives held for trading | | | Economic hedges | | | Hedge accounting | | | Total derivatives |
| (in millions) | Interest rate | Currency | Other | Interest rate | Currency | Other | Interest rate | Currency | Other | |
| **Exchange traded** | | | | | | | | | | |
| Fair value assets | 4 | | 6 | | | | | | | 11 |
| Fair value liabilities | 21 | | 6 | | | 1 | | | | 28 |
| Notionals | 306 | | 247 | | | 1,310 | | | | 1,863 |
| **Over-the-counter** | | | | | | | | | | |
| **Central counterparties** | | | | | | | | | | |
| Fair value assets | | | | | | | | | | |
| Fair value liabilities | | | | | | | | | | |
| Notionals | 719,398 | | | 2,979 | | | 100,457 | | | 822,834 |
| **Other bilateral** | | | | | | | | | | |
| Fair value assets | 15,370 | 2,549 | 148 | 424 | 642 | 76 | 4,132 | | | 23,340 |
| Fair value liabilities | 13,482 | 2,680 | 161 | 128 | 676 | 4 | 9,857 | | | 26,988 |
| Notionals | 180,636 | 190,115 | 1,755 | 5,662 | 22,809 | 1,479 | 60,077 | | | 462,535 |
| **Total** | | | | | | | | | | |
| Fair value assets | 15,374 | 2,549 | 154 | 424 | 642 | 76 | 4,132 | | | 23,350 |
| Fair value liabilities | 13,503 | 2,680 | 167 | 128 | 676 | 4 | 9,857 | | | 27,016 |
| Notionals | 900,340 | 190,115 | 2,002 | 8,641 | 22,809 | 2,789 | 160,534 | | | 1,287,232 |

| | | | | | | | | | | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Derivatives held for trading | | | Economic hedges | | | Hedge accounting | | | Total derivatives |
| (in millions) | Interest rate | Currency | Other | Interest rate | Currency | Other | Interest rate | Currency | Other | |
| **Exchange traded** | | | | | | | | | | |
| Fair value assets | 1 | | 7 | | | 1 | | | | 9 |
| Fair value liabilities | | | 13 | | | | | | | 13 |
| Notionals | 255 | 9 | 191 | | | 1,315 | | | | 1,770 |
| **Over-the-counter** | | | | | | | | | | |
| **Central counterparties** | | | | | | | | | | |
| Fair value assets | | | | | | | | | | |
| Fair value liabilities | | | | | | | | | | |
| Notionals | 690,195 | | | 584 | | | 73,128 | | | 763,907 |
| **Other bilateral** | | | | | | | | | | |
| Fair value assets | 12,413 | 2,073 | 240 | 242 | 499 | 19 | 3,339 | 304 | | 19,129 |
| Fair value liabilities | 10,570 | 2,096 | 279 | 136 | 604 | 27 | 8,673 | 26 | | 22,412 |
| Notionals | 194,759 | 181,503 | 2,038 | 3,430 | 26,356 | 1,434 | 74,961 | 560 | | 485,042 |
| **Total** | | | | | | | | | | |
| Fair value assets | 12,414 | 2,073 | 248 | 242 | 499 | 19 | 3,339 | 304 | | 19,138 |
| Fair value liabilities | 10,570 | 2,096 | 292 | 136 | 604 | 27 | 8,673 | 26 | | 22,425 |
| Notionals | 885,209 | 181,512 | 2,230 | 4,014 | 26,356 | 2,749 | 148,089 | 560 | | 1,250,719 |

No value is reported on our Statement of financial position related to over-the-counter derivatives that are cleared with a CCP.

The notional amount of the interest rate derivatives held for trading at 30 June 2016 amounted to EUR 900.3 billion, an increase of EUR 15.1 billion compared with EUR 885.2 billion at 31 December 2015. The increase was mainly due to higher client activity. The fair value of interest rate derivatives increased at 30 June 2016, due mainly to the decrease in long-term interest rates compared with year-end 2015.

The notional amount of the currency derivatives held for trading at 30 June 2016 amounted to EUR 190.1 billion, an increase of EUR 8.6 billion, compared with EUR 181.5 billion at 31 December 2015. This increase was mainly due to the growth in client activity caused by greater volatility of foreign exchange rates.

## 9 Financial investments

Financial investments break down as follows:

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| **Financial investments:** | | |
| Available-for-sale | 45,501 | 39,795 |
| Held at fair value through profit or loss | 914 | 770 |
| **Total, gross** | **46,415** | **40,564** |
| Less: Available-for-sale impairment allowance | 23 | 23 |
| **Total financial investments** | **46,392** | **40,542** |

Financial investments amounted to EUR 46.4 billion at 30 June 2016, an increase of EUR 5.9 billion (or 14.4%) compared with EUR 40.5 billion at 31 December 2015. This increase was mainly caused by purchases of Other OECD government bonds (EUR 2.4 billion), Mortgage-backed securities (EUR 0.5 billion) and Securities issued by financial Institutions (EUR 2.3 billion).

### Financial investments available-for-sale

The fair value of financial investments available-for-sale including gross unrealised gains and losses is as follows:

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| **Interest-earning securities:** | | |
| Dutch government | 6,803 | 6,540 |
| US Treasury and US government | 3,488 | 3,481 |
| Other OECD government | 22,676 | 20,265 |
| Non OECD government | 434 | 348 |
| European Union | 1,758 | 1,637 |
| Mortgage- and other asset-backed securities | 2,862 | 2,318 |
| Financial institutions | 7,148 | 4,805 |
| Non-financial institutions | 61 | 28 |
| **Subtotal** | **45,230** | **39,422** |
| Equity instruments | 271 | 373 |
| **Total investments available-for-sale** | **45,501** | **39,795** |

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. More information on the liquidity buffer composition can be found in the Liquidity risk section of this report.

## 10 Securities financing

| | 30 June 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| (in millions) | Banks | Customers | Banks | Customers |
| **Assets** | | | | |
| Reverse repurchase agreements | 5,983 | 12,886 | 2,415 | 8,185 |
| Securities borrowing transactions | 4,957 | 6,828 | 4,445 | 3,970 |
| Unsettled securities transactions | 1,110 | 2,695 | 131 | 916 |
| **Total** | **12,051** | **22,409** | **6,991** | **13,071** |
| **Liabilities** | | | | |
| Repurchase agreements | 2,805 | 15,355 | 1,877 | 6,153 |
| Securities lending transactions | 1,077 | 2,162 | 1,138 | 1,536 |
| Unsettled securities transactions | 493 | 1,240 | 117 | 552 |
| **Total** | **4,375** | **18,757** | **3,132** | **8,240** |

Securities financing transactions include balances relating to reverse repurchase activities, repurchase activities and cash collateral on securities borrowed and lent. ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to ABN AMRO when deemed necessary.

Securities financing assets and liabilities with banks and customers increased compared with 31 December 2015 as a result of the cyclicality of the business.

## 11 Fair value of financial instruments

Fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

The internal controls of fair value measurement, the valuation techniques and the inputs used for these valuation techniques are consistent with those set out in the notes to ABN AMRO's 2015 Consolidated Annual Financial Statements.

### Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value, broken down into the three categories from the fair value hierarchy as described below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques for which all inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique for which at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following table presents the valuation methods used in determining the fair values of financial instruments carried at fair value.

| (in millions) | Quoted market prices in active markets | Valuation techniques -observable inputs | Valuation techniques -significant unobservable inputs | Total fair value |
|---|---|---|---|---|
| | | | | 30 June 2016 |
| **Assets** | | | | |
| Financial assets held for trading | 4,417 | 42 | | 4,459 |
| *- of which Government bonds and Corporate debt securities* | 4,374 | 23 | | 4,396 |
| *- of which Equity securities* | 44 | | | 44 |
| *- of which Other financial assets held for trading* | | 20 | | 20 |
| Derivatives held for trading | 11 | 18,009 | 57 | 18,077 |
| Derivatives not held for trading | 53 | 5,193 | 28 | 5,274 |
| Available-for-sale interest earning securities | 42,455 | 1,541 | 1,234 | 45,230 |
| Available-for-sale equities | 97 | 58 | 93 | 248 |
| Financial investments designated at fair value through profit or loss | 198 | | 716 | 914 |
| Unit-linked investments | 1,940 | 953 | | 2,893 |
| **Total financial assets** | **49,170** | **25,798** | **2,128** | **77,095** |
| **Liabilities** | | | | |
| Financial liabilities held for trading | 1,932 | 59 | | 1,990 |
| *- of which Bonds* | 1,905 | | | 1,905 |
| *- of which Equity securities* | 26 | | | 26 |
| *- of which Other financial liabilities held for trading* | | 58 | | 58 |
| Derivatives held for trading | 28 | 16,323 | | 16,351 |
| Derivatives not held for trading | 1 | 10,638 | 27 | 10,665 |
| Issued debt | | 1,670 | | 1,670 |
| Unit-linked for policyholders | 1,942 | 954 | | 2,896 |
| **Total financial liabilities** | **3,902** | **29,643** | **27** | **33,572** |

Financial assets and liabilities held for trading valued by quoted market prices in active markets consisted mainly of equity securities, exchange traded derivatives and corporate debt securities (see note 7 Financial assets and liabilities held for trading). Financial assets and liabilities held for trading for which valuation techniques based on observable inputs have been used mainly comprise OTC derivatives.

| (in millions) | Quoted market prices in active markets | Valuation techniques -observable inputs | Valuation techniques -significant unobservable inputs | Total fair value |
|---|---|---|---|---|
| | | | | 31 December 2015 |
| **Assets** | | | | |
| Financial assets held for trading | 1,686 | 19 | | 1,706 |
| *- of which Government bonds and Corporate debt securities* | 1,667 | | | 1,667 |
| *- of which Equity securities* | 19 | | | 19 |
| *- of which Other financial assets held for trading* | | 19 | | 19 |
| Derivatives held for trading | 8 | 14,708 | 18 | 14,735 |
| Derivatives not held for trading | 1 | 4,363 | 39 | 4,403 |
| Available-for-sale interest earning securities | 37,061 | 1,086 | 1,275 | 39,422 |
| Available-for-sale equities | 110 | 160 | 79 | 350 |
| Financial investments designated at fair value through profit or loss | 192 | | 577 | 770 |
| Unit-linked investments | 1,639 | 904 | | 2,543 |
| **Total financial assets** | **40,698** | **21,241** | **1,989** | **63,928** |
| **Liabilities** | | | | |
| Financial liabilities held for trading | 435 | 24 | | 459 |
| *- of which Bonds* | 417 | | | 417 |
| *- of which Equity securities* | 19 | | | 19 |
| *- of which Other financial liabilities held for trading* | | 24 | | 24 |
| Derivatives held for trading | 13 | 12,945 | | 12,958 |
| Derivatives not held for trading | 14 | 9,414 | 39 | 9,466 |
| Issued debt | | 1,715 | | 1,715 |
| Unit-linked for policyholders | 1,639 | 904 | | 2,543 |
| **Total financial liabilities** | **2,101** | **25,002** | **39** | **27,142** |

An explanation of the movements in the different assets and liabilities categories is provided in the designated notes.

ABN AMRO recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

## Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

## Transfers from levels 1 and 2 into level 3

There were no material transfers between levels 1 and 2 into level 3.

## Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities that are recorded at fair value.

| (in millions) | Financial investments available for sale | Financial investments designated at fair value through profit or loss | Derivatives held for trading | Derivatives not held for trading | Derivatives not held for trading |
|---|---|---|---|---|---|
| | | | | Assets | Liabilities |
| **Balance at 31 December 2014** | **1,668** | **271** | | **66** | **64** |
| **Balance at 1 January 2015** | **1,668** | **271** | | **66** | **64** |
| Purchases | 1 | 68 | | | |
| Sales | -104 | -119 | -9 | | |
| Redemptions | -204 | -28 | | | |
| Gains/(losses) recorded in profit and loss[1] | | 24 | | | |
| Unrealised gains/(losses) | -13 | 59 | -12 | -26 | -26 |
| Transfer between levels | 5 | | 40 | | |
| Other movements[2] | 1 | 302 | | | |
| **Balance at 31 December 2015** | **1,354** | **577** | **18** | **39** | **39** |
| Purchases | 1 | 80 | | | |
| Sales | -52 | -31 | | | |
| Redemptions | -6 | -13 | | | |
| Gains/(losses) recorded in profit and loss | -6 | | | | |
| Unrealised gains/(losses)[1] | 17 | 27 | 4 | -12 | -12 |
| Transfer between levels | 17 | | 34 | | |
| Other movements[3] | 2 | 76 | | | |
| **Balance at 30 June 2016** | **1,327** | **716** | **57** | **28** | **27** |

1 Included in other operating income.
2 In 2015 an amount of EUR 280 million investments in venture capital was reclassified from Equity accounted associates to Financial investments.
3 In 2016 an amount of EUR 82 million in investments in venture capital was reclassified from Equity accounted associates and Corporate loans to Financial investments.

## Level 3 sensitivity information

The following tables present the level 3 financial instruments carried at fair value as at the balance sheet date for which fair value is measured in full or in part using valuation techniques based on assumptions that are not supported by market observable inputs.

| (in millions) | Valuation technique | Unobservable data | Carrying value | Minimum range | Maximum range | Weighted average | Reasonably possible alternative assumptions: Increase in fair value | Decrease in fair value |
|---|---|---|---|---|---|---|---|---|
| **30 June 2016** | | | | | | | | |
| Equity shares | Private equity-valuation | EBITDA multiples | 199 | 4.0 | 20.0 | 13.4 | 26 | -25 |
| Equity shares | Private equity-valuation | Net asset value | 610 | | | | 26 | -28 |
| Interest earning securities - Government bonds | Discounted cash flow | Liquidity and credit spread | 421 | 83bps | 148bps | 123bps | 21 | -13 |
| Interest earning securities - other | Discounted cash flow | Prepayment rate | 813 | 7.5% | 15.0% | 10.1% | 8 | -3 |
| Derivatives held for trading | Discounted cash flow | Probability of default | 57 | 0.6% | 100.0% | 74.2% | 7 | -5 |
| Derivatives not held for trading - assets/liabilities (net) | Discounted cash flow | Prepayment rate | 1 | 7.5% | 15.0% | 10.1% | | |
| **31 December 2015** | | | | | | | | |
| Equity shares | Private equity-valuation | EBITDA multiples | 47 | 5.0 | 6.5 | 5.9 | 12 | -12 |
| Equity shares | Private equity-valuation | Net asset value | 609 | | | | 32 | -32 |
| Interest earning securities - Government bonds | Discounted cash flow | Liquidity and credit spread | 409 | 59bps | 90bps | 80bps | 13 | -4 |
| Interest earning securities - other | Discounted cash flow | Prepayment rate | 865 | 7.3% | 10.1% | 9.1% | 7 | -3 |
| Derivatives held for trading | Discounted cash flow | Probability of default | 18 | 0.6% | 100.0% | 52.1% | | -4 |
| Derivatives not held for trading - assets/liabilities (net) | Discounted cash flow | Prepayment rate | 1 | 7.3% | 10.1% | 9.1% | | |

There may be uncertainty about a valuation resulting from the choice of the valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique or model. At 30 June 2016 and 31 December 2015, ABN AMRO performed a sensitivity analysis to assess the range of reasonably possible alternative assumptions that would have a significant impact (i.e. increase or decrease) on the fair value of the instrument.

## Equity shares

Equities designated at fair value through profit and loss classified as level 3 mainly comprise private equity investments. Private equity shares are designated at fair value, valuation is in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. To determine fair value the following valuation techniques are used: comparable and net asset value (NAV).

The comparable valuation technique is based on earnings multiples of comparable listed and unlisted companies. The fair value calculation of these investment is strongly linked to movements on the public (share) markets. Net asset value for fund investments and majority stakes are adjusted, when needed, with a marketability discount. This is determined by using audited and unaudited company financial statements, discounted cash flow calculation and any other information available, public or otherwise. The net asset value calculation of an investment is strongly linked to movements in the quarterly performance of the company.

New investments are valued at cost for the first year of investment. Thereafter, the fair value technique, either comparable or an NAV calculation, will be applied to direct investments. The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based upon the quarterly performance cannot be applied.

Judgement is used to determine the right valuation approach or blend of valuation approaches to determine the fair value of the private equity investments.

## Interest earning securities

### Government bonds

ABN AMRO has a position in a Polish bond, denominated in euros (in note 9 Financial investments part of Other OECD government), for which the market is relatively illiquid. The bond is valued using a discounted cash flow model. The main inputs are the interest rate curve, liquidity spread and credit spread. The valuation spread is determined using an internal model. The sensitivity analysis is performed by using a range of reasonable valuation spreads.

### Other

The debt securities consist of residential mortgage-backed securities (RMBS). These are structured in such a way that prepayments on the underlying mortgage portfolio are used to repay the holder of the A-note. The fair value is determined using a discounted cash flow model based on inputs such as the interest rate curve, discount spread and prepayment rate. The prepayment rate is identified as a significant unobservable input. The sensitivity analysis is performed by stressing this rate.

Preferred shares are shares for which the dividend is fixed for a period of 10 years, after which the dividend is redetermined and the shares can also be redeemed. The position is valued using a discounted cash flow model for which the relevant inputs are the interest curve, liquidity spread and credit spread. The liquidity spread and credit spread are unobservable inputs and are derived from similar securities. The sensitivity of the preferred shares is determined by using a range of reasonable spreads and by considering the call option that is held by the issuer.

## Derivatives

Securitisation swaps linked to the RMBS transactions are valued using a discounted cash flow model for which the behaviour of the underlying mortgage portfolio is also relevant. Inputs used to determine fair value are the interest rate curve and prepayment rate. The latter is the significant unobservable input that classifies these instruments as level 3. The sensitivity analysis is performed by stressing the prepayment rate.

Interest rate swaps related to RMBS transactions are valued based on assumptions about the behaviour of the underlying mortgage portfolio and the characteristics of the transaction. Cash flows are forecast and discounted using appropriate forward and discount curves.

A credit valuation adjustment (CVA) reflects counterparty credit risk in the fair value measurement of uncollateralised and partially collateralised OTC derivatives. For counterparties that do not have an observable credit spread ABN AMRO applies a proxied credit spread extracted from counterparties of comparable credit quality that do have an observable credit spread. ABN AMRO performs a probability of default assessment for each counterparty and allocates an appropriate internal credit risk measure known as a Uniform Counterparty Rating (UCR). This UCR, which is significant to the entire fair value measurement of the derivative contracts included in the previously shown table of Level 3 sensitivity information, is internally generated and is therefore an unobservable input.

## Financial assets and liabilities not carried at fair value

The methods and assumptions applied to estimate the fair values of financial instruments not carried at fair value are consistent with those set out in note 21 of the Consolidated Annual Financial Statements 2015.

| | | | | | | 30 June 2016 |
|---|---|---|---|---|---|---|
| | Carrying value | | | | Total fair value | Difference |
| (in millions) | | Quoted market prices in active markets | Valuation techniques -observable inputs | Valuation techniques -significant unobservable inputs | | |
| **Assets** | | | | | | |
| Cash and balances at central banks | 12,773 | | 12,773 | | 12,773 | |
| Securities financing | 34,460 | | 34,460 | | 34,460 | |
| Loans and receivables - banks | 17,152 | | 10,003 | 7,149 | 17,152 | |
| Loans and receivables - customers | 271,456 | | 8,583 | 273,255 | 281,839 | 10,383 |
| **Total** | **335,841** | | **65,820** | **280,404** | **346,224** | **10,383** |
| **Liabilities** | | | | | | |
| Securities financing | 23,132 | | 23,132 | | 23,132 | |
| Due to banks | 12,214 | | 4,541 | 7,673 | 12,214 | |
| Due to customers | 240,942 | | 437 | 240,504 | 240,942 | |
| Issued debt | 74,835 | 34,386 | 41,460 | | 75,846 | -1,011 |
| Subordinated liabilities | 11,214 | 5,727 | 5,744 | | 11,470 | -256 |
| **Total** | **362,337** | **40,113** | **75,314** | **248,177** | **363,603** | **-1,267** |

| | | | | | | 31 December 2015 |
|---|---|---|---|---|---|---|
| | Carrying value | | | | Total fair value | Difference |
| (in millions) | | Quoted market prices in active markets | Valuation techniques -observable inputs | Valuation techniques -significant unobservable inputs | | |
| **Assets** | | | | | | |
| Cash and balances at central banks | 26,195 | | 26,195 | | 26,195 | |
| Securities financing (banks) | 6,991 | | 6,991 | | 6,991 | |
| Securities financing (customers) | 13,071 | | 13,071 | | 13,071 | |
| Securities financing | 20,062 | | 20,062 | | 20,062 | |
| Loans and receivables - banks | 15,680 | | 7,304 | 8,375 | 15,679 | |
| Loans and receivables - customers | 274,842 | | 7,321 | 276,876 | 284,197 | 9,355 |
| **Total** | **336,778** | | **60,882** | **285,251** | **346,133** | **9,355** |
| **Liabilities** | | | | | | |
| Securities financing | 11,372 | | 11,372 | | 11,372 | |
| Due to banks | 14,630 | | 3,842 | 10,788 | 14,630 | |
| Due to customers | 245,819 | | 226 | 245,593 | 245,819 | |
| Issued debt | 74,492 | 31,638 | 43,810 | | 75,448 | -957 |
| Subordinated liabilities | 9,708 | 5,285 | 4,789 | | 10,074 | -366 |
| **Total** | **356,021** | **36,923** | **64,040** | **256,381** | **357,344** | **-1,322** |

During the first half of 2016 the Group reclassified cash collateral received from or paid to counterparties in relation to credit support annexes (CSA) from level 3 to level 2. This impacts Loans and receivables - banks and Loans and receivables - customers as well as Due to banks and Due to customers in the table above. The comparative amounts have been reclassified accordingly.

## 12 Loans and receivables - banks

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Interest-bearing deposits | 4,337 | 4,841 |
| Loans and advances | 9,810 | 8,114 |
| Mandatory reserve deposits with central banks | 830 | 313 |
| Other | 2,178 | 2,414 |
| **Subtotal** | **17,154** | **15,682** |
| Less: loan impairment allowance | 2 | 2 |
| **Loans and receivables - banks** | **17,152** | **15,680** |

Loans and receivables – banks increased by EUR 1.5 billion to EUR 17.2 billion at 30 June 2016 compared with EUR 15.7 billion at 31 December 2015, due to an increase in loans and advances with banks of EUR 1.7 billion and a decrease of EUR 0.2 billion in Other loans and receivables - banks.

Loans and advances increased by EUR 1.7 billion to EUR 9.8 billion at 30 June 2016 as compared with EUR 8.1 billion at 31 December 2015 mainly due to higher pledged cash collateral related to derivatives contracts.

Other loans and receivables – banks decreased by EUR 0.2 billion to EUR 2.2 billion at 30 June 2016 compared with EUR 2.4 billion at 31 December 2015 mainly due to a decrease in trade bills.

## 13 Loans and receivables - customers

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Residential mortgages (excluding fair value adjustment) | 146,607 | 146,932 |
| Fair value adjustment from hedge accounting on residential mortgages | 3,544 | 3,401 |
| **Residential mortgages, gross** | **150,152** | **150,333** |
| Less: loan impairment allowances - residential mortgage loans | 286 | 324 |
| **Residential mortgages** | **149,866** | **150,009** |
| Consumer loans, gross | 14,679 | 15,147 |
| Less: loan impairment allowances - consumer loans | 508 | 561 |
| **Consumer loans** | **14,171** | **14,587** |
| Corporate loans | 93,501 | 100,387 |
| Fair value adjustment from hedge accounting on corporate loans | 2,157 | 1,448 |
| Financial lease receivables | 3,907 | 3,659 |
| Factoring | 2,349 | 1,866 |
| **Corporate loans, gross** | **101,915** | **107,359** |
| Less: loan impairment allowances - corporate loans | 3,176 | 3,470 |
| **Corporate loans** | **98,738** | **103,889** |
| Government and official institutions | 2,323 | 1,558 |
| Other loans | 6,358 | 4,799 |
| **Other loans and receivables customers, gross** | **8,680** | **6,357** |
| Less: loan impairment allowances - other | | 1 |
| **Other loans and receivables customers** | **8,680** | **6,357** |
| **Loans and receivables - customers** | **271,456** | **274,842** |

Loans and receivables – customers decreased by EUR 3.4 billion to EUR 271.5 billion at 30 June 2016.

Residential mortgages remained relatively stable. The portfolio slightly decreased by EUR 0.1 billion to EUR 149.9 billion as a result of mortgage redemptions and voluntary repayments (EUR 5.8 billion compared with 31 December 2015). This decrease was partly offset by a EUR 5.5 billion inflow of new residential mortgages reflecting the improvement of the housing market in the Netherlands in 2016.

Consumer loans decreased by EUR 0.4 billion to EUR 14.2 billion, driven by lower volumes held within Private Banking (EUR 0.2 billion) and Retail Banking (EUR 0.2 billion).

Corporate loans decreased by EUR 5.2 billion to EUR 98.7 billion. In the second quarter of 2016 ABN AMRO adjusted the implementation of its offsetting treatment of notional cash pool agreements. More information is provided in note 1 Accounting policies.

Besides the notional cash pooling effect, the corporate loan balance increased as a result of increases in volumes in advances (EUR 1 billion) and term loans (EUR 1.5 billion) in the Corporate Banking segment.
The fair value adjustment from hedge accounting on corporate loans increased EUR 0.6 billion to EUR 2.2 billion due to the movement of interest curves mainly caused by the Brexit.

Other loans and receivable - customers increased by EUR 2.3 billion to EUR 8.7 billion. This increase was mainly related to cash collateral posted to CCPs (Central Counterparty) of EUR 1.5 billion. It is common that positions are reduced at the end of the year by counterparties in order to close their books. Furthermore, there was an additional increase in cash collateral caused by the Brexit in June.

## 14 Acquisitions and divestments

| | First half 2016 | | First half 2015 | |
|---|---|---|---|---|
| (in millions) | Acquisitions | Divestments | Acquisitions | Divestments |
| **Net assets acquired/Net assets divested** | 19 | -10 | 25 | -15 |
| **Cash used for acquisitions/received for divestments** | -17 | 31 | -25 | 33 |

Net assets acquired amounted to EUR 19 million in the first six months of 2016. This includes the acquisition of the remaining shares in APG-ABN AMRO Pensioeninstelling N.V. for an amount of EUR 2 million. As a result, this participation is no longer an equity accounted investment, but it is fully consolidated in ABN AMRO Group N.V. The remaining EUR 17 million is related to equity accounted investments.

On 31 March 2016 ABN AMRO Bank N.V. acquired the remaining 30% of the share capital in APG-ABN AMRO Pensioeninstelling N.V. and has since been the sole shareholder of this legal entity. On 1 April 2016 the name of the legal entity was changed to ABN AMRO Pensioeninstelling N.V. The financial reporting of the interest in this legal entity has been reclassified from equity accounted investment to consolidated subsidiary.

The divestments are related to divestments in equity accounted investments.

## 15 Due to banks

This item is comprised of amounts due to banking institutions, including central banks and multilateral developments banks.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| **Deposits from banks:** | | |
| Demand deposits | 3,556 | 2,728 |
| Time deposits | 1,316 | 1,332 |
| Other deposits | 7,289 | 10,544 |
| **Total deposits** | **12,160** | **14,604** |
| Other Due to banks | 54 | 26 |
| **Total due to banks** | **12,214** | **14,630** |

Due to banks decreased in total by EUR 2.4 billion to EUR 12.2 billion at 30 June 2016 compared with EUR 14.6 billion at 31 December 2015. This decrease was mainly due to a decline in other deposits of EUR 3.3 billion. Other deposits decreased as a result of the early repayment of the TLTRO I programme (EUR 4.0 billion) in June. Demand deposits increased by EUR 0.8 billion to EUR 3.6 billion at 30 June 2016 compared with EUR 2.7 billion at 31 December 2015 because of higher volumes.

## 16 Due to customers

This item is comprised of amounts due to non-banking customers.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Demand deposits | 128,071 | 134,632 |
| Saving deposits | 93,402 | 92,472 |
| Time deposits | 19,312 | 18,555 |
| **Total deposits** | **240,784** | **245,659** |
| Other due to customers | 157 | 160 |
| **Total due to customers** | **240,942** | **245,819** |

In the second quarter of 2016 ABN AMRO adjusted the implementation of its offsetting treatment of notional cash pool agreements included in Demand deposits. More information is provided in note 1 Accounting policies.

Due to customers decreased by EUR 4.9 billion to EUR 240.9 billion at 30 June 2016. This was related to a decrease in Demand deposits (EUR 6.5 billion), compensated by increases in Saving deposits (EUR 0.9 billion) and Time deposits (EUR 0.7 billion).

Demand deposits decreased by EUR 6.5 billion to EUR 128.1 billion at 30 June 2016 mainly due to lower outstanding positions related to Corporate Banking (EUR 8.4 billion), compensated by higher positions within Retail Banking (EUR 1.6 billion).

Saving deposits increased by EUR 0.9 billion to EUR 93.4 billion at 30 June 2016, mainly driven by higher volumes within Retail Banking. Saving deposits in the Dutch retail market in particular were higher due to receipt of holiday allowances.

Time deposits increased by EUR 0.7 billion at 30 June 2016 mainly driven by higher volumes within Retail Banking (EUR 1.1 billion). The increase in Retail Banking is related to a growth in deposits at MoneYou outside the Netherlands.

## 17 Issued debt and subordinated liabilities

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 30 June 2016 and 31 December 2015 respectively.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Bonds and notes issued | 66,557 | 64,613 |
| Certificates of deposit and commercial paper | 8,226 | 9,820 |
| Saving certificates | 51 | 59 |
| **Total at amortised cost** | **74,835** | **74,492** |
| Designated at fair value through profit or loss | 1,670 | 1,715 |
| **Total issued debt** | **76,505** | **76,207** |
| - of which matures within one year | 19,112 | 25,844 |

The Issued debt at 30 June 2016 amounted to EUR 76.5 billion, an increase of EUR 0.3 billion or 0.4% compared with EUR 76.2 billion at 31 December 2015. This increase was due to an increase of EUR 4.2 billion in Covered bonds offset by a decrease of EUR 2.4 billion in Unsecured medium-term notes and a decrease of EUR 1.6 billion in Certificates of deposits and commercial paper. Movements in these debt instruments are a continuous process of redemption and issuance of long-term and short-term funding.

The amounts of issued debt issued and redeemed during the period are shown in the Condensed Consolidated Statement of cash flows.

Further details of the funding programmes are provided in the Risk, funding & capital information section.

### Financial liabilities designated at fair value through profit or loss

The cumulative change of the fair value of the structured notes attributable to change in credit risk amounted to EUR 10 million at 30 June 2016 (2015: EUR 7 million).

For all financial liabilities designated at fair value through profit or loss, the amount that ABN AMRO would contractually be required to pay at maturity was EUR 1.7 billion (2015: EUR 1.7 billion).

### Subordinated liabilities

The following table specifies the outstanding subordinated liabilities as at 30 June and 31 December 2015 respectively.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Perpetual loans | | 1,255 |
| Other subordinated liabilities | 11,214 | 8,453 |
| **Total subordinated liabilities** | **11,214** | **9,708** |

The subordinated liabilities at 30 June amounted to EUR 11.2 billion, an increase of EUR 1.5 billion or 15% compared with EUR 9.7 billion at 31 December 2015. This increase was mainly driven by the replacement of the perpetual loans, which are no longer qualified as Additional Tier 1 and Tier 2 capital. The newly issued loan of EUR 1.0 billion, with an interest rate of 2.875%, has a maturity date in January 2028. The loan of USD 1.0 billion, with an interest rate of 4.8%, has a maturity date in April 2026.

Issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other unsubordinated liabilities.

## 18 Provisions

The following table shows a breakdown of provisions at 30 June 2016 and 31 December 2015 respectively.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Insurance fund liabilities | 135 | 154 |
| Provision for pension commitments | 89 | 85 |
| Restructuring provision | 125 | 200 |
| Other staff provision | 144 | 144 |
| Legal provisions | 597 | 292 |
| Other provisions | 335 | 381 |
| **Total provisions** | **1,425** | **1,256** |

Total provisions increased by EUR 169 million to EUR 1,425 million at 30 June 2016 compared with EUR 1,256 million at 31 December 2015. This was mainly due to increases in legal provisions regarding interest rate derivatives for SME clients and a tax provision, offset by releases and utilisation of existing provisions.

### Provision for Interest rate derivatives to SME clients

In 2015 ABN AMRO started a review, at the request of both the AFM and the Dutch Ministry of Finance, to determine whether the bank has acted in accordance with its duty of care obligations with respect to the sale of interest rate derivatives to SME clients. In the second quarter of 2015 ABN AMRO first recognised a provision for the compensation of clients who have suffered damage.

In December 2015 the AFM announced that it found the review performed by banks to be insufficient. In light of this finding, the Dutch Minister of Finance appointed a committee of independent experts (the Committee) to develop a uniform recovery framework in consultation with the participating banks.

On 5 July 2016 the Committee presented the recovery framework. On that same date ABN AMRO announced it would adhere to the advice of the Committee and adopt the recovery framework. This decision has resulted in a provision of EUR 470 million at the end of Q2 2016, which is an increase of EUR 349 million – an addition of EUR 361 million minus payments and other adjustments in the first half year of EUR 11 million – compared with the provision at year-end 2015. This increase is mainly due to the introduction of an additional consideration for which clients may be eligible subject to several conditions. The additional consideration is based on the notional amount and duration of the interest rate derivative contract(s) of the client. This additional compensation is maximised at EUR 100,000 per individual client.

In addition, the scope was expanded from SME and middle market clients with an active interest rate derivative contract at 1 April 2014 to clients with an interest rate derivative contract active in the period 1 April 2011 to 1 April 2014. This has led to a an increase in clients in scope from 4,500 to 6,800 and an increase in contracts in scope from 6,000 to 9,000. Furthermore, clients who entered into an interest rate derivative between 2005 and 1 April 2011 have the possibility – subject to certain criteria – to ask the bank to reassess their interest rate derivative in accordance with the recovery framework (opt in). In this case, the interest rate derivative must have an original maturity date falling after 1 April 2011 and must have been prematurely terminated prior to 1 April 2011.

### Discussions with tax authorities in Germany

In 2015 ABN AMRO recognised a provision to cover its exposure related to dividend withholding tax on discontinued Securities financing activities in Germany for the years 2007 through 2009. During the first half of 2016, ABN AMRO considered several developments around the tax treatment of transactions traded in 2007 through 2011.

## 19 Commitments and contingent liabilities

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| Committed credit facilities | 21,830 | 21,559 |
| **Guarantees and other commitments:** | | |
| Guarantees granted | 2,368 | 2,440 |
| Irrevocable letters of credit | 5,688 | 5,737 |
| Recourse risks arising from discounted bills | 5,827 | 5,691 |
| **Total guarantees and other commitments** | **13,883** | **13,868** |
| **Total** | **35,713** | **35,427** |

Commitments and contingent liabilities increased by EUR 0.3 billion to EUR 35.7 billion at 30 June 2016 compared with EUR 35.4 billion at 31 December 2015. This increase was mainly caused by an increase of EUR 0.3 billion in the Committed credit facilities and an increase of EUR 0.1 billion in the recourse risks arising from discounted bills.

The increase in Committed credit facilities by EUR 0.3 billion to EUR 21.8 billion at 30 June 2016, compared with EUR 21.6 billion at 31 December 2015, was mainly related to higher volume of credit lines granted to credit institutions of EUR 0.3 billion and outstanding credit offers of EUR 0.5 billion, partly offset by lower credit lines to corporate clients of EUR 0.6 billion.

### Other contingencies

ABN AMRO is involved in a number of legal proceedings which relate to the ordinary course of business in a number of jurisdictions. In presenting the Condensed Consolidated Interim Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable. Charges other than those taken periodically for defence costs are not established for matters when losses cannot be reasonably estimated. Other Contingent liabilities include an Irrevocable Payment Commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions the option to fulfil part of the obligation to pay the annual ex-ante contributions to the Single Resolution Fund (SRF) through IPCs. To secure full and punctual payment, when called by the SRB, credit institutions needed to constitute cash collateral and fully transfer legal ownership to the SRB.

### Interest rate derivatives to SME clients

On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a panel of independent experts for advice on the reassessment of SME and middle market interest rate derivatives. On 5 July 2016 the uniform recovery framework prepared by this panel of independent experts was presented, and ABN AMRO has committed to this framework. This will lead to revised compensation solutions for clients. At this time, ABN AMRO is determining the impact of the uniform recovery framework and it is unclear how the uniform recovery framework will impact pending and future litigation. As this is a possible liability dependent on a future event, there is no provision for this possible outflow of resources and it is therefore considered a contingency. In this respect reference is made to note 18 Provisions.

### Cross liability

Section 2:334t of the Dutch Civil Code requires that in the event of an entity being divided into two or more parts through a legal demerger, each part remains liable to the creditors of the other demerged part. Such liabilities relate only to obligations existing as at the date of the legal demerger. As explained in more detail in note 33 of the 2015 Condensed Consolidated Annual Financial Statements, ABN AMRO was subject to one demerger in 2010, with RBS N.V.

### Indemnity agree with the Dutch State

On 1 April 2010 ABN AMRO signed an indemnity agreement with the Dutch State (currently represented by NLFI) for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings B.V. In July 2015 ABN AMRO was informed by NLFI about a claim it had received from RBS relating to these assets and liabilities in RFS Holdings B.V. This gives NLFI the right to file a claim with ABN AMRO even though ABN AMRO has been informed by NLFI that it will not file this claim with ABN AMRO based on the information available as of the publication date of these Condensed Consolidated Interim Financial Statements. This situation could change in the future.

## 20 Related parties

As part of its business operations, ABN AMRO Bank frequently enters into transactions with related parties. Parties related to ABN AMRO Bank include ABN AMRO Group N.V. with control, the Dutch State and NLFI with significant influence, associates, pension funds, joint ventures, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. Loans and advances to the Managing Board, the Supervisory Board and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions. For further information see note 34 of the Annual Financial Statements 2015. ABN AMRO Bank has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

## Balances with joint ventures, associates and other

| (in millions) | Joint ventures | Associates | Other | Total |
|---|---|---|---|---|
| **30 June 2016** | | | | |
| Assets | 27 | 456 | | 484 |
| Liabilities | 227 | 1,161 | | 1,387 |
| Guarantees given | | | | |
| Guarantees received | | 36 | | 36 |
| Irrevocable facilities | | 27 | | 27 |
| **First half 2016** | | | | |
| Income received | 17 | 22 | | 38 |
| Expenses paid | 7 | 5 | 149 | 161 |
| **31 December 2015** | | | | |
| Assets | 15 | 364 | | 379 |
| Liabilities | 232 | 991 | | 1,222 |
| Guarantees given | | 15 | | 15 |
| Guarantees received | 9 | 38 | | 47 |
| Irrevocable facilities | | 28 | | 28 |
| **First half 2015** | | | | |
| Income received | 16 | 24 | | 40 |
| Expenses paid | 8 | 34 | 147 | 189 |

Assets and Liabilities with Associates increased at 30 June 2016 compared with 31 December 2015 due to higher balances with financial institutions.

Expenses paid with Associates decreased by EUR 29 million in the first half of 2016 (first half of 2015: EUR 34 million) due to sold equity accounted investments.

## Balances with ABN AMRO Group N.V. and the Dutch State

No balances were held with ABN AMRO Group N.V. at 30 June 2016, except for the payment of dividend.

| (in millions) | 30 June 2016 | 31 December 2015 |
|---|---|---|
| **Assets:** | | |
| Financial assets held for trading | 842 | 423 |
| Derivatives | 2,048 | 1,891 |
| Financial investments - available for sale | 6,803 | 6,540 |
| Loans and receivables - customers | 1,110 | 882 |
| Other assets | 99 | 99 |
| **Liabilities:** | | |
| Derivatives | 3,032 | 2,641 |
| Due to customers | 812 | 1,811 |
| Financial liabilities held for trading | 364 | 204 |
| Subordinated loans | | |
| | First half 2016 | First half 2015 |
| **Income statement:** | | |
| Interest income | 71 | 75 |
| Interest expense | 23 | 51 |
| Net trading income | -19 | 27 |
| Net fee and commission income | | |
| Other income | 39 | |

Royal Bank of Scotland (RBS) is still the legal owner of specific Consortium shared assets and liabilities. This means that these assets and liabilities are for the risk and reward of RBS, Santander and the Dutch State as the shareholder of RFS Holdings B.V. On 1 April 2010, ABN AMRO Bank signed an indemnity agreement with the Dutch State for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings.

Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships. Normal banking transactions relate to loans and deposits, financial assets held for trading and financial investments - available for sale, and are entered into under the same commercial and market terms that apply to non-related parties.

Transaction and balances related to taxation such as levies in the Netherlands are excluded from the table above.

Financial assets held for trading increased mainly as a result of higher Dutch government bonds, as a result of primary dealership in the Netherlands and of client facilitation. Most of these contracts are hedged with short positions in government bonds.

Due to customers decreased by EUR 1 billion at 30 June 2016 compared with year-end 2015 due to the redemption of part of the loan (including accrued interest) acquired from the Dutch State related to Ageas on 3 October 2008.

Interest expenses decreased at first half 2016 mainly due to the redemption of EUR 1 billion in Due to customers.

Other income increased at first half 2016 as a result of realised gains on government bonds.

## 21 Post balance sheet events

On 5 July 2016, a committee of independent experts appointed by the Dutch Ministry of Finance presented a uniform recovery framework for the consideration of Dutch SME clients with regard to interest rate derivatives sold in connection with floating interest rate loans. On that same date, ABN AMRO announced it would adhere to the advice of the Committee and adopted the recovery framework. This decision has resulted in the revision of the provision for Interest rate derivatives to SME clients. For further details please refer to note 18 Provisions.

# Other

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

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

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