ABN·AMRO

ABN AMRO Group N.V.

Annual Report 2017

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Notes to the reader

This is the Annual Report for 2017 of ABN AMRO, which consists of ABN AMRO Group N.V. and its consolidated entities. The Annual Report consists of the Executive Board report (sections Strategy, Business, Risk, funding & capital management, Leadership (Management section and Supervisory Board section) and Governance), Report of the Supervisory Board and Annual Financial Statements. The financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS).

Some chapters in the Risk, funding & capital section of this Annual Report contain audited information and are part of the Annual Financial Statements. Audited information in these sections is labelled as 'audited' in the respective headings. In this section, capital metrics and risk exposures are reported under the Basel III (CRD IV/CRR) framework. Some chapters in this section contain information according to Pillar 3 and Enhanced Disclosure Task Force (EDTF) requirements. Additionally, the quantitative Pillar 3 disclosures are published in a separate document on our website, see abnamro.com/ir.

This report is presented in euros (EUR), which is ABN AMRO's presentation currency, rounded to the nearest million, and sets out the results for the entire ABN AMRO organisation worldwide (unless otherwise stated). All financial year-end averages in this report are based on month-end figures. Management does not believe that these month-end averages present trends that are materially different from those that would be presented by daily averages. Certain figures in this report may not tally exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.

To provide a better understanding of the underlying results, ABN AMRO has adjusted its reported results in the Financial Review, presented in accordance with EU IFRS, for defined special items. For more information refer to the reconciliation between reported and underlying results in the Financial Review.

As a result of an IFRIC rejection notice of 6 April 2016, ABN AMRO adjusted its accounting policies for offsetting with effect from Q2 2016. The bank offsets balances if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. The IFRIC rejection notice provides additional offsetting guidance for cash pooling agreements. The adjusted offsetting policy has been applied consistently to all assets and liabilities, if applicable. In addition to the offsetting changes in notional cash pooling, ABN AMRO concluded that offsetting should no longer be applied to bank savings mortgages. To ensure a correct historical interpretation of the bank's performance, the comparative figures for the net interest margin (NIM) and cost of risk (CoR) in the Financial review section are presented excluding the impact of these adjustments and therefore remain in line with previously disclosed figures.

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

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Our reports

Integrated Annual Review 2017

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

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

Frameworks used

International Integrated Reporting Framework (IIRC)

Assurance

EY has performed a limited assurance engagement on this report

Annual Report Group and Bank

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

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

Frameworks used

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

Assurance

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

Pillar III Report

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

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

Frameworks used

Capital requirements regulation (CRR, EBA)

Assurance

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

Sustainability disclosures

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

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

See: abnamro.com/en/sustainable-banking/reporting-and-publications/reporting/index.html.

Frameworks used

Not applicable

Assurance

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

Key figures and profile

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

Countries where ABN AMRO is present include France, Germany, Belgium, Luxembourg and the United Kingdom. ABN AMRO also has branches or representative offices in Oslo, Athens, Guernsey, Sydney, Sao Paolo, Shanghai, Hong Kong, Tokyo, Moscow, Singapore, Dubai, Dallas, New York and Chicago.

Key figures

(in millions)	Target 2020	2017	2016
Financial results			
Underlying return on average equity	10-13%	14.5%	11.8%
Underlying cost/income ratio	56-58%	60.1%	65.9%
CET1 (fully loaded)	17.5-18.5%	17.7%	17.0%
Dividend pay out ratio[1]	50% of sustainable profit	50%	45%
Non-financial results[2]			
Net Promoter Score	Best NPS of Dutch peers		
- Retail Banking		-9	-15
- Commercial Banking		-6	-23
- Private Banking		12	-1
- Corporate & Institutional Banking		32	40
Employee engagement	≥ 80%	79%	82%
Trustmonitor NvB	Leading among large Dutch banks	3.2	3.1
Dow Jones Sustainability Index ranking	Within 10% best banks	91	87
Gender diversity (% women)[3]			
- total		46%	47%
- subtop	35% women	28%	26%
- top	30% women	25%	25%
FTEs[3]			
Total		19,954	21,664
- of which Retail Banking		5,192	5,266
- of which Commercial Banking		2,773	2,751
- of which Private Banking		3,240	3,844
- of which Corporate & Institutional Banking		2,542	2,387
- of which Group Functions		6,206	7,416
Total		19,954	21,664
- of which the Netherlands		16,269	17,508
- of which Rest of Europe		2,628	2,699
- of which USA		428	424
- of which Asia		490	896
- of which Rest of the World		139	138

1 In the first quarter of 2018, ABN AMRO announced a dividend pay-out target of 50% of sustainable profit. This means profit excluding exceptional items that significantly distort profitability.
2 For definitions and measurement methods of the non-financial indicators, please refer to the Strategy chapter.
3 As per 31 December.

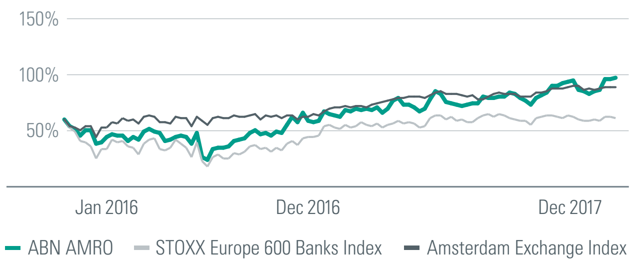
ABN AMRO shares

Key developments

Between 31 December 2016 and 31 December 2017, ABN AMRO's share price (depositary receipts) rose 28%, while the STOXX Europe 600 Bank index rose 11%. In June and September 2017 NLFI sold stakes of depositary receipts to qualified investors. These combined to represent 13.8% of ordinary shares. In December, NLFI exchanged shares representing 6.4% of ordinary shares for depositary receipts in order to avoid the need to apply for new declarations of no objections and other similar regulatory approvals in the future.

Share price development

(in %)



Source: S&P Global Market Intelligence.

Listing information and substantial holdings

A total of 470.9 million shares, or 50.1% of the total, are held by the STAK AAG ('*Stichting Administratiekantoor Continuïteit ABN AMRO Group*'). The latter subsequently issued depositary receipts representing such shares, of which 411.2 million (43.7%) are listed on Euronext Amsterdam and 59.7 million are held by NLFI (6.4%). The remaining 49.9% of shares are held directly by NLFI. In total, NLFI held a combined 56.3% stake in ABN AMRO at year-end 2017. More information is provided in the Governance section of this report. Other than STAK AAG, ABN AMRO is aware of the following current or potential shareholders (or owners of the depositary receipts) with an interest in ABN AMRO of 3% or more, as per 31 December 2017.

	31 December 2017
Substancial holdings	
NLFI	56%
Capital Group International, inc.	3%
BlackRock, inc.	3%

(in millions)	31 December 2017	31 December 2016
Share count		
Total shares outstanding/issued and paid-up shares	940	940
- of which held by NLFI	529	659
- of which listed (in the form of depositary receipts)	411	281
- as a percentage of total outstanding shares	44%	30%
Average number of shares	940	940
Average diluted number of shares	940	940
Key indicators per share (EUR)		
Underlying earnings per share[1]	2.89	2.16
Reported earnings per share [1]	2.89	1.87
Shareholder's equity per share	20.53	19.07
Tangible shareholder's equity per share	20.34	18.80
Dividend per share[2]	1.45	0.84
Share price development (EUR)		
Closing price (end of period)	26.90	21.05
High (during the period)	27.16	22.12
Low (during the period)	20.95	14.02
Market capitalisation (end of period, in billions)	25.29	19.79
Valuation indicators (end of period)		
Price/Earnings	9.31x	9.53x
Price/Tangible book value	1.32x	1.12x
Dividend yield	5.4%	4.0%
Dividend pay out ratio[2]	50%	45%

1 Reported profit for the period excluding reserved coupons for AT1 capital securities (net of tax) and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.
2 Dividend per share and payout ratio subject to approval of the annual general meeting in May 2018.

Strategy and performance

This section describes the environment in which ABN AMRO operated in the past year. It also includes details of the strategy and performance of the Group and the business lines during the same period.

Economic environment

The year 2017 was an economically favourable year, with the key countries for ABN AMRO's operations experiencing an increase in activity. This was especially true in the Netherlands, where GDP growth increased from 2% in 2016 to 3.25% in 2017, thus propelling it into the group of frontrunners in the eurozone.

Broad-based recovery

The Dutch economy gained strength, and the growth revival was broadly based. To start with, cuts in government spending are no longer constraining domestic spending. Businesses in virtually all sectors gained confidence and saw new opportunities for doing business, both in the Netherlands and abroad. Thanks to higher profits and relatively low financing charges, they also had the resources to invest. This increase in investments was meanwhile good for employment. The favourable conditions in the job market, in turn, strengthened consumer confidence, which was also boosted by the strong housing market and the government's intended reduction of tax and social security charges. This renewed confidence was reflected in higher consumption levels.

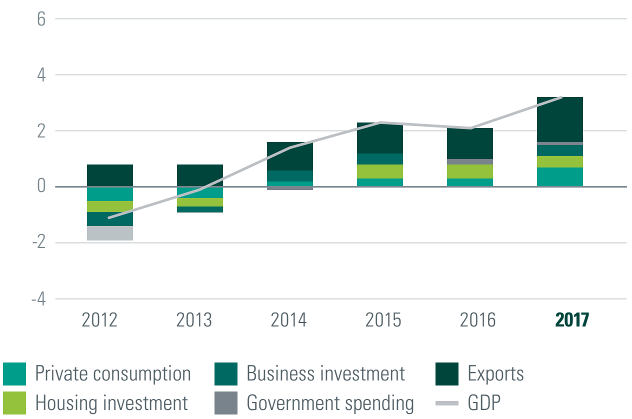
Global trade growing

In addition to domestic spending, the economic recovery was also driven by foreign demand. The global economy picked up, with both emerging and developed economies gaining strength. This revival boosted global trade. As an internationally relatively competitive economy, the Netherlands benefited more than most other countries from this. Its main trade partners also experienced accelerated growth. As in the Netherlands, the political uncertainty caused by elections did not hamper growth in Germany or France, and Belgium's economy also kicked into a higher gear. Only the United Kingdom was out of step, with the British economy slowing down, partly as a result of the continued uncertainty surrounding Brexit. Given the close ties between the British and Dutch economies, companies in the Netherlands are likely to be affected more severely by a hard Brexit than those in most other EU member states.

ECB offers support

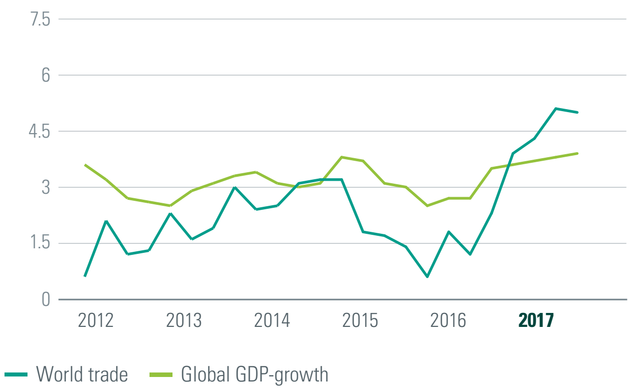
Although economic growth picked up, Dutch inflation was still very low, owing to fiercer international competition, technological innovation and changes in the labour market. In addition, production capacity was not fully utilised. As the Netherlands was no exception in the eurozone, this was reason enough for the ECB to stick to an expansionist monetary policy. While the Fed raised its official interest rates a few times, the ECB continued to buy debt securities and announced that it would extend its purchase programme to 2018, albeit at a lower monthly amount. The ECB consequently pushed down long-term

Another fruitful year for Dutch economy
GDP (% year-on-year); contributions to GDP-growth (in percentage points)



Source: CBS, CPB & ABN AMRO Group Economics.

Calm year for global economy
(% year-on-year)



Source: Thomson Reuters Datastream.
2017 figure is estimate.

interest rates and attempted to stimulate lending in the hope that this would encourage investors to make higher-risk investments generating higher growth. This policy gave asset managers confidence to venture further out across the credit risk spectrum and into longer maturities. It also helped to create a favourable environment for banks looking for wholesale funding and prompted them to lower their interest rates on deposits.

Increase in housing transactions

The combination of low mortgage interest rates and the favourable job market outlook made home buyers optimistic, while investors also became more interested in the housing market. At nearly 242,000[1] transactions in 2017, the number of house purchases in the Netherlands reached a record high. As a result, fewer homes were available for sale, particularly in the larger cities.

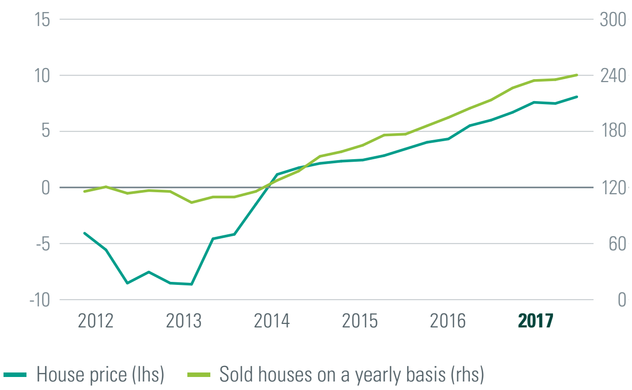
The number of new-build homes completed was also unable to keep pace with the growing demand. Given the limited number of building permits, the supply of new homes will consequently continue to lag behind demand for the time being. Against this background, it made sense for house prices to keep on rising. As prices are now close to the levels seen before the financial crisis, the number of homeowners with potential residual debt also declined rapidly.

Lending growth

The strong housing market was accompanied by a further increase in mortgage production. Growth in the portfolio of outstanding mortgages remained modest, however, as the low interest rates on savings accounts and the tax exemptions available on gifts to home owners and home buyers prompted many people to pay off their mortgages. Even though the overall market shrank, ABN AMRO was able to increase lending to Dutch businesses. National lending had been decreasing since 2013, partly because larger companies were able to access investors directly and favoured bond issues over bank loans. In addition, many business owners preferred to rely on their own sources of funding. With businesses stepping up their investments, however, these own resources were no longer sufficient and companies consequently started turning to banks again. As a result, lending to businesses in 2017 declined less sharply than in the past.

Housing market

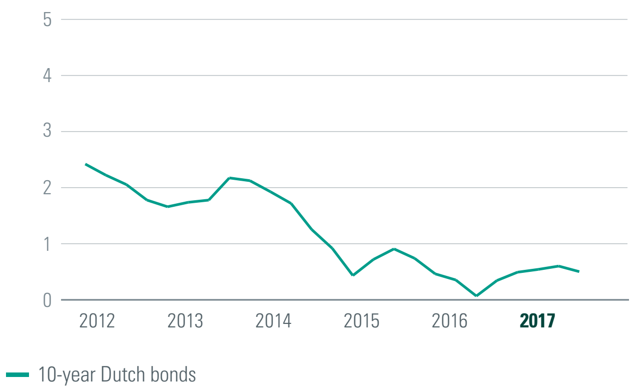
House price (% year-on-year); Transactions (thousands on a yearly basis)



Source: CBS/Kadaster.

Rising long yields in first part of 2017

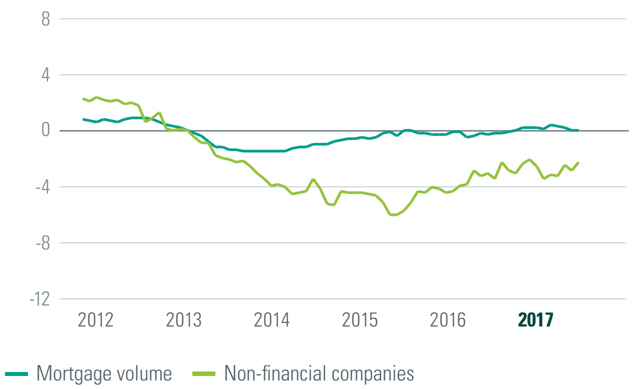
(Interest on 10-year government bonds)



Source: Thomson Reuters Datastream.

Slighter decline in outstanding loans in 2017

(Outstanding loans to Dutch entities, % year-on-year)



Source: DNB.
Data adjusted for securitisations and breaks and excluding notional cash pooling positions.

[1] Source: CBS/Kadaster

Favourable outlook

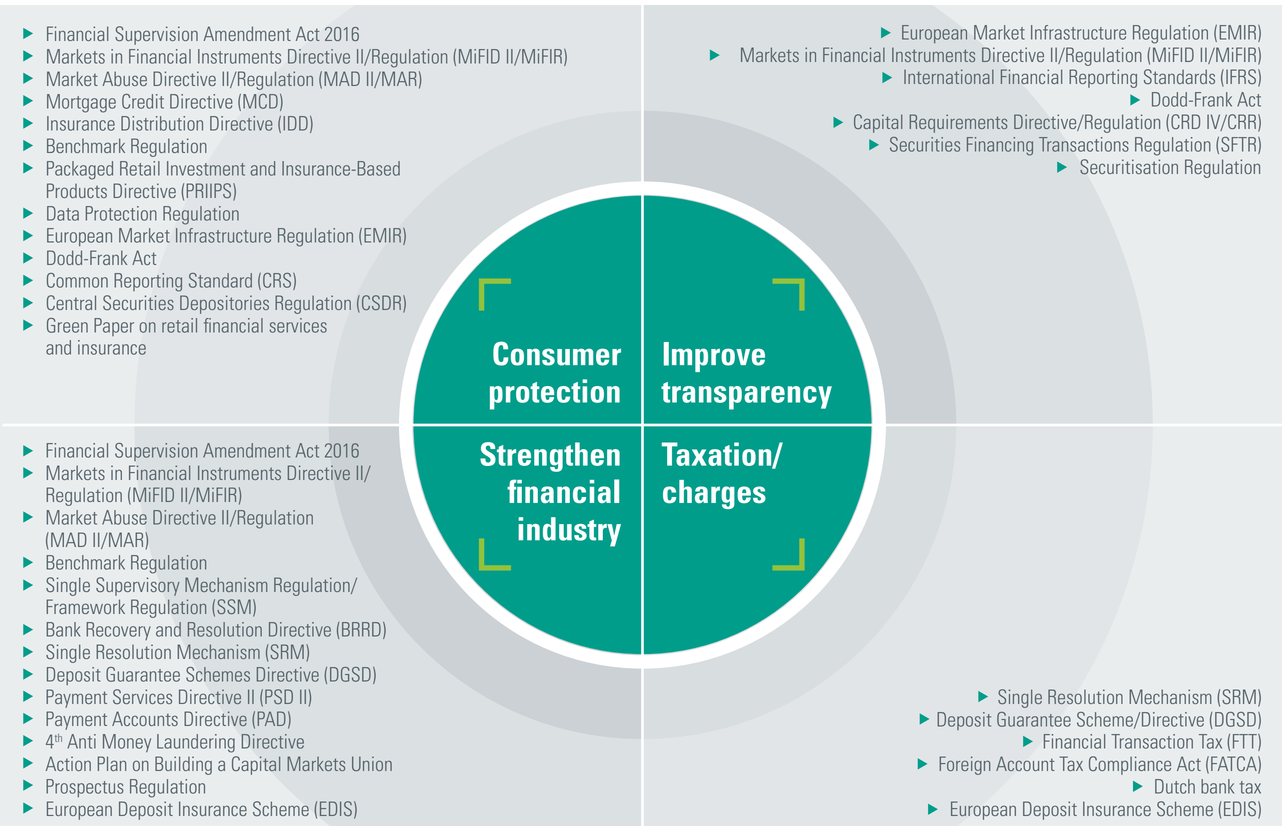
We expect the global economy to pick up further in 2018. In addition to the eurozone, we also expect the United States, Japan and China to record significant growth. In line with this forecast economic upturn, global trade should also continue to increase. This means that exports will remain a growth engine for the Dutch economy, alongside domestic demand. This is indicative of the strength of the current recovery, which is not likely to lead to high inflation immediately – even if, as we expect, commodity prices keep on rising. Continued low inflation means that the ECB will be able to maintain its accommodative monetary stance for the time being and that interest rates will remain low.

Regulatory environment

Overview

The main regulatory developments affecting ABN AMRO in 2017 involved potential amendments to the Basel framework, finalising post-crisis European legislation, strengthening the Banking Union and supporting the European Single Market.

Considering the vast volume of rules and regulations (see figure below), the Regulatory Committee continuously monitors the bank's response to and implementation of these new rules and regulations to ensure this is done in a timely and efficient manner.



Basel Committee proposal

On 7 December 2017, the Basel Committee of Banking Supervisors (BCBS) announced that agreement had been reached on completing the global regulatory reforms of banking supervision undertaken after the financial crisis. Under this Basel III agreement (also referred to in the market as 'Basel IV') and in line with the initial BCBS proposals, the final Basel III standard limits the use of internal models for calculating the capital required to be set aside for unexpected losses in credit, market and operational risk. On the one hand, this standard is achieved by restricting the use of internal credit risk models to exposure classes for which more (default) data are available. As a result, advanced internal models can be applied only to retail, small corporate and specialised lending exposures and are subject to tighter modelling constraints. On the other hand, it is achieved by setting a floor for the outcome of capital requirements based on internal models at 72.5% of the outcome based on standardised approaches. At the same time, the final Basel III standard includes a revised standardised approach for calculating credit risk-related capital requirements, a revised CVA risk framework, a single risk-sensitive standardised approach for calculating capital requirements for operational risk and a revised leverage ratio framework.

Strengthening the Banking Union

CRR/CRD IV and BRRD form the basis for the Banking Union. The Banking Union has been further substantiated by the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM) that have become operational for banks in the euro area.

In November 2016, the European Commission adopted a comprehensive package of reforms ('Banking Reform Package') to further strengthen the resilience of EU banks. This package proposes to amend CRR, CRD IV, BRRD and SRMR, with the aim being to further reduce risk in order to strengthen the resilience of the European banking system and market confidence in this system, to avoid divergent interpretations and disproportionate effects for certain institutions, and to align the legislation with policy provisions and supervision. The European Parliament, the Council and the Commission agreed on elements of the Banking Reform Package in October 2017. This agreement on the BRRD creates a new category of unsecured debt in bank creditors' insolvency ranking and establishes a harmonised approach on the priority ranking of bank bondholders in insolvency and in resolution throughout the EU. The agreement on the CRR/CRD IV implements the new International Financial Reporting Standard (IFRS 9).

On 11 October 2017, the European Commission published a communication on completing the Banking Union. This includes further risk reduction and a common European Deposit Insurance Scheme (EDIS). EDIS will reduce risks to financial stability and increase risk sharing among member states via the private sector, thereby reducing the need for public risk sharing. Alongside the Banking Union, building the Capital Markets Union is fundamental to mobilising capital in Europe and to strengthening the link between savings and growth.

Focus on digitalisation and financial innovation

The Green Paper on retail financial services sets the course for the future of the cross-border provision of retail financial products. This Green Paper identifies digitalisation and FinTech as key enablers for further integration of EU markets in retail financial products and further proliferation of cross-border financial services. In March 2017, the European Commission published its Action Plan for retail financial services. As part of this Action Plan, the Commission invited market parties to respond to its public consultation on FinTech. The Commission will further develop its policy approach to technological innovation in financial services on the basis of input received during this consultation. In 2016, the European Parliament issued a resolution on the desired regulatory approach to virtual currencies such as bitcoin and associated distributed ledger technology (blockchain), while the European Banking Authority issued a consultation paper on big data and the use of consumer data. These regulatory developments did not result in any more specific legislation in 2017. The European Banking Authority meanwhile also launched a detailed consultation on FinTech in August 2017.

Other developments

The many initiatives designed to integrate European financial markets have resulted in a substantial number of proposals for implementing measures under European legislation. These include GDPR, MiFID II, EMIR, PRIIPS, PSD II and AMLD IV.

The EU General Data Protection Regulation (GDPR) replaces the existing EU Data Protection Directive and its implementation in member states' legislation (*Wet Bescherming Persoonsgegevens* in the Netherlands). It aims to reinforce the data protection rights of individuals and to facilitate the free flow of personal data in the digital single market. The GDPR requirements are stricter than those in the current privacy directive. This means that the bank has to carefully examine its processing of personal data in order to ensure it complies with the new rules as fully as possible. In addition, the Dutch Data Protection Authority (*Autoriteit Persoonsgegevens*) will gain new audit rights and rights to impose administrative fines. The GDPR allows for administrative fines amounting to a maximum of EUR 20 million, or 4% of a company's global annual turnover. The GDPR will apply as of 25 May 2018.

MiFID II is effective as of 3 January 2018 and will replace, extend and improve existing European rules on markets in financial instruments, as well as give more extensive powers to supervisory authorities and introduce the possibility of imposing higher fines in the event of an infringement of requirements.

A proposal for the act implementing PSD II was published in 2016. One of the main objectives of PSD II is to create a level playing field for payment service providers (including new players). Under PSD II, access to accounts is given to third parties (called 'payment initiation service providers' and 'account information service providers'), possibly giving these parties a larger role in the payment system. The Dutch act implementing PSD II has been delayed. Although the directive is supposed to be implemented by 13 January 2018, the Netherlands will now probably implement it in June 2018.

The Regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs) became effective on 1 January 2018. It obliges those who advise or sell packaged retail and insurance-based investment products to provide investors with 'key information documents' (KIDs) about the products. The KID must be drafted by the manufacturer of the investment product. The regulation aims to help investors to understand and compare the key features and risks of these products. In 2017, the European Securities and Market Association (ESMA) published large numbers of implementing measures (technical standards).

Although the EU member states were supposed to have implemented the fourth EU Anti Money Laundering Directive (AMLD IV) into their national legislation by 26 June 2017, the Dutch legislator did not meet this deadline. Some changes foreseen in AMLD IV will have a moderate to substantial impact on the bank's operational processes. In particular, AMLD IV contains stricter requirements on enhanced customer due diligence and identification of Ultimate Beneficial Owners and Politically Exposed Persons.

Strategy

Key trends

As part of a constantly changing world, we are attuned to what is going on in our environment. It is our responsibility to understand the developments and trends around us and to respond to them as effectively as possible. We see the following trends as driving forces behind our strategy:

- **Stability of our financial system:** A stable financial system is important for the sustainability and viability of ABN AMRO's business model. Wide-ranging legislation and regulations are imposed by regulators and bank supervisors to safeguard the stability and strength of the financial system.
- **Connectivity:** Everyone is increasingly connected through networks that are changing who we are as a bank and what our clients expect from us. Real and virtual worlds will continue to combine, augmented by further connection.
- **Convenience:** Customer experience is being driven by growth in mobile and smartphone ownership. Banks must be able to adapt quickly to ever-changing consumers and to excel in data analytics, user-friendliness and consumer engagement.
- **Disintermediation:** Disintermediation, being a reduction in producers' and consumers' use of intermediaries, has acquired a new meaning in the virtual marketplace, and banks' role as a central intermediary is expected to continue to erode.
- **Responsible business:** We live in a connected world in which society is increasingly committed to the values of solidarity and sustainable economic development. The latter includes protection and the responsible use of our environment and resources, as well as behaving responsibly in areas such as human rights, corruption, tax, remuneration and human resources.

Strategy

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

The core of our strategy is to be a 'relationship-driven bank', while ranking among the best banks on the digital front, having a strong position in Northwest Europe and serving selected sectors worldwide. We are client-driven, deliver high-quality advice and use technology to provide clients with the best possible service. We engage with our clients in dialogues to help us better understand their needs and are committed to forging long-term relationships with them. We invest in the future by developing new products and services and by further redesigning the IT landscape to ensure that we remain an innovative bank with which clients can do business easily. ABN AMRO aims to grow its business in a sustainable manner in the coming years, based on proven expertise and the current network. By adhering to a moderate risk profile we aim to maintain diversification and focus in our activities.

ABN AMRO is committed to ensuring banking becomes more sustainable and contributes to a better world and to making sustainability an integral part of its business activities. We believe it is important to look at its business operations from a human rights perspective in line with the UN Guiding Principles on Business and Human Rights. We also see that sustainability is becoming increasingly important to our clients. As a result, ABN AMRO has taken the first steps to align its activities and ambitions with the Sustainable Development Goals (SDGs) – a set of 17 high-level, interconnected and indivisible goals designed to achieve a better world by 2030.

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

During the past year we added several sustainability ambitions, which we can only achieve in cooperation with our clients. Firstly we want to contribute to a reduction of carbon emissions in the Netherlands by making the residential and commercial real estate that we finance (EUR 185 billion) more sustainable through improving the average energy efficiency from its current 'D' level to a level of 'A' by 2030. Another key focus area is the circular economy, where our goal is to finance 100 circular loans by 2020. ABN AMRO also provides social entrepreneurs with both financial and operational support. Lastly, we are seeking to double our clients' sustainable investments over the next three years.

Strategic targets

Stakeholder	Metrics	2017	2016	Target for 2020
Clients	**Net Promoter Score**			Best NPS of Dutch peers
	Retail Banking[1]	**-9**	-15	
	Commercial Banking[2]	**-6**	-23	
	Private Banking[3]	**12**	-1	
	Corporate & Institutional Banking[4]	**32**	40	
Employees	**Employee engagement[5]**	**79%**	82%	At least 80%
	Gender diversity at the top[6]	**25%**	25%	30% women in top
	Gender diversity at the subtop[7]	**28%**	26%	35% women in subtop
Society at large	**Dow Jones Sustainability Index ranking[8]**	**91**	87	Within 10% best banks
	Trustmonitor NvB[9]	**3.2**	3.1	Leading among large Dutch banks
Investors	**Underlying return on average equity**	**14.5%**	11.8%	10-13%
	Underlying cost/income ratio	**60.1%**	65.9%	56-58%
	CET1 (fully-loaded)	**17.7%**	17.0%	17.5-18.5%
	Dividend pay-out ratio	**50%**	45%	50% of sustainable profit

1 Source: Kantar TNS. Research on ABN AMRO consumer clients. NPS score is measured quarterly, total score is based on average of the quarters. Number of respondents: 8,636.
2 Source: Ipsos quantitative research among 906 clients with online and telephone interviews. The figures of 2017 and 2016 are not comparable, due to a different method and supplier that were used to measure the NPS.
3 Score is a weighted average of the PBI and PBNL scores, weighted by operating income of the respective segments. The set-up of the NPS surveys differs among the segments.
4 Source: Ipsos quantitative research among 241 clients with online and telephone interviews and MWM2 quantitive online research among 242 clients (483 in total). The total NPS of Corporate & Institutional Banking is weighted by actual operating income of the respective segments. The figures of 2017 and 2016 are not comparable, due to a different method and supplier that were used to measure the NPS.
5 Source: annual survey by Willis Towers Watson. Total number of respondents: 20,134.
6 Diversity at the top is measured as the percentage of female employees in Hay salary scale 14+.
7 Diversity at the subtop is measured as the percentage of female employees in Hay salary scale 12 and 13.
8 A family of benchmarks, performed by Robeco SAM, for investors who believe sustainable business practices may lead to long-term shareholder value. Source: RobecoSAM.
9 Degree of confidence in own bank. Scale (1-5). Source: Trust monitor, Dutch Banking Association. Published October 2017.

For the definition of abovementioned concepts, please refer to 'Definitions and other important terms'.

Long-term value creation

ABN AMRO pays careful attention to the positive and negative impact of its activities on the various stakeholder groups so as to ensure it delivers lasting stakeholder value. The bank examines the relevance of material topics on a quarterly basis. These topics are also integrated in the Strategic Risk Assessments. In this way, we assess and monitor our internal performance, as well as the impact of key external driving forces, so as to ensure that the organisation is future-fit and can deliver healthy and robust financial and non-financial results, both now and in the future. A key element in this respect is to achieve a diverse workforce. That means creating a workforce reflecting the communities in which the bank operates.

ABN AMRO believes that a sustainable business model is, by definition, a work in progress. As a result, it is constantly exploring ways to improve, while also keeping a close eye on its strategic priorities. Our Executive Board is cascading down the importance, through the organisation, of creating long-term value. This year, we started a working group – including our CEO and representatives of the Executive Committee – to explore possible opportunities per business line and for the bank as a whole to identify new ways of creating long-term value. The results of these discussions have led to business lines launching various initiatives in line with our sustainability ambition. Long-term value creation is also a topic of regular dialogue in our Executive Board and an important driver of our strategy-updating process.

Culture of change

ABN AMRO's strategy is the anchor of its culture. The future revolves around clients and the bank's ability to increase the relevance and effectiveness of the services it provides to its clients. This is what drives our day-to-day work and is reflected in the bank's culture on a daily basis. ABN AMRO has continued to reinforce its client focus over the past year by improving its speed of execution and agility across the organisation. The bank will continue adapting to changes in its environment by taking advantage of unique human capabilities. This will also help us to retain and attract talent.

In early 2017, ABN AMRO introduced a new management structure and reduced the number of hierarchical layers so as to enable more effective and better collaboration between the various functions within the organisation. In this way, the bank tried to create a culture of open-mindedness, speed and trust. During the year it also launched Challenger 40, a group of 40 colleagues representing all the business functions and who have taken it upon themselves to challenge and support the executive leadership on strategic themes.

For more information on ABN AMRO's strategy and how the bank creates long-term value, please refer to the Integrated Annual Review.

Group performance

Financial review

This section includes a discussion and analysis of the financial performance of ABN AMRO Group for the years 2017 and 2016. The information in this section is presented on the basis of underlying results. A reconciliation from reported to underlying results is provided in this section as well. The Business performance section provides more information on the activities, clients and products of the different segments, as well as a discussion and analysis of the financial condition of the segments.

Income statement

Financial highlights

- Net interest income growth (3%) supported by all commercial business lines.
- Fee and commission income down versus prior year, mainly due to the sale of PB Asia.
- Other operating income benefited from incidental gains (including the PB Asia divestment).
- Operating expenses declined as a result of the cost-saving programmes, further business. simplification and lower restructuring provisions
- Net impairment releases owing to strong economic developments and model updates.
- Loan book growth driven by residential mortgages and corporate loans.

Operating results

(in millions)	2017	2016	Change
Net interest income	6,456	6,277	3%
Net fee and commission income	1,747	1,810	-3%
Other operating income	1,086	501	117%
Operating income	**9,290**	**8,588**	**8%**
Personnel expenses	2,590	2,777	-7%
Other expenses	2,991	2,880	4%
Operating expenses	**5,582**	**5,657**	**-1%**
Operating result	**3,708**	**2,931**	**27%**
Impairment charges on loans and other receivables	-63	114	
Operating profit/(loss) before taxation	**3,771**	**2,817**	**34%**
Income tax expense	979	740	32%
Underlying profit/(loss) for the period	**2,791**	**2,076**	**34%**
Special items		-271	
Reported profit/(loss) for the period	**2,791**	**1,806**	**55%**
Attributable to:			
Owners of the parent company	2,721	1,762	
Holders of AT1 capital securities	53	43	
Other non-controlling interests	18	1	

Large incidentals[1]

Provision for SME derivatives-related issues
In Q2 2016, the addition to the provision for SME derivatives-related issues of EUR 361 million gross (EUR 10 million net interest income and EUR 351 million other operating income) was classified as a special item. This provision was taken following ABN AMRO's decision to adhere to the advice of the committee of independent experts on the reassessment of SME interest rate derivatives. In addition, the provision for 2016 included an adjustment of EUR 10 million in net interest income, EUR 25 million in other operating income and EUR 89 million in other expenses. The provision for 2017 includes an adjustment of EUR 21 million for other operating income and EUR 139 million for other expenses.

Sale of Private Banking Asia
In Q2 2017 ABN AMRO concluded the sale of the Private Banking business in Asia (the PB Asia divestment). The total gross sale proceeds amounted to EUR 263 million (tax-exempt), recorded as other operating income. Costs related to the sale were EUR 21 million in personnel expenses and EUR 35 million in other expenses (both tax-exempt). The 2016 figures included a full contribution from the business.

Restructuring provisions
The figure for 2017 includes EUR 164 million in restructuring provisions for further digitalisation and process optimisation, compared with EUR 348 million in 2016.

Book profits and revaluation gains
The figure for 2017 includes the proceeds of the sale of the remaining equity stake in Visa Inc. The sale of these shares resulted in a EUR 114 million pre-tax gain. The figure for 2016 included a EUR 116 million pre-tax gain on the sale of Visa Europe shares and a revaluation gain of EUR 52 million on the stake in Equens.

Release from unearned interest
A review of the treatment of credit risk allowances and interest income on impaired loans resulted in an adjustment of EUR 74 million (net interest income).

Provision for Euribor mortgages
In December the Amsterdam Court of Appeal ruled against ABN AMRO in a case where ABN AMRO raised surcharges for mortgages with Euribor interest rates. Given the nature and scope of this ruling, the figure for 2017 includes an increase of EUR 52 million (net interest income) in the existing provision. The associated handling costs were EUR 2 million (other expenses).

Release of mortgage penalty interest resulting from interest rate renewals
A change in the accounting policy for mortgage interest rate renewals prior to the end of the interest period led to a release of EUR 49 million of mortgage penalty interest in net interest income. This mortgage penalty interest is now being amortised over the original interest term instead of over the new term.

Provision for ICS
The figure for 2017 includes an addition of EUR 8 million (net interest income) to the provision for ICS, associated handling costs were EUR 1 million (other expenses). The figure for 2016 included a provision for ICS of EUR 47 million, booked as net interest income. The associated handling costs in 2016 were EUR 16 million (other expenses).

1 For a full list of incidentals, please refer to financial factsheet (tab 5.5b) as posted on our investor relations website.

Other indicators

	2017	2016
Net interest margin (NIM) (in bps)[1]	157	152
Underlying cost/income ratio	60.1%	65.9%
Underlying cost of risk (in bps)[1,2]	-2	4
Underlying return on average Equity[3]	14.5%	11.8%
Underlying earnings per share (in EUR)[4]	2.89	2.16
Dividend per share[5]	1.45	0.84

1 For management view purposes the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in the Notes to the reader section of this report.
2 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
3 Underlying profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average equity attributable to the owners of the company.
4 Underlying profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.
5 Dividend per share and payout ratio subject to approval of the annual general meeting in May 2018.

	31 December 2017	31 December 2016
Client Assets (in billions)	316	323
FTEs	19,954	21,664

Analysis

ABN AMRO's **underlying profit** for 2017 increased to EUR 2,791 million (2016: EUR 2,076 million). The increase was driven by a combination of higher operating income (partly due to a gain on the PB Asia divestment), a lower cost base and impairment releases (strong economic developments and model updates).

Reported profit for 2017 increased by EUR 985 million compared with 2016. Besides movements in underlying profit, this was driven by a provision for SME derivatives-related issues of EUR 271 million in 2016, which was recorded as a special item.

Net interest income increased to EUR 6,456 million (2016: EUR 6,277 million). Excluding the PB Asia divestment, net interest income rose by EUR 213 million. The results for 2017 were impacted by positive incidentals. Excluding these items, the positive volume developments in mortgages, improving margins on deposits (consumer and corporate) and growth in the loan book were offset by lower net interest income at Global Markets and increased buffer and steering costs at ALM. The net interest margin (NIM) increased to 157bps in 2017 (2016: 152bps), supported by favourable incidentals.

Net fee and commission income decreased to EUR 1,747 million (2016: EUR 1,810 million). Excluding the PB Asia divestment, net fee and commission income decreased by EUR 13 million. Higher fee and commission income at Private Banking was offset by lower fee and commission income at Retail Banking owing to rate reductions and declining clearing fees as a result of lower volatility in the market. The figure for 2017 includes a reclassification of EUR 73 million of income related to Stater (mortgage service provider) from other operating income to net fee and commission income (historic figures also restated).

Other operating income increased to EUR 1,086 million (2016: EUR 501 million). Excluding the PB Asia divestment, other operating income rose by EUR 338 million. This was largely driven by improved CVA/DVA/FVA results (EUR 75 million versus EUR 2 million negative in 2016), better Equity Participations results (EUR 114 million versus EUR 13 million in 2016) and improved hedge accounting-related results (EUR 181 million versus EUR 39 million in 2016). The 2017 results include the proceeds of the sale of the remaining equity stake in Visa Inc. of EUR 114 million (2016 included a EUR 116 million gain on the sale of the Visa Europe shares). The 2016 results included the Equens revaluation gain of EUR 52 million and the proceeds of a release of EUR 21 million from the provision for the sale of Private Banking Switzerland (2011).

Personnel expenses decreased to EUR 2,590 million (2016: EUR 2,777 million). Excluding the PB Asia divestment, personnel expenses decreased by EUR 162 million. The decrease was supported by lower restructuring provisions. The figure for 2016 included EUR 321 million in restructuring provisions related to the reorganisation of control and support activities and further digitalisation and process optimisation. The figure for 2017 includes EUR 156 million in restructuring provisions. Adjusted for these provisions, higher pension costs and additional expenses attributable to wage inflation were partly offset by cost savings due to the lower FTE levels resulting from the existing restructuring programmes.

Other expenses increased to EUR 2,991 million (2016: EUR 2,880 million). The underlying trend shows that other expenses declined due to the various cost-saving programmes. This was also reflected in the decrease in external FTEs (decrease of 330 compared with 2016). Higher costs in 2017 included EUR 139 million for project costs regarding SME derivatives-related issues (2016: EUR 55 million provision and EUR 34 million for project costs), costs associated with the PB Asia divestment (EUR 35 million), a goodwill impairment at Private Banking of EUR 36 million and additional handling costs associated with the ICS and Euribor provision. The figure for 2017 also includes higher regulatory levies (2017: EUR 300 million; 2016: EUR 253 million).

Impairment charges decreased to a release of EUR 63 million (2016: EUR 114 million charge). The strong economic development resulted in net releases in the mortgage portfolio and consumer loans. In addition, 2017 had lower additions for corporate loans (excluding IBNI). Impairments were also positively impacted by IBNI releases of EUR 58 million (2016: EUR 189 million release), a favourable model update and other model refinements.

Income tax expenses amounted to EUR 979 million and included a decrease of deferred tax assets of EUR 24 million following the tax reform in the USA.

Balance sheet

Condensed statement of financial position

(in millions)	31 December 2017	31 December 2016
Cash and balances at central banks	29,783	21,861
Financial assets held for trading	1,600	1,607
Derivatives	9,825	14,384
Financial investments	40,964	45,497
Securities financing	16,645	17,589
Loans and receivables - banks	10,665	13,485
Loans and receivables - customers	274,906	267,679
Other	8,783	12,380
Total assets	**393,171**	**394,482**
Financial liabilities held for trading	1,082	791
Derivatives	8,367	14,526
Securities financing	12,875	11,625
Due to banks	16,462	13,419
Due to customers	236,699	228,758
Issued debt	76,612	81,278
Subordinated liabilities	9,720	11,171
Other	10,025	13,976
Total liabilities	**371,841**	**375,544**
Equity attributable to the owners of the parent company	19,303	17,928
AT1 capital securities	2,007	1,004
Equity attributable to other non-controlling interests	20	5
Total equity	**21,330**	**18,937**
Total liabilities and equity	**393,171**	**394,482**
Committed credit facilities	32,772	25,288
Guarantees and other commitments	16,165	15,873

Main developments in assets

Total assets decreased to EUR 393.2 billion (2016: EUR 394.5 billion). The increase in loans and receivables (customers) and cash balances was partly offset by lower derivatives and financial investments.

Cash and balances at central banks increased to EUR 29.8 billion (2016: EUR 21.9 billion). The increase was mainly due to a shift from financial investments to cash.

Derivatives decreased by EUR 4.6 billion on the back of mid- to long-term interest and FX rate movements impacting on the valuation of derivatives. This was also observed in derivative liabilities.

Financial investments decreased to EUR 41.0 billion (2016: EUR 45.5 billion). This was driven by a lack of investment opportunities with sufficiently attractive yields.

Loans and receivables – customers increased to EUR 274.9 billion (2016: EUR 267.7 billion). Residential mortgages increased by EUR 1.3 billion as Retail Banking benefited from a combined market share of new mortgage production of 21%[1] and higher overall market volumes. Consumer loans were stable year-on-year. Corporate loans to clients increased by EUR 1.1 billion. Growth within Commercial Banking was widely driven, predominantly in asset-based finance and real estate. The main growth in Corporate & Institutional Banking was attributable to Financial Institutions, Large Corporates and Natural Resources. Loan volume within Corporate & Institutional Banking was impacted by further depreciation in the US dollar (negative impact of approximately EUR 3.5 billion) and an increase in commodity prices (positive impact of approximately EUR 1.3 billion).

Other assets decreased to EUR 8.8 billion (2016: EUR 12.4 billion). The figure for 2016 included the held for sale reclassification related to the PB Asia divestment of EUR 3.4 billion.

[1] Source: Dutch Land Registry (Kadaster).

(in millions)	31 December 2017	31 December 2016
Residential mortgages	150,562	149,255
Consumer loans	12,426	12,539
Corporate loans to clients[1]	85,455	84,362
- of which: Commercial Banking	39,150	37,891
- of which: Corporate & Institutional Banking	38,814	38,311
Total client loans[2]	**248,443**	**246,155**
Loans to professional counterparties	16,258	12,948
Other loans[3]	8,966	7,448
Total Loans and receivables - customers[2]	**273,666**	**266,551**
Fair value adjustments from hedge accounting	3,700	4,794
Less: loan impairment allowance	2,460	3,666
Total Loans and receivables - customers	**274,906**	**267,679**

[1] Corporate loans excluding loans to professional counterparties.
[2] Gross carrying amount excluding fair value adjustment from hedge accounting.
[3] Other loans consist of loans and receivables to government, official institutions and financial markets parties.

Main developments in liabilities and equity

Total liabilities decreased to EUR 371.8 billion (2016: EUR 375.5 billion). An increase in due to customers and due to banks was more than offset by lower derivatives, issued debt securities and other liabilities.

Derivatives declined by EUR 6.2 billion on the back of mid- to long-term interest and FX rates movements impacting on the valuation of derivatives.

Due to banks increased to EUR 16.5 billion (2016: EUR 13.4 billion). Matured debt was partially replaced by TLTRO (see issued debt securities).

Due to customers increased to EUR 236.7 billion (2016: EUR 228.8 billion). The increase was supported by all business lines, but mostly driven by Private Banking and Corporate & Institutional Banking.

Issued debt securities decreased to EUR 76.6 billion (2016: EUR 81.3 billion). Matured debt was partially replaced by TLTRO (see due to banks).

Subordinated liabilities decreased to EUR 9.7 billion (2016: EUR 11.2 billion). This was partially offset by the issuance of AT1 (reported under equity).

Total equity increased by EUR 2.4 billion, mainly due to the inclusion of reported profit and partly offset by dividend payments and the issuance of AT1 capital instruments.

(in millions)	31 December 2017	31 December 2016
Retail Banking	102,785	102,750
Commercial Banking	35,724	34,939
Private Banking	65,031	61,825
Corporate & Institutional Banking	30,273	27,436
Group Functions	2,886	1,808
Total Due to customers	**236,699**	**228,758**

Reconciliation from underlying to reported results

(in millions)	2017 Underlying	2017 Special items	2017 Reported	2016 Underlying	2016 Special items	2016 Reported
Net interest income	6,456		6,456	6,277	-10	6,267
Net fee and commission income	1,747		1,747	1,810		1,810
Other operating income	1,086		1,086	501	-351	150
Operating income	**9,290**		**9,290**	**8,588**	**-361**	**8,227**
Personnel expenses	2,590		2,590	2,777		2,777
Other expenses	2,991		2,991	2,880		2,880
Operating expenses	**5,582**		**5,582**	**5,657**		**5,657**
Operating result	**3,708**		**3,708**	**2,931**	**-361**	**2,570**
Impairment charges on loans and other receivables	-63		-63	114		114
Operating profit/(loss) before taxation	**3,771**		**3,771**	**2,817**	**-361**	**2,456**
Income tax expense	979		979	740	-90	650
Profit/(loss) for the period	**2,791**		**2,791**	**2,076**	**-271**	**1,806**

(in millions)	2017	2016
Operating income		
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**

Non-financial review

The following sub-sections are based on the reporting requirements set out in Section 2:391, paragraphs 1 and 5, of the Dutch Civil Code (Burgerlijk Wetboek) pertaining to non-financial information.

Employee engagement

Our people are our most valuable asset as ABN AMRO can only properly serve its clients if it has a highly talented and committed workforce. We offer our staff a challenging and rewarding environment in which they do meaningful work and add value for clients. We believe in an open corporate culture in which employees have a say and are encouraged to help build the organisation. Employees who give our management feedback on what needs to improve in the organisation help us create a future-proof and successful bank.

In October 2017 we conducted our fifth global Employee Engagement Survey (EES). The questionnaire was available in five languages used across the ABN AMRO network. With almost 20,200 people (internal and external staff) completing the survey, the response rate was 82%, thus making the results highly representative. More than 8,200 employees answered the open question about what we can do to improve the bank.

The 2017 EES showed an employee engagement rating of 79%, 1 percentage point lower than the financial services norm. For the first time in five years, our engagement index fell in 2017, with employee engagement decreasing from 82% to 79%, 3 percentage points below the target for the year. The medium-term trend for our engagement is still positive. We also score higher than other financial service providers on aspects such as employment benefits (+11%), a safe working environment (+11%), remuneration (+19%), workload (+10%) and personal development (+10%).

Scores were lower for nearly all items in 2017 than in 2016. The overall score given to senior management fell by 5% compared with 2016. Employees were especially critical of senior management's decisiveness, priority-setting and forward planning. To ensure the bank's lasting success, we will look closely at these issues and take effective measures.

Talent and development

ABN AMRO encourages its employees to continually pursue their personal and professional development. We believe continual development helps our employees make a difference for our stakeholders.

Investment and appreciation

In 2017 we invested EUR 43.9 million in employee training and development, around 1.7% of our overall personnel costs. We measured the extent to which staff appreciate this investment in our annual Employee Engagement Survey. Overall satisfaction with Talent and Development stood at 79%, representing a decrease of 3 percentage points compared to 2016. However, the current score remains 9 percentage points higher than that of our industry peers. We value these results as it is important, in a rapidly changing world, for employees to feel encouraged to work on their personal development.

Leadership

Against the background of the restructuring of ABN AMRO's senior management and our bank-wide initiative to transform our culture, the bank sees leadership development as a pivotal focus area. Reducing the number of managerial layers in our organisation supports our aim of creating a less hierarchical leadership style, more focused on coaching. Throughout the organisation, managers appointed were selected on the basis of their knowledge, expertise and leadership style. The main individual leadership criteria used in the selection were client focus, change management skills, a hands-on mentality, the ability to work together and exemplary behaviour. In addition, a wish to achieve greater diversity in the compositions of teams – in terms of background, gender and ethnicity – was an overarching guiding principle.

The transformation team was formed to support, facilitate, accelerate and strengthen the bank-wide cultural transformation. This team consists of dedicated consultants and facilitators who partner the executive management teams in seeking to align, direct and build commitment for various strategic change initiatives.

Open culture and diversity

We can only be successful if we have a diverse workforce that reflects the communities we serve. An inclusive environment plays a pivotal role in developing an open culture. ABN AMRO's commitment to diversity and inclusion includes the promotion of equal treatment and equal opportunities for employees, the prevention of harassment, non-discrimination, and compliance with national and local labour and employment laws. According to the Employee Engagement Survey, 83% of our staff are positive about the inclusive environment at the bank. This is 10 percentage points above the norm in the financial services sector.

Our diversity vision and guidelines are described in the bank's Diversity & Inclusion policy. The intention is to create a diverse and inclusive workforce and to respect the human rights and equal opportunities of the bank's employees. In building a diverse workforce, we focus on creating complementary teams comprising a diversity of age, disability, LGBT, gender and cultural backgrounds. These are key indicators of maintaining a diversity of ideas. The bank's D&I plan sets out challenges and actions to be taken in respect of all these groups.

ABN AMRO pursued various diversity initiatives in 2017, including externally and internally organised mentoring programmes for women, and also for employees with a bicultural background, such as the Career Accelerator Programme. We are the main sponsor of De Kleurrijke Top 100 for influential Dutch people with a bicultural background and have also set up a dedicated taskforce to accelerate the advancement of our non-Western colleagues. As well as hosting the International Coming Out Day Conference to raise awareness of the LGBT community, we organise the annual World Wheelchair Tennis Tournament.

Our efforts in this area have been recognised externally. Thanks, for example, to the performance of our newly appointed hearing-impaired mortgage advisor, who offers mortgage advice in sign language, ABN AMRO won first place in the Lucille Werner Foundation's Business Walk of Fame for our efforts to create an inclusive labour market. We also intensified our cooperation with UWV, the Dutch Employment Insurance Agency, after creating a hosting position ('Warm Welcome employees') at our branches that is specifically designed for people with an employment disability. As a result of this initiative, we were able to welcome over a dozen new colleagues during 2017, while we have created more than 100 new jobs for disabled people over the past few years.

The changes in the new management structure, resulted inter alia in a significant improvement in gender diversity at senior management level.

In line with the group's diversity policy, ABN AMRO strives to meet the gender target of 30% for both the Supervisory Board and the Executive Committee. ABN AMRO Group currently meets this target for the Supervisory Board. The diversity target was not met for the Executive Committee, where 22% (2 out of 9) of its members in 2017 were female. Due to structural changes within the previous Managing Board, two new female colleagues were appointed in 2017, thus increasing the percentage of women in the Executive Committee from 14% to 22%. ABN AMRO Group will give due consideration to any applicable gender requirements in its search for suitable new members to fill vacancies and who meet the fit and proper requirements set in the Dutch Financial Markets Supervision Act. ABN AMRO also continues to encourage greater diversity at other levels of the Group.

Female representation in senior and upper middle-management positions is one of the bank's strategic KPIs. With the 2017 figure of 25%, we are on track to meet our 2020 target (30%) for women in senior management positions. We are behind on meeting our 2020 target of placing women in 35% of the upper middle-management positions (28% in 2017). We will therefore continue to seek to increase the number of women at the top of the organisation to ensure we meet our 2020 targets.

Prevention of corruption, fraud, bribery and cybercrime

Protecting our clients and the bank against corruption, fraud and cybercrime is essential: clients expect to be able to make secure payments, and society expects us to conduct business as securely as possible and with the highest degree of integrity. Corruption, fraud, and cybercrime can cause significant financial losses and reputational damage to our clients and the bank. We therefore have a dedicated organisation in place to ensure information security and bolster our resilience to financial crime and unethical and illegal behaviour.

Combating bribery & corruption

One of the key risks to the bank is the risk of becoming involved in or a vehicle for criminal activities such as bribery and corruption. Corruption undermines fair and competitive business and constitutes a serious violation of integrity. By undermining investor confidence, it restricts international trade and reduces investment, and could therefore potentially impact on regional and global economic growth.

In addition to the risks posed to the financial system, such activities can also expose ABN AMRO to reputational and financial risks by allowing the bank potentially to become directly exposed to or be abused for corrupt practices. We take these risks seriously and take mitigating measures to limit them.

As a financial institution operating in an international environment, we play a key role as a gatekeeper. It is therefore essential for us to prevent and combat any form of bribery and corruption. It is our corporate social responsibility to conduct business with integrity and without any form of bribery or corruption. ABN AMRO's policy position is that any form of bribery or corruption is strictly prohibited. ABN AMRO conducts its business honestly, without the use of corrupt practices or acts of bribery.

Client & third party integrity

Before entering into any business relationship, ABN AMRO carries out due diligence on its clients, prospects, agents, intermediaries and suppliers to minimise the risk of being associated with acts of bribery or corruption. We consider bribery and corruption to be predicate offences of money laundering and/or terrorist financing (AML/CTF), and duly report any AML/CTF suspicions to the relevant authorities in line with external regulatory requirements and our internal client acceptance policy.

In high-risk situations (such as those involving politically exposed persons, adverse media, or clients in countries where the risk of financial crime is high), the client or prospect undergoes enhanced due diligence. This is a first line of defence responsibility, where further guidance from relevant second-line functions (Compliance, Security & Intelligence Management, or Legal) can be obtained, if required.

Unacceptable risks of bribery and corruption are reasons to terminate the relationship with a client or to reject a prospect.

Organisational & employee integrity

All staff members undergo mandatory training so that they can recognise red flags of bribery or corruption and are able to make the right decisions. All our employees worldwide have access to a training app so that they can continually learn to identify situations involving problems such as conflicts of interest, bribery and corruption.

It is ABN AMRO's policy for all actual or suspected incidents, irregularities or breaches involving possible bribery and corruption to be reported immediately. Employees are encouraged to first discuss this with their manager, if possible. If, for any reason, this is undesirable, they should make use of the bank's whistleblowing channels.

We maintain a strong control system by monitoring bribery and corruption risks in our organisation. Each year, we assess bribery and corruption as one of the nine integrity risks within our systematic integrity risk analysis. This analysis is based on qualitative and quantitative information, and gives ABN AMRO insight into the inherent and residual (post-mitigation) integrity risks it faces.

ABN AMRO also actively shares knowledge with peers, law enforcement agencies and the Dutch Financial Intelligence Unit so as to improve the prevention and detection of bribery and corruption.

We communicate transparently about our detailed approach to combating bribery and corruption by publishing our anti-bribery and corruption policy on our website[1]. This policy consolidates ABN AMRO's stance on bribery and corruption and underlines the standards of behaviour we expect from our staff members worldwide.

Resilience to security threats

We have an information security framework in place that defines management and staff responsibilities and sets out security directives that apply to the bank, its vendors and third parties with whom the bank exchanges information. The Chief Information Security Office (CISO)

[1] abnamro.com/en/about-abnamro/our-company/compliance/index.html

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Strategy and performance
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systematically monitors client transactions in order to detect fraudulent transactions, to raise awareness and to support relevant staff in mitigating fraud risks. Security & Intelligence Management (SIM) monitors and reports the number of issues relating to fraud, information security and compliance breaches. SIM also monitors losses for the bank's clients and the bank itself. Key alerts and quarterly updates are distributed in order to keep the relevant staff informed.

ABN AMRO also has a security framework in place to prevent and manage the risk of financial crime and unethical behaviour. The measures the bank uses include organisational controls, anti-fraud and sanction risk assessment, client and employee screening, global education and awareness training. Before introducing new products and services, the bank assesses the potential risks related to these products and services, including the possibility of fraud.

The bank raises awareness among clients and employees on how to recognise and prevent financial and economic crime (such as fraud, corruption and cybercrime). The bank cooperates with other major banks, the police and justice departments to shield financial transactions from potential criminals.

Cybercrime

ABN AMRO's information infrastructures connect the bank's networks to public networks. As a result, banking processes and their supporting information systems are inherently vulnerable. This can potentially threaten the security and availability of client data and services. The bank faces a constant threat of cybercrime, such as computer-assisted fraud, unauthorised disclosure of confidential information, virus infections, computer hacking and denial of service attacks. Specific examples of cybercrime that clients may experience include fake emails (phishing) and malicious software (malware).

In recognition of the importance of continuously protecting our clients' and the bank's information and the bank's associated assets, such as systems and infrastructure, we have established a structured approach to information security so as to ensure the confidentiality, integrity and availability of information. This approach defines the organisational framework, management and staff responsibilities, and information security directives that apply to the bank, its vendors and third parties with whom the bank exchanges information. As part of this approach, the bank continuously monitors cybercrime threats and adapts the bank's defences where necessary.

Responsible tax policy

It is our corporate social responsibility to pay our fair share of tax. We communicate on our tax approach transparently and publish our tax principles on the ABN AMRO website. Our tax principles illustrate how we fulfil our social responsibility relating to tax. Our tax policy is based on these principles and provides guidance on what we believe is responsible tax behaviour for the whole ABN AMRO Group, both regarding our own affairs and in our dealings with clients.

Developments

In 2016 we reviewed and amended our tax principles and tax policy, and emphasised our social responsibility, based in part on the expectations expressed by our stakeholders during the stakeholder dialogue and public discussions. We further built on this approach in 2017 by, for example, discussing tax policy matters in a meeting with the bank's Ethics Committee. Although tax avoidance – which is different from tax evasion – and aggressive tax planning are not strictly illegal, these activities are increasingly unacceptable in today's societal context. As a good corporate citizen we do not use structures that are designed for aggressive tax planning or tax avoidance, and we aim to comply with the intention and spirit of the law. This is also reflected in our tax principles. To promote tax awareness and adherence to the tax policy, Group Tax has actively presented the revised tax policy to the ABN AMRO Group worldwide.

The Panama and Paradise Papers have strengthened our awareness of our corporate social responsibility, not only for our own tax position, but also in our approach to clients. We have also reviewed our tax policies and procedures to ensure that we comply with the UK Criminal Finances Act, which is intended to prevent the criminal facilitation of tax evasion, both in the UK and elsewhere.

Tax embedded in client acceptance and review procedures

As part of our Reliable and Responsible Banking programme, our client acceptance and review procedures include a review of potential tax evasion – which is never acceptable – and also reviews of clients from an aggressive tax planning and tax avoidance perspective. Group Tax supports relationship managers in assessing the tax positions of clients and in defining appropriate actions. If we encounter artificial arrangements that appear to have been put in place essentially for the purpose of avoiding taxes, we consult and discuss this with the client in question. Group Tax provided extensive training in 2017, not only to relationship managers, but also to legal and compliance officers to enhance their understanding of how to assess clients from a tax perspective. At the same time we are subject to limitations as it is impossible to perform a complete tax due diligence procedure on our clients.

Tax embedded in product approval procedures

As we wish to steer clear of aggressive tax planning and tax avoidance, our intention is to offer products that comply with the intention and spirit of the law and that place tax motives above commercial motives. This approach is also reflected in our tax principles and tax policy and embedded in the product approval process.

Transparency

Our tax principles, tax policy and our aim to be a good corporate citizen support our objective to pay our fair share of tax. We report taxable income in each country where we operate and in line with the value created in that specific country. The country-by-country report in note 10 of the Annual Financial Statements shows, among other things, our revenue and tax expense for each country. On the basis of the FATCA (Foreign Account Tax Compliance Act) and Common Reporting Standards (CRS) regulations we met our legal obligation to report information on our clients to the tax authorities in 2017. Going forward, we will annually review whether our tax policy needs to be adjusted in order to remain responsible.

Business performance

ABN AMRO

Retail Banking

- Leading position in the Netherlands
- Principal bank for 20%[1] of the Dutch population
- Top 3 position[2] in savings (including Private Banking)
- #2[3] in new mortgage production
- ± 5,000,000 retail clients
- ± 300,000 small businesses
- Seamless omnichannel distribution with a nationwide network of 202 branches, 24/7 Contact Center and top-class digital offering

Commercial Banking

- Established business partner of the Dutch corporate sector
- Approximately 65,000 clients with an annual turnover between EUR 1 million and EUR 250 million across 15 defined sectors
- Broad range of products and services based[4] on in-depth client and sector knowledge
- Utilising the opportunities presented by innovation, digitalisation and standardisation

Private Banking

- Market leader in the Netherlands
- Ranked top 5 in France and Germany
- Present in the eurozone with more than 50 branches
- Fully integrated financial advice and a broad array of digital services focused on wealth structuring, wealth protection and wealth transfer

Corporate & Institutional Banking

- Present in the key financial and logistical hubs providing sector and product expertise
- ± 3,000 domestic and international clients in selected sectors
- Five product units: Structured Finance, Trade & Commodity Finance, Global Markets, Clearing and Private Equity
- Adding value by combining the expertise and creativity of our people with the power and speed of technology

Group Functions

- Innovation & Technology
- Finance including Investor Relations, ALM, Treasury and Tax
- Risk Management
- Transformation & HR
- Group Audit, Corporate Office and Strategy & Sustainability

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

Internal reporting to the Executive Board changed in the first half of 2017, as requested by the Board. As a consequence, the operating segment Corporate Banking was split into Commercial Banking and Corporate & Institutional Banking.

Retail Banking

Business description

Retail Banking provides a full range of transparent banking products and high-quality services to individuals (investable assets up to EUR 500,000) and small businesses (turnover less than EUR 1 million). We offer our products and services under the ABN AMRO brand, and specific products and services under different labels. Our clients have access to a seamless omni-channel distribution network providing extensive digital and physical coverage, a top-class digital offering, an extensive network of 202 branches and our 24/7 Advice & Service Centres.

Retail Banking has a strong and recognised market position in the Netherlands. ABN AMRO captured a number 2 market position in new mortgage production in 2017, with a combined market share of all ABN AMRO brands in the Dutch mortgage market of approximately 21%[1]. In 2017, we maintained our number three primary bank position for retail clients (20%[2] of the Dutch population) and we serve approximately 300,000 clients in the small business segment. Retail and Private Banking held a combined market share of 21%[3] in the savings and deposits market.

We are continually adjusting our service model to better meet the needs of our clients. In January 2018 we transferred our small business clients to Commercial Banking to give them access to the services and expertise they require.

Business developments

Introduction

The banking sector is undergoing a transformation. Technological and regulatory developments are changing the competitive landscape, while consumers are becoming more digitally-oriented and self-directed. One of the ways we are adapting to this rapidly-changing environment, while pursuing our growth ambition, is by turning Moneyou into a fully digital retail challenger bank targeting Northwest Europe. We are also continuing to pursue our ambition of being at the forefront of digitalisation and technological developments so that we can deliver innovative products and solutions, enhance the client experience and offer relevant and personal expertise. We measure our employees' engagement with the organisation by means of an annual internal Employee Engagement Survey. The 2017 survey showed that 81% of Retail Banking staff felt engaged at work, a slight decrease compared with the 2016 score of 85%. Our employee engagement is in line with the financial services benchmark.

Digitalisation and innovation

We added more self-service features to our Mobile Banking app in 2017. Clients can now receive notifications of relevant banking matters on their mobile phones. Our clients make extensive use of our digital channels (the ABN AMRO Mobile Banking app is used more than 70 million times a month) and rate our products in the app stores highly (scores in the Apple App store and Google Playstore of 4.2 and 4.4 respectively, on a scale of 1 to 5). We also enhanced various innovative solutions launched in 2016, such as the Tikkie and Grip apps. The Tikkie payment app had over 2 million unique users at year-end 2017, while the first commercial partnerships were launched earlier in the year. ABN AMRO credit card transactions were integrated into the Grip financial planning app in 2017 to give clients more comprehensive information. To accelerate the speed of digitalisation and innovation, we have also continued to seek out opportunities for co-creation and collaboration. An example is our Digital Impact Fund, which invests in companies, preferably European FinTech, to co-create products and technologies that are relevant to our clients or our own operations.

Client centricity

While we focus on digitalisation, personal contact remains an important pillar of our strategy of client centricity We therefore continued conducting closed-loop feedback meetings with our clients in 2017, with staff following up on the feedback they received by contacting clients and learning from their input. To help us improve this experience, we measure the Net Promoter Score (NPS) on a regular basis, interviewing approximately 2,100 of our retail clients every

1 Source: Calculated based on information provided by the Dutch Land Registry (Kadaster), 2017.
2 Source: GfK online tracker, 2017.
3 Source: Calculated based on DNB Domestic MFI statistics and internal analyses H1 2017 figures.

quarter. The NPS for 2017 was -9 (2016: -15)[1]. The Dutch Banking Association (NVB) published the Trust Monitor (Vertrouwensmonitor) for the second time in 2016. The Trust Monitor reflects a survey by market research institute GfK on how people in the Netherlands think about banks in general, their own bank and how they experience various aspects of services provided by banks. On a scale of 1 to 5, ABN AMRO scored in line with the industry average on the specific question of the extent to which clients trust their own bank. Our score of 3.2 was slightly above our 2016 score of 3.1. Our efforts in this area were recognised by the Dutch Authority for the Financial Markets as we were ranked number one on feedback and complaints management (with a score of 4.5 on a scale of 1 to 5). Given our success with webcam mortgage consultations in 2016, we expanded our remote capabilities to other product segments during 2017, including, for example, conducting around 50% of all our advisory consultations by webcam. Our new chat function, introduced in 2017, offers our clients better and faster service. Clients appreciate the speed, expertise and user-friendliness of this online service. During the year we also launched chatbots for specific product groups and client segments to enhance our service levels.

Sustainability

Retail Banking is demonstrating social responsibility in its mission 2030, which aims to improve the energy efficiency in our residential real estate portfolio to an average label of A by 2030. By improving the energy efficiency of these properties we can reduce the volume of carbon emissions substantially. We are facilitating our clients in this process by offering them the newly introduced Energy Saving Check that explains the benefits of and opportunities for a more sustainable home. We also offer personal advice about improvements; some clients may, for example, be eligible for a 0.2% discount on their mortgage interest, and the bank will then arrange the financing.

Transparent product and service offering

We further invested in making our products and services more transparent and tailored in 2017. Florius also won the Dutch Gouden Spreekbuis in 2017 in recognition of the progress it has made in a rapidly-changing market. During the year we continued to raise our clients' awareness of their financial situation by approaching those clients with interest-only consumer loans and encouraging them to convert these into amortising loans.

In 2016, our quality control procedures regarding mortgage advice identified a breach of the bank's procedures. After a client has signed an initial mortgage advice to confirm that it has been seen and approved, information sometimes turns out to be missing, or the client has a different preference and the report does not explain this properly. In these cases, the advisor is required to correct the report and share it with the client, who then has to sign the revised report. In 2017, we completed the investigation into why, in some cases, employees copied clients' signatures on revised mortgage advice reports. We have taken measures to prevent this from happening again.

Our subsidiary International Card Services (ICS) was fined by the Netherlands Authority for the Financial Markets (AFM) in 2017 for excessive credit limits. In 2016 ICS identified certain issues from its past regarding the granting of credit to consumers and that had resulted in certain clients being provided with loans exceeding their borrowing capacity. In March 2017, ICS took the initiative to prepare a compensation plan for the clients concerned.

Financial review

Financial highlights

- 17% growth in underlying profit mainly driven by net impairment releases of EUR 100 million.
- Net interest income grew by 3% supported by positive volume developments on mortgages and higher margins on savings and deposits.
- Operating expenses decreased by 3% mainly due to cost-saving programmes and FTE reductions.
- Residential mortgage portfolio grew by EUR 1.4 billion. The increase was driven by a combined market share of all ABN AMRO brands in the Dutch mortgage market of approximately 21%[2].

[1] Source: Kantar TNS. Research on ABN AMRO label clients. Net Promoter Score is measured quarterly, total score is based on average of the quarters. Every quarter 2,100 randomly selected clients are contacted from a group of 22,500 clients chosen by ABN AMRO, based on internally defined criteria
[2] Source: Calculated based on information provided by the Dutch Land Registry (Kadaster), 2017.

Operating results

(in millions)	2017	2016	Change
Net interest income	3,439	3,355	3%
Net fee and commission income	406	463	-12%
Other operating income	150	140	7%
Operating income	**3,995**	**3,959**	**1%**
Personnel expenses	486	470	3%
Other expenses	1,657	1,741	-5%
Operating expenses	**2,143**	**2,211**	**-3%**
Operating result	**1,853**	**1,747**	**6%**
Impairment charges on loans and other receivables	-100	79	
Operating profit/(loss) before taxation	**1,953**	**1,669**	**17%**
Income tax expense	496	422	18%
Underlying profit/(loss) for the period	**1,456**	**1,247**	**17%**
Special items			
Reported profit/(loss) for the period	**1,456**	**1,247**	**17%**

Retail Banking's **underlying profit** increased by 17%. This increase was driven by net impairment releases and, to a lesser extent, by higher net interest income and lower expenses.

Net interest income rose by 3% to EUR 3,439 million. Interest income on mortgages benefited from higher volumes, with margin pressure on new mortgage production due to increased competition being offset by higher margins on the re-pricing portion of the mortgage book. Lending income declined on the back of lower volumes and margins. Income from savings and deposits benefited from higher margins following the reduction in the rate paid on main retail deposits. Income for 2017 was negatively impacted by a EUR 42 million provision for the Euribor claim and a EUR 8 million provision for ICS (2016: EUR 47 million).

Net fee and commission income decreased by 12%. This decrease was partly due to lower fees being charged for payment packages for small businesses (as from January 2017). In addition, securities-related fees were lower owing to the migration of client assets to Private Banking.

Other operating income increased to EUR 150 million (2016: EUR 140 million), mostly driven by the sale of the remaining equity stake in Visa Inc. that resulted in a pre-tax gain of EUR 114 million in 2017. The figure for 2016 included a EUR 116 million pre-tax gain on the sale of Visa Europe shares, of which EUR 101 million was booked within Retail Banking.

Personnel expenses increased to EUR 486 million (2016: EUR 470 million). The increase was due to a restructuring provision of EUR 24 million for ICS. Excluding this provision, personnel expenses decreased as a result of the lower number of FTEs (5,192 versus 5,266 in 2016). This reduction represented the net effect of an increase in the number of FTEs employed in online and mobile banking and an associated reduction in the number of branches (202 branches versus 221 in 2016).

Other expenses decreased by 5% to EUR 1,657 million. This was due to lower costs being allocated from Group Functions, thus highlighting the impact of the existing cost-saving programmes. The figure for 2017 includes additional investments in the digital banking subsidiary Moneyou and higher regulatory levies (EUR 155 million versus EUR 136 million in 2016), while the figure for 2016 included a provision for ICS handling costs of EUR 16 million.

The operating result increased by 6%. The cost/income ratio strengthened by 2.3% (53.6% versus 55.9% in 2016), with improvements in both operating income and operating expense.

Impairment charges decreased to a EUR 100 million release (2016: EUR 79 million charge), partly thanks to the strong performance of the Dutch economy. Impairment charges also benefited from favourable model updates and from additional IBNI releases in 2017 (EUR 60 million versus EUR 49 million in 2016).

Other indicators

	2017	2016
Underlying cost/income ratio	53.6%	55.9%
Underlying cost of risk (in bps)[1]	-6	5

[1] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

	31 December 2017	31 December 2016
Loan-to-Deposit ratio	153%	152%
Loans and receivables - customers (in billions)	157.2	156.3
- of which Client loans (in billions)	157.6	156.9
Due to customers (in billions)	102.8	102.7
Risk-weighted assets (risk exposure amount; in billions)	28.7	31.8
FTEs	5,192	5,266
Total Client Assets	115.1	117.9
- of which Cash	102.8	102.8
- of which Securities	12.3	15.1

Loans and receivables - customers increased to EUR 157.2 billion (2016: EUR 156.3 billion). This was driven by the residential mortgage portfolio, which increased by EUR 1.4 billion to reach EUR 147.5 billion by the 2017 year-end.

Total client assets decreased to EUR 115.1 billion (2016: EUR 117.9 billion). This was due to lower securities and primarily driven by internal transfers of clients to Private Banking.

Commercial Banking

Business description

Commercial Banking is an established business partner of the Dutch corporate sector. Operating in 15 economic sectors, we have a strong domestic franchise, combined with an asset-based finance presence in the UK, Germany, France and Belgium. We serve a total of approximately 65,000 clients. Our clients are corporates in all sectors of the economy, with annual turnover of between EUR 1 million and EUR 250 million. We offer them a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge. In January 2018, a group of approximately 300,000 small business clients were transferred from Retail to Commercial Banking.

Under our sector approach, we combine our sector knowledge and product expertise with the opportunities presented by innovation and digitalisation. The challenges we face include shifting client needs, changing economic conditions, technological developments, new market entrants and new regulations such as MiFID II and Basel IV.

Commercial Banking works in close partnership with other parts of the bank on product development, marketing and communication.

Business developments

Introduction

The Commercial Banking team has continued its journey of meeting changing client needs. Our focus is on offering clients expertise and high-quality digital banking services, adding value by advising clients at moments that matter and providing new services via our platform. We also simplified and reduced the number of layers in our organisation in 2017 so as to improve client focus, flexibility and efficiency. Our employee engagement score came out at 77%, which was 2% lower than the ABN AMRO average.

Our sector-based offering enables us to deliver first-class service and clear, appropriate advice. This makes us a valuable strategic partner for our clients. Our sector expertise and tailored product offering distinguishes us from other banks and gives us a solid foundation for growth. As part of our focus on long-term value creation, we help our clients to develop sustainable business models.

Digitalisation and innovation

In 2017 we strengthened our focus on digitalisation and innovation and continued implementing an agile way of working. Working in multidisciplinary teams has been adopted by all employees involved in designing our products, channels, systems and processes. As a result, we are now able to respond more quickly and effectively to client needs. Technological developments such as open banking and artificial intelligence create opportunities for us to improve our existing client propositions and to develop new business offerings.

September 2017 saw the launch of New10, a fully digital lender offering business loans of between EUR 20,000 and EUR 1 million. New10 is easy to use, and clients receive a credit decision within 15 minutes of submitting an application. As a wholly-owned subsidiary of ABN AMRO, but structured like an independent company, New10 combines ABN AMRO's expertise, data and experience with the responsiveness of a start-up, thus creating the best of both worlds.

Client centricity

We aim to provide clients with the best possible solutions in today's rapidly-changing environment. We use the drivers of our Net Promoter Score and continually engage with our clients so that we can better understand their wishes and challenges and can support them where needed. In 2017, our Net Promoter Score increased to -6 (2016: -23[1]).

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

[1] The figures of 2017 and 2016 are not comparable, due to a different method and supplier that were used to measure the NPS.

Sustainability

We want to help our clients in the transition to a more sustainable business model. As an example, improve the energy efficiency of their commercial premises so that ABN AMRO's entire real estate portfolio has an average energy label A by 2030. Underpinned by partnerships with experts in this field, we offer clients a comprehensive package of services designed to make their real estate more sustainable. In this way, we give them insight into the opportunities available for making improvements and the costs involved, while also offering financing solutions and support in taking practical measures. September 2017 saw the launch of the Sustainable Investment Tool, which gives clients free advice on making their properties more sustainable. ABN AMRO also offers to fully finance these required sustainable investments. The percentage of loans with an ESE indicator in our loan book was 50% in 2017.

Financial review

Financial highlights

- Net interest income up by 5% compared with 2016. The increase was partly the result of favourable unearned interest releases in 2017 and a negative one-off in 2016 relating to the provision for SME derivatives-related issues.
- Higher operating expenses in 2017 driven by restructuring provisions, digital investments and wage inflation and partly offset by ongoing cost-saving programmes.
- Net impairment releases in line with prior year.
- Total client loans rose steadily throughout 2017.

Operating results

(in millions)	2017	2016	Change
Net interest income	1,421	1,349	5%
Net fee and commission income	202	202	
Other operating income	63	57	11%
Operating income	**1,687**	**1,608**	**5%**
Personnel expenses	315	280	13%
Other expenses	573	580	-1%
Operating expenses	**888**	**860**	**3%**
Operating result	**798**	**748**	**7%**
Impairment charges on loans and other receivables	-180	-179	-1%
Operating profit/(loss) before taxation	**978**	**927**	**6%**
Income tax expense	245	233	5%
Underlying profit/(loss) for the period	**733**	**694**	**6%**
Special items		-8	
Reported profit/(loss) for the period	**733**	**686**	**7%**

Commercial Banking's **underlying net profit** increased by 6%, driven by favourable income results.

Reported net profit increased to EUR 733 million (2016: EUR 686 million). Besides movements in the underlying profit, the figure was impacted by the addition to the provision for SME derivatives-related issues, which was recorded as a special item in Q2 2016. The total gross impact was EUR 361 million, of which EUR 10 million was recorded at Commercial Banking.

Net interest income rose by 5% compared with 2016. The increase was partly attributable to favourable releases of unearned interest. Excluding these amounts, the item increased as a result of higher asset and liability volumes, partly offset by lower margins. Margin on liabilities declined owing to the low interest rate climate.

Other operating income was slightly up, driven by positive revaluation results.

Personnel expenses increased to EUR 315 million (2016: EUR 280 million). The increase was attributable to a restructuring provision within Asset Based Finance (EUR 12 million), wage inflation, higher pension costs and the higher number of FTEs. The increase in FTE numbers was due to a transfer from Group Functions to facilitate the shift to a more agile way of working.

Other expenses decreased by 1% to EUR 573 million. Additional costs relating to investments in IT, digital investments and the duty of care were more than offset by lower allocated costs from Group Functions as a result of the ongoing cost-saving programmes and a transfer of FTEs from Group Functions.

The operating result increased by EUR 50 million. The **underlying C/I ratio** improved to 52.7%.

Impairment charges continued to show releases. In addition to the strong economic environment, the releases in 2017 were supported by a favourable model update (EUR 29 million) and model refinement. The figure for 2017 also includes IBNI releases of EUR 6 million (EUR 137 million in 2016).

Other indicators

	2017	2016
Underlying cost/income ratio	52.7%	53.5%
Underlying cost of risk (in bps)[1]	-45	-46

[1] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

	31 December 2017	31 December 2016
Loan-to-Deposit ratio	110%	107%
Loans and receivables - customers (in billions)	39.2	37.3
- of which Client loans (in billions)	39.6	38.6
Due to customers (in billions)	35.7	34.9
Risk-weighted assets (risk exposure amount; in billions)	23.8	20.6
FTEs	2,773	2,751

Total client loans increased to EUR 39.6 billion (2016: EUR 38.6 billion). Growth was predominantly driven by asset-based finance and real estate and was impacted by a transfer of clients to Corporate & Institutional Banking.

Private Banking

Business description

We are a leading private bank in the eurozone in terms of client assets, with dedicated professionals who have in-depth knowledge of their clients. Our international expertise, combined with local involvement and over 300 years of experience in private banking, forms the basis of our long-standing client relationships. These strengths allow us to continually adapt to changing client needs and market trends, and to thoroughly understand the past, present and future financial situation of our clients. We offer clients multi-channel wealth management services that enable them to use our services whenever and wherever it suits them.

Private Banking targets high net worth individuals with more than EUR 500,000 in investable assets in the Netherlands or more than EUR 1 million outside the Netherlands, and ultra-high net worth individuals with more than EUR 25 million in investable assets. Private Banking is present in the Netherlands, France, Germany, Belgium, Luxembourg and the Channel Islands.

Business developments

Introduction

In line with our ambition to be a leading Northwest European private bank, our Private Banking business in Asia and the Middle East was successfully transferred to LGT in the first quarter of 2017. Following the changes at the Executive Board level, a new CEO for Private Banking was appointed in February 2017. The new management team has since further enhanced our ambition to offer clients expert advice combining a personal approach with a digital offering.

In 2017, we introduced functional management across the entire Private Banking organisation so as to enable further harmonising of segments and propositions, accelerate the introduction of digital solutions, and further leverage knowledge and activities across geographies. This was underpinned by implementation of the agile way of working, which will increase our efficiency and speed in delivering IT change. As implementing a new organisational structure, as well as harmonising and digitalising key processes, will affect the size and composition of the workforce we need, we are carrying out reorganisations in several countries. These have an impact on our employees, as reflected in the decline in employee engagement scores from 76 internationally and 84 in the Netherlands in 2016 to a combined total of 72 in 2017.

Digitalisation and innovation

During 2017, Private Banking launched mobile and internet banking in Germany and a daily mobile banking app in France. We are seeing a growing appetite in the market for a fully digital offering. To address this need, we launched Prospery in Germany in December. This is a digital wealth manager that offers clients wealth and investment management through a digital platform, combined with a personal financial expert, all at a single flat rate. Prospery is the first digital player in Europe to offer such a comprehensive digital wealth management proposition.

In the Netherlands, we introduced guided advice in 2017. This is a fully online, self-directed product for clients wanting to invest in profile funds. The lower threshold in the Netherlands, introduced in 2016, resulted in a transfer of clients from Retail Banking to Private Banking.

Client centricity

Today's clients expect round-the-clock access to relevant services offered in a seamless omni-channel environment. In order to offer this convenience in an economically viable manner, we need to fully leverage the economies of scale of the entire Private Banking business. In doing so, we can address the needs of our clients, while also creating growth opportunities. Developing dedicated offerings for our various client segments requires us to harmonise and digitise processes and to share knowledge and best practices.

Our Net Promoter Score recorded a sizeable increase outside the Netherlands in 2017, rising from 6 to 25, while the Netherlands also improved from -9 to -4. This relatively sharp increase was partly attributable to favourable conditions in the financial markets, but also shows that clients appreciate the quality of interactions and the relevance of services offered. Clients have clearly indicated that they expect our products to be tailored to their personal situation and to offer value for money, and that they also want clear communications.

In the Netherlands, ABN AMRO MeesPierson worked with GfK, a Dutch marketing research institute, to conduct benchmarking research on high net worth individuals. Based on interviews with 500 wealthy individuals in the Netherlands, the study provided valuable insights into the key trends and developments in the wealth management sector. Knowing what our clients value helps us to advise them on taking the right financial decisions.

Sustainability
In March 2017, we announced our plan to end our joint venture with Triodos. This joint venture was formed at a time when sustainable investment was still uncommon and needed to be carefully nurtured. We now find that clients are very interested in sustainable investments, and recognise and appreciate their value. From 2018, therefore, sustainable investment will be the norm for our new Private and Retail Banking clients in the Netherlands. We will also be contacting existing clients to discuss a – purely voluntary – switch from traditional to sustainable investments. Our goal is to double the volume of sustainable client assets in the next three years from EUR 8.2 billion in 2016 to EUR 16 billion. At 31 December 2017, sustainable client assets amounted to EUR 10.1 billion.

Financial review

Financial highlights
- Excluding the impact of the PB Asia divestment, both net interest income and fee and commission income rose by 8%.
- Personnel expenses and FTE numbers decreased, partly as a result of the PB Asia divestment and the ongoing restructuring of Private Banking.

Operating results

(in millions)	2017	2016	Change
Net interest income	659	645	2%
Net fee and commission income	573	580	-1%
Other operating income	307	89	
Operating income	**1,540**	**1,315**	**17%**
Personnel expenses	472	501	-6%
Other expenses	624	544	15%
Operating expenses	**1,095**	**1,045**	**5%**
Operating result	**444**	**269**	**65%**
Impairment charges on loans and other receivables	-6	20	
Operating profit/(loss) before taxation	**450**	**249**	**81%**
Income tax expense	64	50	28%
Underlying profit/(loss) for the period	**386**	**199**	**94%**
Special items			
Reported profit/(loss) for the period	**386**	**199**	**94%**

Private Banking's **underlying profit** amounted to EUR 386 million. Excluding PB Asia, profit increased by EUR 11 million, supported by income growth and net loan impairment releases.

Net interest income amounted to EUR 659 million. Excluding PB Asia, net interest income rose by EUR 48 million. The increase was largely driven by increased income on deposits as a result of higher volumes and margins. The figure for 2017 was negatively impacted by a EUR 10 million provision for the Euribor claim.

Net fee and commission income amounted to EUR 573 million. Excluding PB Asia, fee and commission income increased by EUR 43 million. The increase was seen across both the domestic and international businesses and was mostly driven by higher asset management fees. Fee and commission income also benefited from the migration of clients from Retail Banking.

Other operating income increased by EUR 218 million. The increase was largely driven by the proceeds of the PB Asia divestment, amounting to EUR 263 million (tax-exempt). The 2016 results included the proceeds of a provision release of EUR 21 million related to the sale of Private Banking Switzerland (2011).

Personnel expenses came out at EUR 472 million. Excluding PB Asia, these expenses fell by 1% owing to the lower number of FTEs. Compared with 2016, FTE levels decreased by 604 (largely because of the PB Asia divestment). A further FTE reduction is expected as a result of the digital transformation of the private banking activities.

Other expenses increased to EUR 624 million (2016: EUR 544 million). Excluding PB Asia, the increase amounted to EUR 66 million. This was the result of a goodwill impairment of EUR 36 million within Private Banking, investments in the new online wealth manager Prospery and higher regulatory levies. In addition, the figure for 2016 included a release following the settlement of an insurance claim of EUR 24 million.

The operating result improved slightly year-on-year (+1%), excluding the sale of PB Asia. **The cost/income ratio** improved to 71.1%, largely driven by the gain on the PB Asia divestment.

Impairment charges amounted to a release of EUR 6 million, compared with a charge of EUR 20 million in 2016. This improvement was largely driven by lower additions in the Netherlands and Luxembourg.

Other indicators

	31 December 2017	31 December 2016
Loan-to-Deposit ratio	19%	20%
Loans and receivables - customers (in billions)	12.2	12.1
- of which Client loans (in billions)	12.4	12.3
Due to customers (in billions)	65.0	61.8
Risk-weighted assets (risk exposure amount; in billions)	9.4	7.7
FTEs	3,240	3,844

	2017	2016
Underlying cost/income ratio	71.1%	79.5%
Underlying cost of risk (in bps)[1]	-5	13
Gross margin on client assets (in bps)	77	67

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

Due to customers rose to EUR 65.0 billion (2016: EUR 61.8 billion). This increase was predominantly driven by the Netherlands and mainly the result of the internal transfer of clients from Retail Banking to Private Banking.

Client assets

(in billions)	31 December 2017	31 December 2016
Opening balance Client Assets	**204.9**	**199.2**
Net new assets	5.7	0.6
Market performance	6.8	5.0
Divestments/acquisitions	-16.7	
Closing Balance Client Assets	**200.6**	**204.9**
Breakdown by type		
Cash	67.2	67.6
Securities	133.4	137.2
- of which Custody	36.7	35.4
Breakdown by geography		
The Netherlands	55%	48%
Rest of Europe	45%	44%
Rest of the world	0%	9%

Client assets amounted to EUR 200.6 billion at 31 December 2017. Excluding the impact of the PB Asia divestment (EUR 16.7 billion), the increase in client assets was supported by a better market performance (especially in Q1 2017) and the inflow of new assets.

Net new assets totalled EUR 5.7 billion and were mostly driven by the internal transfer of clients from Retail Banking.

Corporate & Institutional Banking

Business description

Corporate & Institutional Banking has a total client base of approximately 3,000. In the Netherlands, we serve business clients with revenues exceeding EUR 250 million. In Northwest Europe (France, Germany, United Kingdom and Belgium), we serve clients in eight selected sectors with revenues exceeding EUR 100 million. These clients are served by our Client Service Teams, which offer specific product or sector knowledge. We are currently active in 13 countries in the Americas, Europe, the Middle East and Africa, and Asia Pacific. Our five product units offer loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Markets) and specialised products (Clearing and Private Equity).

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

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

Business developments

Introduction

A new CEO was appointed for Corporate & Institutional Banking, along with a new management team. We also simplified and reduced our organisational layers so as to improve our client focus, flexibility and efficiency. Our Employee Engagement score development is in line with the Group development (2017: 78%).

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

Digitalisation and innovation

One of our ambitions is to create a fully-fledged online bank. At the same time, the human element remains an essential part of our long-term strategic proposition. At Corporate & Institutional Banking, we aim to add value for our clients by combining the expertise and creativity of our people with the power and speed of technology.

A new proposition, Franx, was developed in 2017. This is an online platform on which organisations can make international payments and trade in foreign currency.

Client centricity

We aim to provide clients with the best possible solutions in today's rapidly-changing environment. We are using the drivers of our Net Promoter Score, as well as continually engaging with our clients, to better understand their wishes and challenges and, in this way, support them where needed. Our Net Promoter Score in 2017 was 32 (2016: 40[1]).

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

Since summer 2014, ABN AMRO has been working towards a solution for clients with interest rate derivatives. High numbers of employees have been involved in this process. In 2017 we started reassessing approximately 10,000 interest rate derivatives held by 7,000 ABN AMRO clients. This reassessment is focused on ensuring these clients' interests are taken into proper account.

[1] The figures of 2017 and 2016 are not comparable, due to a different method and supplier that were used to measure the NPS.

Sustainability

Corporate & Institutional Banking is committed to keeping pace with the energy transition the world is currently undergoing. Our Natural Resources team is focused on the changing composition of the global energy mix. By financing sustainable wind energy projects in Western Europe, we are continuing to play a part in the transition to carbon-neutral energy. This activity ties in well with ABN AMRO's sustainability mission. As a partner in the Sustainable Shipping Initiative, we are one of the leading banks for developing responsible ship recycling standards.

Financial review

Financial highlights

- Net interest income growth of 5% supported by favourable releases from unearned interest, the TLTRO funding benefit, volume growth and positive margin developments, mainly within Natural Resources, Transportation and Financial Institutions.
- Other operating income growth driven by CVA/DVA/FVA results, Equity Participations and lower provisions for SME derivatives-related issues.
- Increase in FTE numbers and associated personnel expenses in support of the growth initiatives.

Operating results

(in millions)	2017	2016	Change
Net interest income	975	931	5%
Net fee and commission income	538	549	-2%
Other operating income	317	118	
Operating income	**1,830**	**1,598**	**15%**
Personnel expenses	442	400	10%
Other expenses	827	735	12%
Operating expenses	**1,269**	**1,135**	**12%**
Operating result	**561**	**463**	**21%**
Impairment charges on loans and other receivables	219	210	5%
Operating profit/(loss) before taxation	**342**	**254**	**35%**
Income tax expense	121	71	69%
Underlying profit/(loss) for the period	**221**	**182**	**21%**
Special items		-263	
Reported profit/(loss) for the period	**221**	**-81**	

Underlying net profit increased by EUR 39 million, driven by net interest income and growth in other operating income.

Reported net profit increased by EUR 302 million. Besides movements in the underlying profit, this increase was driven by the addition to the provision for SME derivatives-related issues, which was recorded as a special item in Q2 2016. The total gross impact was EUR 361 million, of which EUR 351 million was recorded in the net trading income for Global Markets.

Net interest income increased to EUR 975 million (2016: EUR 931 million). The figure for 2017 was positively impacted by favourable releases from unearned interest and the recognition of the TLTRO funding benefit. Excluding these items, net interest income rose owing to positive volume and margin developments (loans and deposits), mainly within Natural Resources, Transportation and Financial Institutions. In addition, the figure for 2017 includes more interest-related fees on the back of the rising number of new loan facilities. Net interest income at Global Markets decreased as favourable results from 2016, mainly within collateral management, were not replicated.

Net fee and commission income decreased to EUR 538 million (2016: EUR 549 million), largely because of the lower clearing fees resulting from volatility in the financial markets being lower than in 2016.

Other operating income increased to EUR 317 million (2016: EUR 118 million). This was driven by higher CVA/DVA/FVA results (EUR 75 million versus negative EUR 2 million in 2016), positive Equity Participations results (EUR 114 million versus EUR 13 million in 2016) and lower provisions for SME derivatives-related issues (EUR 21 million versus EUR 25 million in 2016).

Personnel expenses increased to EUR 442 million (2016: EUR 400 million). In addition to wage inflation and higher pension costs, the increase was driven by the higher number of FTEs (+155 compared with 2016) needed to support the growth initiatives.

Other expenses increased to EUR 827 million (2016: EUR 735 million). Higher costs in 2017 include EUR 139 million of project costs for SME derivatives-related issues (2016: EUR 55 million provision and EUR 34 million project costs). Regulatory expenses were also higher in 2017 (EUR 76 million versus EUR 63 million in 2016).

Impairment charges were up by EUR 9 million. These charges included an IBNI charge of EUR 8 million (2016: EUR 1 million). The impairment charges in the ECT portfolio came out lower at EUR 186 million, representing a decrease of EUR 23 million compared with 2016.

Income tax expense amounted to EUR 121 million and included an impairment of deferred tax assets of EUR 24 million following the tax reform in the USA.

Other indicators

	2017	2016
Underlying cost/income ratio	69.3%	71.0%
Underlying cost of risk (in bps)[1]	38	41

[1] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

	31 December 2017	31 December 2016
Loan-to-Deposit ratio	173%	176%
Loans and receivables - customers (in billions)	59.7	54.2
- of which Client loans (in billions)	38.9	38.3
Due to customers (in billions)	30.3	27.4
Risk-weighted assets (risk exposure amount; in billions)	37.7	34.3
FTEs	2,542	2,387

Total client loans increased to EUR 38.9 billion (2016: EUR 38.3 billion). The figures presented include the effects of an increase in commodity prices (positive impact of approximately EUR 1.3 billion) and further depreciation of the US dollar (negative impact of approximately EUR 3.5 billion).

Due to customers increased to EUR 30.3 billion (2016: EUR 27.4 billion). Even though negative rates are being charged to a large portion of clients, deposits continued to rise during the year owing to excess liquidity in the market. Most of the growth in this item was attributable to Financial Institutions and Large Corporates.

Group Functions

Business description

Group Functions is organised into the following main departments: Innovation & Technology, Finance, Risk Management, Transformation & HR, Group Audit, Strategy & Sustainability and Corporate Office. The majority of the Group Functions costs are allocated to the businesses.

Innovation & Technology

Innovation & Technology supports the Group by providing services in the areas of IT (software and hardware), operations facility management, information security, procurement, and programme and project management, both in the Netherlands and internationally. It consists of the following main departments: Agile at Scale, Business Services, Innovation and IT.

Finance

Finance helps keep the Group on track to achieve the goals defined in its long-term strategy. It is the primary supplier of management and reporting information to the Group's internal and external stakeholders, and plays an independent role in delivering management information and challenging business decisions. Finance provides a strong financial control environment and ensures compliance with accounting standards and requirements set by the regulatory authorities. It consists of the following main departments: Financial Accounting, Controlling, Investor Relations, ALM, Treasury and Tax.

Risk Management

A strong, sustainable bank is reliant on sound risk management. Risk Management secures a sound risk/return ratio by maintaining a bank-wide moderate risk profile as part of our long-term strategy, as determined by the bank-wide risk appetite. All the events or risk types to which the bank is exposed are defined and categorised in the risk taxonomy. Risk Management identifies and manages all the risk types classified in this taxonomy. The Risk, funding & capital management section of this report elaborates on the bank's risk model, risk taxonomy and risk approach. Risk Management consists of the following main departments: Business Management, Risk Management, Compliance, Credit Risk, Financial Restructuring and Recovery, Legal and Operating Risk Management.

Transformation & HR

The primary responsibility of Transformation & HR is to help the Group's businesses put clients centre stage by managing human resources and the bank's corporate identity and reputation. Transformation & HR aims to prevent reputational damage and strives to manage and improve the Group's reputation, brand name and brand value within and outside the Netherlands in a consistent manner and to position the Group as a trustworthy and sustainable organisation. As part of this process, ABN AMRO Foundation runs social projects and coordinates activities that promote social engagement. Transformation & HR consists of the following main departments: Human Resources and Branding & Communications.

Group Audit, Strategy & Sustainability and Corporate Office

Group Audit provides independent oversight and control, on behalf of senior and executive management, of the core processes, policies and procedures that are designed to ensure that the Group complies with both the letter and spirit of general and industry-specific legislation and regulations. In this way, it helps to protect the Group's reputation. Strategy & Sustainability provides advice on strategy and the implementation of various strategic initiatives and activities, including acquisitions and divestments, and strategic programmes for the Group and its stakeholders. Additionally it formulates the Group's overall sustainability strategies and ensures that sustainable banking is embedded in the Group's business practices. The Corporate Office is also part of Group Functions.

Financial review

Financial highlights

- Operating income improved, largely driven by favourable hedge accounting-related results.
- Operating expenses decreased owing to lower restructuring provisions and the cost-saving programmes.

Operating results

(in millions)	2017	2016	Change
Net interest income	-38	-2	
Net fee and commission income	28	15	90%
Other operating income	248	96	
Operating income	**238**	**108**	**120%**
Personnel expenses	876	1,125	-22%
Other expenses	-689	-720	4%
Operating expenses	**187**	**405**	**-54%**
Operating result	**51**	**-297**	
Impairment charges on loans and other receivables	4	-15	
Operating profit/(loss) before taxation	**48**	**-282**	
Income tax expense	52	-36	
Underlying profit/(loss) for the period	**-4**	**-245**	**98%**
Special items			
Reported profit/(loss) for the period	**-4**	**-245**	**98%**

The **underlying result** was a loss of EUR 4 million, representing an improvement of 98% that was driven by favourable hedge accounting results, lower provisions and a declining cost base.

Net interest income amounted to a loss of EUR 38 million (2016: EUR 2 million loss). Higher buffer and steering costs were only partly offset by a release of mortgage penalty interest of EUR 49 million.

Net fee and commission income rose to EUR 28 million (2016: EUR 15 million). The increase was driven by additional fees from securities financing activities and additional income from Stater (mortgage service provider). The 2017 figures include a reclassification of Stater-related income from other operating income to net fee and commission income (EUR 73 million; historic figures also restated).

Other operating income rose to EUR 248 million (2016: EUR 96 million). The increase was largely driven by favourable hedge accounting-related results. The 2016 figures included the Equens revaluation gain of EUR 52 million. In addition, both years included tax-exempt provisions related to the securities financing activities discontinued in 2009.

Personnel expenses decreased to EUR 876 million (2016: EUR 1,125 million). The decrease was supported by lower restructuring provisions. The 2016 figures included EUR 321 million of restructuring provisions related to the reorganisation of control and support activities and further digitalisation and process optimisation. The figures for 2017 included an additional EUR 156 million in restructuring provisions, of which EUR 112 million was booked in Group Functions. Excluding provisions, personnel expenses declined on the back of the lower FTE numbers resulting from the ongoing cost-saving programmes (6,206 FTE compared with 7,416 FTE in 2016). FTE levels were also impacted by a transfer of FTE from Group Functions to the commercial business lines in order to embed a more agile way of working.

Other expenses amounted to a negative EUR 689 million (2016: negative EUR 720 million). Lower expenses resulting from the various cost-saving programmes were offset by fewer costs being allocated to the commercial business lines. The 2017 figures include a EUR 17 million impairment related to the ATM network, while the 2016 figures included a provision of EUR 27 million in respect of office space.

Other indicators

	31 December 2017	31 December 2016
Securities financing - assets (in billions)	13.0	12.9
Loans and receivables - customers (in billions)	6.6	7.8
Securities financing - liabilities (in billions)	10.9	10.5
Due to customers (in billions)	2.9	1.8
Risk-weighted assets (risk exposure amount; in billions)	6.5	9.8
FTEs	6,206	7,416

Responsibility statement

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Executive Board state that to the best of their knowledge:

- The Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Group N.V. and the companies included in the consolidation;
- The Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2017 of ABN AMRO Group N.V. and of its affiliated companies, of which data is included in its Annual Financial Statements;
- The Annual Report describes the material risks with which ABN AMRO Group N.V. is faced.

Amsterdam, 13 March 2018

Executive Board

Kees van Dijkhuizen, Chief Executive Officer and Chairman
Clifford Abrahams, Chief Financial Officer and Vice-Chairman
Christian Bornfeld Chief Innovation & Technology Officer
Tanja Cuppen, Chief Risk Officer

Risk, funding & capital

This section discloses comprehensive information on risk management, capital adequacy and funding. Some disclosures in this section contain audited information and are an integral part of the Annual Financial Statements.

Introduction to Risk, funding & capital management

This section provides an introduction to the Risk, funding & capital Report. As this Report contains information according to both EU IFRS and CRD IV/CRR, more information on differences in scope and consolidation is provided.

Contents

Risk, funding & capital management

This chapter provides more information on the Group's approach to risk, funding and capital management by describing strategy, policies, governance and measurement approaches.

Risk, funding & capital review

The portfolio composition and developments are described in the Risk, funding & capital review section. This section also describes developments in the Group's major risk types and regulatory capital.

Additional risk, funding & capital disclosures

This chapter provides an overview of additional disclosures required under current regulations.

Regulatory requirements Pillar 3 EDTF 1

The Risk, funding & capital section incorporates the disclosures required under the Dutch Financial Supervision Act (*Wet op financieel toezicht - Wft*), the EU Capital Requirements Regulation (CRR), Title 9 Book 2 of the Dutch Civil Code and IFRS. ABN AMRO also embraces the EDTF principles and recommendations.

Pillar 3 disclosures EDTF 1

The objective of Pillar 3 disclosures is to inform existing and potential investors in ABN AMRO on how the organisation manages risk and capital adequacy. Pillar 3 disclosures are part of the Basel framework, which is based on the three-pillar concept. Pillar 1 details the minimum capital requirements, Pillar 2 relates to the internal capital adequacy measurement and the supervisory review, and Pillar 3 relates to disclosures on capital and risk to encourage market discipline.

The Pillar 3 disclosures are prepared in accordance with the Capital Requirements Regulation (CRR) and the EBA guidelines (Final report on the guidelines on disclosure requirements under part eight of regulation (EU) No 575/2013). ABN AMRO has incorporated the qualitative Pillar 3 disclosures into this Annual Report. From 2017, the quantitative Pillar 3 disclosures are published in a separate document on the website of ABN AMRO Group N.V.

EU IFRS EDTF 1

Some disclosures in the Risk, funding & capital section are an integral part of the Annual Financial Statements and contain audited information. The audited parts concern risk disclosures of financial instruments (IFRS 7) and capital disclosures (IAS 1). Audited information in these sections is labelled as 'audited' in the respective headings.

Enhanced Disclosure Task Force (EDTF) EDTF 1

ABN AMRO embraces the EDTF principles and recommendations and has implemented the vast majority of the 32 recommendations. For 2017, ABN AMRO reaffirms its commitment to the EDTF report. EDTF disclosures are labelled as 'EDTF' in the respective headings.

Risk exposure measurement and scope differences Pillar 3

Risk measures differ depending on the purpose for which exposure is calculated: EU IFRS or the determination of regulatory or economic capital (CRD IV/CRR). EU IFRS is mainly used to measure the bank's financial results and position. Regulatory and economic capital are more suitable for certain risk measurement purposes because EU IFRS classifies the financial position by class of product, whereas the objective of regulatory reporting is to take a risk-sensitive view on the bank's portfolio and to ensure that sufficient capital buffers for unexpected losses and sufficient liquidity buffers are maintained. In addition, the financial position according to EU IFRS provides a liquidity view instead of a credit view.

EU IFRS reporting scope EDTF 1

The consolidation scope of ABN AMRO is determined in accordance with IFRS 10 Consolidated Financial Statements and IFRS 11 Joint arrangements. More information can be found in the Annual Financial Statements.

In accordance with IAS 28, associates, participations and joint ventures engaged in financial and non-financial activities are accounted for on an equity basis. These investments are recognised at cost and increased or decreased by ABN AMRO's share of the profit or loss of the entity after acquisition. Further details on the reconciliation between accounting (EU IFRS) and regulatory framework exposures are provided in the Risk management section.

Regulatory reporting scope Pillar 3

The scope of consolidation for the purpose of calculating regulatory and economic capital (based on the CRD IV and CRR) is generally the same as the consolidation scope under EU IFRS and includes subsidiaries directly or indirectly controlled by ABN AMRO that are active in the banking and financial sectors. However, subsidiaries consolidated under EU IFRS that are active in sectors other than banking and finance are excluded from the regulatory scope of consolidation. The table below describes the differences in consolidation for the purpose of calculating regulatory capital requirements and for the purpose of financial reporting under EU IFRS.

ABN AMRO applies CRD IV/CRR for determining its regulatory and economic capital and is subject to the reporting requirements imposed by its joint supervisors, the European Central Bank and the Dutch central bank (DNB). The capital and related reporting requirements in the CRD IV/CRR apply under the following scopes:

- ABN AMRO Group N.V. consolidated;
- ABN AMRO Bank N.V. solo with its Dutch subsidiaries and foreign branches (solo consolidation);
- International Card Services B.V. solo;
- Sub-consolidated application for ABN AMRO Clearing Bank N.V., Banque Neuflize OBC S.A., Bethmann Bank A.G., ABN AMRO Bank (Luxembourg) S.A.

ABN AMRO has acquired waivers to apply the capital and related reporting requirements on a solo basis to its Dutch credit subsidiaries. Sub-consolidated reporting is not applicable to the credit institution subsidiaries in the Netherlands, with the exception of ABN AMRO Clearing Bank N.V.

The Dutch credit institution subsidiaries are ABN AMRO Bank N.V., ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V.

Differences in scope of consolidation between EU IFRS and regulatory reporting Pillar 3

	Financial reporting under EU IFRS	Capital treatment under the Capital Requirements Regulation	Main related entities
Insurance companies	Fully consolidated entities engaged in insurance activities.	The required capital is based on the equity investment in insurance entities.	ABN AMRO Captive N.V., White Rock Insurance (Gibraltar) PCC Limited / Cell, ABN AMRO Life Capital Belgium N.V., ABN AMRO Life S.A.
Subsidiaries engaged in non-banking and non-insurance subsidiaries	This category includes entities engaged in non-financial activities, which are consolidated in accordance with IFRS requirements.	The required capital is based on the equity investment in these subsidiaries.	ABN AMRO Pensioeninstelling N.V., Sumsare N.V., ABN AMRO Arbo Services B.V., Landgoed Duin & Kruidberg B.V., Aurasio GmbH, AA Bank (Luxembourg) S.A., ABN AMRO Social Impact Investments B.V.

Risk, funding & capital management

This section provides an overview of the Group's risk, funding and capital management approach, including strategies, measurement approaches and the risk governance framework. Portfolio developments are described in the Risk, funding & capital review section.

Risk approach

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

Risk profile Pillar 3 EDTF 2 EDTF 7

The risk profile is managed based on an integrated risk management framework. In this framework, all risk types, cross-risk types and overarching risks are identified to provide a single, integrated view on the bank's risk profile and on the risk profile of the businesses.

By looking at the overall, integrated risk profile, we strive to carefully balance actions to manage the risk profile within the moderate risk profile.

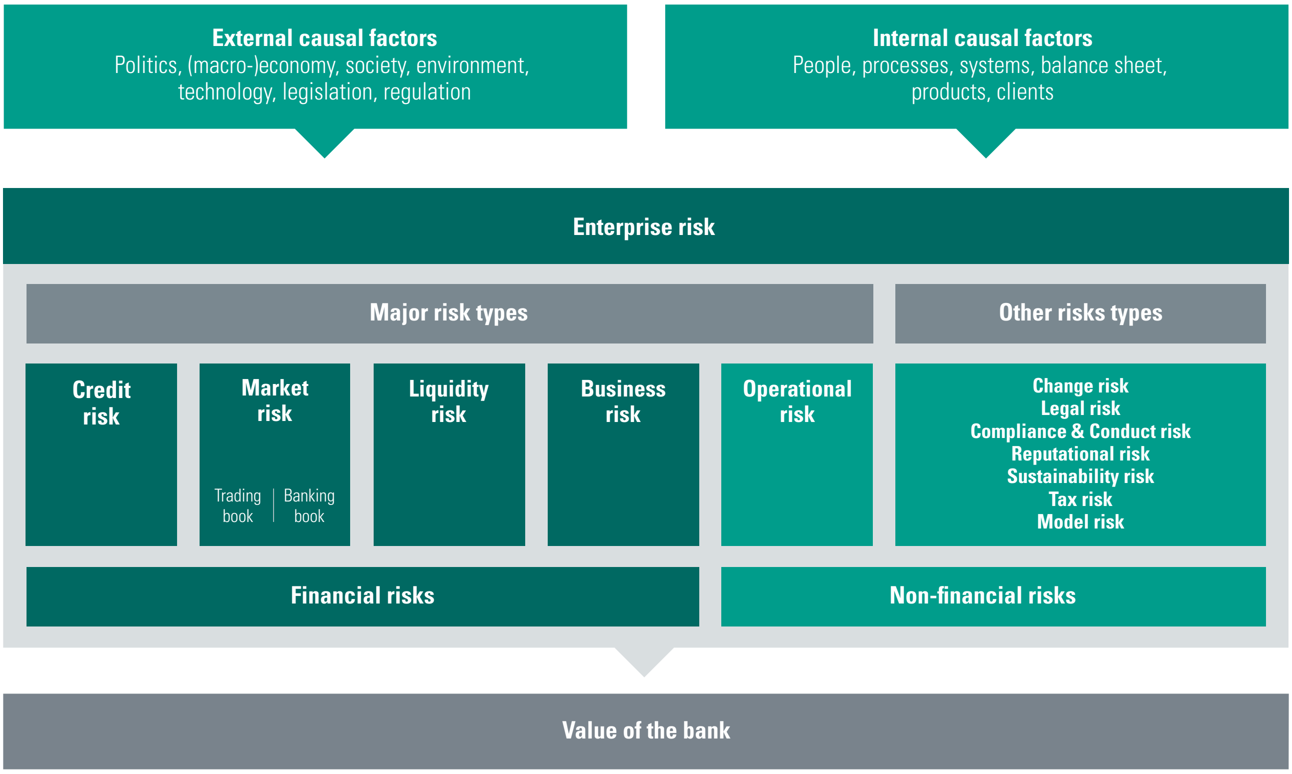
The following sections describe the risk taxonomy, risk appetite, risk governance and risk measurement, all of which are key aspects of our moderate risk profile. For more information on the balance sheet composition, please refer to the Risk, funding & capital review section.

Risk taxonomy Audited EDTF 7

Our risk taxonomy is the classification of risks into risk types to which the bank is, or could be, exposed. It is reviewed and updated on an annual basis to ensure that all material risks are identified, defined and taken into account in the risk governance framework. It creates a common risk vocabulary, provides a checklist of types of risks for use in risk assessments, and assists in ensuring that all material risks are managed and that roles and responsibilities are identified.

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

Risk taxonomy



The main risk types are credit, market, liquidity, business and operational risk. These risks are discussed later in this section. In addition to operational risk, other non-financial risks are classified, the management of which often requires a particular specialism (such as compliance or legal risk).

Risk appetite Audited | EDTF 2 | EDTF 7 | Pillar 3

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

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

Senior management continually monitors the bank's activities, based on the risk appetite. The status and outlook are discussed on a monthly basis in the Executive Board and on a quarterly basis by the Supervisory Board, based on the Enterprise Risk Management report. The risk appetite is re-assessed on an annual basis and approved by the Executive Board and Supervisory Board.

The risk appetite includes a set of key guiding principles providing a qualitative explanation of the boundaries of the moderate risk profile. The principles are written in simple terms and are the foundation of the risk appetite statements.

The key principles are fairly stable over time, with major changes expected only as a result of significant changes to our strategy. The key guiding principles are shown in the following figure:

Key guiding principles for the risk appetite

ABN AMRO employees will act risk aware and in accordance with the ABN AMRO core values, principles and code of conduct

Key guiding principles for the risk appetite

1. Client centricity	We only offer products and services that are in the interests of our clients and that they understand
2. Understanding risks	We only engage in activities which we understand and where we can monitor, manage and price in risks involved
3. Sustainability	We aim to minimise the adverse social and environmental impact of our activities and those of our clients and suppliers
4. Avoiding surprises	We do not take risks that could take our stakeholders by surprise or compromise our reliability
5. Limiting currency and interest rate positions	We manage and limit the interest rate and currency risks arising from our normal business operations
6. Avoiding concentration risks	We seek to avoid concentrations of risk by diversifying our products and services and by setting limits for sectors, clients and countries
7. Managing credit risks	We limit our credit risks through sound and prudent credit assessment and portfolio management
8. Respecting rules and regulations	We aim to act in accordance with the laws, regulations and codes of conduct that apply to us
9. Maintaining a capital buffer	We aim to comfortably meet the internal and external capital ratio requirements
10. Maintaining a liquidity buffer	We maintain a buffer of liquid assets so that we can meet our payment and collateral obligations for a prolonged period of time, even during periods of stress

The risk appetite consists of statements set for each risk type presented in the risk taxonomy. Each statement consists of one or more quantitative and/or qualitative indicator(s), referred to as a key risk indicator (KRI). For every KRI, a limit is set against which the actual risk profile is monitored in the Enterprise Risk Management report. If the limit of a KRI is breached, action is required to bring our risk profile back within the limit. To allow for timely action, early warnings are in place to prevent limit breaches.

Examples of KRIs in our risk appetite include:
- Regulatory and internal capital ratios
- Risk-adjusted return measures
- Concentration limits for single counterparties, industry sectors and countries
- Economic capital limits for various risk types
- Liquidity ratios (LtD, LCR, NSFR)
- Market risk parameters (duration, NII-at-Risk)
- Operational risk parameters (outstanding issues)
- Reputational risk parameters (NPS, employee engagement score).

In setting the statement for each risk type, the following aspects are considered alongside the guiding principles: the corporate strategy, market standards (such as peer analyses), the economic environment, regulations, the view of our stakeholders and the actual risk profile, as well as internal insights and risk management tools. In addition to adherence to the guiding principles, balancing these aspects provides us with the means to substantiate risk statements for each risk type.

Risk culture EDTF 6 Pillar 3

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

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

We place strong emphasis on sound risk control in our compensation policies. ABN AMRO's remuneration policy is in line with our risk profile. More details are provided in Remuneration in the Governance section.

Risk governance Audited Pillar 3 EDTF 5

The Risk Governance Charter defines ABN AMRO's Risk governance and decision framework (delegated authorities and mandates) for both financial and non-financial risk. The Risk Governance Charter is in place to support an efficient and effective Risk Control Management throughout, and at all levels of, the bank.

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

Three lines of defence

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

Three lines of defence Audited Pillar 3 EDTF 5

1 1st Line of Defence Business	2 2nd Line of Defence Risk control functions	3 3rd Line of Defence Audit
Risk ownership	**Risk control**	**Risk assurance**
Responsible for ▶ Risk taking and owning the risk ▶ Transaction execution ▶ Acting in accordance with policies ▶ Effectiveness of risk control	Responsible for ▶ Setting frameworks, rules and advice ▶ Approval of risk intake ▶ Monitoring, reporting, and risk control ▶ Ensuring 1st line takes risk ownership	Responsible for ▶ Evaluating the design and effectiveness of governance, risk management and control processes, agreeing with management on solutions and monitoring follow-up

Executive risk committees

The Executive Board is ultimately responsible for a balanced assessment of the bank's commercial interests and the risks to be taken within the boundaries of the risk appetite.

In the risk decision-making framework, the Executive Board is supported by three executive risk committees: the Group Risk Committee, Central Credit Committee and Asset & Liability Committee, each of which is jointly chaired by a member of the Executive Board. The other executive committees also decide on risk-related issues, in the presence of Risk Management representatives.

In addition, the Executive Board itself takes decisions that are of material significance for the risk profile, capital allocation and liquidity of ABN AMRO. Additional information is provided in the Governance section.

The Supervisory Board is responsible for approving ABN AMRO's risk appetite statements and for supervising whether our commercial interests, capital allocation and liquidity requirements in general terms comply with the bank's risk appetite. The Supervisory Board also oversees the risk governance and execution of ABN AMRO's strategy as performed under the responsibility of the Executive Board.

Group Risk Committee

The Group Risk Committee (GRC) is mandated by the Executive Board to monitor, assess and manage the bank's risk profile in relation to the risk appetite. The GRC is, for example, responsible for establishing a product approval process to ensure we only accept risks that we understand and that serve the interests of clients, and for ensuring the adequate functioning of this process. The GRC may delegate specific approval powers to subsidiary risk committees, but remains responsible on behalf of the Executive Board. The terms and conditions of the delegation of authority with respect to risk policies, methodologies and new products are specified in the Risk Governance Charter.

Central Credit Committee

The Central Credit Committee (CCC) is mandated by the Executive Board to decide on credit proposals that have a significant impact on our credit portfolio. In certain cases, the CCC decisions require final approval by the Executive Board.

Asset & Liability Committee

The Asset & Liability Committee (ALCO) is mandated by the Executive Board to decide on our interest profile, liquidity profile and solvency position within the risk appetite. The ALCO is responsible for managing liquidity, market risk in the banking book and capital.

Risk measurement Pillar 3 EDTF 2 EDTF 5

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

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

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

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

Capital

Regulatory capital (CRD IV/CRR) Audited Pillar 3

Under the Basel framework, banks are required to hold capital to cover the financial risks a bank faces. For Pillar 1, the capital requirement is based on the aggregated risk-weighted assets (RWA) for the three major risk types (credit, operational and market risk). The capital requirements are stated as a percentage (set by the regulators) of the RWA.

Introduction
Strategy and performance
Risk, funding & capital
Leadership structure
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Other

Economic capital

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

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

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

EC Quality Assessment

The EC models described above form the core of the Internal Capital Adequacy Assessment Process (ICAAP), but may not necessarily capture all risks. As part of the ICAAP, we perform an annual EC Quality Assessment (ECQA). For each main risk type, the calculated EC figure is evaluated in the following areas:

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

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

Stress testing Audited EDTF 8 Pillar 3

Stress testing is an integral part of our risk awareness. ABN AMRO uses stress testing as an important risk management instrument, looking at capital and liquidity risk from a firm-wide perspective on a regular basis. Stress testing assists us in identifying our risks and key vulnerabilities. It therefore helps to increase risk awareness throughout ABN AMRO. It also aims to safeguard business continuity by means of proactive management and the review of potential future scenarios. Bank-wide stress testing, as applied by ABN AMRO, is defined as the evaluation of potential effects on the bank under a set of plausible but unlikely events and developments. These events may be systemic (e.g. multi-year macroeconomic stress) or ABN AMRO-specific and cover capital as well as liquidity.

Stress testing purposes

ABN AMRO applies bank-wide stress testing based on internally defined scenarios for the following purposes:

- Risk-appetite setting and monitoring: the outcome of stress testing is used for setting and monitoring risk appetite limits and targets, including limits under stress. If the stress test outcome breaches a limit, mitigating actions will be considered to close the shortfall. The impact is taken into account in the capital and funding planning;
- Contingency planning: stress testing is used to assess and strengthen the contingency plans' triggers and measures. To this end, reverse stress testing is executed to gain advance insight into plausible events that could put the continuity of ABN AMRO under pressure;
- Capital planning: stress testing is used to gain insight into the resilience of our capital under adverse changes in the economic environment. The results of the stress tests are incorporated into the Internal Capital Adequacy Assessment Process (ICAAP).

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

Scenario analysis

In addition to bank-wide stress testing, we regularly perform scenario analyses for relevant portfolios to test their resilience to specific risk metrics. The scenarios are often adverse in nature and may vary in severity.

Credit risk management EDTF 26

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

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defence. Credit risk is monitored by way of the first and second lines of defence on a permanent and ongoing basis, with a view to keeping credit risk exposures within the limits of the business line's risk appetite.

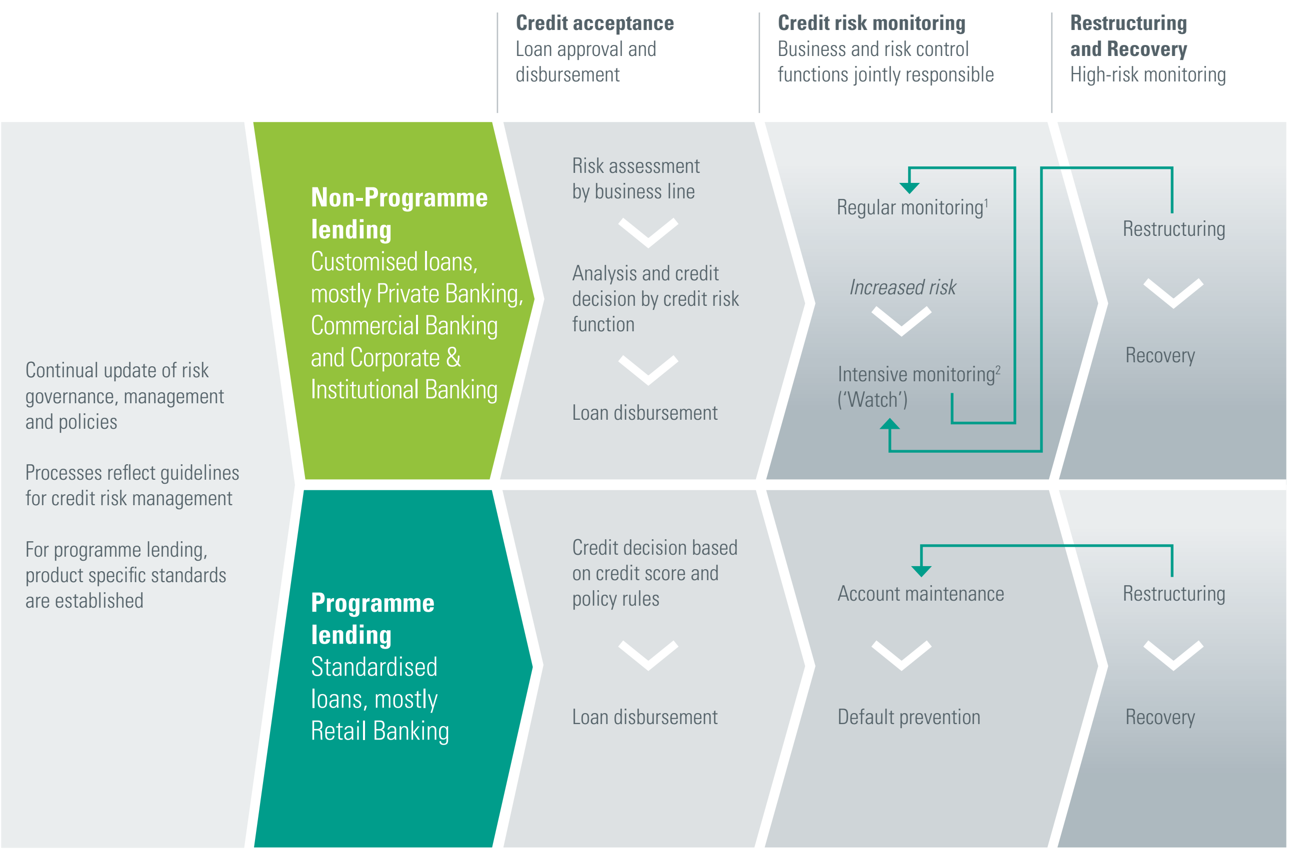
Credit risk management approach Audited Pillar 3

We manage our credit risk either through customised lending to counterparties, for which risks are assessed on an individual basis (Non-Programme Lending), or through standardised products and processes, for which risk criteria are assigned on a pooled basis (Programme Lending). Effectively, any lending not defined as Programme Lending is defined as Non-Programme Lending.

Credit risk life cycle

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

Credit risk lifecycle differs by type of loan



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

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

Planning

Within Programme Lending, the credit cycle starts with a product planning phase, during which the product is designed and/or reviewed, with the goal of optimising its key drivers of risk and return.

Credit acceptance

Within Non-Programme Lending, the credit acceptance phase of a credit proposal starts with an assessment of the proposal by the business line and by Risk Management. The qualitative and quantitative details of the credit risk associated with the loan must be assessed prior to approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, the borrower and other counterparties, the industry, management and owners, and financial and non-financial analyses. The credit decision is based on independent assessments of both the commercial and the credit risk function.

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

Credit risk monitoring

Consistent and regular monitoring is designed to safeguard the bank's position in relation to all risks associated with the counterparty or portfolio. Monitoring starts when the credit facility has been provided and continues throughout the lifecycle of the credit facility and the relationship with the counterparty.

A 'watch' status may be assigned to individual counterparties with an increased risk. This watch status allows for more intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures.

Restructuring & Recovery

Credit facilities with an identified high risk are transferred to the Financial Restructuring & Recovery department (FR&R). In the event of a default situation, transfer to FR&R is mandatory. If a 'going concern' approach is applicable and a return to a performing status is considered possible, the credit facility is transferred to the Restructuring team, which devises a plan aimed either at rehabilitation or at enhancing the likelihood of final repayment. In all other cases, the credit facility is transferred to the Recovery team.

In general, a client is transferred to the Restructuring team when a default status is assigned to a Programme Lending contract because payments have been past due for more than 90 days or because another default trigger applies. If this is ultimately not effective, the client is transferred to an internal department or to external parties (such as Lindorff) for debt collection.

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

Credit risk measurement Audited Pillar 3 EDTF 2

We use internal models to measure the credit risk associated with exposures to individual clients and portfolios. These models quantify the clients' Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The models vary from purely statistical models to expert-based models and are based on quantitative as well as qualitative risk drivers. Using input values for the risk drivers, the models calculate PDs, EADs and LGDs. EAD is established on a monthly basis, using actual limits and outstanding exposure data. PD and LGD are determined at least annually.

The model estimates are embedded in the credit approval and internal reporting processes in order to calculate economic capital and the minimum regulatory capital requirements under the Basel Advanced Internal Ratings Based (AIRB) approach. They also serve as input for the RARORAC, the bank's key metric for risk-adjusted performance.

Probability of Default

The probability of default (PD) is the likelihood that a counterparty will default within a one-year time horizon and is expressed in an internal uniform counterparty rating (UCR), ranging from 1 to 8. A PD percentage is also attached to each UCR grade.

Within Programme Lending, Retail Banking and the smaller loans issued by Commercial Banking, products with the same characteristics are pooled and a PD is assigned to each pool. We consider a default to have occurred when:

- The counterparty is overdue by more than 90 days, or;
- The bank considers the borrower to be unlikely to meet its contractual obligations.

Our internal rating scale comprises five categories, of which the investment grade and sub-investment grade categories correspond with the equivalent classifications of the rating agencies.

Internal rating scale mapped to external ratings

Audited | Pillar 3 | EDTF 2

Grade Category	UCR (internal rating)		Low PD%	High PD%	Standard & Poor's equivalent		Moody's equivalent		Fitch equivalent	
	from	to			from	to	from	to	from	to
Investment grade	UCR 1	UCR 3-	0.000%	0.465%	AAA	BBB-	Aaa	Baa3	AAA	BBB-
Sub-investment grade	UCR 4+	UCR 6+	0.465%	100%	BB+	C	Ba1	C	BB+	C
Default with an impairment allowance of zero	UCR 6	UCR 6			D	D	D	D	D	D
Default with an impairment allowance > zero	UCR 7	UCR 7			D	D	D	D	D	D
Default (in liquidation)	UCR 8	UCR 8			D	D	D	D	D	D

Exposure at Default

Exposure at Default models estimate the expected exposure at the time of a counterparty default. In the event that all or part of a facility is 'undrawn' (i.e. the outstanding exposure is less than the limit) at the time of the calculation, a percentage of the undrawn amount is added to the exposure to reflect the possibility that a larger part of the facility may have been drawn by the time the event of default materialises.

Loss Given Default

Loss Given Default (LGD) models estimate the economic loss that potentially results from a credit facility in the event that the counterparty defaults. It is expressed as the ratio between the loss on an exposure and the amount outstanding at default. The models use specific facility and counterparty characteristics and take account of collateral pledged to the bank.

Capital for credit risk

Regulatory capital

All exposure classes are reported in accordance with the AIRB. Within these exposure classes, a number of smaller portfolios are temporarily or permanently calculated according to the Standardised Approach (SA).

Economic capital

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

Specific counterparty credit risk

Pillar 3 | EDTF 2 | EDTF 29

Specific calculation methodologies are applied to determine counterparty credit exposure relating to over-the-counter (OTC) derivative instruments and securities financing.

OTC derivative instruments

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

Securities financing transactions

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

Regulatory and economic exposure calculation for specific counterparty credit risk

The regulatory calculation methodology applied for calculation of the counterparty credit risk exposure value (EAD) of OTC derivative instruments is the mark-to-market method.

The economic counterparty credit risk exposure calculation of OTC derivative instruments is based on the mark-to-market (MtM, i.e. current exposure) plus an add-on for potential future exposure. The add-on is calculated to cover 95% of the potential positive MtM movement in favour of the bank for the entire deal tenor.

The add-on is determined by several parameters, such as the type of derivative product (underlying), deal tenor, currency (pair) and the absence or presence of netting and collateral agreements.

For securities lending, the Financial Collateral Comprehensive Method (FCCM) is used in the regulatory calculations. For economic counterparty exposure calculations, the FCCM is applied with additional conservatism.

Wrong-way risk

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

Credit concentration risk

Audited | Pillar 3

Credit concentration risk is the risk of loss due to the insufficient diversification of risks within a portfolio, caused by relatively large concentrations of exposures to positively and highly correlated counterparties. Positively correlated counterparties are counterparties that are likely to default under similar circumstances. Limiting excessive concentrations is fundamental to our credit risk strategy, which is why we aim to keep the credit risk portfolio sufficiently granular and diversified.

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

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

Counterparty concentration

Counterparty concentration credit risk is the risk of loss arising from relatively large exposures to counterparties belonging to the same risk group. The total exposure, or One Obligor Exposure (OOE), on a risk group includes all drawn and undrawn facilities granted plus all indirect exposure to the relationship, including guarantees and any other recourse claims. A risk group is an interrelated group of counterparties (companies and/or persons) with a high degree of interdependency. This interrelationship may be due to direct or indirect majority interests being held by the same shareholder or group of shareholders, or due to other relevant economic dependencies. Counterparty credit concentration risk is measured by the OOE and the Economic Capital (EC) per counterparty. The EC is the amount of capital the bank should hold to cover unexpected losses within a certain confidence level over a one-year horizon. The bank limits its counterparty credit risk by setting OOE and EC limits. Additionally, all credit applications with an OOE and/or EC above a certain threshold are reviewed by the Executive Board.

Geographic concentration

The bank has a number of offices located outside the Netherlands and clients who operate internationally. The bank is therefore exposed to country risk, which is the risk of credit losses arising from country-specific events or circumstances. Management of country risk focuses on cross-border risk, which includes the risk that funds, goods or services cannot be transferred out of a country as a result of actions by local authorities or because of other events impeding the transfer. These risks are managed by setting country credit limits, based on individual country analyses by economic and country risk experts. Country limits are reviewed at least once a year. Each country also has an internal credit rating, which is approved twice a year and is an important factor in managing country concentration risks. The bank's executive risk committees manage the approval of country risk policy and country limits.

Industry concentration

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

Credit risk mitigation Pillar 3 EDTF 30

Credit risk mitigation mainly relates to collateral management and guarantees, offsetting financial assets and liabilities, and enforcing master netting agreements or similar instruments.

Collateral management and guarantees

Collateral represents assets with material value and an attached security right, such as a mortgage, charge, pledge, lien on an asset, or other right securing obligations under a credit facility or other exposure, which gives the bank priority rights on the proceeds of that asset.

Requiring a security right for a clients' collateral is a way to mitigate or reduce credit risk associated with a credit facility or exposure. In addition, if certain predefined eligibility criteria are met, collateral can also help reduce the required level of regulatory capital and economic capital held by the bank.

Collateral is monitored at least once a year to ensure continued eligibility and correct reporting of the collateral value. For reporting purposes we use the net collateral value, which is the expected recovery value of the collateral in the event of a defaulting client.

We also use guarantees to mitigate risks. These include guarantees from, for example, banks, governments and export credit agencies. The credit quality of guarantors is assessed at origination and monitored to ensure the guarantee is valued correctly for risk mitigation purposes.

Offsetting financial assets and liabilities

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

Enforceable master netting agreements or similar instruments

Enforceable master netting arrangements take into account all agreements with provisions that make offsetting exercisable in the event of default. In addition, agreements are enforceable if the bank has the right to offset and does not have any ability and/or intention to offset simultaneously. These arrangements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Forborne, past due and impaired loans

Audited | EDTF 27 | Pillar 3

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

Forbearance Audited

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

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

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

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

If the forborne contract is or has become non-performing at the time of the forbearance measure, a mandatory cure period of at least one year applies to the contract before it is returned to a performing status. The cure period starts when the contract becomes non-performing or, if the contract was already non-performing, from the moment the last forbearance measure was taken.

Past due credit exposures Audited | Pillar 3

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

Impaired credit exposures Audited Pillar 3

A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts payable under the contractual terms (principal and interest) and/or if one of the default triggers is applicable. Indications of possibly impaired loans come to light through ABN AMRO's credit review processes.

Impairment

Triggers for impairment include, but are not limited to, events such as significant financial difficulty, the likeliness that the client will enter bankruptcy or financial restructuring, negative equity, recurring payment problems, improper use of credit lines and legal action by other creditors.

ABN AMRO makes a distinction between three types of impairment losses:

- **Specific impairment losses for individual, significant exposures:** If significant doubts arise regarding a client's ability to meet its contractual obligations, the client is transferred to the Financial Restructuring & Recovery department (FR&R). The amount of the specific impairment loss is based on the discounted value of the best estimate of the client's future cash flow. Recognised specific impairment losses are partly or fully released when the debt is repaid or the client's expected future cash flows improve due to positive changes in economic or financial circumstances;
- **Collective impairment losses for individual, non-significant exposures:** Assets with similar credit risk characteristics are clustered in portfolios. The assets in the portfolios are collectively assessed for impairment. In general, when payments (interest or principal) are 90 days past due, the loan is identified as impaired. The impairment assessment is based on historical loss experience adjusted for current economic conditions. Factors that are taken into account are average life, past loss experience and portfolio trends;
- **Incurred but not identified (IBNI):** IBNI impairment losses are recognised for impairment losses that have been incurred, but still have to be identified at the balance sheet date. Specific or collective impairment assessment has therefore not yet taken place. All financial assets that have not yet been assessed for impairment are included in the IBNI impairment loss calculation. All related off-balance items such as credit commitments are also included. The IBNI calculation combines the Basel II concept of expected loss on a one-year time horizon adjusted for IFRS elements by applying a loss emergence period (LEP) and a cycle adjustment factor (CAF), or is based on specific Point-in-Time models. The IBNI impairment loss is calculated for the entire non-impaired portfolio.

Write-off

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment charges on loans and other receivables in the income statement.

Accounting policy on impairment of loans and receivables Audited EDTF 27 Pillar 3

A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts payable in accordance with the contractual terms (principal and interest). The objective evidence indicates that the borrower's credit quality has deteriorated and the estimated future cash flows in the related financial assets have been impacted negatively. The amount of the impairment loss is the difference between the carrying amount and the present value of estimated future cash flows.

Estimating the timing and amount of future cash flow requires significant judgement. The impact of changes in amounts and timing of expected recovery is recognised in impairment charges on loans and receivables in the income statement.

Where possible, ABN AMRO seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreeing on revised loan conditions. The loans continue to be subject to an individual or collective impairment assessment. For further details on the accounting treatment of restructuring, please refer to note 1 Accounting policies.

Market risk management

ABN AMRO is exposed to market risk in its banking book and trading book.

Market risk in the banking book

Audited | EDTF 2 | Pillar 3

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

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

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

Interest rate risk in the banking book

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

The main sources of interest rate risk are:

- The maturity mismatch between assets and liabilities. ABN AMRO provides mortgages and commercial loans with long-term fixed interest terms. These assets are funded by savings and wholesale funding. These liabilities have a shorter average interest maturity than the assets, for example current accounts;
- Actual client behaviour, which determines the maturity of some of our client products. As we use models to predict this behaviour, we are exposed to model risk: losses the bank could incur as a consequence of decisions resulting from errors in the development, implementation or use of such models.

Modelling of client behaviour

EDTF 17

From an interest rate risk perspective, the following behavioural models are the most important:

- Client behaviour with respect to early redemption of residential mortgages has a significant impact on the average interest maturity of the mortgage portfolio. Clients have the option of fully or partially prepaying mortgages before maturity. These prepayments are triggered by client behaviour such as relocation, redemption and curtailment. ABN AMRO uses a Monte Carlo simulation to model this behaviour;
- Client acceptance of the volume offered and the deviation between the offer rate and actual coupon on an offered residential mortgage;
- Client behaviour with respect to non-maturing deposits which are callable on demand. These savings and current accounts are modelled using a replicating portfolio model.

The metrics used for banking book risks are dependent upon the assumptions made in the behavioural models. Models must therefore be validated by the independent Model Validation Department and approved by duly authorised risk committees. Models are assessed to determine whether they behave appropriately and are statistically sound; if required, they are adjusted.

Risk measurement for interest rate risk EDTF 8 EDTF 24 EDTF 25

For management purposes, the interest rate risk position is reported to the Asset Liability Committee (ALCO) on a monthly basis. ALCO reporting includes both earnings and value metrics, including Net Interest Income (NII) at Risk, Economic Value of Equity (EVE) at Risk, duration and economic capital. These are complemented with stress testing and scenario analysis, which are used to ensure a comprehensive approach to risk management and to identify potential weakness. Stress testing and scenario analysis go beyond determining the impact of alternative developments of interest rates. Assumptions with respect to modelling and client behaviour are also tested.

NII-at-Risk is the difference in NII between a base scenario and an alternative scenario. NII-at-Risk is defined as the worst outcome of two scenarios, compared to a base scenario: a gradual increase in interest rates and a gradual decline in interest rates by 200bps, measured over a one-year period. NII-at-Risk includes all expected cash flows, including commercial margins and other spread components, from all interest-rate-sensitive assets and liabilities and off-balance sheet items in the banking book. When calculating the NII-at-Risk, a constant balance sheet is assumed. A floor of 0bps on retail deposits is applied.

EVE-at-Risk is the loss in economic value of equity as a result of various yield curve shocks. These shocks are bow up, bow down, steepener and flattener. The impact is calculated for cash flows from all interest-rate-sensitive assets, liabilities and off-balance sheet items in the banking book. An assumption of a run-off balance sheet is made, where banking book positions amortise and are not replaced by any new business. Cash flows are discounted at the risk-free rate including spread components, but excluding commercial margins. In calculating the impact on the EVE, neither equity nor the commercial margin are taken into account.

Duration measures value changes resulting from minor parallel shifts of the yield curve. The computation of duration is based on a comparison between a base curve and the change in the economic value of a portfolio due to an interest rate increase/decrease. We also measure the value sensitivity to changes in individual maturities on the yield curve.

Economic capital for market risk in the banking book is calculated using a VaR model which determines the economic capital needed to absorb losses due to adverse movements in interest rates, credit spreads and foreign exchange rates. The model also accounts for the potential impact of client behaviour, such as prepayments on mortgages and changes in deposits and savings balances.

Credit spread risk in the banking book

Credit spread risk for the liquidity portfolio is measured and limited as the impact on economic value of a 1bp change in spreads to a swap rate. This is done across the term structure of exposure, as well as for a parallel shift across the curve.

Funding spread risk

Funding spread movements can reflect changes in, for example, the perceived credit quality of ABN AMRO, changes in the competitive environment or changes in liquidity premiums. They may be entity-specific or systemic in nature. If funding spreads widen, it costs more to fund assets on the balance sheet. Unless this increased spread is passed on to clients by increasing client rates, projected net interest income will decrease.

Market risk management for the banking book

ABN AMRO has in place a detailed risk management framework to identify, measure and control market risk in the banking book. This framework provides assurance that the banking book activities remain consistent with the bank's moderate risk profile, using different interest rate reference curves. The goal of interest rate risk management is to protect current and future NII from adverse yield curve movements. The day-to-day management of positions is delegated from the Asset & Liability Committee to Asset and Liability Management, while Treasury is responsible for interest rate risk steering.

The bank applies limits to the abovementioned interest rate risk measures in line with the approved risk appetite requirement. The risk appetite is based on the maximum interest loss the bank is willing to accept, both in terms of net interest income for a one-year period and economic value.

ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates for floating interest rate positions. Micro hedges are used to swap fixed funding transactions and fixed investments in the liquidity buffer for floating interest rate positions. In addition, a combination of macro cash flow hedging and macro fair value hedging is used to hedge interest positions resulting from client exposures. The resulting interest rate position, after application of interest rate hedges, is in line with the bank's strategy to contribute to a stable NII while protecting the economic value of equity.

Market risk in the trading book EDTF 2

As part of its business strategy, ABN AMRO facilitates client orders, acts as a market maker in key markets and provides liquidity to clients, including institutional investors and private clients. Market risk in the trading book is the risk of losses in market value due to adverse market movements. The following market risks are inherent in the trading book:

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

Market risk management for the trading book

Audited Pillar 3

ABN AMRO has in place a detailed risk management framework to identify, measure and control market risk in the trading book. This framework provides assurance that the bank's trading activities are consistent with its client-focused business strategy and moderate risk profile. In accordance with the strategy, the Trading Business Risk Committee annually approves trading mandates, which define the nature and amount of the permitted transactions and risks, and the associated constraints. The Trading Business Risk Committee is a subsidiary committee of the Group Risk Committee.

Market risk measurement for the trading book

Audited EDTF 8 EDTF 17 EDTF 24 EDTF 25 Pillar 3

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

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

Value-at-risk

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

The daily VaR is back-tested against the actual mark-to-market changes calculated for each subsequent trading day. The number of outliers is used to assess the reliability of the VaR model. The model's back-testing performance is satisfactory.

Stressed VaR

The purpose of the SVaR is to replicate a VaR calculation that would be generated on the bank's current portfolio with inputs calibrated to historical data for a continuous 12-month period of significant financial stress relevant to the bank's portfolio. To calculate the SVaR, ABN AMRO uses the same model as used for the VaR (historical simulation). The historical data period includes the peak of the credit crisis of 2008 and is reviewed at least annually.

Incremental Risk Charge

By calculating the Incremental Risk Charge (IRC), ABN AMRO calculates an estimate of the default and migration risks for credit products in the trading book over a one-year capital horizon, with a 99.9% confidence level. Potential profits and losses over the one-year time horizon are created by simulating scenarios showing how the issuer's credit ratings may change (including possible defaults), taking correlations between different issuers into account, and repricing the positions. The simulated scenarios correspond to an instantaneous shock over the one-year period; in this way, ABN AMRO uses a one-year liquidity horizon for all its positions under the scope of the IRC model. Rating transitions and defaults are dependent upon individual issuer rating transition probabilities and correlations between issuer migrations. For the individual transition matrices, data from external vendors are used. The correlation matrices are the same as the matrices used to determine the Credit Risk Economic Capital.

Stress testing and scenario analysis

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

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

Capital for market risk in the trading book

Regulatory capital

The bank has implemented the Internal Models Approach (IMA) to calculate market risk capital for its trading book. ABN AMRO has excluded the following activities from its IMA capital and calculates these by means of the standardised approach:

- Trading activities in Brazil;
- Alternative Balance Sheet Financing;
- Residential Mortgage-Backed Securities Trading;
- Private Clients activities.

Economic capital

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

Operational risk management EDTF 31

ABN AMRO has in place a framework to consistently manage and prevent operational risks that result from inadequate or failed systems or internal processes, human error or external events. This framework is aimed at keeping operational risks within the moderate risk profile and is in line with requirements for the Advanced Measurement Approach (AMA). It evolves and is kept up-to-date as experience gained is incorporated.

Framework for operational risk management Pillar 3

Management Control Statement

Strategic risk assessment

Operational risk management overview
- Operational risk appetite
- Reporting
- Operational risk capital

Operational risk assessments
- Business-as-usual (including scenarios)
- Changes

Monitoring
- Operational risk events
- Effectiveness of controls
- Key Risk Indicators

Operational risk responses
- Mitigation
- Avoidance
- Transfer
- Risk acceptance

Operational risk management approach Pillar 3

Employees are expected and encouraged to be alert to and aware of operational risks in their day-to-day work. Operational risk management is strongly embedded in daily business processes. First-line managers are responsible for managing operational risks and are supported by a professional operational risk management organisation. Operational risk management works in close cooperation with other second-line parties, such as Compliance, Legal, Crime & Integrity, Information Security and Business Continuity Management, which also use the operational risk framework. This reflects the bank's view that operational risk requires a concerted effort on the part of all these departments.

Operational risk is incorporated into risk reports at various levels within the bank, up to the Executive Board and Supervisory Board.

Framework for operational risk management

Pillar 3 EDTF 2

At the heart of the operational risk management framework are assessments and risk monitoring activities. Business managers use assessments to identify and assess risks, including scenarios for rare events. Assessments are executed for business-as-usual activities and for new initiatives. If a risk exceeds the risk appetite, the business manager takes appropriate action. At least once a year, business managers monitor the effectiveness of the controls in their area of responsibility. Controls are strengthened, if necessary. Key Risk Indicators are monitored to signal adverse risk developments. Despite all preventive measures, incidents and operational losses cannot always be avoided. The bank therefore systematically collects information and analyses such events in order to take appropriate action.

Once a year, senior management reviews the strategy and business objectives from a risk perspective. Based on these strategic risk assessments, senior management signs a Management Control Statement at the end of each year, which is included at the end of this section.

Operational risk responses Pillar 3

The bank identifies four categories of risk response:
- **Risk mitigation:** by strengthening controls;
- **Risk avoidance:** by closing down operations or not starting operations;
- **Risk transfer:** by transferring risks to insurance companies. The Group Risk Committee reviews the global insurance programmes annually;
- **Risk acceptance:** in situations where management decides to consciously accept a risk.

Specific operational risk areas Pillar 3

The bank has in place a dedicated organisation for operational risk areas that require specific knowledge, such as information security and business continuity management.

Information security

Information is one of the bank's most valuable assets. ABN AMRO's clients are dependent on the proper functioning of the bank's information systems. These systems run in complex information infrastructures, connecting the bank's networks to public networks. Banking processes and their supporting information systems are consequently inherently vulnerable, with the result that the security of client data and services can be threatened. Examples of such threats are computer-assisted fraud, unauthorised disclosure of confidential information, virus infections, computer hacking and denial of service attacks.

In recognition of the importance of protecting the bank's information and its associated assets, such as systems and infrastructure, at all times, ABN AMRO has established a structured information security approach to ensure the confidentiality, integrity and availability of information. This approach defines the organisational framework, management and staff responsibilities, and information security directives that apply to ABN AMRO, its vendors and third parties with whom the bank exchanges information.

Business continuity management

Business continuity management ensures organisational resilience at all levels of the ABN AMRO organisation and the ability to respond effectively to threats, thus safeguarding stakeholders' interests and the organisation's reputation, brand and value-creating activities. Business continuity focuses on:

- Analysis of threats and business impact of calamities and crises;
- Determining strategies and solutions to be taken in the event of a crisis to enable continuity of business operations, such as business recovery, crisis management and IT disaster recovery planning;
- Documentation, periodic assessment and testing of these strategies and solutions.

Operational risk measurement Pillar 3

In line with the Advanced Measurement Approach (AMA), the bank has in place a model for operational risk capital. This model predicts potential operational risk losses (annually aggregated) by combining a forward-looking and a backward-looking view of operational risks. Risk control self-assessments and scenario analyses provide a forward-looking view. Historical operational loss data of ABN AMRO and industry operational loss data provide a backward-looking view.

Capital for operational risk

Since the start of 2017, ABN AMRO has used its internal AMA model for calculating regulatory capital. This AMA model is also used to calculate economic capital for operational risks. The bank applies a 99.95% confidence level to calculate the operational risk economic capital, whereas a 99.9% confidence level is applied to calculate regulatory operational risk capital. The bank does not use insurance or other risk transfer mechanisms for calculating the operational risk capital.

Funding & liquidity risk management

Liquidity risk is the risk that actual and potential payments or collateral posting obligations cannot be met on a timely basis, or only at excessive costs. There are two types of liquidity risk:

- Funding liquidity risk is the risk of the bank not being able to accommodate both expected and unexpected current and future cash outflows and collateral needs because insufficient cash is available. Eventually, this can affect the bank's daily operations or its financial condition;
- Market liquidity risk is the risk that the bank cannot sell an asset in a timely manner at a reasonable market price due to insufficient market depth (insufficient supply and demand) or market disruption. Market liquidity risk includes the sensitivity in liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty about the time required to realise the liquidity value of the assets.

Strategy EDTF 4 | EDTF 18 | EDTF 21

Liquidity

We have in place a liquidity risk management framework that helps us maintain a moderate risk profile and safeguards ABN AMRO's reputation from a liquidity perspective. This framework allows the bank to meet the regulatory requirements and its payment obligations at a reasonable cost, even under severely adverse conditions. We have formulated a set of liquidity risk metrics and limits to manage the bank's liquidity position. By maintaining a smooth long-term maturity profile, limiting dependence on wholesale funding and holding a solid liquidity buffer, we maintain a prudent liquidity profile.

Funding

ABN AMRO's main source of funding consists of deposits from Retail Banking, Private Banking, Commercial Banking and Corporate & Institutional Banking clients. The remainder of our funding is raised largely through various long-term wholesale funding instruments. ABN AMRO's strategy for wholesale funding reflects 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 the targeted funding position. We aim to have a balance sheet with a diverse, stable and cost-efficient funding base.

The funding strategy takes into account the following guidelines:

- Maintain market access by diversifying funding sources in different funding markets (Europe, the US and the Asia Pacific region);
- Optimise funding costs within the targets set for volumes and maturities;
- Maintain strong relationships with the investor base through active marketing;
- Optimise the balance between private placements and public benchmark deals;
- Build, maintain and manage credit curves in different funding programmes and currencies;
- Continually monitor attractive funding opportunities for ABN AMRO and investment opportunities for investors;
- Optimise planning and execution of funding in different market windows.

Risk management approach

Audited | Pillar 3 | EDTF 2 | EDTF 18

The natural maturity mismatch between loans and funding requires liquidity risk management. We consider maturity transformation to be an integral part of our business model, which is why we closely monitor our liquidity position and the resulting risks. We diversify our funding sources to maintain market access, and we diversify our funding tenors to avoid a concentration of outflows. We also hold a portfolio of highly liquid assets that can be converted into cash in the event of unforeseen market disruptions, thus allowing us to meet payment and collateral obligations at all times.

Funding and liquidity risk is managed centrally. We incorporate liquidity costs into the pricing of our day-to-day business activities.

In managing the risks, a clear distinction is made between going-concern and contingency risk management.

Going-concern management

Going-concern management entails management of the day-to-day liquidity position within specified limits. This allows us to meet payment obligations on a timely basis. The most important metrics we use are:

- Stress testing: We conduct monthly and ad-hoc stress tests in which we evaluate the impact of cash in- and outflows under plausible stress scenarios. Both market-wide and bank-specific stress scenarios are defined and analysed. The goal of stress testing is twofold. Firstly, it helps us to review our risk framework, i.e. the liquidity buffer size, risk appetite and limits. Secondly, it allows us to identify ways to reduce outflows in times of crisis;
- Liquidity Coverage Ratio (LCR): The objective of the LCR is to assess the bank's short-term resilience by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days;
- Survival period: The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and retail and commercial clients withdraw a proportion of their deposits;
- Net Stable Funding Ratio (NSFR): The objective of the NSFR is to assess resilience over a longer time horizon by creating additional incentives for banks to fund their activities from stable sources of funding on an ongoing basis;
- Loan-to-Deposit ratio (LtD): The LtD ratio measures the relationship between the loan book (Loans and receivables - customers) and deposits from clients (Due to customers). The ratio includes all client-driven loans and deposits, but excludes loans to and deposits from governments. The LtD ratio gives an indication of our dependence on wholesale funding for financing client loans. Due to mandatory and collective pension savings schemes, mortgage loans outweigh client savings balances in the Netherlands, thus driving the LtD ratio above 100%.

Contingency risk management Pillar 3

Contingency risk management aims to ensure that, in the event of either a bank-specific or general market stress event, the bank is able to generate sufficient liquidity to withstand a short or long-term liquidity crisis.

- Contingency Funding Plan: The Contingency Funding Plan (CFP) sets out the guidelines and responsibilities for addressing possible liquidity shortfalls in emergency situations. The CFP only comes into effect if the liquidity position is threatened. It is aligned to the Recovery Plan, as required by the regulators. It enables us to manage our liquidity without unnecessarily jeopardising business lines, while limiting excessive funding costs in severe market circumstances;
- Collateral posting in the event of a rating downgrade: if ABN AMRO's credit rating is downgraded, collateral requirements may increase. ABN AMRO monitors these potential additional collateral postings in its liquidity management framework;
- Liquidity buffer: ABN AMRO holds a liquidity buffer to accommodate cash outflows during stress. This buffer consists of unencumbered, high-quality liquid assets, including government bonds, retained RMBS and cash.

Capital management

Capital management strategy Pillar 3 EDTF 4 EDTF 12

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

Dividend

ABN AMRO's dividend policy takes into account matters including current and pending regulatory capital requirements, our risk profile, growth in commercial activities and market factors. The dividend payout is set in the light of the bank's moderate risk profile and regulatory changes, in order to ensure that dividend payments can be maintained in the future.

Capital measurement and allocation

Capital adequacy is measured and monitored on an ongoing basis against target capital ratios, which are derived from the bank's overall risk appetite and strategy. Capital projections and stress test scenarios, both market-wide and bank-specific, are used to ensure that actual and future capital levels remain above the targets. Capital is allocated to businesses in a way that optimises the long-term value of the bank while serving the bank's strategic objectives. In the capital allocation process, both risk-based and non-risk-based return parameters are considered, taking into account economic and regulatory capital requirements. This process ensures that the bank meets its return targets while maintaining a moderate risk profile, in line with the bank's risk appetite.

Contingency capital management

Contingency plans are in place to address any capital issues arising. The Contingency Capital Plan provides a framework to detect capital adequacy stress by setting out various early warning indicators. The Plan also sets out a range of actions that can be undertaken, based on the level of severity and urgency of the issues.

Recovery and resolution planning

The Bank Recovery & Resolution Directive requires a recovery plan and a resolution plan to be in place for ABN AMRO. ABN AMRO submitted a reviewed and updated version of its group recovery plan to the ECB in December 2017. The Single Resolution Board (SRB) has prepared a resolution plan for ABN AMRO. The SRB has concluded that the preferred resolution strategy for ABN AMRO is a Single-Point-of-Entry (SPE) strategy, with ABN AMRO Bank N.V. as the resolution entity. ABN AMRO expects to continue issuing external MREL-eligible instruments through ABN AMRO Bank N.V.

Business risk management EDTF 31

ABN AMRO manages business risk in order to preserve its business earnings, independent of external or other developments. Business risk management limits actual and forecasted volatility of business earnings. Earnings are affected by various internal and external factors, such as changes in client preferences, competition, and economic and geopolitical developments and regulations. We continually monitor and respond to these factors.

The key criteria for classifying a risk as a business risk are:
- An event that leads to uncertainty in present or future business earnings and/or franchise value;
- Changes of drivers of future business earnings such as uncertainty in volumes, margins, fee and commission rates and/or business expenses.

The bank mitigates sensitivity to business risk drivers through management practices that address developments in these drivers in an effective and timely manner. Business risk is also mitigated by a capital buffer.

The bank's strategy and business risk are related. The strategy incorporates mitigation of uncertain events and business risk drivers. Annual review of the strategy ensures alignment with business risk developments. To ensure that the bank's strategy is pursued and the strategic goals are met in the long term, our business plans and budgets take these strategic goals into account.

Economic capital for business risk

Economic capital is used as a mitigant to cover the negative effects of unexpected business risk events. The economic capital for business risk reflects the maximum downward deviation of actual versus expected net operating profit and franchise value in one year.

To determine the economic capital for business risk, a combination of historical and forward-looking scenarios is collected from experts in each business line. These scenarios vary from annual revenue growth to revenue drivers such as macroeconomic variables or industry performance indicators. The scenarios determine the volatility of revenue growth for each business line, and any correlation between them. Based on the individual volatilities, we use simulation to calculate bank-wide volatility.

Sustainability risk management EDTF 31

ABN AMRO aims to make a positive contribution to safeguarding human rights, health and safety, and the environment through our financing and investment services. We recognise, that, in its roles as lender and investor, the bank may be exposed to environmental, social and ethical (ESE) risks through the direct activities of our clients and the companies in which we invest on behalf of our clients and also through the activities performed in these companies' value chains. To manage these sustainability risks, we have defined a specific risk appetite in line with the bank's moderate risk profile.

Sustainability risk policy framework

ABN AMRO uses a sustainability risk policy framework which is governed in line with the bank's 'three lines of defence' model. The policy framework covers the full scope of our activities, ranging from corporate lending and investment services to procurement and product development.

Our sustainability risk policy framework is constantly evolving: we develop new policies and adjust existing ones, based on feedback and input from stakeholders. In 2017, we updated our bank-wide Exclusion List, which lists activities and practices the bank does not want to engage in. In line with societal expectations, we added exclusions relating to thermal coal and tobacco manufacturing. We also updated our policy requirements for financing companies in the energy and mining industries and developed new policy requirements for clients in the chemicals and pharmaceuticals industry.

Human rights

A focus area in our sustainability risk policy framework is management of human rights risks in line with the UN Guiding Principles on Business and Human Rights. In accordance with these principles, we have integrated human rights assessment criteria into our lending, investment and corporate procurement activities.

In 2017 we contributed to the working group for implementing the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights. This sector agreement includes commitments aimed at achieving a material positive impact for people facing or potentially facing adverse human rights impacts in connection with our products and services. We also organised human rights training sessions for over 100 front-office employees to better equip them to understand, discuss and assess human rights risks. We actively participated in several multi-stakeholder initiatives aimed at contributing to eradicate human trafficking and added labour exploitation checks to our client due diligence procedure for small and medium-sized enterprises. We also provided an update to our 2016 Human Rights Report.

Climate change

In 2017 we continued integrating climate change considerations into our sustainability risk management policies. Physical climate risks, as well as risks resulting from the transition to a low-carbon economy, were recognised as potential financial risks and are now included in ABN AMRO's risk taxonomy. In the case of carbon-intensive sectors material to our credit portfolio, such as oil & gas production and real estate, we performed initial assessments of the transition risks involved at both client and portfolio levels. We expect to continue our efforts in the years to come in dialogue with peer financial institutions and other stakeholders, and with the aim of working towards common methodologies and scenarios.

Our policies and targets for these sectors also take into account the transition to a low-carbon economy. For our financing activities in the electricity utility sector, we strive to align our portfolio-based 'financed energy mix' with the energy mix required under the IEA '450 scenario' (aimed at limiting global warming to two degrees Celsius) from 2020 onwards, both for thermal coal and renewable energy. We expect this to gradually reduce the proportion of thermal coal-based power generation in our portfolio and increase the proportion of renewable energy. In anticipation of future regulatory requirements and the preference for energy-efficient buildings, we have set a target of raising the energy performance of all buildings financed by ABN AMRO to average energy label 'A' by 2030. Prior to that target, ABN AMRO aims to achieve at least energy label 'C' for all office buildings it finances in the Netherlands by 2023, in compliance with Dutch regulations.

Carbon accounting

ABN AMRO participates with eleven other Dutch financial institutions in the Platform for Carbon Accounting for Financials (PCAF). PCAF is part of the Dutch Sustainable Finance Platform, which is chaired by the Dutch central bank (DNB). PCAF's objective is to improve carbon accounting by increasing the transparency and uniformity of carbon footprinting and target-setting for the financial sector. PCAF has developed a methodology for measuring the carbon footprint of investments and loans, and published its report on this in December 2017. PCAF intends to contribute to developing a harmonised framework for science-based targets. Its methodology should enable financial institutions to align their portfolios more effectively with climate scenarios.

Client and investment management

Client acceptance is crucial in our approach to managing sustainability risks. We have instruments in place to identify potential breaches of our sustainability policies and we do not do business with companies that are not willing or able to run their businesses responsibly. Similar checks on exclusions and controversies apply to the investment universe provided to our clients via our investment services.

In its corporate lending activities, the bank performs a sustainability assessment for transactions entailing an increased sustainability risk. This assessment is based on the ESE standards in our sustainability risk policy framework and focuses on the client's compliance, commitment, capacity and track record with regard to managing sustainability risk. This means that we may decide to accept transactions with a high sustainability risk profile, as long as we consider our client to be capable of managing these risks and to operate within the limits of our sustainability sector policies and procedures.

In 2017, we continued integrating this assessment into our credit application systems by further implementing our Global Sustainability Risk Indicator (GSRI). In a pilot, we introduced a tool for developing and sharing a GSRI dashboard to provide clients with feedback on their sustainability performance. Our ambition is to further develop this GSRI tool and to use the results in monitoring and reporting on our clients' sustainability performance.

If the sustainability assessment indicates that a client is failing to meet the bank's sustainability standards, we explore opportunities for improvement by conducting an open dialogue with the client, in which we address and discuss these matters and, where necessary, promote and negotiate improvements. In general, we do not provide such clients with any loans, or further loans, until they accept our conditions for improvement.

Recommendations for climate-related financial disclosures

In June 2017, the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) published its final report, containing recommendations for disclosure by financial and non-financial companies of information on the risks and opportunities presented by climate change. These disclosure recommendations concern management, governance and the impact on an organisation's strategy of climate change risks and opportunities, and include metrics and targets.

ABN AMRO supports the recommendations of the TCFD and believes widespread adoption of the recommendations will lead to a more informed dialogue on climate-related risks and opportunities among companies, investors and other stakeholders. The bank also intends to incorporate the TCFD recommendations into future reporting.

Management Control Statement

Under Principle 1.4 (Risk management accountability) of the Dutch Corporate Governance Code of December 2016, ABN AMRO's Executive Board is requested to render account of the effectiveness of the design and operation of the internal risk management and control systems.

ABN AMRO's internal risk management and control is a process effectuated by the Executive Board, management and other personnel. It is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial and non-financial information;
- Compliance with laws, regulations and internal policies;
- Safeguarding of assets, and identification and management of liabilities, and;
- Strategic goals of ABN AMRO.

ABN AMRO has implemented an Operational Risk Management Framework for sound operational risk management, based on the Advanced Measurement Approach (AMA).

ABN AMRO's first and second lines of defence perform their roles in risk assessments, evaluations of the operating effectiveness of controls, and reporting on risk management and control. The concluding results are reported in the Group Risk Committee and enterprise risk management reports, which are regularly discussed at senior and executive management level. Group Audit, as the third line of defence, evaluates both the design and effectiveness of ABN AMRO's governance, risk management and control processes. Audit reports are discussed with risk and process owners. The Chief Audit Executive (or his deputy) attended the Executive Board and/or Executive Committee meetings every quarter to discuss the Quarterly Audit Opinions.

Based on the risk management processes, the Executive Board of ABN AMRO Group N.V. makes the following statements regarding internal risk management and control, taking into account ABN AMRO's strategy and moderate risk profile:

- This annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- The above-mentioned systems provide reasonable assurance that ABN AMRO's financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, preparation of the financial reporting on a going-concern basis is justified;
- This report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the twelve months after preparation of this report.

Regarding internal risk management and control systems, the Executive Board has identified the following external factors as possibly having an impact on ABN AMRO's current business model:

- Limitations in the execution of the planned sustainable growth strategies due to adverse macro-economic and monetary conditions and geopolitical uncertainty (such as the impact of Brexit and tensions in the Middle East). These could impact on global trade, thus increasing the risk to business already conducted and affecting our margins/revenues.
- Various laws and regulations (pending or otherwise) and potentially revised interpretations of existing European and local laws and regulations may impact on ABN AMRO's liquidity and capital adequacy and capital-raising capabilities. The new Basel IV standards published at the end of 2017 may, over time, hamper ABN AMRO in achieving its strategic goals. ABN AMRO will continue to assess the potential impact of the Basel IV standards (including the return on average equity and costs of capital) over the coming period.

Not being compliant with new, or new views on, laws and regulations may lead to reputational damage or fines or endanger our long-term goals. Ensuring compliance with regulatory requirements can consume a substantial part of our resources, and also requires robust risk governance. A large number of staff and a high amount of budget have been made available for regulatory change initiatives (such as MiFID II, GDPR, PSD2 and IFRS 9) and for strengthening our risk governance. There are currently concerns within the Executive Board regarding our compliance with MiFID II requirements at the start of 2018.

The Executive Board has identified and agreed upon the following areas of improvement and these are being actively managed by senior management:

- The large numbers of current transformation programmes (which are necessary to remain competitive in a changing market) are affecting the current operating model of the bank as it is taking time, resources and management attention to properly implement them. The complexity, accumulation and interdependencies of all these transformation programmes, combined with increasingly strict requirements under legislation and regulations, impose a constant challenge to manage priorities (including resources). Monitoring tools have been implemented to enhance oversight and priority-setting and to create more in-depth insight into the change interdependencies and related risks.
- While performing its ongoing business-as-usual activities, ABN AMRO needs to stay in control of a successful transition to a sustainable operating and business model so as to remain a competitive player in the long run. One of the concerns regarding this transition is that the staff and budget allocated for digitalisation and other innovation initiatives could be re-allocated to regulatory change programmes owing to the mandatory character of the latter. This could potentially leave insufficient room for longer-term innovation initiatives. That, in turn, could slow down the pace of change and jeopardise the objectives of 'time-to-market' and 'innovation and growth'. Moreover, if IT-related change initiatives (such as digitalisation) are not delivered in accordance with the agreed conditions, the projected business savings may fail to be realised. Monitoring tools for transformation programmes will provide the Executive Board and Executive Committee with more insight into priority-setting regarding 'innovation and growth' at an ABN AMRO level, thus enabling them to reset priorities and reallocate budget accordingly, when considered appropriate. In addition, the existing frameworks for operational risk management provide insight into potential issues in specific areas.
- The suboptimal data governance, sourcing, processing and reporting of risk and finance data (despite the improvements already achieved in data quality), as well as the inflexibility of systems and the complex IT landscape across the bank, may lead, for example, to suboptimal business decisions with regard to the bank's moderate risk profile and could result in inadequate capital buffers. The processes of 'Fixing the basics' regarding data quality have management's continual attention, but are multi-year efforts.
- Due to the continued increase in external cyber threats, the bank may encounter more and/or larger fraud attacks and major IT disruptions. As a result of the accelerated use of cloud providers and the Revised Payment Service Directive (PSD2), growing amounts of privacy-sensitive or confidential data are stored outside the bank, including public cloud infrastructures. This may reduce the bank's ability to monitor the risk of distributed data leakage. Defence mechanisms against cyber threats are continuously being upgraded. Tools and controls related to data leak prevention are being strengthened internally and for relevant third parties.
- Although significant action has been taken to resolve our legacy files (including SME derivatives-related issues), there are concerns that other legacy files (relating, for example, to taxation) could cause issues or require additional provisions. Actions are taken to minimize these risks.
- The ability to attract and retain qualified professionals and new talents remains a point of attention, specifically in the light of a successful transition to a sustainable operating and business model. The continued tightening of the regulatory agenda and the large number of change programmes putting pressure on commercial and other staff amplify this attention point. This risk is mitigated by implementing Culture & Leadership programmes throughout the bank to incorporate awareness of the changing banking environment, as well as an integrated approach to transformation and leadership development.

The evaluation of the adequacy of internal risk management and control systems was regularly discussed with the Audit Committee and the Risk & Capital Committee in 2017 and was subsequently submitted to the Supervisory Board. Due to its inherent limitations, ABN AMRO's internal risk management and control systems do not provide complete assurance on the realisation of business objectives, and cannot at all times prevent inaccuracies, fraud and non-compliance with rules and regulations.

Risk, funding & capital review

The following section provides a comprehensive overview of the different risks across business segments and portfolios. Information on capital developments is also provided.

Risk profile

ABN AMRO continually works on maintaining a moderate risk profile. We monitor risks against the risk appetite and actively manage the balance sheet composition to this end.

Risk profile assessment

Periodically ABN AMRO assesses the risk profile in conjunction with the risk appetite. This assessment is discussed up to the Executive Board and Supervisory Board levels. Based on this assessment we conclude:

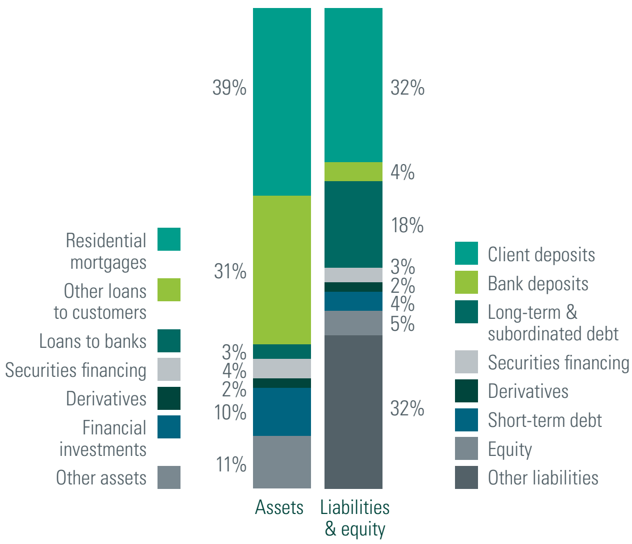
- Financial risks: Comfortable buffers are in place to meet capital and liquidity requirements from a regulatory and internal (e.g. economic capital) perspective. In addition, stress testing indicates sufficient buffers are in place for times of stress.
- Non-financial risks: Capital buffers are in place to cover non-financial risks. In managing these risks, we face challenges regarding our ability to fully comply with all regulatory requirements in 2018 (such as MiFiD II) and regarding our fragmented IT landscape. There are also some concerns about legacy files (such as SME derivatives-related issues) and duty of care responsibilities. Mitigating actions are in place (e.g. multi-year improvement programmes) to address these challenges and concerns. Attention is also being paid to protecting the IT structure against cybercrime because of the continuing increase in and professionalism of external cyber threats.

Given the balance of the risks and mitigating actions in place, the actual risk profile is considered moderate.

Balance sheet composition

ABN AMRO is mainly active in the Dutch market and in international operations where we have specific expertise and hold leading positions in selective activities. For more information with regard to the risk profile, please refer to the risk management strategy paragraph in the Risk approach chapter.

Balance sheet composition at 31 December 2017



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

- Strong focus on collateralised lending.
- Loan portfolio matched by deposits, long-term debt and equity.
- Strategic focus on limiting LtD ratio.
- Limited market risk and trading portfolios.
- Off-balance sheet commitments and contingent liabilities.

Key developments

Key figures

(in millions)	31 December 2017	31 December 2016
Total loans and receivables, gross excluding fair value adjustments	**284,337**	**280,039**
- of which Banks	10,671	13,488
- of which Residential mortgages	150,562	149,255
- of which Consumer loans	12,426	12,539
- of which Corporate loans	94,220	90,920
- of which Other loans and receivables - customers	16,459	13,838
On-balance sheet maximum exposure to credit risk	385,546	383,122
Total Exposure at Default (EAD)	**393,596**	**383,118**
- of which Retail Banking	174,545	175,879
- of which Commercial Banking	48,921	43,959
- of which Private Banking	19,963	22,752
- of which Corporate & Institutional Banking	77,769	71,208
- of which Group Functions	72,399	69,320
Credit quality indicators[1]		
Forbearance ratio	2.7%	3.8%
Past due ratio	1.4%	1.4%
Impaired ratio	2.5%	3.3%
Coverage ratio	33.0%	38.4%
Cost of risk (in bps) - underlying[2]	-2	4
Regulatory capital		
Total RWA (REA)	106,157	104,215
- of which Credit risk[3]	84,141	83,140
- of which Operational risk	19,626	17,003
- of which Market risk	2,391	4,072
Total RWA (REA)/total EAD	27.0%	27.2%
Liquidity and funding indicators		
Loan-to-Deposit ratio	112%	113%
LCR	>100%	>100%
NSFR	>100%	>100%
Capital ratios		
Fully-loaded CET1 ratio	17.7%	17.0%
Fully-loaded leverage ratio	4.1%	3.9%

[1] Loans and receivables - customers only.
[2] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
[3] RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2017 is EUR 0.7 billion (31 December 2016 EUR 0.8 billion).

Key figures per business segment EDTF 7 EDTF 13

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2017
Total assets	159,006	41,057	21,162	80,470	91,476	393,171
On-balance sheet maximum exposure to credit risk	158,751	40,387	17,366	79,086	89,956	385,546
Total Exposure at Default	174,545	48,921	19,963	77,769	72,399	393,596
RWA (REA)						
Credit risk[1]	23,006	20,723	6,273	30,560	3,579	84,141
Operational risk	5,680	3,088	3,160	4,787	2,910	19,626
Market risk				2,391		2,391
Total RWA (REA)	**28,686**	**23,812**	**9,433**	**37,737**	**6,489**	**106,157**
Total RWA (REA)/Total Exposure at Default	16.4%	48.7%	47.3%	48.5%	9.0%	27.0%
Economic capital						
Credit risk	2,040	1,852	473	2,562	966	7,893
Operational risk	375	198	210	304	194	1,282
Market risk					2,847	2,847
Business risk	330	265	262	453	7	1,317
Other risk types[2]	180	37	143	104	1,436	1,900
Economic capital	**2,925**	**2,353**	**1,088**	**3,423**	**5,450**	**15,239**
						2017
Average RWA (REA)	30,281	22,022	9,094	36,493	7,149	105,039
Cost of risk (in bps) - underlying[3]	-6	-45	-5	38		-2

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2016
Total assets	158,580	39,014	24,618	80,866	91,403	394,482
On-balance sheet maximum exposure to credit risk	157,614	38,462	17,731	79,418	89,897	383,122
Total Exposure at Default	175,879	43,959	22,752	71,208	69,320	383,118
RWA (REA)						
Credit risk[1]	25,563	18,896	6,280	28,393	4,007	83,140
Operational risk	6,249	1,685	1,446	1,867	5,756	17,003
Market risk				4,072		4,072
Total RWA (REA)	**31,813**	**20,581**	**7,726**	**34,333**	**9,763**	**104,215**
Total RWA (REA)/Total Exposure at Default	18.1%	46.8%	34.0%	48.2%	14.1%	27.2%
Economic capital						
Credit risk	2,166	1,695	463	2,606	1,170	8,100
Operational risk	385	181	197	279	171	1,213
Market risk					4,504	4,504
Business risk	304	211	265	421	6	1,207
Other risk types[2]	248	38	147	204	1,149	1,786
Economic capital	**3,103**	**2,126**	**1,072**	**3,509**	**7,000**	**16,810**
						2016
Average Risk exposure amount	33,861	21,173	8,096	33,364	10,197	106,691
Cost of risk (in bps) - underlying[3]	5	-44	13	36		4

[1] RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA per 31 December 2017 is EUR 0.7 billion (31 December 2016 EUR 0.8 billion).
[2] Other risk types include own funding spread risk, equity risk and property risk.
[3] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

Portfolio review

Total loans and receivables increased to EUR 284.3 billion (31 December 2016: EUR 280.0 billion). Banks decreased by EUR 2.8 billion to EUR 10.7 billion. The residential mortgage portfolio increased marginally to EUR 150.6 billion (31 December 2016: EUR 149.3 billion) as a result of significantly higher mortgage production (up 14.4%) and higher redemptions (up 13.4%). Growth in the corporate loan book was driven by the increased business volume and an increase in commodity prices. The total increase in corporate loans was partly offset by further USD depreciation (approximately EUR 3.5 billion negative impact). Consumer loans remained fairly stable, while other loans and receivables increased to EUR 16.5 billion (31 December 2016: EUR 13.8 billion).

Exposure at Default

EAD increased to EUR 393.6 billion at year-end 2017 (31 December 2016: EUR 383.1 billion), mainly driven by business growth in Corporate & Institutional Banking and increased positions with central banks (mainly Group Functions). In addition, increases were recorded as a result of the changed methodology for regulatory reporting applied to cash collateral within Corporate & Institutional Banking and Commercial Banking. The increase was partly offset by the Private Banking Asia divestment.

Regulatory capital

Total RWA (REA) increased to EUR 106.2 billion (31 December 2016: EUR 104.2 billion) and was driven by an increase in operational risk and, to a lesser extent, in credit risk. Increases were partly offset by a decline in market risk.

Credit risk RWA (REA) increase was mainly the result of business growth developments, largely related to Corporate & Institutional Banking, while increases were also recorded as a result of model changes for Retail Banking and Commercial Banking. These increases were partly offset by higher collateral values within Retail Banking.

Operational risk RWA (REA) increased to EUR 19.6 billion, mainly as a result of the implementation of the Advanced Measurement Approach (AMA) for the operational risk capital calculation from 1 January 2017. At the time, the regulator imposed several add-ons in RWA (REA) (approximately EUR 2-3 billion) pending the fulfillment of certain conditions with regard to the operational risk framework. We anticipated a regulatory review of the framework in the second half of 2017. The regulator has since informed us that it plans to start this review in Q2 2018. Reversal of add-ons are not expected before then. The RWA (REA) for operational risk remained stable in the fourth quarter of 2017.

The decrease in RWA (REA) for market risk was mainly due to a decrease in the risk exposure.

Economic Capital

Economic Capital (EC) decreased to EUR 15.2 billion (31 December 2016: EUR 16.8 billion). This decrease was driven by a decrease in market risk in the banking book EC (EUR 1.7 billion) and a decrease in credit risk EC (EUR 0.3 billion), offset by an increase in own funds liquidity risk (EUR 0.2 billion).

The decrease related to market risk banking book EC (EUR 1.7 billion) and specifically a decrease in duration of equity.

Credit risk EC declined marginally to EUR 7.9 billion. The decrease was related to Corporate & Institutional Banking and resulted from a reduction in the default contribution for qualified central counterparties and a reduction in the risk of rating migrations for derivative contracts. In addition, there was a decrease within Retail Banking as a result of increased house prices in the Netherlands, which led to higher collateral values for mortgages, and a decrease in business volume, within Group Functions.

Credit quality indicators

Overall performance of the underlying risk drivers was good, in line with the performance of the Dutch economy and the Dutch housing market. The forbearance ratio decreased significantly owing to full repayments, write-offs and an increase in clients who have completed their probation period (i.e. who are no longer forborne). The past due ratio remained relatively stable, despite some inflow in the short-term arrears. The impaired and coverage ratio decreased further as a result of clients returning to the performing portfolio, alongside write-offs and releases.

Cost of risk

The cost of risk was -2bps for full year 2017 (2016: 4bps). The improvement was mainly the result of releases for corporate loans, driven by a model update for smaller commercial banking loans, and various releases for consumer loans. It was also supported by model refinements for residential mortgages and the corporate loan portfolio, in combination with the strong economy. For more information, please refer to the loan impairment charges and allowances paragraph.

Liquidity and funding

The LtD ratio decreased to 112% at 31 December 2017 (31 December 2016: 113%). The main driver was deposit growth in Private Banking, which was partly offset by loan growth in Corporate & Institutional Banking and Retail Banking.

Reporting scope risk

The following table gives an overview of the figures reported in the consolidated balance sheet (net), while the figures reported in the Risk management section are gross and exclude fair value adjustments.

	31 December 2017			31 December 2016		
(in millions)	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount
Loans and receivables - banks	**10,671**	**7**	**10,665**	**13,488**	**3**	**13,485**
Residential mortgages	152,825	134	152,691	152,328	258	152,069
Less: Fair value adjustment from hedge accounting on residential mortgages	2,264		2,264	3,073		3,073
Residential mortgages, excluding fair value adjustments	**150,562**	**134**	**150,428**	**149,255**	**258**	**148,997**
Consumer loans	**12,426**	**304**	**12,122**	**12,539**	**433**	**12,106**
Corporate loans	95,645	1,971	93,674	92,641	2,895	89,746
Less: Fair value adjustment from hedge accounting on corporate loans	1,425		1,425	1,722		1,722
Corporate loans, excluding fair value adjustments	**94,220**	**1,971**	**92,250**	**90,920**	**2,895**	**88,025**
Other loans and receivables - customers[1]	16,470	51	16,419	13,838	81	13,757
Less: Fair value adjustment from hedge accounting on other loans and receivables - customers	11		11			
Other loans and receivables - customers, excluding fair value adjustments[1]	**16,459**	**51**	**16,407**	**13,838**	**81**	**13,757**
Total loans and receivables - customers, excluding fair value adjustments	**273,666**	**2,460**	**271,206**	**266,551**	**3,666**	**262,884**
Fair value adjustments on Loans and receivables - customers	3,700		3,700	4,794		4,794
Total loans and receivables - customers	**277,366**	**2,460**	**274,906**	**271,345**	**3,666**	**267,679**
Total loans and receivables, excluding fair value adjustments	**284,337**	**2,467**	**281,871**	**280,039**	**3,669**	**276,369**
Total fair value adjustments on Loans and receivables	3,700		3,700	4,794		4,794
Total loans and receivables	**288,037**	**2,467**	**285,571**	**284,833**	**3,669**	**281,164**
Other			107,600			113,318
Total assets			**393,171**			**394,482**

[1] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Credit risk EDTF 26

Credit risk exposure

Credit risk overview Audited

(in millions)		31 December 2017		31 December 2016
Cash and balances at central banks		**29,783**		**21,861**
Financial assets held for trading	1,600		1,607	
Less: equity securities	111		35	
Financial assets held for trading		**1,488**		**1,572**
Derivatives		**9,825**		**14,384**
Financial investments	40,964		45,497	
Less: equity instruments	438		468	
Less: private equities and venture capital	609		731	
Less: Equity securities	63		45	
Financial investments		**39,854**		**44,253**
Securities financing		**16,645**		**17,589**
Loans and receivables - banks		**10,665**		**13,485**
Loans and receivables - customers		**274,906**		**267,679**
Other assets	2,830		6,050	
Less: Unit-linked investments			3,275	
Less: Other	450		476	
Other assets		**2,380**		**2,299**
On-balance sheet maximum exposure to credit risk		**385,546**		**383,122**
Off-balance sheet				
Committed credit facilities	32,772		25,288	
Guarantees and other commitments	16,165		15,873	
Revocable credit facilities	72,844		82,338	
Off-balance sheet credit facilities and guarantees		**121,782**		**123,499**
Maximum exposure to credit risk		**507,328**		**506,621**
Adjustments on assets[1]		9		-1,430
Valuation adjustments[2]		6,127		4,849
Offsetting and netting		-26,470		-31,974
Off-balance sheet credit facilities and guarantees		-121,782		-123,499
Off-balance sheet exposure fraction expected to be drawn prior to default (Credit Conversion Factors)		28,384		28,551
Total Exposure at Default		**393,596**		**383,118**
Credit risk RWA (REA)/Total Exposure at Default		21.4%		21.7%

[1] Main adjustments on assets are equity instruments, selected financial assets held for trading and fair value adjustments from hedge accounting.
[2] Adjustments on valuation include loan impairment allowances.

The above table shows the maximum exposure to credit risk and reconciliation to the total Exposure at Default.

Overall credit risk EAD and RWA Audited EDTF 14 EDTF 15 EDTF 29

	31 December 2017						
	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	- of which:		RWA (REA)	RWA (REA)/ Exposure at Default
(in millions)				Derivatives	Securities financing transactions		
Credit risk IRB							
Central governments and central banks	60,358	-4,698	65,057	267	108	1,166	1.8%
Institutions[1]	18,546	3,604	14,942	2,219	1,647	2,642	17.7%
Corporates	205,697	89,752	115,944	2,667	1,065	47,012	40.5%
Retail	186,472	8,467	178,005			21,909	12.3%
- of which secured by immovable property	165,590	1,204	164,386			16,979	10.3%
- of which qualifying revolving exposures	11,653	6,078	5,576			2,188	39.2%
- of which other retail	9,229	1,185	8,043			2,742	34.1%
Credit valuation adjustment						742	
Securitisation positions	4		4				
Subtotal	**471,078**	**97,125**	**373,953**	**5,153**	**2,819**	**73,471**	**19.6%**
Equities not held for trading	1,006		1,006			4,534	450.6%
Other[2]	1,194		1,194			1,695	141.9%
Total IRB	**473,278**	**97,125**	**376,153**	**5,153**	**2,819**	**79,700**	**21.2%**
Credit risk SA							
Central governments and central banks	4,927	-31	4,958	23	17		0.0%
Institutions[1]	6,960	66	6,894	1,596	3,017	189	2.7%
Corporates	4,412	1,947	2,465	5		2,377	96.5%
Retail	5,349	4,201	1,147			857	74.7%
Covered bonds							
Secured by mortgages on immovable property	776	56	720			257	35.7%
Exposures in default	579	539	40			50	126.3%
Subtotal	**23,003**	**6,779**	**16,224**	**1,624**	**3,034**	**3,731**	**23.0%**
Other[2]	1,219		1,219			710	58.3%
Total SA	**24,222**	**6,779**	**17,443**	**1,624**	**3,034**	**4,441**	**25.5%**
Total	**497,500**	**103,904**	**393,596**	**6,777**	**5,853**	**84,141**	**21.4%**

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

Overall credit risk EAD and RWA

Audited | EDTF 14 | EDTF 15 | EDTF 29

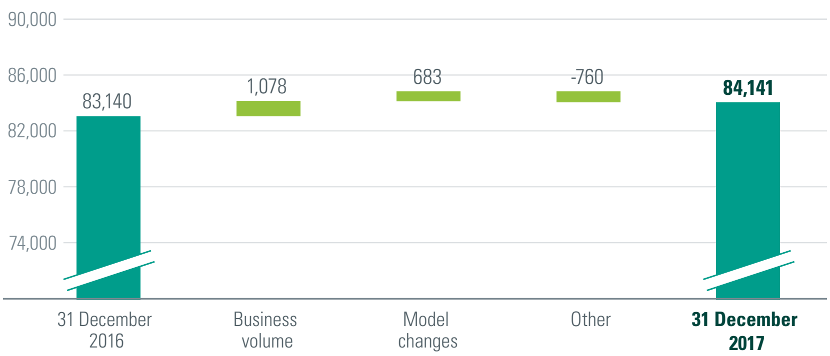
(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	- of which: Derivatives	Securities financing transactions	RWA (REA)	RWA (REA)/ Exposure at Default
	31 December 2016						
Credit risk IRB							
Central governments and central banks	54,464	-5,589	60,054	367	201	1,001	1.7%
Institutions[1]	21,226	6,031	15,195	1,832	2,745	2,517	16.6%
Corporates	199,133	91,487	107,647	2,902	1,335	41,985	39.0%
Retail	179,546	5,702	173,844			23,366	13.4%
- of which secured by immovable property	157,957	-2,085	160,042			18,081	11.3%
- of which qualifying revolving exposures	12,357	6,363	5,994			2,534	42.3%
- of which other retail	9,232	1,424	7,808			2,750	35.2%
Credit valuation adjustment						804	
Securitisation positions	1,265		1,265			95	7.5%
Subtotal	**455,635**	**97,631**	**358,004**	**5,101**	**4,281**	**69,767**	**19.5%**
Equities not held for trading	1,299		1,299			5,293	407.5%
Other[2]	1,248		1,248			1,761	141.1%
Total IRB	**458,182**	**97,631**	**360,551**	**5,101**	**4,281**	**76,821**	**21.3%**
Credit risk SA							
Central governments and central banks	4,605	40	4,565	25		19	0.4%
Institutions[1]	5,465	43	5,422	1,487	2,481	280	5.2%
Corporates	5,441	2,063	3,378	7		2,599	76.9%
Retail	5,107	3,966	1,141			761	66.7%
Covered bonds							
Secured by mortgages on immovable property	5,189	33	5,156			1,009	19.6%
Exposures in default	688	637	51			58	114.5%
Subtotal	**26,495**	**6,781**	**19,714**	**1,519**	**2,481**	**4,726**	**24.0%**
Other[2]	4,178	1,325	2,853			1,593	55.8%
Total SA	**30,672**	**8,105**	**22,567**	**1,519**	**2,481**	**6,319**	**28.0%**
Total	**488,854**	**105,736**	**383,118**	**6,620**	**6,762**	**83,140**	**21.7%**

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

RWA (REA) flow statement credit risk

EDTF 16

(in millions)



The increase in credit risk RWA (REA) was mainly the result of business growth, largely related to Corporate & Institutional Banking. In addition, increases were attributable to model changes within Retail Banking and Commercial Banking. These increases were partly offset by higher collateral values and, to a lesser extent, by the improved credit quality within Retail Banking visible in the Other category.

Credit quality by exposure class Audited

				31 December 2017
(in millions, Exposure at Default)	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	64,747	309		65,057
Institutions[1]	13,903	1,037	2	14,942
Corporates	45,054	65,932	4,959	115,944
Retail	154,666	21,838	1,501	178,005
- of which secured by immovable property	147,156	16,154	1,077	164,386
- of which qualifying revolving exposures	2,751	2,644	180	5,576
- of which other retail	4,758	3,041	244	8,043
Securitisation positions	4			4
Total IRB[2]	**278,374**	**89,117**	**6,461**	**373,953**
Total SA[3]				16,224
Total				**390,177**

				31 December 2016
	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	59,870	184		60,054
Institutions[1]	14,567	598	30	15,195
Corporates	41,576	60,641	5,430	107,647
Retail	148,781	23,131	1,932	173,844
- of which secured by immovable property	141,736	16,958	1,348	160,042
- of which qualifying revolving exposures	2,691	3,070	233	5,994
- of which other retail	4,354	3,103	351	7,808
Securitisation positions	1,265			1,265
Total IRB[2]	**266,058**	**84,554**	**7,392**	**358,004**
Total SA[3]				19,714
Total				**377,718**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

The composition of the credit quality of our portfolio remained relatively unchanged. In absolute terms, the impaired portfolio decreased by 13% in 2017, mainly due to corporates and retail and in line with the strong Dutch economy.

Credit risk concentration Audited

Geographic concentration

Geographic concentration by EAD Audited

The consolidated exposures in the table are allocated to the geographical regions where clients are domiciled. The bank monitors and manages country risk, based on the country at risk. The country at risk may be different from the country of domicile where, for example, the bank finances a project in a country other than the country in which the borrower is domiciled. The bank actively manages and monitors the development of the country risk exposures.

						31 December 2017
(in millions, Exposure at Default)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	36,540	22,405	2,728	2,456	928	65,057
Institutions[1]	3,603	6,459	2,053	2,238	589	14,942
Corporates	64,146	26,953	6,866	7,376	10,604	115,944
Retail	177,163	634	45	101	62	178,005
- of which secured by immovable property	163,813	400	40	89	44	164,386
- of which qualifying revolving exposures	5,512	54	2	2	6	5,576
- of which other retail	7,838	180	3	10	11	8,043
Securitisation positions	4					4
Total IRB[2]	**281,456**	**56,451**	**11,692**	**12,172**	**12,182**	**373,953**
Total SA[3]	2,537	11,467	1,561	354	306	16,224
Total	**283,992**	**67,917**	**13,253**	**12,526**	**12,488**	**390,177**
Percentage of total	72.8%	17.4%	3.4%	3.2%	3.2%	100.0%

						31 December 2016
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	30,466	23,578	3,477	1,999	533	60,054
Institutions[1]	3,417	7,153	1,699	2,534	393	15,195
Corporates	54,922	23,937	6,540	10,031	12,217	107,647
Retail	172,990	648	41	95	69	173,844
- of which secured by immovable property	159,524	364	36	79	40	160,042
- of which qualifying revolving exposures	5,924	58	2	3	7	5,994
- of which other retail	7,542	226	4	13	22	7,808
Securitisation positions	1,265					1,265
Total IRB[2]	**263,060**	**55,316**	**11,757**	**14,659**	**13,212**	**358,004**
Total SA[3]	8,725	9,086	1,481	192	230	19,714
Total	**271,786**	**64,402**	**13,238**	**14,851**	**13,442**	**377,718**
Percentage of total	72.0%	17.1%	3.5%	3.9%	3.6%	100.0%

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Total Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
3 Exposure at Default does not include EAD calculated for other non-credit obligations.

ABN AMRO's portfolio is largely concentrated in the Netherlands (72.8%). The Exposure at Default in the Netherlands increased to EUR 284.0 billion at 31 December 2017 (31 December 2016: EUR 271.8 billion), mainly owing to the higher business volume in the corporates and the central governments and central banks exposure classes. The geographical increase in the Netherlands was mainly driven by business growth in Corporate & Institutional Banking and, to a lesser extent, by changes in the methodology for regulatory reporting applied to cash collateral. The decrease in Asia was largely due to the Private Banking divestment.

Industry concentration

ABN AMRO applies industry concentration limits in line with the Industry Classification Benchmark (ICB). In the exposure table, non-material industry clusters are aggregated under Other. Industry concentration limits are established in the bank's risk appetite, where the thresholds for concentrations are based on relative risk, on the importance of the industry to the Dutch economy and on expert opinion.

Industry concentration is presented both in terms of the original obligor and in terms of the resultant obligor. The original obligor is the counterparty with whom ABN AMRO has the original contractual relationship, and who is often referred to as the borrower. The resultant obligor is the counterparty on whom ABN AMRO has the ultimate credit risk, and who is often referred to as the guarantor. The industry view based on the original obligor and the industry view based on the resultant obligor differ in the case, for example, of the real estate, healthcare and public administration sectors. Government-guaranteed exposures are included in the original obligor view under the applicable industry. In the resultant obligor view, however, these exposures are included in public administration as they concern government-related exposures.

Industry concentration by EAD Audited

				31 December 2017
(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	19,577	5.0%	18,123	4.6%
Financial services[1]	17,454	4.5%	16,073	4.1%
Industrial goods and services	24,978	6.4%	24,826	6.4%
Real estate	14,989	3.8%	13,215	3.4%
Oil and gas	15,264	3.9%	15,166	3.9%
Food and beverage	17,283	4.4%	17,191	4.4%
Retail	6,568	1.7%	6,533	1.7%
Basic resources	4,792	1.2%	4,789	1.2%
Healthcare	4,879	1.3%	4,800	1.2%
Construction and materials	4,413	1.1%	4,363	1.1%
Other[2]	18,798	4.8%	20,597	5.3%
Subtotal Industry Classification Benchmark	**148,996**	**38.2%**	**145,676**	**37.3%**
Private individuals (non-Industry Classification Benchmark)	178,903	45.9%	178,903	45.9%
Public administration (non-Industry Classification Benchmark)	62,277	16.0%	65,597	16.8%
Subtotal non-Industry Classification Benchmark	**241,181**	**61.8%**	**244,501**	**62.7%**
Exposure at Default[3]	**390,177**	**100.0%**	**390,177**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Industry concentration by EAD Audited

				31 December 2016
(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	19,405	5.1%	18,020	4.8%
Financial services[1]	17,141	4.5%	16,514	4.4%
Industrial goods and services	23,203	6.1%	22,943	6.1%
Real estate	14,515	3.8%	12,854	3.4%
Oil and gas	14,563	3.9%	14,587	3.9%
Food and beverage	15,154	4.0%	15,094	4.0%
Retail	5,634	1.5%	5,585	1.5%
Basic resources	4,561	1.2%	4,550	1.2%
Healthcare	4,653	1.2%	4,737	1.3%
Construction and materials	3,606	1.0%	3,524	0.9%
Other[2]	17,599	4.7%	17,635	4.7%
Subtotal Industry Classification Benchmark	**140,035**	**37.1%**	**136,043**	**36.0%**
Private individuals (non-Industry Classification Benchmark)	182,597	48.3%	182,739	48.4%
Public administration (non-Industry Classification Benchmark)	55,087	14.6%	58,937	15.6%
Subtotal non-Industry Classification Benchmark	**237,683**	**62.9%**	**241,675**	**64.0%**
Exposure at Default[3]	**377,718**	**100.0%**	**377,718**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

The industry concentration by EAD of private individuals (non-Industry Classification Benchmark) mainly relates to residential mortgage loans and, to a lesser extent, to consumer loans. The exposures to private individuals decreased modestly to EUR 178.9 billion (31 December 2016: EUR 182.7 billion) in the resultant obligor view. Exposures to the financial services industry in the resultant obligor view decreased, while all other sectors increased, mainly driven by higher business volumes. Exposures to the public administration sector increased, mainly due to an increase in exposures to central banks.

Credit risk mitigation Audited EDTF 30

Offsetting, netting, collateral and guarantees

Audited EDTF 30

Collateral reporting is based on the net collateral value (NCV). NCV expresses the value of collateral in the event of a forced sale and is equal to the expected recovery value of the collateral pledged to the bank. Surplus collateral is the amount of over-collateralisation, calculated on an individual basis. A surplus for guarantees is not included as the debtor can only be liable for the maximum debt.

Financial assets: offsetting, netting, collateral and guarantees Audited EDTF 30

										31 December 2017
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[7]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount[4]	Master netting agreement[5]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[6]	
Financial assets held for trading	**1,488**		**1,488**							**1,488**
Derivatives	**9,825**		**9,825**	**6,796**	**208**		**91**	**7,095**		**2,730**
Securities financing	**18,315**	**1,670**	**16,645**	**775**	**19,116**			**19,890**	**3,407**	**162**
Interest-bearing deposits	5,357	443	4,914	5				5		4,909
Loans and advances	2,871		2,871	1,525	1,730			3,255	1,649	1,265
Other	2,886	6	2,880				140	140		2,740
Total loans and receivables - banks	**11,114**	**450**	**10,665**	**1,530**	**1,730**		**140**	**3,401**	**1,649**	**8,913**
Loans and receivables - customers										
Residential mortgages[1]	150,428		150,428		2,182	192,300	4,257	198,739	57,750	9,438
Consumer loans	12,133	11	12,122		4,692	4,809	22	9,524	4,388	6,986
Corporate loans[2]	97,949	5,699	92,250	2,811	25,439	50,111	14,422	92,783	25,852	25,318
Other loans and receivables - customers[3]	16,457	50	16,407	678	4,078	3,581	1,764	10,102	1,153	7,459
Fair value adjustment from hedge accounting	3,700		3,700							3,700
Total Loans and receivables - customers	**280,666**	**5,760**	**274,906**	**3,490**	**36,391**	**250,801**	**20,465**	**311,147**	**89,142**	**52,901**
Other assets	**2,380**		**2,380**				**112**	**112**		**2,269**
Total on-balance sheet subject to netting and pledged agreements	**323,789**	**7,879**	**315,910**	**12,591**	**57,445**	**250,801**	**20,808**	**341,645**	**94,198**	**68,462**
Assets not subject to netting and pledged agreements	77,262		77,262							77,262
Total assets	**401,050**	**7,879**	**393,171**	**12,591**	**57,445**	**250,801**	**20,808**	**341,645**	**94,198**	**145,724**
Total off-balance sheet[2]	121,782		121,782		5,406	8,222	4,612	18,240	5,673	109,215
Total on- and off-balance sheet	**522,833**	**7,879**	**514,953**	**12,591**	**62,851**	**259,023**	**25,420**	**359,885**	**99,871**	**254,939**

1 In 2017 ABN AMRO concluded that undrawn building fund accounts should not be recognised. Comparative figures have been adjusted accordingly.
2 Improved reporting procedures for collateral reporting have been applied in 2017. Comparative figures have been adjusted accordingly.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
4 Carrying amount includes Loan impairment allowances where applicable.
5 Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.
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.

Financial assets: offsetting, netting, collateral and guarantees Audited EDTF 30

	31 December 2016									
	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[8]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount[5]	Master netting agreement[6]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[7]	
Financial assets held for trading	**1,572**		**1,572**							**1,572**
Derivatives	**14,384**		**14,384**	**11,390**			**5**	**11,396**		**2,989**
Securities financing	**20,463**	**2,873**	**17,589**	**234**	**20,634**			**20,868**	**3,443**	**164**
Interest-bearing deposits	5,789	749	5,041	36	1,134			1,170	1,134	5,005
Loans and advances	5,162		5,162	4,187				4,187		976
Other	3,282		3,282				146	146		3,137
Total loans and receivables - banks	**14,234**	**749**	**13,485**	**4,223**	**1,134**		**146**	**5,502**	**1,134**	**9,117**
Loans and receivables - customers										
Residential mortgages[1]	148,997		148,997		2,047	180,013	6,279	188,339	50,979	11,637
Consumer loans	12,141	35	12,106		3,381	5,028	27	8,436	3,583	7,253
Corporate loans[2]	93,458	5,434	88,025	3,086	27,803	43,667	13,328	87,883	25,009	25,150
Other loans and receivables - customers[3]	13,777	20	13,757	684	3,430	3,232	1,108	8,454	1,144	6,447
Fair value adjustment from hedge accounting	4,794		4,794							4,794
Total Loans and receivables - customers	**273,168**	**5,489**	**267,679**	**3,770**	**36,660**	**231,940**	**20,742**	**293,112**	**80,715**	**55,282**
Other assets	**2,299**		**2,299**				**55**	**55**		**2,244**
Total on-balance sheet subject to netting and pledged agreements	**326,119**	**9,111**	**317,008**	**19,617**	**58,428**	**231,940**	**20,948**	**330,933**	**85,292**	**71,367**
Assets not subject to netting and pledged agreements	77,473		77,473							77,473
Total assets	**403,593**	**9,111**	**394,482**	**19,617**	**58,428**	**231,940**	**20,948**	**330,933**	**85,292**	**148,841**
Total off-balance sheet[2,4]	123,499		123,499		7,112	6,738	6,167	20,016	5,762	109,244
Total on- and off-balance sheet	**527,092**	**9,111**	**517,981**	**19,617**	**65,540**	**238,678**	**27,115**	**350,949**	**91,053**	**258,085**

1 In 2017 ABN AMRO concluded that undrawn building fund accounts should not be recognised. Comparative figures have been adjusted accordingly.
2 Improved reporting procedures for collateral reporting have been applied in 2017. Comparative figures have been adjusted accordingly.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
4 Exclusion of credit offers relating to mortgage renewals and process improvements resulted in a downward adjustment of the comparative figures for 2016.
5 Carrying amount includes Loan impairment allowances where applicable.
6 Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.
7 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
8 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Total net exposure of total loans and receivables - customers decreased to EUR 52.9 billion at 31 December 2017 (31 December 2016: EUR 55.3 billion). This decrease was mainly attributable to residential mortgages (decrease of EUR 2.2 billion) as the collateral value of property and equipment improved due to a rise in housing prices.

The total risk mitigation for consumer loans increased by EUR 1.1 billion, mainly due to increased financial instruments in the Private Banking portfolio. This resulted in a modest decline in net exposure. The risk mitigation for corporate loans showed a significant increase to EUR 92.8 billion (31 December 2016: EUR 87.9 billion). This increase was mainly observed in property and equipment collateral, which was largely attributable to the growth in the loan book, as well as to the revised recovery rates in Q2 2017. These increases were partly offset by a rise in surplus collateral and by a decline in financial instruments. The combined effect led to a stable net exposure for corporate loans.

The net exposure of other loans and receivables - customers increased to EUR 7.5 billion (31 December 2016: EUR 6.4 billion), mainly due to clearing activities.

Financial liabilities: offsetting, netting, collateral and guarantees Audited

								31 December 2017
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[2]	Financial instruments collateral	Total risk mitigation	Surplus collateral	
Financial liabilities held for trading	**1,082**		**1,082**					**1,082**
Derivatives	**8,367**		**8,367**	**6,807**	**208**	**7,015**		**1,352**
Securities financing	**14,545**	**1,670**	**12,875**	**768**	**12,743**	**13,512**	**2,584**	**1,948**
Deposits	16,618	179	16,439	2,702		2,702		13,737
Other	23		23					23
Due to banks	**16,641**	**179**	**16,462**	**2,702**		**2,702**		**13,760**
Deposits[1]	242,730	6,031	236,699	2,313		2,313		234,386
Other borrowings								
Due to customers	**242,730**	**6,031**	**236,699**	**2,313**		**2,313**		**234,387**
Other liabilities	**3,543**		**3,543**					**3,543**
Total liabilities subject to netting arrangements	**286,907**	**7,879**	**279,028**	**12,591**	**12,951**	**25,542**	**2,584**	**256,070**
Remaining liabilities not subject to netting	92,813		92,813					92,813
Total liabilities	**379,720**	**7,879**	**371,841**	**12,591**	**12,951**	**25,542**	**2,584**	**348,883**

[1] In 2017 ABN AMRO concluded that undrawn building fund accounts should not be recognised. Comparative figures have been adjusted accordingly.
[2] Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.

Financial liabilities: offsetting, netting, collateral and guarantees Audited

								31 December 2016
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Total risk mitigation	Surplus collateral	
Financial liabilities held for trading	**791**		**791**					**791**
Derivatives	**14,526**		**14,526**	**13,113**		**13,113**		**1,414**
Securities financing	**14,499**	**2,873**	**11,625**	**235**	**13,589**	**13,825**	**3,289**	**1,090**
Deposits	13,797	403	13,394	3,210		3,210		10,185
Other	25		25					25
Due to banks	**13,823**	**403**	**13,419**	**3,210**		**3,210**		**10,210**
Deposits	234,592	5,834	228,758	3,059		3,059		225,698
Other borrowings								
Due to customers	**234,592**	**5,834**	**228,758**	**3,059**		**3,059**		**225,698**
Other liabilities	**6,503**		**6,503**					**6,503**
Total liabilities subject to netting arrangements	**284,734**	**9,111**	**275,623**	**19,617**	**13,589**	**33,206**	**3,289**	**245,705**
Remaining liabilities not subject to netting	99,922		99,922					99,922
Total liabilities	**384,655**	**9,111**	**375,544**	**19,617**	**13,589**	**33,206**	**3,289**	**345,627**

[1] Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.

Management of forborne, past due and impaired loans Audited

Forborne exposures Audited

The following table provides an overview of forborne assets, broken down into performing and non-performing assets, and classified by the type of forbearance measure. Clients in (or potentially in) financial difficulty and whose contracts have been amended since 1 January 2012 in ways that are considered concessions on the part of the bank are accounted for as forborne assets.

In 2017, EBA guidance resulted in a policy change with regard to forborne clients in a recovery phase. As a result, forborne clients in a recovery phase are now still considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.

Overview of forborne assets Audited

	31 December 2017										
		Performing assets[3]				Non-performing assets[3]					
(in millions)	Gross carrying amount[2]	Temporary modification	Permanent modification	Refinancing	Total performing forborne assets	Temporary modification	Permanent modification	Refinancing	Total non-performing forborne assets	Total forborne assets	Forbearance ratio
Loans and receivables - banks	**10,671**										**0.0%**
Loans and receivables - customers											
Residential mortgages	150,562	636	12	80	728	388	19	27	434	1,162	0.8%
Consumer loans	12,426	74	18	140	232	52	17	60	129	360	2.9%
Corporate loans	94,220	1,029	872	673	2,574	861	1,020	1,200	3,082	5,656	6.0%
Other loans and receivables - customers[1]	16,459	87	54	2	144	44	25		69	212	1.3%
Total Loans and receivables - customers	**273,666**	**1,827**	**955**	**895**	**3,677**	**1,345**	**1,082**	**1,287**	**3,713**	**7,390**	**2.7%**
Total	**284,337**	**1,827**	**955**	**895**	**3,677**	**1,345**	**1,082**	**1,287**	**3,713**	**7,390**	**2.6%**

[1] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
[2] Gross carrying amount excludes fair value adjustments from hedge accounting.
[3] For reporting purposes, the classification of (non-) performing forborne assets is based on the impaired status of the client.

Overview of forborne assets Audited

	31 December 2016										
		Performing assets[4]				Non-performing assets[4]					
(in millions)	Gross carrying amount[3]	Temporary modification	Permanent modification	Refinancing	Total performing forborne assets	Temporary modification	Permanent modification	Refinancing	Total non-performing forborne assets	Total forborne assets	Forbearance ratio
Loans and receivables - banks	**13,488**										**0.0%**
Loans and receivables - customers											
Residential mortgages[1]	149,255	821	12	107	940	375	8	26	408	1,349	0.9%
Consumer loans[1]	12,539	127	35	122	283	143	31	177	352	634	5.1%
Corporate loans[1]	90,920	1,554	1,207	817	3,578	961	1,511	1,643	4,115	7,693	8.5%
Other loans and receivables - customers[2]	13,838	121	117	2	240	54	62	2	119	359	2.6%
Total Loans and receivables - customers	**266,551**	**2,623**	**1,370**	**1,048**	**5,041**	**1,533**	**1,612**	**1,849**	**4,994**	**10,035**	**3.8%**
Total	**280,039**	**2,623**	**1,370**	**1,048**	**5,041**	**1,533**	**1,612**	**1,849**	**4,994**	**10,035**	**3.6%**

[1] The policy with regard to forborne clients in a recovery phase was changed as a result of EBA guidance. Forborne clients in a recovery phase are now considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.
[2] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
[3] Gross carrying amount excludes fair value adjustments from hedge accounting.
[4] For reporting purposes, the classification of (non-) performing forborne assets is based on the impaired status of the client.

The total forborne portfolio decreased significantly to EUR 7.4 billion at year-end 2017 (31 December 2016: EUR 10.0 billion). This decline was mainly attributable to developments within the corporate loans portfolio and reflects the strong Dutch economy. As a consequence, the forbearance ratio declined to 2.7% for loans and receivables - customers (year-end 2016: 3.8%).

Forborne corporate loans decreased to EUR 5.7 billion at year-end 2017 (31 December 2016: EUR 7.7 billion). The decline was relatively evenly attributable to developments within the performing portfolio and the non-performing forborne portfolio. The decline in performing forborne corporate loans was related to contracts that passed the probation period (and so ceased to be forborne). The decline in the non-performing portfolio was driven by full repayments and write-offs. The overall decreases in the corporate forborne portfolio were primarily in the industrial goods and services, oil and gas, real estate, retail, and food and beverage sectors.

Past due exposures Audited

When a counterparty is past due or exceeds its credit limit, all loans and receivables (total gross carrying amount) in the related credit arrangement are considered past due.

Ageing of past due not classified as impaired Audited

							31 December 2017
			Days past due				
(in millions)	Gross carrying amount	Assets not classified as impaired	≤ 30 days	> 30 days & ≤ 90 days	> 90 days	Total past due but not impaired	Past due ratio
Securities financing	**16,645**	**16,645**					
Loans and receivables - banks	**10,671**	**10,600**					
Loans and receivables - customers							
Residential mortgages[1]	150,562	149,543	2,225	180	6	2,412	1.6%
Consumer loans	12,426	11,919	222	142	74	437	3.5%
Corporate loans[1]	94,220	89,106	549	137	103	789	0.8%
Other loans and receivables - customers[2]	16,459	16,190	270	37	20	326	2.0%
Total Loans and receivables - customers	**273,666**	**266,757**	**3,266**	**495**	**203**	**3,964**	**1.4%**
Other assets	**2,384**	**2,373**	**89**	**25**	**12**	**126**	**5.3%**
Total assets	**303,366**	**296,375**	**3,355**	**520**	**215**	**4,090**	**1.3%**

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.

Ageing of past due not classified as impaired Audited

							31 December 2016
			Days past due				
(in millions)	Gross carrying amount	Assets not classified as impaired	≤ 30 days	> 30 days & ≤ 90 days	> 90 days	Total past due but not impaired	Past due ratio
Securities financing	**17,590**	**17,589**					
Loans and receivables - banks	**13,488**	**13,488**					
Loans and receivables - customers							
Residential mortgages[1]	149,255	147,998	1,897	229	8	2,134	1.4%
Consumer loans	12,539	11,800	230	172	86	488	3.9%
Corporate loans[1]	90,920	84,225	343	158	93	594	0.7%
Other loans and receivables - customers[2]	13,838	13,616	242	125	19	386	2.8%
Total Loans and receivables - customers	**266,551**	**257,639**	**2,712**	**684**	**206**	**3,602**	**1.4%**
Other assets	**2,303**	**2,291**	**136**	**36**	**13**	**185**	**8.0%**
Total assets	**299,932**	**291,007**	**2,848**	**721**	**219**	**3,788**	**1.3%**

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.

Total past due exposure on loans and receivables - customers increased to EUR 4.0 billion at 31 December 2017 (31 December 2016: EUR 3.6 billion), mainly driven by an increase in short-term arrears.

Past due exposure on residential mortgages increased following the alignment of the reporting procedures for some of our smaller mortgage labels and also stricter management of the portfolio in arrears. Corporate loans also increased, mainly due to the inflow of a few large clients in short-term arrears.

As a combined effect of the increase in the past due but not impaired portfolio, as well as an increase in the carrying amount, the past due ratio remained at 1.4% at the year-end.

Impaired exposures Audited

Coverage and impaired ratio Audited

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk[3]	Coverage ratio	Impaired ratio
					31 December 2017
Securities financing	**16,645**				
Loans and receivables - banks	**10,671**	**71**	**-1**	**1.5%**	**0.7%**
Loans and receivables - customers					
Residential mortgages[1]	150,562	1,019	-111	10.9%	0.7%
Consumer loans	12,426	507	-285	56.2%	4.1%
Corporate loans[1]	94,220	5,114	-1,844	36.1%	5.4%
Other loans and receivables - customers[2]	16,459	269	-40	15.0%	1.6%
Total Loans and receivables - customers	**273,666**	**6,909**	**-2,280**	**33.0%**	**2.5%**
Other assets	**2,384**	**11**	**-3**	**31.5%**	**0.5%**
Total on-balance sheet	**303,366**	**6,991**	**-2,285**	**32.7%**	**2.3%**
Total off-balance sheet	121,787	121		0.0%	0.1%
Total	**425,153**	**7,112**	**-2,285**	**32.1%**	**1.7%**

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 Audited

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
					31 December 2016
Securities financing	**17,590**				
Loans and receivables - banks	**13,488**				
Loans and receivables - customers					
Residential mortgages[1]	149,255	1,257	-209	16.7%	0.8%
Consumer loans	12,539	738	-387	52.4%	5.9%
Corporate loans[1]	90,920	6,695	-2,761	41.2%	7.4%
Other loans and receivables - customers[2]	13,838	222	-68	30.7%	1.6%
Total Loans and receivables - customers	**266,551**	**8,912**	**-3,425**	**38.4%**	**3.3%**
Other assets	**2,303**	**12**	**-5**	**37.5%**	**0.5%**
Total on-balance sheet	**299,932**	**8,925**	**-3,430**	**38.4%**	**3.0%**
Total off-balance sheet	123,506	134		0.1%	0.1%
Total	**423,437**	**9,059**	**-3,430**	**37.9%**	**2.1%**

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).

Impaired exposures relating to the loans and receivables - customers portfolio declined to EUR 6.9 billion (31 December 2016: EUR 8.9 billion), while allowances for impairments decreased to EUR 2.3 billion (31 December 2016: EUR 3.4 billion). As a result, the coverage ratio declined to 33.0% (31 December 2016: 38.4%) and the impaired ratio improved to 2.5% (31 December 2016: 3.3%). Almost all the sub-portfolios improved in line with the continued strengthening of the Dutch economy, although the corporate loans portfolio's contribution was larger than that of the other portfolios, partly offset by a marginal increase in other loans and receivables.

Owing to a combination of clients returning to the performing portfolio, write-offs and some repayments (including partial repayments), the impaired corporate loan portfolio declined in terms of exposure. The decline was mainly visible in real estate, basic resources, retail, industrial goods and services, financial services and private individuals, and was partly offset by an increase in oil and gas. In addition, corporate loans were affected by the sale of real estate loans at the end of June 2017. This transaction resulted in a decline of approximately EUR 0.2 billion in impaired exposures and of approximately EUR 0.1 billion in allowances.

Impairments on residential mortgages were very low as the strong Dutch economy boosted credit quality. This portfolio also benefited from releases relating to a model refinement implemented in the second quarter of the year.

Impaired exposures for consumer loans and other loans and receivables - customers increased due to write-offs and to clients returning to the performing portfolio. Other loans and receivables were impacted by several new impaired files with relatively low coverage ratios. Impaired exposures to banks were impacted by the inflow of one new foreign file.

Loan impairment charges and allowances Audited EDTF 28

							2017
(in millions)	Securities financing	Banks	Residential mortgages	Consumer loans	Corporate loans[1]	Other loans	Total
Balance at 1 Januari 2017		**3**	**258**	**433**	**2,973**	**2**	**3,670**
Impairment charges for the period		4	42	93	598		737
Reversal of impairment allowances no longer required			-67	-106	-545	-1	-718
Recoveries of amounts previously written-off			-24	-41	-15		-81
Total impairment charges on loans and other receivables		**4**	**-49**	**-54**	**38**	**-1**	**-62**
Amount recorded in interest income from unwinding of discounting			-39	-10	-66		-114
Currency translation differences					-101		-101
Amounts written-off (net)			-37	-68	-810		-915
Reserve for unearned interest accrued on impaired loans				6	-15		-9
Other adjustments			1	-3	1		-2
Balance at 31 December 2017		**7**	**134**	**304**	**2,020**	**2**	**2,467**

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

Individual and collective loan impairment allowances Audited

	31 December 2017						
	Securities financing	Banks	Residential mortgages	Consumer loans	Corporate loans[1]	Other loans	Total
Individual impairment		1	16	99	1,776		1,892
Collective impairment		5	118	206	244	2	575
Balance at 31 December 2017		**7**	**134**	**304**	**2,020**	**2**	**2,467**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance		71	1,019	507	5,114	269	6,980

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

Loan impairment charges and allowances Audited EDTF 28

	2016						
(in millions)	Securities financing	Banks	Residential mortgages	Consumer loans	Corporate loans[1]	Other loans	Total
Balance at 1 Januari 2016	**11**	**2**	**324**	**561**	**3,470**	**1**	**4,368**
Impairment charges for the period		2	115	184	886	2	1,189
Reversal of impairment allowances no longer required	-2	-2	-34	-127	-828		-993
Recoveries of amounts previously written-off			-24	-40	-17		-82
Total impairment charges on loans and other receivables	**-2**		**56**	**17**	**42**	**2**	**115**
Amount recorded in interest income from unwinding of discounting			-40	-8	-47		-94
Currency translation differences					20		20
Amounts written-off (net)	-8		-89	-146	-595		-837
Reserve for unearned interest accrued on impaired loans			2	14	76		92
Other adjustments			5	-5	7	-1	6
Balance at 31 December 2016		**3**	**258**	**433**	**2,973**	**2**	**3,670**

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

Individual and collective loan impairment allowances Audited

	31 December 2016						
(in millions)	Securities financing	Banks	Residential mortgages	Consumer loans	Corporate loans[1]	Other loans	Total
Individual impairment			51	150	2,583		2,785
Collective impairment		3	207	283	390	2	885
Balance at 31 December 2016		**3**	**258**	**433**	**2,973**	**2**	**3,670**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance			1,257	738	6,695	222	8,912

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

Loan impairment charges on- and off-balance sheet Audited

(in millions)	2017	2016
On-balance sheet	-62	115
Off-balance sheet	-1	
Total impairment charges on loans and other receivables	**-63**	**114**

On-balance sheet impairment charges declined sharply, resulting in a release of EUR 62 million (31 December 2016: EUR 115 million addition). The main contributors to the decrease were the residential mortgage and consumer loan portfolios. The total release was impacted by lower IBNI releases (EUR 58 million in 2017 versus EUR 221 million in 2016).

Residential mortgages and consumer loans benefited from the strong Dutch economy, resulting in releases in both portfolios. For residential mortgages, this was the result of the decreasing default portfolio, as well as higher housing prices. In addition, residential mortgages benefited from a model refinement implemented in the first half of 2017.

Corporate loans were impacted by a lower IBNI release in 2017 of EUR 6 million (2016: EUR 150 million). Excluding the IBNI amounts, impairment charges for corporate loans decreased significantly as a result of lower additions. The latter related mainly to the Commercial Banking portfolio and was driven by the strong performance of the Dutch economy. Other positive developments for corporate loans included a model refinement in the first half of 2017 and a model update in the final quarter of the year. The latter was based on more recent data for smaller commercial banking loans and resulted in a release of EUR 31 million. Within Corporate & Institutional Banking, ECT Clients recorded lower impairment charges.

The reserve for unearned interest decreased, mainly due to a review of the treatment of credit risk allowances and interest income on impaired loans. This resulted in an adjustment of EUR 74 million (net interest income).

Forborne, past due and impaired loans split by geography and industry

Forborne, past due and impaired loans split by geography

					31 December 2017
(in millions)	Forborne exposure	Exposures past due, but not impaired	Impaired exposures	Allowances for impairments[1]	Impairment charges for the period[1]
The Netherlands	5,306	3,625	4,315	-1,274	-251
Rest of Europe	794	356	912	-262	51
USA	347		276	-105	91
Asia	203	1	117	-50	40
Rest of the world	740	109	1,371	-593	64
Total On-balance	**7,390**	**4,090**	**6,991**	**-2,285**	**-4**
Off-balance			121		
Total	**7,390**	**4,090**	**7,112**	**-2,285**	**-4**

					31 December 2016
	Forborne exposure[2]	Exposures past due, but not impaired[2]	Impaired exposures	Allowances for impairments[1]	Impairment charges for the period[1]
The Netherlands	7,671	3,248	6,254	-2,282	123
Rest of Europe	779	515	947	-334	84
USA	389		357	-97	60
Asia	360	20	187	-96	18
Rest of the world	836	5	1,179	-621	51
Total On-balance	**10,035**	**3,788**	**8,925**	**-3,430**	**335**
Off-balance			134		
Total	**10,035**	**3,788**	**9,059**	**-3,430**	**335**

1 Amounts excluding Incurred But not Identified (IBNI)
2 The policy with regard to forborne clients in a recovery phase was changed as a result of EBA guidance. Forborne clients in a recovery phase are now considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.

The largest decline was recorded in the Netherlands, where forborne exposures amounted to EUR 5.3 billion at year-end 2017 (31 December 2016: EUR 7.7 billion). This decline was due to full repayments, write-offs and contracts that passed the probation period (and so which ceased to be forborne).

The increase in past due but not impaired exposure was largely attributable to the Netherlands. It was driven by domestic residential mortgages, following the alignment of reporting procedures and stricter management of the portfolio in arrears. The increase in the rest of the world was caused by the inflow of a few large foreign clients in short-term arrears.

As a result of the strong performance of the Dutch economy in combination with a favourable model update and other model refinements, impaired exposures and allowances for impairments in the Netherlands decreased, largely in respect of corporate loans and residential mortgages.

Forborne, past due and impaired loans split by industry

	31 December 2017								
(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not impaired	Past due ratio (EAD)	Impaired exposures	Impaired ratio (EAD)	Allowances for impairments for identified credit risk[4]	Impairment charges for the period[4]
Industry sector									
Banks	19,577		0.0%		0.0%	71	0.4%	-1	1
Financial services[1]	17,454	78	0.4%	70	0.4%	633	3.6%	-563	4
Industrial goods and services	24,978	1,768	7.1%	286	1.1%	1,569	6.3%	-287	-30
Real estate	14,989	466	3.1%	215	1.4%	251	1.7%	-99	-21
Oil and gas	15,264	952	6.2%	126	0.8%	1,031	6.8%	-229	98
Food and beverage	17,283	936	5.4%	122	0.7%	547	3.2%	-109	-22
Retail	6,568	354	5.4%	77	1.2%	277	4.2%	-130	-13
Basic resources	4,792	87	1.8%	30	0.6%	283	5.9%	-107	84
Healthcare	4,879	204	4.2%	31	0.6%	157	3.2%	-58	6
Construction and materials	4,413	439	10.0%	44	1.0%	329	7.4%	-143	-26
Other[2]	18,798	452	2.4%	265	1.4%	446	2.4%	-163	-31
Subtotal Industry Classification Benchmark	**148,996**	**5,737**	**3.9%**	**1,263**	**0.8%**	**5,593**	**3.8%**	**-1,890**	**51**
Private individuals (non-Industry Classification Benchmark)	178,903	1,653	0.9%	2,827	1.6%	1,519	0.8%	-395	-56
Public administration (non-Industry Classification Benchmark)	62,277		0.0%		0.0%		0.0%		1
Subtotal non-Industry Classification Benchmark	**241,181**	**1,653**	**0.7%**	**2,827**	**1.2%**	**1,519**	**0.6%**	**-395**	**-56**
Total[3]	**390,177**	**7,390**	**1.9%**	**4,090**	**1.0%**	**7,112**	**1.8%**	**-2,285**	**-4**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
4 Amounts excluding Incurred But Not Identified (IBNI).

Forborne, past due and impaired loans split by industry

	31 December 2016								
(in millions)	Exposure at Default	Forborne exposures[4]	Forborne ratio (EAD)	Exposures past due, but not impaired	Past due ratio (EAD)	Impaired exposures	Impaired ratio (EAD)	Allowances for impairments for identified credit risk[5]	Impairment charges for the year[5]
Industry sector									
Banks	19,405		0.0%		0.0%		0.0%		-4
Financial services[1]	17,141	102	0.6%	49	0.3%	782	4.6%	-655	-19
Industrial goods and services	23,203	2,459	10.6%	290	1.2%	1,786	7.7%	-602	190
Real estate	14,515	752	5.2%	137	0.9%	606	4.2%	-202	-37
Oil and gas	14,563	1,284	8.8%	3	0.0%	890	6.1%	-188	102
Food and beverage	15,154	1,148	7.6%	105	0.7%	676	4.5%	-170	-23
Retail	5,634	582	10.3%	157	2.8%	541	9.6%	-195	-22
Basic resources	4,561	280	6.1%	5	0.1%	489	10.7%	-197	14
Healthcare	4,653	193	4.1%	21	0.4%	204	4.4%	-139	-23
Construction and materials	3,606	658	18.3%	60	1.7%	483	13.4%	-238	21
Other[2]	17,599	666	3.8%	343	2.0%	625	3.6%	-254	-14
Subtotal Industry Classification Benchmark	**140,035**	**8,124**	**5.8%**	**1,169**	**0.8%**	**7,084**	**5.1%**	**-2,841**	**186**
Private individuals (non-Industry Classification Benchmark)	182,597	1,911	1.0%	2,618	1.4%	1,975	1.1%	-589	149
Public administration (non-Industry Classification Benchmark)	55,087		0.0%	1	0.0%		0.0%		
Subtotal non-Industry Classification Benchmark	**237,683**	**1,911**	**0.8%**	**2,619**	**1.1%**	**1,975**	**0.8%**	**-589**	**149**
Total[3]	**377,718**	**10,035**	**2.7%**	**3,788**	**1.0%**	**9,059**	**2.4%**	**-3,430**	**335**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
4 The policy with regard to forborne clients in a recovery phase was changed as a result of EBA guidance. Forborne clients in a recovery phase are now considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.
5 Amounts excluding Incurred But Not Identified (IBNI).

The largest decreases in forborne assets in 2017 were seen in the industrial goods and services, oil and gas, real estate, retail, and food and beverage industries. These decreases were driven by reduced exposures and the outflow of forborne contracts as a result of repayments, write-offs and contracts passing the probation period (and so ceasing to be forborne). Within the private individuals industry, forborne exposure decreased to EUR 1.7 billion (2016: EUR 1.9 billion), mainly due to contracts passing the probation period.

The increase in past due but not impaired exposures was predominantly caused by private individuals. This rise related to residential mortgages and specifically to the alignment of reporting procedures for our smaller mortgage labels. Exposures in the oil and gas industry also increased, mainly due to the inflow of files relating to two large ECT Clients.

The strong economic development, in combination with a favourable model update and other model refinements, resulted in a strong decrease in impaired exposures and allowances for impairments. The industries contributing most to the overall decline were private individuals, real estate and retail. The decline was somewhat offset by the oil and gas industry, which is suffering the effects of prolonged low oil prices.

Developments in specific portfolios

The following section provides a more detailed overview of developments in specific portfolios and products.

Residential mortgages

Optimism about the Dutch housing market, the favourable economic outlook and low interest rates continued to drive up transaction volumes in 2017, with home movers largely accountable for this increase. The number of transactions in the Dutch housing market in 2017 increased by 12.6% compared with 2016, according to Statistics Netherlands (CBS).

The latest figures show the pace of the increase in housing transactions to be slowing down, particularly in the provinces of Noord-Holland and Utrecht, where sales actually declined. One key reason for the deceleration in the number of sales is the shortage of housing supply, with the popularity of cities, the delayed housing production and the return of the private investor combining to drive up prices around the country. The increase in house prices is causing rising numbers of potential buyers, particularly first-time buyers, to experience difficulties in meeting mortgage lending criteria.

In 2017, the CBS housing price index rose by 8.3%. However, the overall price level in the Netherlands in December 2017 was still, on average, 3.4% below the record set in August 2008.

The regional differences in the Netherlands have become less as house prices in rural areas and provinces are also increasing. Larger differences are visible in the main Dutch cities, with house prices in Amsterdam and Rotterdam, for example, increasing by more than 10% compared with 2016.

Residential mortgage indicators

(in millions)	31 December 2017	31 December 2016
Gross carrying amount excluding fair value adjustment from hedge accounting	150,562	149,255
- of which Nationale Hypotheek Garantie (NHG)	38,049	39,293
Fair value adjustment from hedge accounting	2,264	3,073
Gross carrying amount	152,825	152,328
Exposure at Default[1]	165,107	165,199
RWA (REA)[1]	17,236	19,090
RWA (REA)/Exposure at Default	10.4%	11.6%
Forbearance ratio	0.8%	0.9%
Past due ratio	1.6%	1.4%
Impaired ratio	0.7%	0.8%
Coverage ratio	10.9%	16.7%
Cost of risk (year to date, in bps)[2]	-3	4
Average LtMV (indexed)	70%	76%
Average LtMV - excluding NHG loans (indexed)	67%	73%
Total risk mitigation	198,739	188,339
Total risk mitigation/gross carrying amount[3]	130.0%	123.6%

1 The RWA (REA) and Exposure at Default amounts are based on the exposure class Secured by immovable property. This scope is slightly broader than the residential mortgage portfolio.
2 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
3 Gross carrying amount including fair value adjustment.

The residential mortgage portfolio increased marginally to EUR 150.6 billion (31 December 2016: EUR 149.3 billion). Both mortgage production (up 14.4%) and redemptions (up 13.4%) were significantly higher than in 2016.

ABN AMRO's market share in new mortgage production ended modestly lower at 21.0% (2016: 21.9%), although still strong.

Contractual redemptions gradually increased, in line with the change in the portfolio composition. The proportion of redeeming mortgages increased to 24% of the residential mortgage portfolio at 31 December 2017 (31 December 2016: 18%). In 2017, extra repayments amounted to EUR 2.3 billion and so remained fairly stable compared with 2016. Incentives for extra repayments are the very low interest rates on savings, the wealth tax, and an increased awareness among home owners that they may have a residual debt at the end of their loan term.

The NHG-guaranteed proportion of the residential mortgage portfolio decreased from 26.3% at 31 December 2016 to 25.3% at 31 December 2017. Rising house prices and a gradual reduction of the maximum NHG limit in recent years have resulted in fewer mortgage applications being eligible for an NHG guarantee.

Regulatory capital

The RWA (REA) for the residential mortgage portfolio decreased to EUR 17.2 billion (2016: EUR 19.1 billion). Exposure at Default (EAD) decreased to EUR 165.1 billion (2016: EUR 165.2 billion). The decline in RWA (REA) was mainly the result of higher collateral values and, to a lesser extent, improved credit quality. The decrease in EAD was mainly due to lower off-balance sheet items, partly offset by higher business volumes.

Credit quality indicators

Credit quality indicators remained positive, in line with the performance of the Dutch economy and the Dutch housing market. The past due ratio increased, mainly due to a limited inflow into past due exposures in short-term arrears. The coverage ratio decreased as a result of improved credit quality, higher collateral values, and releases relating to the model refinement implemented in the second quarter of the year.

Residential mortgages to indexed market value

(in millions)	Gross carrying amount	Percentage of total	- of which guaranteed[2]	- of which unguaranteed
LtMV category[1]				
31 December 2017				
<50%	31,365	20.8%	2.3%	18.5%
50-80%	58,691	39.0%	9.2%	29.8%
80-90%	26,384	17.5%	6.8%	10.7%
90-100%	20,821	13.8%	4.5%	9.3%
100-110%	8,941	5.9%	1.8%	4.2%
110-120%	2,377	1.6%	0.5%	1.1%
>120%	495	0.3%	0.1%	0.2%
Unclassified	1,487	1.0%		
Total	**150,562**	**100%**		
31 December 2016				
<50%	26,021	17.4%	1.9%	15.5%
50-80%	47,631	31.9%	6.4%	25.5%
80-90%	23,498	15.7%	5.5%	10.2%
90-100%	25,498	17.1%	7.0%	10.1%
100-110%	15,596	10.4%	3.6%	6.9%
110-120%	6,999	4.7%	1.4%	3.2%
>120%	2,110	1.4%	0.5%	1.0%
Unclassified	1,904	1.3%		
Total	**149,255**	**100%**		

[1] ABN AMRO calculates the Loan-to-Market Value using the indexation of the CBS (Statistics Netherlands).
[2] NHG guarantees.

Rising house prices and restrictions on the maximum Loan-to-Market Value (LtMV) for new mortgages resulted in a continued improvement in the average LtMV, both guaranteed and unguaranteed.

The gross carrying amount of mortgages with an LtMV above 100% continued declining to EUR 11.8 billion at the 2017 year-end (31 December 2016: EUR 24.7 billion). Note that LtMVs in excess of 100% do not necessarily indicate that these clients are in financial difficulties. However, ABN AMRO is actively approaching clients with interest-only mortgages in combination with high LtMV levels to encourage them to amend their mortgage. Approximately 9% of the extra repayments made during the year related to mortgages with an LtMV in excess of 100%.

The long-term LtMV of the bank's portfolio is expected to decrease further as a result of rising house prices, contractual and extra repayments, and current tax regulations.

Breakdown of residential mortgage portfolio by loan type

	31 December 2017		31 December 2016	
(in millions)	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Interest only (partially)	48,734	32%	47,798	32%
Interest only (100%)	27,231	18%	29,638	20%
Redeeming mortgages (annuity/linear)	36,057	24%	26,883	18%
Savings	18,160	12%	20,860	14%
Life (investment)	13,419	9%	15,451	10%
Other[1]	6,960	5%	8,625	6%
Total	**150,562**	**100%**	**149,255**	**100%**

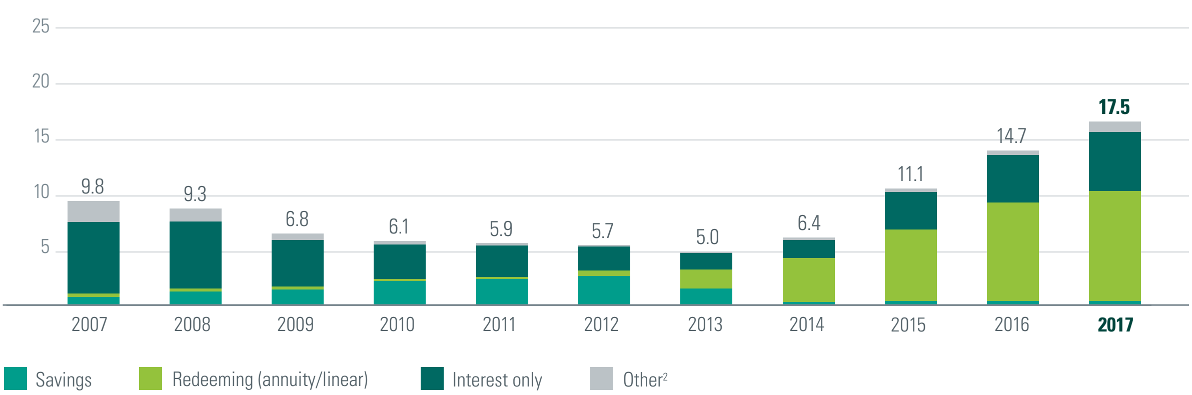
[1] Other includes hybrid, other and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

Fully interest-only mortgages decreased from 20% to 18% of the total mortgage portfolio, and approximately a quarter of the extra repayments made in 2017 related to this loan type. We have seen a decline in the fully interest-only mortgage portfolio with an LtMV > 100%.

Redeeming mortgages was the main category that grew in volume during the year. Interest-only (or partially interest-only) mortgages grew only marginally, as a result of clients refinancing existing mortgages.

Breakdown of the residential mortgage portfolio by year of loan modification as from 2007[1]

(in billions)



[1] Includes the new mortgage production and all mortgages with a modification date.
[2] Other includes universal life, life investment, hybrid, other and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

The effects of various relatively recent changes in Dutch tax regulations are clearly visible in the loan modification breakdown by year. Mortgage loan type originations in 2017 (defined as new production and mortgages with a loan type modification) comprised 32.0% interest-only, 60.2% redeeming mortgages and 2.3% savings mortgages. Interest-only and savings mortgages can still be produced for clients who want to refinance loans originated before 2013. The majority of the interest-only inflow is part of a mixed mortgage.

Residential mortgages to indexed market value for 100% interest-only

	31 December 2017	31 December 2016
	Percentage of total	Percentage of total
Loan-to-Market Value category[1]		
<50%	9%	9%
50-70%	5%	6%
70-100%	3%	4%
>100%	0%	0%
Total[2]	**18%**	**20%**

1 Loan-to-Market Value is calculated using the indexation of the CBS (Central Bureau of Statistics).
2 Percentages of the total mortgage portfolio.

The above table shows the breakdown of the LtMV for the 100% interest-only share of the mortgage portfolio. On 31 December 2017, 0.25% of the total mortgage portfolio had an LtMV above 100% in combination with a fully interest-only mortgage, compared with 0.46% at year-end 2016. The amount of loans with an LtMV above 100% is decreasing as a result of higher house prices, repayments and extra repayments, and the limited inflow of loans into this category under the current mortgage acceptance rules.

Energy, Commodities & Transportation Clients (ECT Clients)

ECT Clients portfolio composition

	31 December 2017				31 December 2016			
(in billions)	Energy	Commodities	Transportation	Total ECT clients	Energy	Commodities	Transportation	Total ECT clients
On-balance sheet exposure	**6.2**	**14.2**	**9.6**	**30.0**	**6.0**	**14.5**	**10.2**	**30.8**
Guarantees and letters of credit	1.0	8.0	0.1	9.1	0.9	7.2	0.2	8.4
Subtotal	**7.2**	**22.2**	**9.6**	**39.0**	**6.9**	**21.8**	**10.4**	**39.1**
Undrawn committed credit facilities	4.2	4.5	1.6	10.4	2.8	2.5	1.1	6.5
Total on- and off-balance sheet exposure	**11.4**	**26.7**	**11.3**	**49.4**	**9.8**	**24.3**	**11.5**	**45.6**
RWA (REA) (in billions)				16.7				14.4
RWA (REA) (in %)	25.7%	55.1%	19.2%	100.0%	21%	58%	21%	100%
Exposure at Default (in billions)				39.4				39.1
Exposure at Default (in %)	20.8%	53.0%	26.1%	100.0%	19%	53%	28%	100%

The vast majority of the ECT Clients loan book is US-dollar denominated. ECT Clients provides financing, generally secured by commodities for which liquid markets exist, by first-priority ship mortgages or by pledged contracted project cash flows. Conservative advance rates are applied for secured lending, taking into account through-the-cycle asset values. In addition, ECT Clients provides unsecured balance sheet financing to investment grade-rated counterparties in the ECT industry.

Prices for most energy and metals commodities rose substantially in 2017, whereas most agri commodities recorded a decline in prices. Overall, price levels for various major commodities are still below their historical 5-year average, although investments are gradually recovering. In Energy, there are signs that the offshore sector has bottomed out and is slowly recovering, with the oil and gas industry gradually increasing investments. Sentiment in some shipping segments improved towards the end of 2017, although the offshore services and tanker segments remain challenging, given the structural overcapacity.

Under these market conditions, ECT Clients is pursuing its strategy of controlled growth, driven by new client acquisitions and by a broadening and deepening of existing client relationships in selective markets.

On-balance sheet exposure

The ECT Clients total loan portfolio amounted to EUR 30.0 billion of on-balance sheet exposure (2016: EUR 30.8 billion). The US dollar depreciated by 12% against the EUR in 2017, resulting in a modest decline in EUR terms. In USD terms, the on-balance sheet exposure increased by 11% in 2017, driven by growth in all three ECT segments.

Off-balance sheet exposure

The off-balance sheet exposure, consisting mainly of short-term letters of credit secured by commodities, guarantees and amounts available under committed credit lines, increased by 31%, mainly as a result of new committed credit facilities in all three segments.

Impairment charges

Due to challenging markets in 2017, ECT Clients' impairment charges for the full year amounted to EUR 186 million (2016: EUR 209 million), with Energy accounting for EUR 76 million, Commodities for EUR 68 million and Transportation for EUR 42 million.

Oil price risk on ECT Clients exposure

The following breakdown shows the composition of our direct and indirect oil and gas-related on-balance sheet exposure.

Energy Clients portfolio of EUR 7.2bn

Segment	Description	Share	Oil price risk
Trade Finance Commodities Energy Clients	▶ Trade related exposure; majority is short-term and a substantial part is self-liquidating trade finance, generally for major trading companies ▶ Facilities are mostly secured and either pre-sold or price hedged, not exposing the bank to oil price risk	Roughly 35% of ECT Clients, in which Commodities Energy is the largest part	Not directly exposed to oil price risk
Floating Production Storage & Offloading Energy Clients	▶ Floating Production Storage & Offloading vessels are developed for exploitation of oil and gas fields ▶ Financing structures rely on long term contracts with investment grade major oil companies		
Corporate Lending Energy Clients	▶ Corporate Loans in oil & gas sector: predominantly loans to investment grade integrated oil companies		
Midstream Energy Clients	▶ E.g. pipelines, tank farms, LNG terminals, etc. ▶ These assets typically generate revenues from medium to long-term tariff based contracts, not directly affected by oil price movements		
Offshore Drilling Companies Energy Clients	▶ Loans to finance drilling rigs ▶ Generally backed by 3-7 year charter contracts and corporate guaranteed	Roughly 5% of ECT Clients	Exposed to oil price risk. In part mitigated by management, technology, low costs and contracts
Other Offshore Companies Energy Clients	▶ Diversified portfolio of companies active in pipe laying, heavy lifting, subsea services, wind park installation, etc. Corporate guaranteed		
Upstream (Reserve Base Lending) Energy Clients	▶ Financing based on borrower's oil & gas assets. Loans secured by proven developed reserves of oil & gas. Includes smaller independent oil & gas producers ▶ Majority of clients are active in both oil and gas. Loans are typically senior secured and have loss absorbing capital structures in place (junior debt, second lien, equity)	Roughly 5% of ECT Clients	Exposure to oil price risk. Risk mitigants may include protection, i.e. low advance rates and loss absorbing capital structures
Total Oil & Gas related exposures	▶ Total Oil & Gas exposure, of on-balance sheet exposure + issued LCs and Guarantees, has grown in line with the overall growth in ECT Clients' portfolio since the beginning of 2015	Roughly 45% of ECT Clients[2]	

[1] The allocation of clients into Energy Clients sub-segment has been based on management views for managerial purposes. Clients can have activities that could be mapped in other sectors.
[2] 45% of the subtotal of ECT clients (EUR 39.0 billion).

Commercial Real Estate (CRE)

The Dutch commercial real estate (investment) market was flourishing in 2017, owing to high demand from investors. This resulted in investment volumes in Dutch commercial real estate reaching an all-time high of EUR 19.5 billion. This represented a strong increase in volume compared with 2016 (EUR 12.8 billion). The low interest environment pushed a significant part of the investment budget towards commercial real estate. In addition, the Dutch commercial real estate market is becoming increasingly international, with 70% of all purchases in 2017 being made by foreign investors.

Increasing demand for office space and the shrinking availability of high-quality locations is pushing office rents up. As a result, other first-class locations in Amsterdam with easy accessibility (i.e. near public transport), such as Sloterdijk and Amsterdam Zuidoost, continued to grow in popularity. A shortage of supply, particularly in Amsterdam, is also leading to greater interest in investments in other cities such as Eindhoven and Den Bosch.

The vacancy percentage in the Retail segment decreased in 2017. Gross prime yields for high street retail and shopping centres decreased, which is a sign of confidence in the continuity of cash flow (rental income). Rent increases were limited to Utrecht and Amsterdam.

The industrial market is continuing to benefit from the economic recovery and the Netherlands' central location in the European logistics corridor. Demand is being driven by rising e-commerce sales, increasing exports and supply chain optimisation.

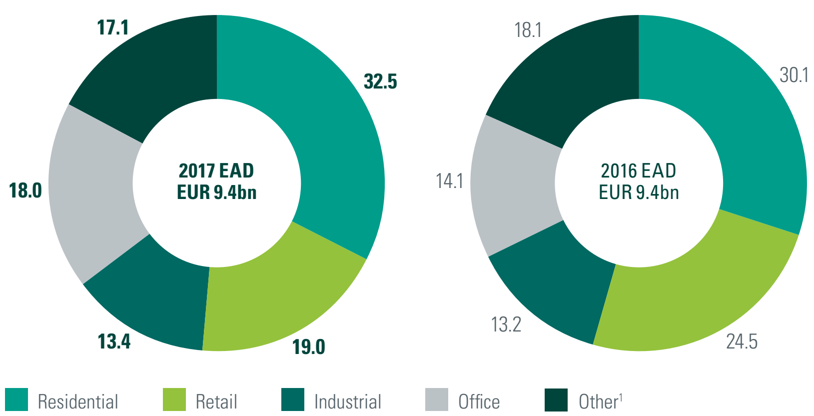
Commercial Real Estate portfolio

The CRE EAD amounted to EUR 9.4 billion at year-end 2017 and so remained stable compared with 31 December 2016. The credit quality indicators improved in 2017 due to the strong commercial real estate market, the impact of the sale of real estate files by the Financial Restructuring & Recovery department and the scaling-down of a smaller CRE portfolio.

As a result, impaired exposure decreased strongly to EUR 481 million (31 December 2016: 683 million), while allowances for impairments fell to EUR 166 million (31 December 2016: EUR 308 million). The coverage ratio improved to 35% (31 December 2016: 45%).

ABN AMRO CRE has relatively low Loan-to-Values (2017: 53.5%). Its loans are largely based on Dutch property, while the loan portfolio consists mainly of investment loans that are well diversified across different asset types.

Asset type
(in %)



[1] Other asset types includes mixed objects, hotels & horeca facilities and parking real estate.

Market risk

ABN AMRO is exposed to market risk in its trading book and banking book. The following table presents the market risk factors to which the different assets and liabilities in the balance sheet are sensitive.

Total market risk exposure

Market risk exposure traded and non-traded risk EDTF 22

	31 December 2017			31 December 2016		
	Carrying amount	Market risk measure		Carrying amount	Market risk measure	
(in millions)		Traded risk	Non-traded risk		Traded risk	Non-traded risk
Assets subject to market risk						
Cash and balances at central banks	29,783		29,783	21,861		21,861
Financial assets held for trading	1,600	1,600		1,607	1,607	
Derivatives	9,825	8,165	1,659	14,384	11,475	2,909
Financial investments	40,964		40,964	45,497		45,497
Securities financing	16,645		16,645	17,589		17,589
Loans and receivables - banks	10,665		10,665	13,485		13,485
Loans and receivables - customers	274,906		274,906	267,679		267,679
Other assets	8,783		8,783	12,380		12,380
Total assets	**393,171**	**9,765**	**383,406**	**394,482**	**13,082**	**381,400**
Liabilities subject to market risk						
Financial liabilities held for trading	1,082	1,082		791	791	
Derivatives	8,367	5,912	2,455	14,526	9,557	4,970
Securities financing	12,875		12,875	11,625		11,625
Due to banks	16,462		16,462	13,419		13,419
Due to customers	236,699		236,699	228,758		228,758
Issued debt	76,612		76,612	81,278		81,278
Subordinated liabilities	9,720		9,720	11,171		11,171
Other liabilities	10,025		10,025	13,976		13,976
Total liabilities	**371,841**	**6,993**	**364,848**	**375,544**	**10,347**	**365,197**
Equity	21,330		21,330	18,937		18,937
Total liabilities and equity	**393,171**	**6,993**	**386,178**	**394,482**	**10,347**	**384,134**

Activities in the trading book are sensitive to multiple risk factors. Most assets and liabilities in the banking book are sensitive to interest rate risk to a large extent. Some of the assets and liabilities are also sensitive to FX risk; however, ABN AMRO minimises this risk through hedging.

Market risk in the banking book

Market risk in the banking book is the risk that the bank's value or income decline because of unfavourable market movements. The market risk of the banking book consists predominantly of interest rate risk. Interest rate risk arises from holding loans with interest rate maturities that are different from the interest rate maturities of the savings and funding of the bank.

On average, the assets have a longer maturity than the liabilities. This applies both to contractual and behavioural maturities. ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates to a floating interest rate position. The resulting interest rate position, after application of interest rate hedges, is in line with the bank's strategy and risk appetite.

Interest rate risk metrics

ABN AMRO uses NII-at-Risk and duration as the main metrics for managing the interest rate risk.

NII-at-Risk

NII-at-Risk includes two scenarios: a gradual increase in interest rates by 200bps and a gradual decline of the same magnitude, measured over a 1-year period. NII-at-Risk includes all expected cash flows, including commercial margins and other spread components, from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book. In calculating the NII-at-Risk, a constant balance sheet is assumed. A floor of 0bps on retail deposits is applied.

Duration

Duration measures value changes due to small parallel shifts of the yield curve. The computation of duration is based on deriving the change in economic value of a portfolio due to an interest rate increase or decrease compared to a base curve. In addition, we measure the value sensitivity to changes in individual maturities of the yield curve.

The following table shows the interest rate risk metrics at year-end 2017 and 2016.

	31 December 2017	31 December 2016
NII-at-risk (in %)	-0.5	-0.4
Duration of equity (in years)	2.2	4.1

The risk appetite for interest rate risk has been lowered in the annual review of the risk appetite statement for 2018, while also anticipating a periodic methodology review and stricter regulatory testing (Supervisory Outlier Test). In 2017, therefore, our duration of equity was reduced from 4.1 to 2.2 in order to align with the updated risk appetite statement.

NII-at-Risk remains fairly stable at -0.5% (approximately EUR 27 million) and, as in the previous year, reflects a reduction of NII in the falling rates scenario. In a scenario reflecting a rise in interest rates NII would increase by 1.9% (approximately EUR 106 million).

Market risk in the trading book

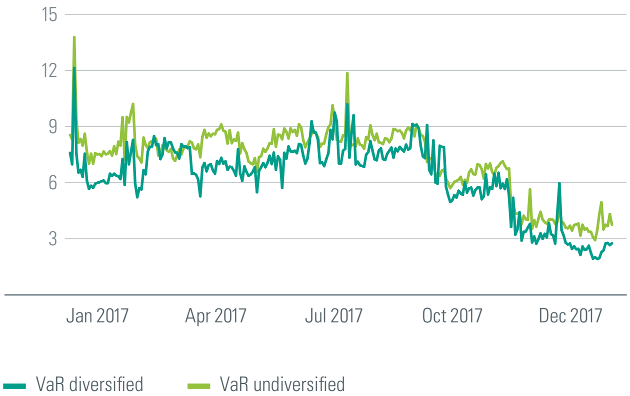
Market risk exposure EDTF 23

ABN AMRO applies a diversified portfolio VaR approach. This takes into account the fact that returns across risk factors may offset one another to a certain extent and consequently reduce risk. As long as these returns are not perfectly correlated to one another, VaR figures based on a diversified portfolio approach will be lower than if the figures are calculated using undiversified VaR. Undiversified VaR means that the VaR figures computed for the different risk factors are summed up without taking into account any offset across risk factors, and therefore negates the potential for risk reduction.

The following graph shows the total VaR ('VaR diversified') and aggregation of the stand-alone risk factors ('VaR undiversified').

VaR diversified and undiversified

VaR diversified and undiversified EDTF 23
(in millions)



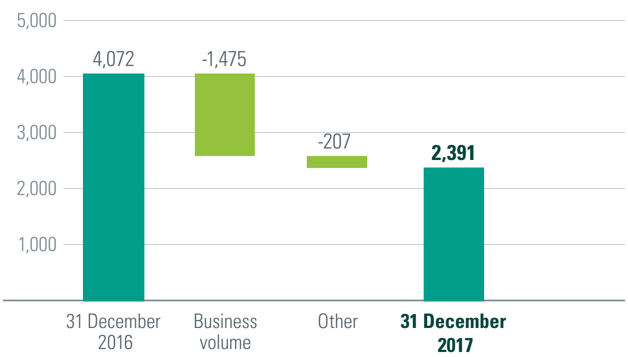
Internal aggregated diversified and undiversified VaR for all trading positions Audited EDTF 23

	31 December 2017		31 December 2016	
(in millions)	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	2.7	3.7	7.2	8.4
Highest VaR	12.2	13.8	10.8	14.0
Lowest VaR	1.9	2.9	1.9	3.0
Average VaR	6.3	7.2	5.2	6.9

In 2017, the average diversified 1-day VaR at a 99% confidence level increased by EUR 1.1 million to EUR 6.3 million compared with 2016. The highest VaR in 2017 was EUR 12.2 million. The average undiversified VaR increased from EUR 6.9 million to EUR 7.2 million in 2017. While the risk profile remained stable and moderate, the slight increase observed in the diversified VaR in 2017 was driven by more volatile market conditions.

Regulatory capital market risk

RWA (REA) flow statement market risk EDTF 16
(in millions)



The reduction in RWA (REA) in 2017 was due to a decrease in the risk exposure.

Operational risk

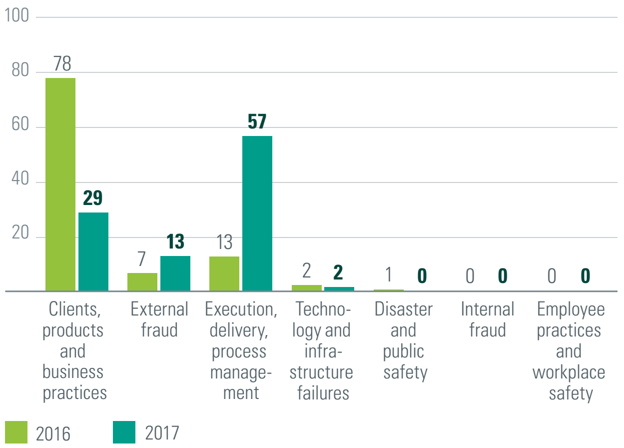
EDTF 32

Operational risk by risk type

ABN AMRO has provisioned for litigation of historical claims against the bank. These claims are accounted for in the balance sheet under provisions (more information on provisions is included in note 29 to the Annual Financial Statements).The figures below show the operational risk losses without provisions. A few large losses occurred in 2017. We also made further payments for cases for which large provisions had previously been made, including Euribor interest rates and SME derivatives-related issues.

Operational losses by event category[1]

Distribution (% of net loss amount)



[1] Operational losses are presented excluding provisioned claims.

The largest loss occurred in the execution, delivery and process management event categories, while external legal expenses relating to the handling of claims accounted for an important share of the losses in the clients, products and business practices event categories. Overall, the majority of losses were relatively small. Most of the small losses in the external fraud event category involved card-related fraud.

Cybercrime

ABN AMRO faces a constant threat of cybercrime by organised crime groups, activists and/or ill-intentioned employees. We therefore continuously monitor this threat and adjust the bank's defences where necessary. The volume of phishing, malware and card theft attacks increased in 2017 compared with 2016.

We continued to strengthen our security controls in 2017, with the result that losses were low despite the persistent volume of attacks. Operational losses resulting from external fraud through digital client channels were higher in 2017 than in 2016. Compared with 2012 (baseline: 100), the level of fraud losses in 2017 was 8 (2016: 4; 2015: 7 and 2014: 7). The Dutch banks are working together through the Dutch Banking Association and the Dutch Payments Association to safeguard society's shared interest in secure payments. The banks have therefore agreed not to compete in matters of security. Individual banks do not report figures on losses attributable to fraud relating to internet banking, skimming and debit cards; instead, these figures are reported jointly.

Business continuity

Business continuity mitigation controls, such as crisis management, business relocation plans and IT disaster recovery plans, are in place to deal with incidents and crises threatening the continuity of critical business processes. During 2017, ABN AMRO's critical systems were required on occasions to deal with disturbances caused by initial changes required for innovation and/or an extensive load of transactions generated through successful new applications.

On all occasions, ABN AMRO's crisis management organisation proved able to respond adequately and to restore business processes as soon as possible. Evaluations and Root Cause Analysis were executed to establish and implement lessons learned.

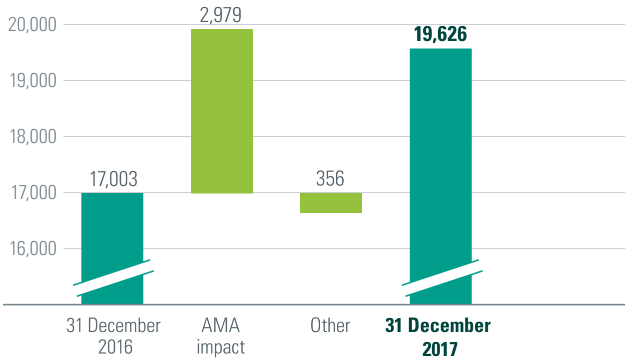
Stability of digital services

Availability of the bank's internet banking services during peak hours was 99.68% on average in 2017, compared to 99.87% in 2016.

Regulatory capital

RWA (REA) flow statement operational risk[1] EDTF 16

(in millions)



[1] No RWA (REA) impact from CRD IV/CRR on operational risk.

Operational risk RWA (REA) increased to EUR 19.6 billion in 2017, mainly as a result of the implementation of the Advance Measurement Approach (AMA) for the operational risk capital calculation from 1 January 2017. At the time, the regulator imposed several add-ons in RWA (REA) (approximately EUR 2-3 billion), pending the fulfillment of certain conditions with regard to the operational risk framework. We anticipated a regulatory review of the framework in the second half of 2017. The regulator has since informed us that it plans to start the review in Q2 2018. Reversal of add-ons are not expected before then.

Liquidity risk

Liquidity risk management

The objective of ABN AMRO's liquidity management is to manage the bank's liquidity position and to comply at all times with internal, regulatory and other relevant liquidity requirements. Various indicators are used to measure the liquidity objectives.

Liquidity risk indicators

	31 December 2017	31 December 2016
Available liquidity buffer (in billions)	72.5	78.9
Survival period (moderate stress)	> 12 months	> 12 months
LCR	>100%	>100%
NSFR	>100%	>100%
Loan-to-Deposit ratio	112%	113%

The survival period reflects the period that the liquidity position is expected to remain positive in an internally developed (moderate) stress scenario. This scenario assumes wholesale funding markets will deteriorate and retail, private and corporate clients will withdraw part of their deposits. The survival period was consistently >12 months in 2017. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% in 2017.

Loan-to-Deposit ratio Audited EDTF 18

(in millions)		31 December 2017		31 December 2016
Loans and receivables - customers		**274,906**		267,679
Deductions				
Selected current accounts related to ABN AMRO Clearing Bank	7,371		6,003	
Fair value adjustment from hedge accounting	3,700		4,794	
Total deductions		-11,071		-10,797
Adjusted Loans and receivables - customers		**263,835**		**256,881**
Due to customers		**236,699**		228,758
Debt certificates issued through Groenbank BV				52
Deductions				
Deposits from Dutch State Treasury Agency (DSTA)		-800		-800
Adjusted Due to customers		**235,899**		**228,009**
Loan-to-Deposit ratio (LtD)		**112%**		**113%**

Adjusted loans and receivables - customers increased to EUR 263.8 billion at 31 December 2017 (31 December 2016: EUR 256.9 billion). Adjusted due to customers increased to EUR 235.9 billion at 31 December 2017 (31 December 2016: EUR 228.0 billion).

The LtD ratio decreased to 112% at 31 December 2017 (31 December 2016: 113%). The main driver was deposit growth within Private Banking, which was partly offset by loan growth within Corporate & Institutional Banking and Retail Banking.

Liquidity buffer composition Audited EDTF 18

	31 December 2017			31 December 2016		
	Liquidity buffer	LCR eligible		Liquidity buffer	LCR eligible	
(in billions)		Level 1	Level 2		Level 1	Level 2
Cash & central bank deposits[1]	28.9	28.9		21.5	21.5	
Government bonds	31.0	30.2	1.4	33.5	33.9	0.6
Covered bonds	1.9	1.8		2.2	1.7	0.4
Retained RMBS	4.1			11.5		
Third party RMBS				1.5		1.3
Other	6.6	6.7	0.3	8.8	7.6	1.7
Total liquidity buffer	**72.5**	**67.7**	**1.7**	**78.9**	**64.6**	**3.9**
- of which in EUR	91.6%			90.3%		
- of which in other currencies	8.4%			9.7%		

[1] The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and retained Residential Mortgage-Backed Securities (RMBS). Most of the securities in the liquidity buffer, with the exception of retained RMBS, qualify for the LCR. Furthermore, both the liquidity buffer and the LCR buffer face haircuts based on their market value. These haircuts are used to determine the liquidity value. Haircuts may differ between the two buffers as the internal assessment of the liquidity buffer deviates from the LCR.

The liquidity buffer decreased by EUR 6.4 billion to EUR 72.5 billion at 31 December 2017 (31 December 2016: EUR 78.9 billion). This was driven mainly by a decrease in retained RMBS. The lower retained RMBS position is the result of a EUR 4 billion TLTRO II participation and further optimisation of our liquidity position. The increase in the cash position was largely offset by a decrease in financial investments.

Liquidity buffer currency diversification Audited EDTF 18

(in billions, liquidity value)	31 December 2017	31 December 2016
EUR	66.5	71.2
USD	3.8	5.7
JPY	1.4	1.0
GBP	0.3	0.3
Other	0.6	0.7
Total	**72.5**	**78.9**

The above table shows the breakdown per currency in the liquidity buffer. The currency composition reflects the composition of the balance sheet, which consists mainly of EUR and USD exposures. The USD position decreased by EUR 1.9 billion to EUR 3.8 billion at 31 December 2017 (31 December 2016: EUR 5.7 billion), mainly due to the sale of PB Asia and FX effects.

The monthly averages of the liquidity buffer are shown in the table below:

Liquidity buffer composition - monthly average Audited

(in billions, liquidity value)	2017	2016
Cash & Central Bank deposits[1]	28.9	19.3
Government bonds	31.6	31.2
Covered bonds	1.9	1.8
RMBS retained	5.9	21.1
Third party RMBS	0.6	1.5
Other	7.0	8.1
Total	**75.9**	**82.9**

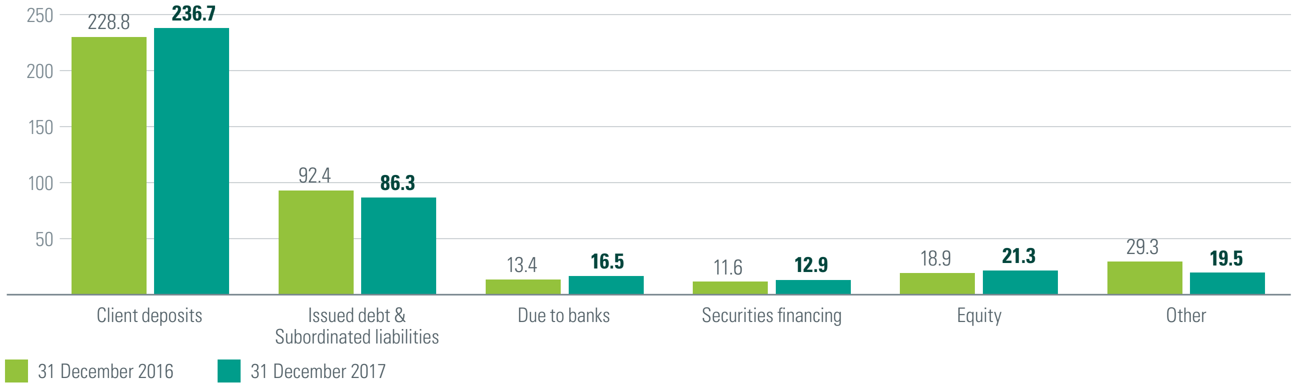
[1] The mandatory cash reserve with the central bank has been deducted from the cash and central bank deposits in the liquidity buffer.

Funding

Liability and equity breakdown

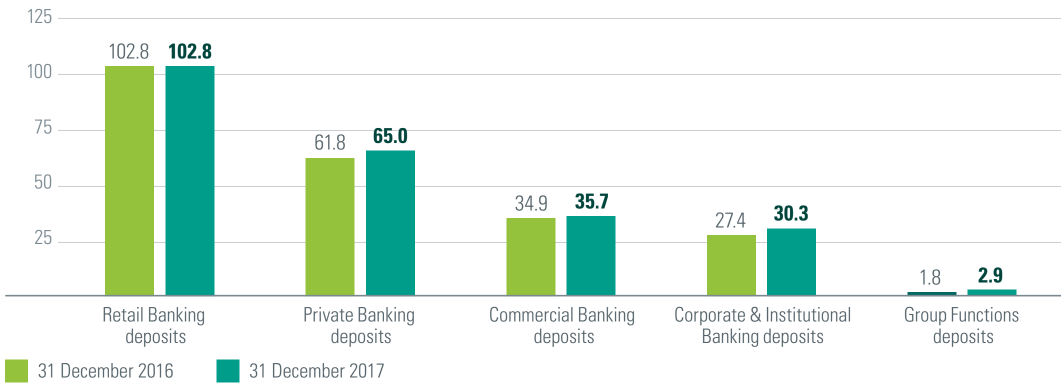
Client deposits are our main source of funding, complemented by a well-diversified book of wholesale funding. The graph below shows the liability and equity breakdown for the full balance sheet.

Liability and equity breakdown Audited EDTF 21
(in billions)



The graph below shows the breakdown of client deposits by segment.

Breakdown of client deposits[1] Audited EDTF 21
(in billions)



[1] ABN AMRO has made changes to its client segmentation. Retail Banking clients were transferred to Private Banking as the investable assets threshold was lowered.

The increase in deposits was primarily driven by growth within Private Banking and Corporate & Institutional Banking.

Available funding instruments Audited EDTF 21

A key goal of the funding strategy is to diversify funding sources. Our funding programmes allow us to issue various instruments in different currencies and markets, enabling us to diversify our investor base. A description of capital and funding instruments issued by ABN AMRO is provided on our website, abnamro.com/ir. Total funding instruments break down into the following categories:

Overview of funding types Audited EDTF 21

(in millions)	31 December 2017	31 December 2016
Euro Commercial Paper	2,408	2,501
London Certificates of Deposit	9,373	8,843
French Certificats de Dépôt		651
US Commercial Paper	4,115	4,710
Total Commercial Paper/Certificates of Deposit	**15,896**	**16,705**
Senior unsecured (medium-term notes)	28,751	32,815
Covered bonds	30,708	29,355
Securitisations	1,250	2,350
Saving certificates	6	52
Total issued debt	**76,612**	**81,278**
Subordinated liabilities	9,720	11,171
Total wholesale funding	**86,331**	**92,450**
Other long-term funding[1]	8,796	5,843
Total funding instruments[2]	**95,128**	**98,292**
- of which issued debt matures within one year	23,790	27,754

[1] Includes long-term repos (recorded in securities financing), TLTRO funding (recorded in due to banks) and funding with the Dutch State as counterparty (recorded in due to customers).
[2] Includes FX effects, fair value adjustments and interest movements.

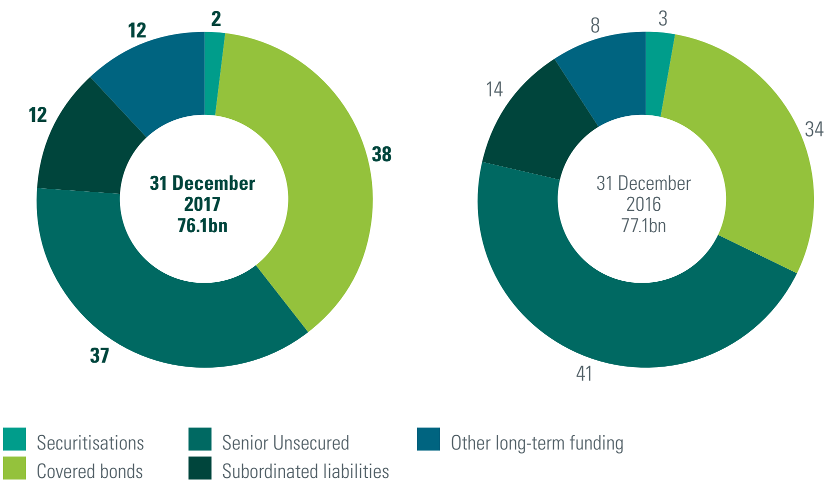
Total wholesale funding (issued debt and subordinated liabilities) decreased to EUR 86.3 billion at 31 December 2017 (31 December 2016: EUR 92.4 billion). This decrease was mainly driven by a decline in senior unsecured funding due to the USD depreciation. The redemptions of subordinated liabilities at call date also had a downward effect on total wholesale funding. Maturing securitisations were offset by covered bonds. In addition, other long-term funding increased due to EUR 4.0 billion of additional participation in the ECB's targeted long-term refinancing operations II (TLTRO II), which was only partially offset by a maturing repurchasing transaction of EUR 1.0 billion. The following graph shows the development of the total funding instruments relative to the balance sheet totals at 31 December 2017 and 31 December 2016.

Funding vs balance sheet total Audited EDTF 21
(as % of total assets)

Long-term funding components

The following graph shows an overview of the outstanding long-term funding at 31 December 2017 and 31 December 2016. The information presented is based on notional values and therefore differs from the above information owing to discrepancies between notional value and issue price and fair value hedge accounting adjustments.

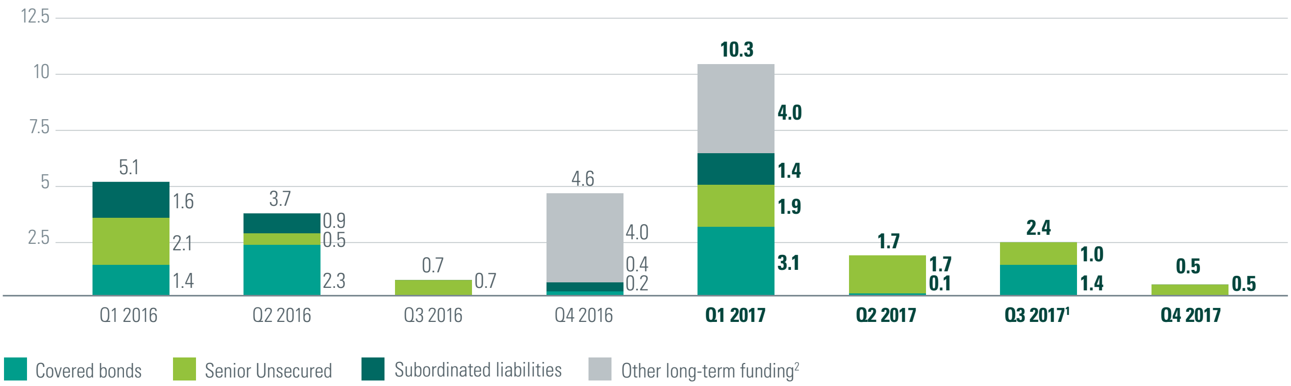
Long-term funding components Audited EDTF 21
(in %)



Funding issuance in 2017 Audited EDTF 21

Total long-term funding and capital instruments raised in 2017 amounted to EUR 16.0 billion. This included EUR 4.5 billion of covered bonds, EUR 1.4 billion of Tier 2 capital instruments, EUR 5.1 billion of senior unsecured funding, EUR 4.0 billion of TLTRO II and a EUR 1 billion additional Tier 1 capital instrument. The latter is excluded in the long-term funding overview and included in the capital review section, which provides a complete overview of all outstanding capital instruments.

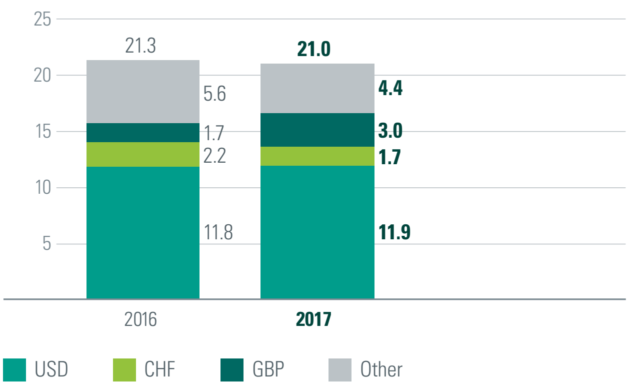
Long-term funding raised in 2016 and 2017 Audited EDTF 21
(notional amounts at issuance, in billions)



[1] The issuance of the EUR 1 billion of additional Tier 1 capital instrument is excluded from the graph above. An overview of the capital instruments is provided in the capital section.
[2] Other long term funding consists of the TLTRO II participation.

Long-term wholesale funding in non-euro currencies rose to 30% of total outstanding long-term wholesale funding, compared with 28% at 31 December 2016. In 2017, the bank raised 59% of its long-term funding and capital instruments in EUR and the remainder in USD and GBP. Diversification of the outstanding long-term funding in non-euro currencies is shown in the following graph.

Non-euro currency diversification of total outstanding long-term funding Audited EDTF 21
(in billions)



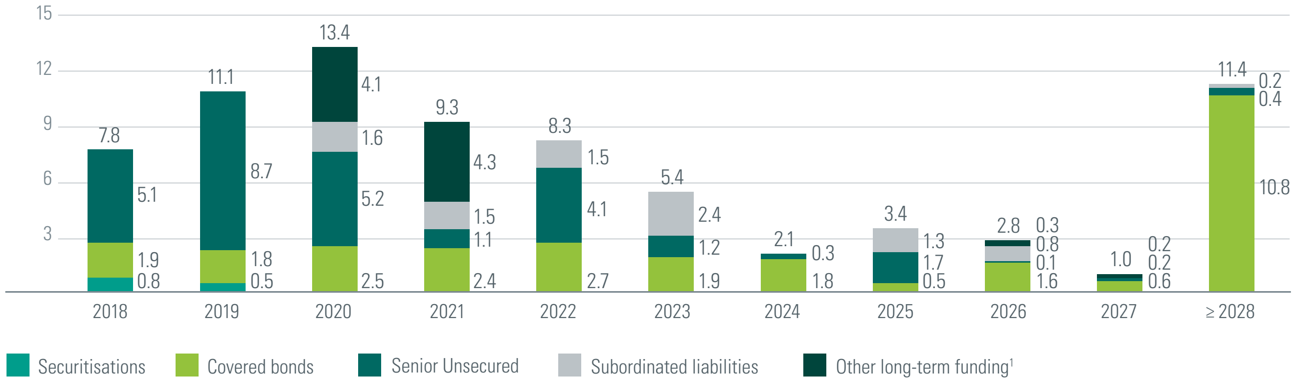
Maturity calendar Audited EDTF 21

We enhanced the maturity profile of our long-term funding predominantly by spreading out redemptions of funding instruments over time. The average maturity of newly issued funding decreased to 7.2 years (down from 8.4 years in 2016), while the average maturity of outstanding long-term funding increased to 5.1 years at year-end 2017 (up from 4.7 years at year-end 2016). This was mainly the result of the issuance of covered bonds with 15-20 year tenors. These long tenors reflect the composition of new mortgage origination, which is shifting to mortgages with longer fixed interest rate periods.

The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date. However, this does not mean that the instruments will be called at the earliest possible call date. Early redemption of subordinated instruments is subject to approval by the regulator. The TLTRO II of EUR 8 billion is reported at the legal maturity of four years, although there is a voluntary repayment option after two years.

Maturity calendar at 31 December 2017 Audited EDTF 21

(notional amounts, in billions)



[1] Other long-term funding includes TLTRO II and funding with the Dutch State as counterparty.

Maturity calendar

											31 December 2017	
(notional amounts, in billions)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	≥ 2028	Total
Senior unsecured	5.1	8.7	5.2	1.1	4.1	1.2	0.3	1.7	0.1	0.2	0.4	28.1
Covered bonds	1.9	1.8	2.5	2.4	2.7	1.9	1.8	0.5	1.6	0.6	10.8	28.7
Securitisations	0.8	0.5										1.3
Subordinated liabilities			1.6	1.5	1.5	2.4		1.3	0.8		0.2	9.3
Other long-term funding[1]			4.1	4.3					0.3	0.2		8.8
Total Long-term funding	**7.8**	**11.1**	**13.4**	**9.3**	**8.3**	**5.4**	**2.1**	**3.4**	**2.8**	**1.0**	**11.4**	**76.1**
											31 December 2016	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	≥ 2027	Total
Total Long-term funding	**14.0**	**7.4**	**8.8**	**13.1**	**5.5**	**7.5**	**4.2**	**2.1**	**3.6**	**2.9**	**8.0**	**77.1**

[1] Other long-term funding includes TLTRO II and funding with the Dutch State as counterparty.

Capital

Capital structure

Regulatory capital structure

Audited EDTF 10

(in millions)		31 December 2017		31 December 2016
Total equity (EU IFRS)		**21,330**		**18,937**
Cash flow hedge reserve		919		843
Dividend reserve		-752		-414
AT1 capital securities	-2,007		-1,004	
Profit attributable minus interest paid to holders of AT1 capital securities	21		11	
AT1 capital securities		-1,987		-993
Other regulatory adjustments		-718		-598
Common Equity Tier 1		**18,793**		**17,775**
AT1 capital securities		1,987		993
Other regulatory adjustments		-1,162		-164
Tier 1 capital		**19,618**		**18,605**
Subordinated liabilities Tier 2		7,674		7,150
Other regulatory adjustments		-4,687		-118
Total regulatory capital		**22,605**		**25,637**

Regulatory capital flow statement

Audited EDTF 11

(in millions)	2017	2016
Common Equity Tier 1 capital		
Balance at 1 January	**17,775**	**16,768**
Addition of net profit attributable to shareholders	2,774	1,805
Reserved dividend	-752	-414
Interim dividend paid	-611	-376
Other, including regulatory adjustments	-392	-8
Balance at end of period	**18,793**	**17,775**
Additional Tier 1 capital		
Balance at 1 January	**829**	**1,459**
New issued Tier 1 eligible capital instruments	993	
Redeemed Innovative hybrid capital instruments		-700
Other, including regulatory adjustments	-998	71
Balance at end of period	**825**	**829**
Tier 1 capital	**19,618**	**18,605**
Tier 2 capital		
Balance at 1 January	**7,032**	**5,205**
New issued Tier 2 eligible capital instruments	1,398	2,508
Redeemed Tier 2 ineligible capital instruments		-203
Other, including regulatory adjustments	-5,443	-477
Balance at end of period	**2,987**	**7,032**
Total regulatory capital	**22,605**	**25,637**

RWA (REA) Audited

(in millions)	31 December 2017	31 December 2016
Credit risk	**84,141**	83,140
- of which standardised	4,441	6,319
- of which advanced	79,700	76,821
Operational risk	**19,626**	17,003
- of which standardised[1]	1,246	17,003
- of which advanced	18,379	
Market risk	**2,391**	4,072
- of which standardised	4	5
- of which advanced	2,387	4,067
Total RWA (REA)	**106,157**	**104,215**

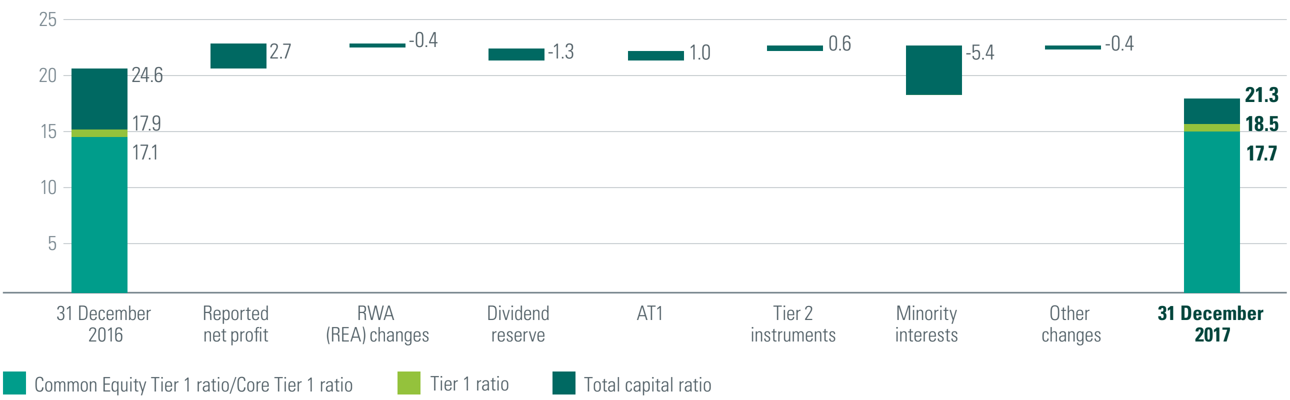
[1] Inclusive Basic Indicator Approach.

Main developments in capital position EDTF 11

At 31 December 2017, the phase-in Common Equity Tier 1 (CET1), Tier 1 and total capital ratios were 17.7%, 18.5% and 21.3% respectively. In anticipation of Basel IV and IFRS 9, all capital ratios were well above the regulatory minimum requirements and in line with the risk appetite and strategic ambitions. The capital position strengthened compared to 31 December 2016, driven by profit accumulation and capital issuances.

The following chart shows the primary drivers of the capital ratios in 2017.

Developments impacting capital ratios in 2017 EDTF 11
(in %)



Developments impacting capital ratios in 2017
EDTF 11

Common Equity Tier 1 capital

Common Equity Tier 1 (CET1) capital increased in 2017, primarily due to profit accumulation, while net reported profit attributable to shareholders amounted to EUR 2,721 million. Net profit after dividend allocation is included in CET1 capital, in accordance with regulations and the dividend policy.

The minimum required CET1 ratio in 2017 was 9.0% on a consolidated basis. This includes a 1.25% capital conservation buffer and a 1.5% systemic risk buffer (SRB). The Maximum Distributable Amount (MDA) trigger level for ABN AMRO Bank N.V. is 9.0% CET1 capital, to be increased by any Additional Tier 1 (AT1) or Tier 2 capital shortfall. Despite the EUR 1 billion AT1 issuance in September 2017, there was an AT1 shortfall of 0.7% at year-end 2017 due to the minority interest interpretation of the EBA published on 3 November 2017. This implies an MDA trigger level of 9.7%. The revised minority interest rule typically impacts on bank holding companies with a single subsidiary and a high level of total capital, as is the case for ABN AMRO. It implies that the portion of outstanding AT1 and Tier 2 instruments issued by ABN AMRO Bank N.V. (the resolution entity) in excess of the minimum own funds requirement (excluding the SRB) can no longer fully contribute to the consolidated capital ratios of ABN AMRO Group. Based on full phase-in of the SRB (from 1.5% in 2017 to 3.0% in 2019) and the capital conservation buffer (from 1.25% in 2017 to 2.5% in 2019), the fully-loaded MDA trigger level is expected to increase to 11.78% in 2019, including a counter-cyclical buffer (0.03%) and assuming the absence of an AT1 or Tier 2 capital shortfall. The CET1 ratio was comfortably above the MDA trigger level at 31 December 2017.

Additional Tier 1

A total of EUR 2.0 billion of AT1 instruments is currently outstanding. The AT1 instruments have triggers at the Group level (7% CET1), the bank sub-consolidated level (5.125% CET1) and the bank solo level (5.125% CET1). If the CET1 ratio breaks through the trigger level, the AT1 will be temporarily written down. Based on December 2017 figures, ABN AMRO was comfortably above the trigger levels, with the Group level CET1 ratio at 17.7%, the bank sub-consolidated CET1 ratio at 17.7% and the bank solo CET1 ratio at 16.5%. Available Distributable Items (ADI) at 31 December 2017 totalled EUR 18.0 billion.

Tier 2 capital

The phase-in total capital ratio declined by 3.3 percentage points compared with 31 December 2016. In 2017, profit accumulation and capital issuances (EUR 1 billion perpetual non-call 10-year AT1 instrument and USD 1.5 billion 11NC6 T2 instrument) were more than offset by the revised EBA Q&A ruling on minority interest and an increase in RWA.

Risk-weighted assets

Total RWA (REA) increased by EUR 1.9 billion to EUR 106.2 billion at 31 December 2017 (31 December 2016: EUR 104.2 billion). This increase was primarily driven by higher operational risk and credit risk. More information on RWA (REA) is provided in the Risk sections of this report.

Further information on share capital, dividend and capital instruments

Share capital

The share capital remained unchanged in 2017. At 31 December 2017, the authorised share capital amounted to EUR 4,700 million, distributed over 4,500 million class A ordinary shares and 200 million class B ordinary shares. The class A and B ordinary shares have a nominal value of EUR 1.00 each.

At 31 December 2017, issued and paid-up capital amounted to EUR 940 million and consisted of 940 million class A ordinary shares. Further information is provided in note 32 to the Annual Financial Statements.

Dividend

ABN AMRO proposes a final cash dividend of EUR 752 million or EUR 0.80 per share. Together with the interim cash dividend of EUR 611 million, this will bring the total dividend for 2017 to EUR 1,363 million or EUR 1.45 per share, which is equal to a payout ratio of 50% of reported net earnings after deduction of AT1 coupon payments and minority interests. In 2016, the payout ratio was 45%, with a EUR 0.84 dividend per share, or EUR 790 million, of which EUR 376 million (EUR 0.40 per share) was interim dividend and EUR 414 million (EUR 0.44 per share) was final dividend.

Capital instruments

Capital instruments Audited

(in millions)	ISIN/CUSIP	Maturity date	First possible call date	31 December 2017 Nominal amount	31 December 2017 Carrying amount	31 December 2016 Nominal amount	31 December 2016 Carrying amount
Tier 1							
EUR 1,000 million 5.75% per annum	XS1278718686	Perpetual	September 2020	1,000	1,004	1,000	1,004
EUR 1,000 million 4.75% per annum	XS1693822634	Perpetual	September 2027	1,000	1,003		
Total Tier 1 capital instruments				**2,000**	**2,007**	**1,000**	**1,004**
Tier 2							
EUR 1,228 million 6.375% per annum	XS0619548216	April 2021		1,228	1,426	1,228	1,475
USD 595 million 6.250% per annum	XS0619547838	April 2022		495	528	563	615
USD 113 million 7.75% per annum	US00080QAD79 / USN0028HAP03	May 2023		94	95	107	110
EUR 1,000 million 7.125% per annum	XS0802995166	July 2022		1,000	1,119	1,000	1,146
EUR 1,500 million 2.875% per annum	XS1253955469	June 2025	June 2020	1,500	1,542	1,500	1,552
USD 1,500 million 4.75% per annum	US00080QAF28 / XS1264600310	July 2025	July 2020	1,249	1,275	1,421	1,459
EUR 1,000 million 2.875% per annum	XS1346254573	January 2028	January 2023	1,000	1,029	1,000	1,039
SGD 450 million 4.7% per annum	XS1341466487	April 2026	April 2021	280	286	295	294
USD 300 million 5.6% per annum	XS1385037558	April 2031		250	241	284	273
USD 1,000 million 4.8% per annum	US0008DAL47 / XS1392917784	April 2026		833	792	947	898
USD 1,500 million 4.4% per annum	XS1586330604	March 2028	March 2023	1,249	1,255		
USD 1,500 million 6.25% per annum[1]						1,421	1,438
SGD 1,000 million 4.7% per annum[1]						655	658
EUR various smaller instruments		2018-2031		130	132	212	214
Total Tier 2 capital instruments				**9,307**	**9,720**	**10,634**	**11,171**
- of which eligible for regulatory capital:							
Basel III, Tier 1				2,000		1,000	
Basel III, Tier 2				7,674		7,150	

[1] Redeemed in 2017.

Movements in subordinated liabilities Audited

(in millions)	2017 Carrying amount	2016 Carrying amount
Balance as at 1 January	**11,171**	**9,708**
Issuance	1,407	2,660
Redemption	-1,988	-1,363
Foreign exchange differences	-752	194
Other	-120	-29
Balance as at 31 December	**9,720**	**11,171**

Minimum capital requirement

Audited EDTF 9 EDTF 14

The Pillar 1 capital requirement is the absolute minimum amount of capital required to cover the three major risk types that a bank faces: credit risk, operational risk and market risk, as determined in the CRD IV Pillar 1 framework.

The following table provides an overview of RWA (REA) and minimum capital requirements per risk type, category of exposure and regulatory approach.

Minimum capital requirements

Audited EDTF 9 EDTF 14

	31 December 2017		31 December 2016	
(in millions)	Capital requirement	RWA (REA)	Capital requirement	RWA (REA)
Credit risk IRB				
Central governments and central banks	93	1,166	80	1,001
Institutions[1]	211	2,642	201	2,517
Corporates	3,761	47,012	3,359	41,985
Retail	1,753	21,909	1,869	23,366
- of which secured by immovable property/retail mortgages	1,358	16,979	1,446	18,081
- of which qualifying revolving exposures	175	2,188	203	2,534
- of which other retail	219	2,742	220	2,750
Equities not held for trading	363	4,534	423	5,293
Securitisation positions			8	95
Credit valuation adjustment	59	742	64	804
Other[2]	136	1,695	141	1,761
Total credit risk IRB	**6,376**	**79,700**	**6,146**	**76,821**
Credit risk SA				
Central governments and central banks			2	19
Institutions[1]	15	189	22	280
Corporates	190	2,377	208	2,599
Retail	69	857	61	761
Secured by mortgages on immovable property	21	257	81	1,009
Exposures in default	4	50	5	58
Other[2]	57	710	127	1,593
Total credit risk SA	**355**	**4,441**	**506**	**6,319**
Other risks				
Market risk	191	2,391	326	4,072
- of which Standardised Approach		4		5
- of which Internal Model Approach	191	2,387	325	4,067
Operational risk	1,570	19,626	1,360	17,003
- of which Standardised Approach[3]	100	1,246	1,360	17,003
- of which Advanced Measurement Approach	1,470	18,379		
Total other risks	**1,761**	**22,016**	**1,686**	**21,075**
Total	**8,493**	**106,157**	**8,337**	**104,215**

1 Institutions include exposures to banks and investment companies, regional and local governments and pension funds.
2 Other includes non-credit obligations.
3 Inclusive Basic Indicator Approach.

Main regulatory developments and update on capital

CRD IV and CRR constitute the framework for implementation of Basel III in the European Union. CRD IV and CRR have been subject to phasing-in since 1 January 2014 and will be fully effective by January 2019. Further to this, the European Commission issued draft texts in November 2016 to amend CRD IV and CRR.

Following the publication of Basel IV, ABN AMRO concluded a preliminary assessment of the potential impact on RWA (REA). Based on year-end 2017 figures, the assessment indicates a potential increase of RWA (REA) of around 35%, when applying a 72.5% floor. The calculations contain uncertainties as a number of assumptions are made on how Basel IV standards will be applied. The potential impact may differ, pending the implementation into European law and regulations. The assessment is based on a static balance sheet and does not take into account management action.

We have updated our CET1 capital target range to 17.5-18.5% under Basel III. This consists of a prudent Basel IV implementation buffer of 4-5% CET1 on top of our SREP capital requirement, Pillar 2 guidance and the management buffer (totalling 13.5%). We intend to review the buffer and the capital target annually to reflect possible TRIM and Basel IV developments. The target for return on average equity (10-13%) remains unchanged under Basel IV.

The Basel Committee has set the implementation date at 1 January 2022, from which date the output floor will be gradually phased-in over a period of 5 years. We aim to meet the fully-loaded Basel IV CET1 requirement early in the phase-in period, subject to further clarity regarding the Systemic Risk Buffer (SRB) and the Pillar 2 requirements.

IFRS 9 is effective as of 1 January 2018 and replaces the current impairment rules. The first-time adoption effect on the CET1 ratio is a decline of 0.15% and is fully attributable to classification and measurement of public sector loans. In the future, IFRS 9 may lead to more impairment volatility.

From 2018 onwards, the dividend payout has been set at 50% of sustainable profit, excluding exceptional items that significantly distort profitability, such as the provision for SME derivatives-related issues and the book gain on the sale of Private Banking Asia (2017). Additional distributions, which can either be special dividends or share buy-backs (subject to regulatory approval), will be considered when capital is within or above the target range and will be subject to other circumstances, including regulatory and commercial considerations. The combined distribution will be at least 50% of sustainable profit.

MREL

(in millions)	31 December 2017	31 December 2016
Regulatory capital	22,605	25,637
Reversal minority adjustment AT1 and AT2	5,625	
Other MREL eligible liabilities[1]	1,619	3,376
Total assets	393,171	394,482
MREL[2]	7.6%	7.4%

[1] Other MREL eligible liabilities consists of subordinated liabilities that are not included in regulatory capital.
[2] MREL is calculated as total regulatory capital plus other MREL eligible subordinated liabilites divided by total IFRS assets.

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, while 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 monitors pending regulatory requirements in relation to MREL and aims for MREL-eligible liabilities to represent at least 8% of total assets by year-end 2018 (through profit retention, subordinated debt and potentially non-preferred senior debt). The final MREL terms, as well as bank-specific MREL requirements, determine the precise measures needing to be undertaken to comply with these requirements. At 31 December 2017, the MREL-eligible liabilities (solely based on own funds and other subordinated liabilities) represented 7.6% of total assets. The MREL ratio increased by 0.2 percentage points compared with 31 December 2016, primarily driven by profit accumulation, the AT1 issuance and a decrease in total assets. This increase was partly offset by the call of a USD 1.5 billion Tier 2 instrument (ISIN XS0827817650) in September 2017 and the call of a SGD 1 billion Tier 2 instrument (ISIN XS0848055991) in October 2017. MREL is not impacted on by the minority interest interpretation of EBA.

Proposals have been published regarding the amendment of current MREL legislation. Among other things, these proposals aim to implement TLAC standards for GSIBs (Global Systemically Important Banks) in the EU. The proposals apply a harmonised minimum TLAC level to EU GSIBs while introducing a firm-specific MREL regime for GSIBs and DSIBs (Domestic Systemically Important Banks) such as ABN AMRO. The proposals introduce consequences for breaching MREL requirements relating to the Combined Buffer Requirement and MDA breaches. In December 2017, the EU Parliament amended the BRRD to introduce a non-preferred senior asset class. Member States have to comply with the amended requirement by 29 December 2018. In the Netherlands, the consultation process has been initiated. Further amendments include changes to the calculation of MREL and MREL eligibility criteria, which could affect the level of future MREL requirements, as well as the level of reported MREL capacity.

Impact of CRD IV/CRR fully-loaded rules on capital ratios

	Phase-in	Fully-loaded
31 December 2017		
Common Equity Tier 1 capital	18,793	18,737
Common Equity Tier 1 ratio	17.7%	17.7%
Tier 1 capital	19,618	19,780
Tier 1 ratio	18.5%	18.6%
Total regulatory capital	22,605	22,718
Total capital ratio	21.3%	21.4%
RWA (REA)	106,157	106,157
Leverage ratio (CDR)	4.0%	4.1%

The CRR fully-loaded CET1 ratio at 31 December 2017 was 17.7%, which was equal to the CRR phase-in CET1 ratio. Under the CRD IV/CRR fully-loaded rules, RWA (REA) are equivalent to those under the phase-in rules. The amount of CET1 capital under the fully-loaded rules is approximately equal to the amount under the phase-in rules since the fully-loaded impact on CET1 capital deductions is largely neutral.

The CRR fully-loaded total capital ratio at 31 December 2017 was 21.4%, which was slightly higher than the CRR phase-in total capital ratio of 21.3%. In 2017, the fully-loaded ratio was higher than the phase-in ratio owing to the revised EBA Q&A rule on minority interest having a more negative impact on the phase-in ratio than on the ratio under the fully-loaded rules. In 2016, the fully-loaded ratio was lower than the phase-in ratio because it excluded the non-CRR-compliant Tier 2 capital instruments.

Leverage ratio

	31 December 2017		31 December 2016	
(in millions)	Phase-in	Fully-loaded	Phase-in	Fully-loaded
Tier 1 capital	**19,618**	**19,780**	**18,605**	**18,749**
Exposure measure (under CDR)				
On-balance sheet exposures	393,171	393,171	394,482	394,482
Off-balance sheet exposures	31,915	31,915	32,420	32,420
On-balance sheet netting	12,427	12,427	13,539	13,539
Derivative exposures	59,864	59,864	50,248	50,248
Securities financing exposures	1,261	1,261	2,686	2,686
Other regulatory measures	-11,961	-11,971	-13,364	-13,269
Exposure measure	**486,677**	**486,666**	**480,011**	**480,106**
Leverage ratio (CDR)	**4.0%**	**4.1%**	**3.9%**	**3.9%**

The CRR introduced a non-risk-based leverage ratio that is expected to become a binding measure with effect from 2019. ABN AMRO is aiming for a leverage ratio of at least 4% by 31 December 2018, to be achieved through profit retention and management of the exposure measure. The fully-loaded leverage ratio improved to 4.1% at 31 December 2017, mainly driven by profit accumulation and AT1 issuance. This was partly offset by the revised EBA Q&A rule on minority interest (impact of -0.2%).

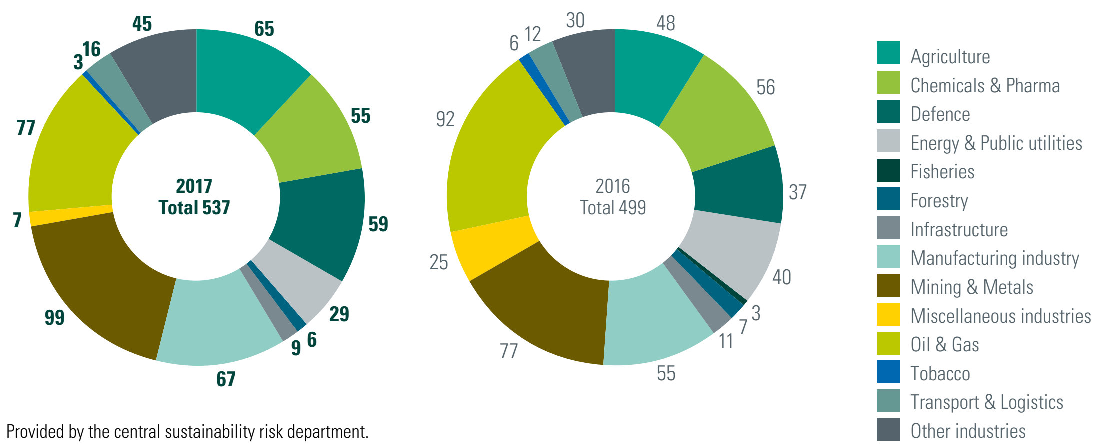
Basel IV proposes a change in the calculation of derivative exposures and the credit conversion factors for off-balance sheet items. The revised calculation method for derivative exposures was also mentioned in a draft CRR regulation published in November 2016, which is expected to result in a decrease in the exposure measure for clearing guarantees when implemented. The total impact of Basel IV is estimated to decrease the exposure measure by approximately EUR 55-60 billion, which would improve the fully-loaded leverage ratio by 0.5-0.6%.

Sustainability risk EDTF 32

Advice on increased sustainability risk

Certain industries face more sustainability risks than others, and the nature of the risks they face can also vary. Our Sustainable Banking department provides advice on clients operating in industries with a higher sustainability risk. The following graphs present a breakdown of the advice given for each industry in 2017, together with the type of advice and the conclusion.

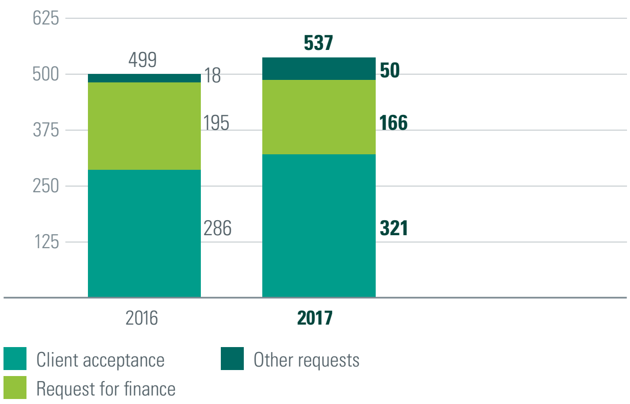
Global advice[1]



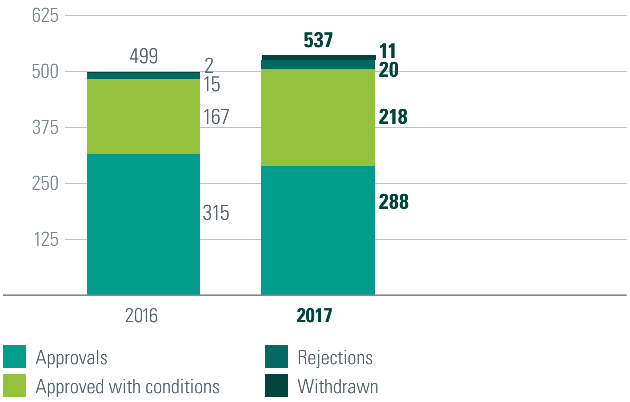
[1] Provided by the central sustainability risk department.

The number of cases on which the Sustainability Banking department provided advice again increased slightly, from 499 in 2016 to a total of 537 in 2017. The types of advice and conclusions are presented below. Of the 537 cases on which advice was given in 2017, we rejected 20 cases and approved 288. In 218 cases, we approved the request subject to certain conditions. This represented a significant increase compared with 2016. In these cases, we engaged with our clients and sought to negotiate improvements. A total of 226 clients were subject to specific human rights due diligence in 2017, compared with 179 in 2016.

Type of advice



Conclusion of advice



Effectiveness of sustainability risk management

We believe that we are in control of sustainability risk. The Sustainable Banking department advised negatively on around 3.7% of the total cases in 2017. First-line relationship managers are aware of the bank's sustainability risk policies and predominantly submit credit applications that comply with these policies. In addition, we further developed our framework and performed sustainability assessments for more than 2,922 transactions in 2017, using the Global Sustainability Risk Index (GSRI) tool. Of these, 1,509 were assessed on our ESE standards due to an increased sustainability risk level. ESG/ESE criteria are criteria that are used in sustainability assessments to assess clients' ethical, social, environmental and/or governance risks, their conduct or entities they invest in.

Additional risk, funding & capital disclosures

The following section includes additional disclosures on risk, funding and capital. This information is provided according to EU IFRS and EDTF. This required information is a supplement to the core analysis provided in the Risk, funding & capital review section and provides additional or more detailed information.

Credit quality by exposure class under the Internal Ratings-Based (IRB) approach EDTF 15

The following tables provide an overview of EAD, REA and LGD buckets by exposure class and grade category.

IRB approach: credit quality by exposure class EDTF 15

							31 December 2017
		Total			LGD 0-20%	LGD 20-50%	LGD >50%
(in millions)		EAD	RWA (REA)	RWA (REA)/EAD	EAD (%)	EAD (%)	EAD (%)
Exposure class	**Grade category**						
Central governments and central banks	Investment grade	64,747	778	1%	90%	7%	3%
	Sub-investment grade	309	388	125%		96%	4%
	Impaired						
	Total	**65,057**	**1,166**	**2%**	**89%**	**7%**	**3%**
Institutions[1]	Investment grade	13,903	2,253	16%	36%	64%	0%
	Sub-investment grade	1,037	380	37%	48%	52%	0%
	Impaired	2	8	494%		100%	
	Total	**14,942**	**2,642**	**18%**	**36%**	**63%**	**0%**
Corporates	Investment grade	45,054	13,745	31%	47%	50%	4%
	Sub-investment grade	65,932	27,435	42%	74%	25%	1%
	Impaired	4,959	5,831	118%	47%	30%	23%
	Total	**115,944**	**47,012**	**41%**	**62%**	**35%**	**3%**
Retail	Investment grade	154,666	10,087	7%	91%	8%	1%
	Sub-investment grade	21,838	9,732	45%	51%	35%	14%
	Impaired	1,501	2,089	139%	40%	41%	19%
	Total	**178,005**	**21,909**	**12%**	**85%**	**12%**	**3%**
Securitisation positions	Investment grade	4			100%		
	Sub-investment grade						
	Impaired						
	Total	**4**			**100%**	**0%**	**0%**
Credit valuation adjustment	Investment grade						
	Sub-investment grade		742				
	Impaired						
	Total		**742**				
Total	Investment grade	278,374	26,864	10%	81%	17%	2%
	Sub-investment grade	89,117	38,678	43%	68%	28%	4%
	Impaired	6,461	7,929	123%	45%	32%	22%
	Total[2]	**373,953**	**73,471**	**20%**	**77%**	**20%**	**3%**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

IRB approach: credit quality by exposure class EDTF 15

							31 December 2016
		Total			LGD 0-20%	LGD 20-50%	LGD >50%
(in millions)		EAD	REA	RWA (REA)/EAD	EAD (%)	EAD (%)	EAD (%)
Exposure class	**Grade category**						
Central governments and central banks	Investment grade	59,870	857	1%	54%	44%	2%
	Sub-investment grade	184	143	78%		79%	21%
	Impaired						
	Total	**60,054**	**1,001**	**2%**	**54%**	**44%**	**2%**
Institutions[1]	Investment grade	14,567	2,107	14%	39%	60%	1%
	Sub-investment grade	598	410	68%	31%	69%	
	Impaired	30		0%	100%		
	Total	**15,195**	**2,517**	**17%**	**39%**	**60%**	**1%**
Corporates	Investment grade	41,576	9,300	22%	46%	50%	4%
	Sub-investment grade	60,641	27,759	46%	72%	27%	1%
	Impaired	5,430	4,926	91%	27%	45%	28%
	Total	**107,647**	**41,985**	**39%**	**60%**	**37%**	**4%**
Retail	Investment grade	148,781	9,209	6%	81%	18%	1%
	Sub-investment grade	23,131	11,160	48%	52%	32%	16%
	Impaired	1,932	2,996	155%	3%	78%	19%
	Total	**173,844**	**23,366**	**13%**	**76%**	**21%**	**3%**
Securitisation positions	Investment grade	1,265	95	8%	100%		
	Sub-investment grade						
	Impaired						
	Total	**1,265**	**95**	**8%**	**100%**	**0%**	**0%**
Credit valuation adjustment	Investment grade						
	Sub-investment grade		804				
	Impaired						
	Total		**804**				
Total	Investment grade	266,058	21,568	8%	67%	31%	2%
	Sub-investment grade	84,554	40,276	48%	66%	29%	5%
	Impaired	7,392	7,923	107%	21%	53%	26%
	Total[2]	**358,004**	**69,767**	**19%**	**66%**	**31%**	**3%**

[1] Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
[2] Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Additional information on forborne, past due and impaired loans

Forbearance credit quality Audited

31 December 2017

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	1,162	584	143	434		37	37
Consumer loans	360	190	34	135	59	32	92
Corporate loans	5,656	2,229	351	3,075	758	50	808
Other loans and receivables - customers	212	135	8	69	5		5
Total Loans and receivables - customers	**7,390**	**3,140**	**537**	**3,713**	**822**	**120**	**942**
Total	**7,390**	**3,140**	**537**	**3,713**	**822**	**120**	**942**

Forbearance credit quality Audited

31 December 2016

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages[1]	1,349	724	216	408	12	39	51
Other consumer loans[1]	634	223	59	352	70	38	109
Corporate loans[1]	7,693	3,474	104	4,115	1,129	86	1,214
Other loans and receivables - customers	359	223	17	119	27		27
Total Loans and receivables - customers	**10,035**	**4,644**	**396**	**4,994**	**1,238**	**163**	**1,401**
Total	**10,035**	**4,644**	**396**	**4,994**	**1,238**	**163**	**1,401**

[1] The policy with regard to forborne clients in a recovery phase was changed as a result of EBA guidance. Forborne clients in a recovery phase are now considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2017
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	1,124	28	1		10	1,162
Consumer loans	318	42		1		360
Corporate loans	3,714	663	346	203	730	5,656
Other loans and receivables - customers	151	61				212
Total Loans and receivables - customers	**5,306**	**794**	**347**	**203**	**740**	**7,390**
Total	**5,306**	**794**	**347**	**203**	**740**	**7,390**

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2016
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages[1]	1,325	21	1		2	1,349
Other consumer loans[1]	603	30		1		634
Corporate loans[1]	5,435	676	389	359	833	7,693
Other loans and receivables - customers	307	51				359
Total Loans and receivables - customers[1]	**7,671**	**779**	**389**	**360**	**836**	**10,035**
Total[1]	**7,671**	**779**	**389**	**360**	**836**	**10,035**

[1] The policy with regard to forborne clients in a recovery phase was changed as a result of EBA guidance. Forborne clients in a recovery phase are now considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.

Forborne assets by business segment Audited

(in millions)	31 December 2017	31 December 2016
Retail Banking	1,513	1,789
Commercial Banking	3,449	5,044
Private Banking	297	294
Corporate & Institutional Banking	2,132	2,908
Total[1]	**7,390**	**10,035**

[1] The policy with regard to forborne clients in a recovery phase was changed as a result of EBA guidance. Forborne clients in a recovery phase are now considered forborne. The comparative figures for year-end 2016 have been adjusted accordingly.

Maturity overview of assets and liabilities

Audited | EDTF 20

The following table shows the financial assets and liabilities arranged by the earliest possible contractual maturity.

Contractual maturity of assets and liabilities

Audited | EDTF 20

									31 December 2017
(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets:									
Cash and balances at central banks	29,783								29,783
Financial assets held for trading	1,600								1,600
Derivatives	1,022	543	448	347	498	1,952	5,014		9,825
Financial investments	706	1,662	1,708	2,027	3,193	10,666	19,914	1,088	40,964
Securities financing	11,705	3,697	621	10	612				16,645
Loans and receivables - banks	6,542	1,202	286	232	132	653	1,617		10,665
Loans and receivables - customers	27,321	9,005	2,746	5,614	23,360	28,646	178,214		274,906
Other assets[1]	1,489	216	819	3,191	315	269	881	1,605	8,783
Total assets	**80,168**	**16,325**	**6,628**	**11,422**	**28,110**	**42,187**	**205,639**	**2,692**	**393,171**
Liabilities:									
Financial liabilities held for trading	1,082								1,082
Derivatives	818	584	323	276	465	1,553	4,348		8,367
Securities financing	12,571	301			4				12,875
Due to banks	3,371	1,199	309	178	306	9,016	2,081		16,462
Due to customers	216,965	9,476	1,246	1,098	774	2,283	4,858		236,699
Issued debt	6,848	8,012	3,879	5,051	11,306	19,329	22,187		76,612
- of which senior secured	1,613	26		339	1,911	8,561	18,258		30,708
- of which senior unsecured	323	756	874	3,206	8,895	10,768	3,929		28,751
- of which securitisation				750	500				1,250
- of which other	4,912	7,230	3,004	756					15,903
Subordinated liabilities					7	5,007	4,705		9,720
Other liabilities	2,023	291	60	4,862	283	17	43	2,446	10,025
Total liabilities	**243,677**	**19,862**	**5,816**	**11,465**	**13,145**	**37,205**	**38,224**	**2,446**	**371,841**
Total equity								**21,330**	**21,330**
Total liabilities and equity	**243,677**	**19,862**	**5,816**	**11,465**	**13,145**	**37,205**	**38,224**	**23,776**	**393,171**
Off-balance sheet liabilities									
Committed credit facilities	32,772								32,772
Guarantees	2,509								2,509
Irrevocable facilities	6,526								6,526
Recourse risks arising from discounted bills	7,130								7,130
Total off-balance sheet liabilities	**48,938**								**48,938**

Contractual maturity of assets and liabilities Audited EDTF 20

									31 December 2016
(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets:									
Cash and balances at central banks	21,861								21,861
Financial assets held for trading	1,607								1,607
Derivatives	571	937	510	442	766	3,440	7,718		14,384
Financial investments	1,866	2,697	1,450	2,564	2,840	10,534	22,318	1,227	45,497
Securities financing	14,106	2,681	162				641		17,589
Loans and receivables - banks	7,020	1,549	563	211	300	472	3,370		13,485
Loans and receivables - customers	24,871	10,047	2,715	6,627	25,109	25,490	172,819		267,679
Other assets[1]	4,887	997	279	753	258	230	418	4,558	12,380
Total assets	**76,789**	**18,908**	**5,679**	**10,596**	**29,272**	**40,167**	**207,285**	**5,785**	**394,482**
Liabilities:									
Financial liabilities held for trading	791								791
Derivatives	949	870	536	484	604	2,199	8,884		14,526
Securities financing	9,657	942		10	1,017				11,625
Due to banks	4,106	760	424	196	59	5,105	2,770		13,419
Due to customers	205,314	10,785	2,188	1,950	606	2,143	5,772		228,758
Issued debt	5,721	9,057	6,694	6,282	7,563	21,031	24,929		81,278
- of which senior secured		1,751	260	236	2,050	7,660	17,397		29,354
- of which senior unsecured	1,125	1,680	308	4,543	4,763	12,870	7,528		32,817
- of which securitisation			500	600	750	500			2,350
- of which other	4,596	5,626	5,626	903		1	4		16,757
Subordinated liabilities			82	2,096		3,435	5,558		11,171
Other liabilities	6,808	1,843	194	139	1,307	6	52	3,627	13,976
Total liabilities	**233,344**	**24,256**	**10,117**	**11,157**	**11,157**	**33,920**	**47,965**	**3,627**	**375,544**
Total equity								**18,937**	**18,937**
Total liabilities and equity	**233,344**	**24,256**	**10,117**	**11,157**	**11,157**	**33,920**	**47,965**	**22,565**	**394,482**
Off-balance sheet liabilities									
Committed credit facilities	25,288								25,288
Guarantees	2,659								2,659
Irrevocable facilities	6,178								6,178
Recourse risks arising from discounted bills	7,037								7,037
Total off-balance sheet liabilities	**41,161**								**41,161**

The following table provides a maturity analysis of the earliest contractual undiscounted cash flows for financial assets and liabilities. Financial assets and liabilities held for trading are recorded under on demand, at fair value.

We believe this best represents the short-term nature and the cash flows of these activities. The contractual maturity of the instruments may be extended over significantly longer periods.

Maturity based on contractual undiscounted cash flows Audited

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
											31 December 2017
Assets:											
Cash and balances at central banks	29,783										29,783
Financial assets held for trading	1,600										1,600
Derivatives		979	232	113	310	404	960	2,728	1,639		7,365
Financial investments	173		535	1,670	1,725	2,058	3,246	10,752	19,995	1,088	41,240
Securities financing	7,070		4,636	3,698	622	11	612				16,648
Loans and receivables - banks	1,936		4,645	1,270	409	440	498	1,300	2,238		12,735
Loans and receivables - customers	11,403		15,952	9,131	3,050	6,177	24,319	30,614	180,175		280,821
Other assets	426		1,063	217	821	3,193	317	272	885	1,605	8,799
Total undiscounted assets	**52,390**	**979**	**27,063**	**16,098**	**6,938**	**12,283**	**29,950**	**45,667**	**204,931**	**2,692**	**398,992**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			6	7	16	31	30	54	13		158
Contractual amounts payable			9	18	24	49	74	116	22		313
Total undiscounted gross settled derivatives not held for trading			**-3**	**-11**	**-8**	**-18**	**-44**	**-62**	**-9**		**-155**
Net settled derivatives not held for trading			235	124	319	422	1,003	2,788	1,590		6,481
Liabilities:											
Financial liabilities held for trading	1,082										1,082
Derivatives		567	172	195	366	648	1,099	3,044	6,148		12,240
Securities financing	10,895		1,676	301			4				12,876
Due to banks	990		2,419	1,324	594	706	1,279	9,747	2,515		19,574
Due to customers	132,784		84,182	9,477	1,247	1,100	778	2,290	4,865		236,723
Issued debt	1,698		5,156	8,031	3,920	5,122	11,410	19,476	22,319		77,130
Subordinated liabilities			1	5	13	25	54	5,069	4,759		9,926
Other liabilities	226		1,800	298	76	4,870	283	18	44	2,446	10,061
Total liabilities	**147,674**	**567**	**95,406**	**19,629**	**6,217**	**12,470**	**14,907**	**39,644**	**40,650**	**2,446**	**379,611**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			10	13	21	40	50	50	7		192
Contractual amounts payable			3	10	13	26	37	52	6		148
Total undiscounted gross settled derivatives not held for trading			**-6**	**-3**	**-8**	**-14**	**-13**	**2**	**-1**		**-44**
Net settled derivatives not held for trading			176	198	367	644	1,106	2,897	5,245		10,632
Net liquidity gap	**-95,284**	**412**	**-68,342**	**-3,532**	**721**	**-187**	**15,043**	**6,023**	**164,281**	**246**	**19,381**
Off balance sheet liabilities											
Committed credit facilities	32,772										32,772
Guarantees	2,509										2,509
Irrevocable facilities	6,526										6,526
Recourse risks arising from discounted bills	7,130										7,130
Total off-balance sheet liabilities	**48,938**										**48,938**

Maturity based on contractual undiscounted cash flows Audited

											31 December 2016
(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets:											
Cash and balances at central banks	21,861										21,861
Financial assets held for trading	1,607										1,607
Derivatives		508	219	238	357	530	1,229	3,119	2,395		8,596
Financial investments	384		1,510	2,804	1,700	3,006	3,602	12,205	23,552	1,227	49,991
Securities financing	9,412		4,697	2,685	164	4	8	20	661		17,652
Loans and receivables - banks	2,655		4,371	1,563	590	256	380	654	3,537		14,006
Loans and receivables - customers	11,160		14,067	11,382	5,928	12,557	35,092	48,090	193,456		331,731
Other assets	3,771		1,118	1,001	285	760	266	248	431	4,558	12,438
Total undiscounted assets	**50,850**	**508**	**25,982**	**19,673**	**9,024**	**17,114**	**40,578**	**64,334**	**224,032**	**5,785**	**457,881**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	6	13	27	51	48	21		175
Contractual amounts payable			6	4	10	19	37	63	31		170
Total undiscounted gross settled derivatives not held for trading			**1**	**2**	**4**	**8**	**14**	**-15**	**-9**		**5**
Net settled derivatives not held for trading			217	236	352	522	1,216	3,129	2,332		8,004
Liabilities:											
Financial liabilities held for trading	791										791
Derivatives		833	249	232	384	756	1,410	3,239	7,337		14,440
Securities financing	7,959		1,699	944	3	16	1,018				11,639
Due to banks	1,634		2,476	775	459	261	179	5,354	2,872		14,011
Due to customers	130,220		75,116	10,803	2,212	1,987	667	2,278	5,877		229,160
Issued debt	2,330		3,457	9,302	7,219	7,150	8,949	23,977	26,711		89,095
Subordinated liabilities			22	88	302	2,450	639	4,825	6,503		14,830
Other liabilities	1,024		5,785	1,845	197	143	1,308	7	53	3,627	13,989
Total liabilities	**143,958**	**833**	**88,805**	**23,988**	**10,777**	**12,762**	**14,170**	**39,681**	**49,354**	**3,627**	**387,955**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	24	32	63	84	103	12		326
Contractual amounts payable			16	10	27	53	63	96	8		274
Total undiscounted gross settled derivatives not held for trading			**8**	**-13**	**-5**	**-10**	**-21**	**-7**	**-4**		**-52**
Net settled derivatives not held for trading			240	209	389	725	1,401	3,130	6,023		12,115
Net liquidity gap	**-93,108**	**-324**	**-62,823**	**-4,315**	**-1,753**	**4,352**	**26,407**	**24,653**	**174,679**	**2,158**	**69,926**
Off balance sheet liabilities											
Committed credit facilities	25,288										25,288
Guarantees	2,659										2,659
Irrevocable facilities	6,178										6,178
Recourse risks arising from discounted bills	7,037										7,037
Total off-balance sheet liabilities	**41,161**										**41,161**

Leadership structure

This section presents the bank's leadership which includes the Executive Board, Executive Committee and Supervisory Board. Additionally it presents the Report of the Supervisory Board over the year 2017.

Management structure

In February 2017, ABN AMRO announced a new management structure to provide stronger focus on the bank's clients and business activities at the top executive level. The new structure includes an Executive Board at both ABN AMRO Group and ABN AMRO Bank level and an Executive Committee at ABN AMRO Bank level.

The new management structure, operational from 1 March 2017, became formally effective on 3 November 2017, when the necessary approvals for the appointments of the non-statutory Executive Committee members were obtained from the regulators. Until 3 November 2017, all required decisions were adopted by the Executive Board.

ABN AMRO's Management

The Executive Board consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the Chief Information & Technology Officer (CI&TO).

The Supervisory Board appointed Mr Kees van Dijkhuizen (former CFO of ABN AMRO) as CEO of ABN AMRO and successor to Mr Gerrit Zalm, effective 1 January 2017. The Supervisory Board then started an external search process for a new CFO to succeed Mr van Dijkhuizen, while in the meantime appointing Mr Alexander Rahusen (Head of Controlling of ABN AMRO) as interim CFO. The search process resulted in Mr Clifford Abrahams being appointed the new CFO from 1 September 2017. Ms Tanja Cuppen subsequently joined ABN AMRO's Executive Board on 1 October 2017 and succeeded Mr Wietze Reehoorn as CRO on 1 November 2017. Mr Christian Bornfeld joined ABN AMRO as a member of the Executive Board and CI&TO on 1 March 2018 as successor to Mr Johan van Hall.

The 2017 financial year also saw a number of resignations. Mr Gerrit Zalm resigned as Chairman and member of the Executive Board on 1 January 2017. This was followed, with effect from 18 January 2017, by Mr Joop Wijn's decision to resign from the Executive Board in order to pursue a new career opportunity. Following the changes in the leadership structure, Mr Chris Vogelzang resigned from the Executive Board on 6 February 2017, while Mr Wietze Reehoorn resigned as CRO and member of the Executive Board with effect from 1 November 2017. Mr Johan van Hall resigned as CI&TO and Vice-Chairman of the Executive Board on 1 March 2018.

The Executive Committee is chaired by the CEO and consists of four statutory Executive Board members and five non-statutory senior executives, including four business line roles (Retail Banking, Commercial Banking, Corporate & Institutional Banking and Private Banking) and one role with bank-wide responsibilities (Transformation & HR). The new management structure is thus designed to create an enhanced focus on the bank's business activities at a senior executive level.

The following persons were appointed as members of the Executive Committee on 6 February 2017, subject to regulatory approval: Mr Frans van der Horst as CEO Retail Banking, Ms Daphne de Kluis as CEO Commercial Banking, Mr Rutger van Nouhuijs as CEO Corporate & Institutional Banking, Mr Pieter van Mierlo as CEO Private Banking and Mr Gert-Jan Meppelink as Chief Transformation & HR. The regulatory approval for their appointment was received on 3 November 2017. On 31 December 2017, the Executive Committee consisted of nine members.

The Rules of Procedure of the Executive Board and the Executive Committee are available on abnamro.com.

For a full description of ABN AMRO's corporate governance structure, reference is made to the Corporate Governance chapter in this annual report.

Composition of the Executive Board and Executive Committee

The information below refers to the composition of the Executive Board and the Executive Committee as at 13 March 2018.

Kees van Dijkhuizen (Dutch, male, 1955)

Chief Executive Officer. Chairman of the Executive Board and Executive Committee

Kees van Dijkhuizen was appointed to the Managing Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 1 May 2013. Kees van Dijkhuizen was Chief Financial Officer from 1 June 2013 to 31 December 2016. He was appointed as Chairman of the Executive Board (previously Managing Board) and CEO effective 1 January 2017. On the occasion of the General Meeting in May 2017, the mandate of Kees van Dijkhuizen as an Executive Board member was extended and aligned with his term as CEO of ABN AMRO. His current term expires in 2020.

Other positions: Chairman, Government Committee on Export, Import and Investment Guarantees; Member; AFM Capital Market Committee; Board member Dutch Banking Association.

Clifford Abrahams (British, male, 1967)

Chief Financial Officer and Vice-Chairman of the Executive Board and Executive Committee

Clifford Abrahams was appointed to the Executive Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. as member and Chief Financial Officer (CFO) on 1 September 2017. As CFO, he is responsible for Finance, including Financial Accounting, Asset & Liability Management, Controlling, Tax and Investor Relations. His current term expires in 2021. Clifford Abrahams succeeded Johan van Hall as Vice-Chairman of the Executive Board on 1 March 2018.

Christian Bornfeld (Danish, male, 1976)

Chief Information & Technology Officer of the Executive Board

Christian Bornfeld was appointed to the Executive Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. as Chief Information & Technology Officer effective 1 March 2018. Christian Bornfeld is responsible for Technology & Innovation. His current term expires in 2021.

Tanja Cuppen (Dutch, female, 1969)

Chief Risk Officer of the Executive Board

Tanja Cuppen was appointed to the Executive Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 1 October 2017. She was appointed Chief Risk Officer (CRO) effective 1 November 2017. Her current term expires in 2021. As CRO, she is responsible for Risk Management, Financial Restructuring & Recovery, Legal and Compliance. Her current term expires in 2021.

Other positions: Member of Investment Committee, Argidius Foundation, Zug, Switzerland.

Frans van der Horst (Dutch, male, 1959)

CEO Retail Banking and Member of the Executive Committee

Frans van der Horst was appointed to the Executive Committee in the position of CEO for Retail Banking on 6 February 2017, subject to regulatory approval. That approval was formally obtained on 3 November 2017. His current term expires in 2020.

Supervisory positions: Chairman Supervisory Board, ABN AMRO Clearing Bank N.V.; Member Supervisory Board, Delta Lloyd ABN AMRO Verzekeringen Holding B.V./ ABN AMRO Schadeverzekering N.V./ ABN AMRO Levensverzekering N.V.

Other positions: Chairman, Owners association of apartment building Czaar Peterstraat 104; Board member Dutch Banking Association (Nederlandse Vereniging van Banken).

Daphne de Kluis (Dutch, female, 1969)

CEO Commercial Banking and Member of the Executive Committee
Daphne de Kluis was appointed to the Executive Committee in the position of CEO for Commercial Banking on 6 February 2017, subject to regulatory approval. That approval was formally obtained on 3 November 2017. Her current term expires in 2020.

Supervisory positions: Member Supervisory Board, Stadsherstel N.V.
Other positions: Advisory board member, Women in Financial Services Netherlands Association.

Pieter van Mierlo (Dutch, male, 1961)

CEO Private Banking and Member of the Executive Committee
Pieter van Mierlo was appointed to the Executive Committee as CEO for Private Banking on 6 February 2017, subject to regulatory approval. That approval was formally obtained on 3 November 2017. His current term expires in 2020.
Supervisory positions: Chairman Supervisory Board, Banque Neuflize OBC S.A.

Gert-Jan Meppelink (Dutch, male, 1968)

Chief Transformation & HR and Member of the Executive Committee
Gert-Jan Meppelink was appointed to the Executive Committee in the position of Chief Transformation & Human Resources Officer on 6 February 2017, subject to regulatory approval. That approval was formally obtained on 3 November 2017. His current term expires in 2020.

Supervisory positions: Member Supervisory Board, ABN AMRO Arbo Services B.V. (Beter).
Other positions: Member of the Faculty of Economics and Business Advisory Board - University of Amsterdam.

Rutger van Nouhuijs (Dutch, male, 1962)

CEO Corporate & Institutional Banking and Member of the Executive Committee
Rutger van Nouhuijs was appointed to the Executive Committee in the position of CEO for Corporate & Institutional Banking on 6 February 2017, subject to regulatory approval. That approval was formally obtained on 3 November 2017. His current term expires in 2020.

Other positions: Member of the Advisory Board, Euronext N.V.; Member of the Board of Directors, The American Chamber of Commerce in the Netherlands.

Further details on the backgrounds and curricula vitae of the members of the Executive Board who left ABN AMRO in 2017 and 2018 (based on information available at the time of resignation) are available on our website.

ABN AMRO's Supervisory Board

The Supervisory Board, in the two-tier corporate structure of ABN AMRO, is a separate corporate body that is independent of ABN AMRO's management (Executive Board and Executive Committee).

The Supervisory Board supervises the policy of the Executive Board and the general course of events in ABN AMRO and the business connected with it. Based on its consultative and advisory role, the Supervisory Board provides the Executive Board with advice, both requested and unrequested. The Executive Board is required to duly consider the advice. In addition, the Supervisory Board supervises, advises, challenges and supports the Executive Board and the Executive Committee in the exercise of their powers and duties, taking into account the dynamics and the relationship between the Executive Board, the Executive Committee and its members and while preserving the respective statutory tasks and responsibilities in compliance with applicable law and regulations. The Supervisory Board is responsible for selecting, appointing, dismissing and suspending members of the Executive Board upon advice of the Remuneration, Selection & Nomination Committee.

In performing their duties, the members of the Supervisory Board are guided by the interests of ABN AMRO and the undertaking connected with it and make a balanced assessment of the interests of its stakeholders. During 2017 the Supervisory Board's composition remained unchanged and consisted of seven members under the chairmanship of Ms Olga Zoutendijk. On 5 February 2018 Ms Zoutendijk announced her decision not to run for a second term, effective 1 July 2018. In order to facilitate an independent search process for a new Chairman, Ms Olga Zoutendijk decided to switch her role of Chairman for that of member of the Supervisory Board for the remainder of her term. The current Vice-Chairman, Mr Steven ten Have, has temporarily assumed the duties of Chairman.

In accordance with the resignation schedule of the Supervisory Board, the mandate of Ms Annemieke Roobeek expired at the end of the General Meeting in 2017. At the request of the Supervisory Board, Ms Annemieke Roobeek confirmed that she is willing to extend her term until such time as a new member is appointed. On 26 October 2017, the Supervisory Board announced the nomination of a new member for appointment to the Supervisory Board of ABN AMRO Group and ABN AMRO Bank, subject to approval from the regulators. Ms Annemieke Roobeek was appointed pursuant to the enhanced recommendation right of the Employee Council. As agreed with the Employee Council, Ms Frederieke Leeflang will be attributed the latter capacity with effect from the appointment of a successor to Ms Annemieke Roobeek.

The Rules of Procedure of the Supervisory Board are available on abnamro.com.

For a full description of ABN AMRO's corporate governance structure, reference is made to the Corporate Governance chapter of this annual report.

Composition of the Supervisory Board

Ms Olga Zoutendijk was Chairman of the Supervisory Board throughout 2017 and until 5 February 2018.

Olga Zoutendijk (Dutch, female, 1961)

Chairman (Member as at 5 February 2018)

Olga Zoutendijk was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 1 July 2014. As at 20 August 2015 Olga Zoutendijk was appointed Vice-Chairman. As of 18 May 2016 Olga Zoutendijk was appointed Chairman. On 5 February 2018 Ms Zoutendijk announced her decision not to run for a second term from 1 July 2018.

Last executive position held: Senior Managing Director and Group Head of Wholesale Banking, Asia at Standard Chartered Bank. Member of the Wholesale Banking global Executive Committee.

Supervisory positions: Member of the Board of Governors (Chairman of the Audit Committee), Leiden University.

Steven ten Have (Dutch, male, 1967)

Vice-Chairman (as at 5 February 2018 acting Chairman of the Supervisory Board)

Steven ten Have was appointed to the Supervisory Board of ABN AMRO Group N.V. on 30 March 2010 and as at 1 April 2010, to the Supervisory Boards of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. (the latter merged with ABN AMRO Bank N.V. as at 1 July 2010). As of 18 May 2016 Steven ten Have was appointed Vice-Chairman. His current term expires in 2018. On 22 February 2018, ABN AMRO announced that Mr Steven ten Have will be nominated for re-appointment as member of the Supervisory Board during the Annual General Meeting of 29 May 2018 for a maximum term of two years. His re-appointment will result in a total term in excess of eight years. The Supervisory Board has proposed the re-appointment to ensure continuity of the board, given the changes in its composition that were announced earlier. As Vice-Chairman of the Supervisory Board, Mr Steven ten Have has temporarily assumed the duties of Chairman of the Supervisory Board effective 5 February 2018 until a new Chairman has been appointed. The re-appointment of Mr Steven ten Have will be subject to regulatory approval (to the extent required).

Current positions: Partner at TEN HAVE Change Management B.V.; Full professor of Strategy and Change Management at Vrije Universiteit Amsterdam; Chairman of the Msc. part-time programme Change Management at Vrije Universiteit Amsterdam.

Other positions: Member of the Education Council of the Netherlands (Onderwijsraad); Chairman, Stichting "Center for Evidence-Based Management"; Deputy expert member Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal).

Arjen Dorland (Dutch, male, 1955)

Member

Arjen Dorland was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 18 May 2016. His current term expires in 2020.

Last executive position held: Executive Vice President of Technical and Competitive IT, Royal Dutch Shell.

Supervisory positions: Member Supervisory Council, Stichting Naturalis Biodiversity Center; member Supervisory Board, Essent N.V.

Frederieke Leeflang (Dutch, female, 1969)

Member

Frederieke Leeflang was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 18 May 2016. Her current term expires in 2020.

Current position: Special advisor at Dentons Boekel N.V.; Director F.J. Legal B.V.

Last executive position held: Lawyer Competition and European Law at Dentons Boekel N.V.

Supervisory positions: Member (vice chairperson) Supervisory Council, Onderwijsstichting Zelfstandige Gymnasia (Educational Foundation of Independent Gymnasia); Member Supervisory Council, Stichting KWF Kankerbestrijding (Dutch Cancer Society); Chairman of the Audit Advisory Committee of the Dutch Court of Audit (Algemene Rekenkamer).

Other positions: Chairperson, Advisory Council, Centrum Indicatiestelling Zorg (CIZ, Care Assessment Centre); Board member, De Amsterdamsche Kring; Board member (vice chairperson), Amsterdam Diner Foundation.

Annemieke Roobeek (Dutch, female, 1958)

Member

Annemieke Roobeek was appointed to the Supervisory Board of ABN AMRO Group N.V. on 30 March 2010 and to the Supervisory Boards of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. on 1 April 2010 (the latter merged with ABN AMRO Bank N.V. on 1 July 2010). She will resign as a member of the Supervisory Board with effect from the date of her successor's appointment.

Current positions: Professor of Strategy and Transformation Management at Nyenrode Business Universiteit; Director and owner of MeetingMoreMinds B.V.; Owner of Open Dialogue B.V.; Co-owner of XL Labs B.V.

Supervisory positions: Member Supervisory Board, Abbott Healthcare Products B.V.; Member Supervisory Board, KLM N.V.

Other positions: Chairperson, PGGM Advisory Board for Responsible Investment; Chairperson, Stichting INSID, Institute for sustainable innovation & development directed by His Royal Highness Prince Carlos de Bourbon de Parme; Member, "Inspirational Board" (Advisory Board), CPI Governance; Member, International Advisory Board of Howaldt & Co, Hamburg, Germany.

Jurgen Stegmann (Dutch, male, 1960)

Member

Jurgen Stegmann was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 12 August 2016. His current term expires at the first general meeting after 12 August 2020.

Current position: Director Stegmanagement B.V.

Last executive position held: Chief Financial Officer at Robeco Groep N.V.

Supervisory positions: Member Supervisory Board, Stichting Woonstad Rotterdam; Member Supervisory Board, Janssen de Jong Groep B.V.

Tjalling Tiemstra (Dutch, male, 1952)

Member

Tjalling Tiemstra was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 18 May 2016. His current term expires in 2020.

Last executive position held: Chief Financial Officer of Hagemeyer N.V. Current positions: Director, Drs J.S.T. Tiemstra Management Services B.V.

Supervisory positions: Member Supervisory Board, DKG Holding B.V.; Member Supervisory Board, Stichting Reinier de Graaf HAGA Groep; Member Supervisory Board, Royal Haskoning DHV B.V.

Other positions: Board member, Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster); Board member, Stichting Preferente Aandelen (Preference Shares) Wolters Kluwer; Board member, Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares); Member Advisory Board, Dienst Uitvoering Onderwijs (DUO) (Education Executive Agency of the Dutch Ministry of Education, Culture and Science); Member Monitoringcommissie Code Pensioenfondsen (Monitoring Committee Dutch Pension Funds Code); Member Advisory Board, Court of Justice of Rotterdam; Deputy expert member, Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal); Chairman, Governance, Risk & Compliance Committee of Nederlandse Beroepsorganisatie van Accountants (NBA) (Dutch Institute of Chartered Accountants).

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Report of the Supervisory Board

Composition of the Supervisory Board

The composition of the Supervisory Board remained constant during 2017 under the chairmanship of Ms Zoutendijk. The Supervisory Board's composition is based on the Board's guiding principle that diversity of thought, expertise, background, competences and interpersonal styles, thus including but not limited to gender diversity, is a prerequisite for effective supervision and, by extension, for long-term value creation. Gender diversity within the Supervisory Board of ABN AMRO is currently 43%, well above the 30% guideline. Collectively the members have expertise in retail and private banking, commercial banking, corporate & institutional banking, investment banking, risk management, P&L line management, strategy formulation and execution, (cultural) change management, IT, digitalisation, innovation, economics, remuneration and human resources management, sustainability and corporate social responsibility, legal and compliance matters, the development of products and services, and experience in the key markets in which the bank is active. The Supervisory Board has one financial expert (CPA/RA) in accordance with the formal definition and requirement, and two highly experienced bankers with a combined 60 years of broad and deep banking experience across all key areas of domestic and international banking.

All members of the Supervisory Board passed the fit and proper test required under the Dutch Financial Supervision Act. The Supervisory Board confirms that all members of the Supervisory Board are independent within the meaning of principle 2.1.10 of the Dutch Corporate Governance Code.

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Meetings of the Supervisory Board

Supervisory Board meetings

During 2017, the Supervisory Board held six formal meetings according to the pre-set schedule, eight additional meetings, five informal team meetings and four permanent education sessions.

The additional meetings focused on specific subjects, such as the bank's new top management structure and appointments, strategy and the budget plan for 2018-2021. Supervisory Board meetings take place following the meetings of the Remuneration, Selection & Nomination Committee, the Risk & Capital Committee and the Audit Committee. The Supervisory Board receives from each of these committees a report of its deliberations and findings after each meeting and takes into account the outcome and recommendations of the committees. The Company Secretary attends all meetings and is the secretary of the Supervisory Board and its committees.

The Executive Board attends the formal meetings of the Supervisory Board and prepares detailed supporting documents. The regular meetings last, on average, four hours. At each Supervisory Board meeting, on a rotational basis, an Executive Committee member is invited to present on the opportunities and risks in their specific line of business. Other bank staff and the external accountant were frequently invited to present on specific topics such as the monthly performance highlights, capital & funding plan, strategy, investor relations update, risk appetite and quarterly audit reports. The bank's strategy was extensively discussed with the Executive Board and Executive Committee in June/July and December 2017. The discussions included a critical review of the business lines, an assessment of the strategic challenges and risks, external (global) developments and trends, and how to execute the strategy in order to achieve long-term value creation.

The attendance record of the Supervisory Board members in 2017 was as follows:

2017	Formal meetings (6)	Team meetings (5)	Additional meetings (8)	Total meetings (19)	Attendance (%)
O.L. Zoutendijk	6	5	8	19	100%
S. ten Have	5	4	7	16	84%
J.M. Roobeek	5	5	6	16	84%
J.S.T. Tiemstra	6	5	7	18	95%
A.C. Dorland	6	5	8	19	100%
F.J. Leeflang	6	4	8	18	95%
J.B.J. Stegmann	6	5	7	18	95%

Focus areas and activities of the Supervisory Board

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

During the first few months of 2017, the Supervisory Board focused much attention on the development and implementation of a new management structure, as initiated and proposed by the CEO. The new management structure was designed in close consultation between the CEO and the Supervisory Board, with the aim of providing a stronger focus on the bank's clients and business activities at the top executive level, thereby creating a stronger impetus for innovative solutions for clients, business growth initiatives, and a more achievement-focused culture of accountability. The new management structure, operational from 1 March 2017, formally entered into effect in November 2017 upon receipt of the relevant regulatory approvals. Until 3 November 2017, all required decisions were adopted by the Executive Board. The changes in the new management structure, as initiated and proposed by the CEO and supported by the Supervisory Board, resulted inter alia in a significant improvement in gender diversity at a senior management level (from 23% to 40% in the combined top-3 newly appointed senior management levels, i.e. the Executive Board, the Executive Committee and the direct reports of the Executive Committee) and a significant reduction of 40% in the senior management group from 106 to 63 FTE. This was the first time in almost a decade that FTE reduction targets did not just impact on lower-level employees, but also affected the senior management ranks. This was necessary and overdue for several reasons:

1. appropriate rightsizing of the number of FTE in senior management, compared to the annual shrinking of the bank's overall FTE,
2. reducing bureaucracy and speeding up decision-making by increasing managerial spans of control, thereby removing unnecessary management layers, and
3. achieving measurable progress towards cultural equity in meeting the bank's cost-cutting targets.

In June/July 2017, the Supervisory Board and the Executive Committee spent two days together off-site to discuss the bank's strategy in light of the opportunities and threats posed by external developments in the domestic and global arena. This was a good example of collaboration between the Supervisory Board and the Executive Board and Executive Committee, focusing together on the long-term subjects that matter and setting the strategic framework for executive actions. The joint discussions focused on the effects of digitalisation, globalisation, democratisation and the circular economy. Specific emphasis was placed on refining the bank's 'purpose' so that it would align more closely with the bank's expertise. The bank's potential for a greater contribution to society was explored in terms of linking more directly to the Sustainable Development Goals of the United Nations, in particular 'Sustainable Cities and Communities' and 'Climate Action.' During 2017, management successfully expanded the scope of the bank's ambitions for the sustainability of commercial real estate, sustainably invested assets in Private Banking and the issuance of green bonds for clients in Corporate & Institutional Banking.

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

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

The Supervisory Board actively engaged its key stakeholders in 2017, visiting various parts of the organisation in the Netherlands and internationally to obtain client and staff feedback regarding the bank's duty of care, integrity, client focus, culture and competitive differentiation. The two members appointed pursuant to the enhanced recommendation right of the Employee Council, Mr Steven ten Have and Ms Annemieke Roobeek, met regularly with the Employee Council throughout the year to maintain an active dialogue and to obtain the Employee Council's thoughts and input on various matters, including the new management structure, appointments, diversity, work satisfaction and the negotiations for a new Collective Labour Agreement. The Chairman and other members of the Supervisory Board also met with the Employee Council on several formal and informal occasions during the year. This included a half-day joint meeting of the Supervisory Board, the Executive Committee and the Employee Council *('drie raden overleg')*, which is convened annually. This year the joint session focused on refining the bank's 'purpose' in order to align it more closely with the bank's expertise and thereby optimise the bank's potential contribution to society. The Supervisory Board appreciates the constructive relationship it has with the Employee Council, and highly values the input, engagement, suggestions and considerations provided by the Employee Council in the interests of the bank. Active engagement was also maintained throughout the year with the Dutch Central Bank, the European Central Bank, AFM, STAK AAG and NLFI. The Supervisory Board's aim throughout was to ensure that the bank is well positioned to create long-term value for its shareholders and for society, while focusing firmly on clients' interests and balancing the interests of all stakeholders.

The Supervisory Board approved amendments to the Executive Board Rules of Procedure (including the Executive Committee Rules of Procedure) and the Supervisory Board Rules of Procedure on two occasions, the first being the formal introduction of the Executive Committee structure at the level of ABN AMRO Bank in November 2017, the second being the formal incorporation into the Rules of Procedure in December 2017 of the new Dutch Corporate Governance Code.

Please note that a description of the duties, responsibilities and current composition of the Supervisory Board, including its committees, is provided in the Supervisory Board section of the Corporate Governance chapter. The Leadership chapter of this Annual Report includes relevant details, such as other positions held by members of the

Supervisory Board. More information on remuneration is provided under Remuneration in the Governance chapter. These subjects are considered to be incorporated by reference into this Report of the Supervisory Board.

Evaluation of the new Management Structure

Early in 2018, ABN AMRO's Supervisory Board and Executive Board commissioned an evaluation of the bank's management structure, which was introduced a year ago. The evaluation was decided on at the time of the introduction of the new management structure in early 2017.

By performing the evaluation, the bank will assess whether the management structure still meets the principles underlying its introduction and the expectations at the time. One of the aims of the new management structure was to strengthen client focus and attention to the bank's business activities. The Supervisory Board decided at the time of the change to evaluate the situation after a year to see whether the new management structure had produced the desired result or whether changes would be needed. The Executive Board agreed to this. The scope of the evaluation will focus on the role of the Executive Board, the role of the Executive Committee and the role of the Supervisory Board. In February 2018, two independent external experts were appointed to carry out the review. The evaluation results are expected to be known in April 2018.

The Supervisory Board Committees

Audit Committee

The Audit Committee is tasked with the direct supervision of all matters relating to financial reporting and controlling. In doing so, it is responsible for supervising (and advising the complete Supervisory Board) in respect of, amongst other things, (i) the assessment of the principles of valuation and determination of results for the financial statements, (ii) internal control and financial reporting functions, (iii) internal and external audit, (iv) risk assessment of issues that could impact the financial reporting, (v) compliance with applicable laws and regulations, (vi) mediation between internal or external auditors and/or management, and (vii) reporting to the Supervisory Board.

Throughout 2017, the Audit Committee (the 'Committee') consisted of Mr Tjalling Tiemstra (Chairman), Mr Arjen Dorland, Mr Jurgen Stegmann and Ms Olga Zoutendijk. The Committee held six plenary meetings in 2017. The plenary meetings were attended by all members of the Committee, except for one plenary meeting during which Mr Tiemstra was absent. All plenary meetings of the Committee were also attended by the CEO, the (interim) CFO and the CRO. The Director of Group Audit, the Director of Financial Accounting, the external auditor and the Company Secretary also attended the full plenary meetings, except for one meeting in which a representative of the Director Group Audit was present and one meeting in which a representative of the Company Secretary was present.

Additionally the Committee held a conference call in December 2017 to discuss the readiness of the bank for IFRS 9. The CFO, CRO, the Director of Group Audit, the external auditor, the Director of Financial Accounting and the Company Secretary also attended this conference call.

In addition to the plenary meetings, the Chairman of the Committee regularly held separate sessions with, amongst others, the Director of Group Audit, the (interim) CFO, the Director of Financial Accounting and/or the Director of Corporate Controlling. The Chairman of the Committee met the external auditor bilaterally, focusing on the progress of the external audit and other subjects relevant to the responsibilities of the Committee. The Chairman also met two times with the European Central Bank and the Dutch central bank in 2017. Committee members met managers of different departments to remain well informed about the subjects to be supervised by the Committee. Directly after the meeting in which the annual accounts were discussed, the Committee met the external auditor to seek confirmation that all relevant matters from the audit had come to the attention of the Committee.

In the plenary meetings the Committee discussed, among other things, the quarterly reports, the interim and annual accounts, the quarterly press releases, the interim and final dividend proposals, the 2016 Annual Report of ABN AMRO and key audit matters as reported by internal and external audit. In relation to the latter, the Audit Committee discussed all control observations and key audit matters of the internal and external auditors, including progress on improvement. Please refer to the Management Control Statement in the Annual Report (see chapter Risk, funding & capital management section) and the Audit Opinion of EY (see chapter Other) for further details. The Committee also discussed financial reporting, the overall internal control environment, the governance and internal controls over financial reporting, adherence to laws and regulations governing financial and regulatory reporting, regular reports on any signals from clients or employees suggesting possible internal control issues, and updates on tax and tax-related issues.

The Committee extensively discussed the performance and audit ratings of the bank's first and second line departments on a quarterly basis. During each meeting the Committee devoted attention to the procedures for financial reporting, including the procedure for the establishment of loan impairments, the timelines in which impairments are established and the robustness and development of the financial results and ratios, including the level of loan impairments. The Committee also took note of financial reports issued to supervisory authorities, such as the COREP and FINREP reports.

Furthermore the Committee considered the role, performance and reports from Group Audit, reports from the external auditor, management letters and the auditor's independence and fees. Based upon these reports, the Committee discussed the performance and audit ratings of the bank's first and second line departments on a quarterly basis. The Committee was also informed of, and discussed, all letters from the European Central Bank and Dutch Central Bank that were of relevance to the Committee. The Committee closely monitored the financial and regulatory reporting improvement programmes in 2017 and was regularly updated on the progress of these programmes by the Executive Board, Group Audit and the external auditor.

In addition to the regular topics noted above, in February 2017 the Committee received the report of the external auditor regarding the 2016 consolidated financial statements and subsequently discussed, approved, and advised the Supervisory Board to approve the quarterly report for Q4 2016. The Committee also approved the 2016 dividend proposal and discussed the focal points for the annual reporting and General Meeting highlighted by NLFI and a letter concerning this topic from the VEB.

In March 2017 the Committee reviewed and discussed the 2016 Annual Reports of ABN AMRO Group and ABN AMRO Bank, the audit thereof by the external auditor and the Management Control Statement. In May, in addition to the regular agenda items, the Committee discussed the 2017 Audit Plan of the external auditor.

In August 2017, the Committee was informed on the thematic review of IFRS 9 and received an explanation by the external auditor of recent AFM research into Dutch auditor firms.

In November 2017 the Committee decided on the 2018 Group Audit Plan and the annual review of the Group Audit Charter. Furthermore the progress concerning the Finance & Risk Alignment Architecture Initiative was discussed, as well as the approach for the 2017 Annual Report.

The Committee reviewed and discussed the 2017 Annual Report and the 2017 Annual Financial Statements of ABN AMRO Group and all annexed information in March 2018.

Risk & Capital Committee

The Risk & Capital Committee is responsible for supervising (and advising the complete Supervisory Board) with respect to, amongst other things, (i) risk management and risk control (including pricing policies), (ii) compliance, (iii) the allocation of capital and liquidity, (iv) the bank's risk appetite, (v) compliance with applicable laws and regulations (including codes of conduct and internal procedures), (vi) risk awareness within the bank, (vii) sound remuneration policies and practices in light of risk, capital, liquidity and expected earnings, (viii) proposing corrective and/or disciplinary measures against members of the Executive Board in the event of a breach of applicable laws and regulations, and (ix) periodic review of the Group's actual risk profile.

The Risk & Capital Committee (the 'R&CC') consisted of Mr Jurgen Stegmann (Chairman), Mr Arjen Dorland, Ms Frederieke Leeflang, Ms Annemieke Roobeek, Mr Tjalling Tiemstra and Ms Olga Zoutendijk. The R&CC

held four plenary meetings in 2017. These meetings were attended by all members of the R&CC, except the meetings in May and August 2017, during which Ms Annemieke Roobeek was absent. All matters discussed in a plenary meeting of the R&CC and which were relevant for the Supervisory Board were verbally reported in the subsequent meeting of the full Supervisory Board. The full Supervisory Board also received minutes of the R&CC meetings.

Recurring items on the R&CC's agenda in 2017 were the Enterprise Risk Management (ERM) Report, the Capital & Funding Plan Update, Compliance and Legal Updates and regulatory correspondence with the ECB and DNB. Additionally, in its meeting in August 2017, the R&CC decided that a Risk Policy Approval Report Update, in which a quarterly overview is provided of changes to relevant risk policies, would be added to the regular agenda items going forward. The ERM Report provides a concise overview of ABN AMRO's state of affairs in respect of all risk types identified in the risk taxonomy. Furthermore, the ERM Report aims to identify cross-risk type issues and/or effects and to provide a single integrated view on the bank's risk profile, benchmarked against the bank's risk appetite (which is established annually by the Executive Board and approved by the R&CC and the Supervisory Board) and its strategy. Change risk was added as a monitored parameter in 2017, as well as geopolitical risk. Other important subjects included in the ERM Report are the bank's largest single exposures and lessons learned in relation to specific impairments. Based on the ERM Report, the R&CC also discussed matters related to risk governance, operational risks, market risks and credit concentration risks. The ERM Report and all other regular and one-off reports were used by the R&CC to maintain oversight and advise the Executive Board on the operation and efficiency of the Risk Management Function.

Each quarter the R&CC assessed the updated Capital & Funding Plans and was informed about the bank's current capital and funding positions. The R&CC discussed the bank's management of its capital and liquidity ratios, including the issuance plans for capital and funding and options for RWA steering. Particular attention was paid to the impact of long-term mortgages on the bank's capital and funding position in light of the current low-interest environment, the management of the bank's leverage ratio, as well as the potential capital impact as a result of Basel IV. In all instances, the R&CC advised the Supervisory Board to approve the Capital & Funding Plan.

Based on the quarterly Compliance and Legal Reports, the R&CC discussed individual Legal, Tax and Compliance files, the performance of the Compliance function, Compliance policies and procedures, the relationship with the supervisory authorities and the impact of national and international laws and regulations. Examples of files that were discussed include the rectified mortgage advices, the settlement for SME derivatives-related issues, complaints in relation to Euribor-based mortgages, the International Card Services redress scheme and discussions with tax authorities in Switzerland and Germany relating to discontinued securities financing activities. Furthermore, the introduction of new rules and regulations was discussed, such as MiFID II, PSD II and the new data protection rules set out in the GDPR. Finally, the R&CC discusses the year plans of the Compliance and Legal department on an annual basis.

The R&CC was informed of the correspondence with the Dutch Central Bank, the European Central Bank and other relevant supervisory authorities in quarterly oversight reports prepared by Group Audit and Compliance. Particular attention in this context was paid to the European Central Bank's Thematic Review on Risk Governance and Appetite (also referred to as RIGA 1 and 2) and ABN AMRO's response and follow-up on the ECB's findings.

Furthermore, the R&CC discussed and approved the updated Bank Risk Appetite for 2018, as well as updates to the International Risk Charter, including the set-up and composition of the bank's risk committees. Other topics discussed by the R&CC included country risk in non-presence countries, oil price scenarios, risk exposure in relation to interest-only mortgages, the AFM guidelines for early repayment of mortgages, and a new governance proposal for the group's subsidiaries.

More information on the risk, capital, liquidity and funding related topics discussed in the R&CC is provided in the Risk, funding & capital section.

Remuneration, Selection & Nomination Committee

The Remuneration, Selection & Nomination Committee is responsible for supervising (and advising the complete Supervisory Board) with regard to, amongst other things, (i) remuneration policies and execution thereof for members of the Executive Board, the Supervisory Board and selected members of senior management, (ii) the selection, appointments and reappointments regarding the Supervisory Board and the Executive Board, (iii) succession plans of the Supervisory Board and the Executive Board, (iv) the knowledge, skills, experience, performance, size, composition and profile of both boards, (v) the performance of the members of both boards, and (vi) reporting on the execution of the remuneration policies through a remuneration report.

Throughout 2017, the Remuneration, Selection & Nomination Committee (the 'Committee') consisted of Mr Steven ten Have (Chairman), Mr Arjen Dorland, Ms Frederieke Leeflang, Ms Annemieke Roobeek and Ms Olga Zoutendijk. As Mr ten Have has temporarily assumed the duties of the Chairman of the Supervisory Board, Mr Dorland has temporarily assumed Mr ten Have's duties as Chairman of the Committee as of 12 February 2018. Mr Steven ten Have has since switched his role as Chairman for that of member of the Committee. In 2017, the Committee held four regular meetings and seven extra meetings, including two extra meetings attended by the full Supervisory Board. Three decisions were made outside of a meeting, in compliance with proper procedure. Mr Dorland was unable to dial into one extra telephone conference, Ms Roobeek was absent from one regular meeting, Ms Frederieke Leeflang was absent from one regular and one extra meeting, and Ms Olga Zoutendijk was unable to dial into two extra telephone conferences. All Committee members made sure they reviewed all relevant documents and provided their input to the Committee Chairman in advance of any meeting or telephone conference that they were unable to attend. The CEO, the member of the Executive Committee responsible for HR & Transformation and the Company Secretary also attended the meetings. In accordance with stricter legislation, the Supervisory Board continued in 2017 to ratify all decisions made by the Committee, either in a meeting or in writing outside a meeting. The Committee's Chairman met with the European Central Bank and the Dutch Central Bank in March and October 2017.

In February and March the proposals for the end-of-year process (decisions on organisation-wide Key Performance Indicators (KPIs), performance ratings of the Executive Board, determination of Identified Staff and related variable compensation and target-setting for 2018) were considered and discussed and then presented to the Supervisory Board with a positive advice.

After the announcement of the new management structure, with an Executive Board and Executive Committee, on 6 February 2017, and the appointments at the management level directly below the Executive Committee on 23 March 2017, the Committee held regular updates on the workings of the new structure in anticipation of the full evaluation of the new management structure that was decided on by the Supervisory Board and agreed by the Executive Board at the time of the new structure's introduction (see "Evaluation of the new Management Structure" above). Furthermore, the Committee welcomed the introduction of the Challenger 40 (C40), a group of 40 employees from across the organisation with the assignment to challenge the Executive Committee on strategically relevant issues, to share dilemmas with the Executive Committee and to pro-actively introduce topics for discussion.

The discussion on a necessary re-design of the KPI framework that started in 2016 continued in 2017. The Committee regularly challenged the existing framework, recommending fewer KPIs, so as to achieve greater management focus, clarity and relevance. The Committee also recommended cascading each top-level KPI to the levels below in a differentiated manner so as to ensure the adding of unique value at each level in the organisation. The goal remains to reach a performance management system that measures up to both national and international standards of best practice.

The Committee also recommended devoting more management attention to crucial matters such as talent and leadership development, talent retention, succession planning, diversity in the broadest sense, the design and establishment of a leadership development function and programme, and developing cultural principles that are closely and clearly aligned with a culture of achievement and accountability.

Other subjects that were discussed extensively throughout the year include the selection and nomination processes of the new CFO, CRO, CI&TO and a new member of the Supervisory Board (all these searches were conducted by an independent, external search firm, based on clearly defined role descriptions, and included interviews with multiple candidates for each role), the remuneration policy for the CLA management level below the Executive Committee, the results of the Employee Engagement Survey 2017, and the Collective Labour Agreement negotiations.

Annual Supervisory Board Review

The Supervisory Board entrusts the annual review of the Supervisory Board as a whole, its committees and its individual members to a specialised external advisory firm. This process consists of a full review every three years, including face-to-face interviews with the Chairman and each Supervisory Board member. In the intervening years, this process consists of an online questionnaire, conducted by the same external advisory firm. The participation and contribution of each member of the Supervisory Board, the culture and team dynamics within the Supervisory Board and the relationship between the Supervisory Board and the Executive Board are part of this evaluation. The most recent full face-to-face review was completed in 2015 for the performance year 2014. The next full review will be done in 2018 for the performance year 2017.

In May 2017, the external advisory firm completed its evaluation of the effectiveness of the Supervisory Board for the period from May 2016 to May 2017, being the first full 12-month period under the leadership of the new Chairman, Ms Zoutendijk. The most significant findings and conclusions of the independent review and the agreed follow-up actions by the Supervisory Board can be summarised as follows: 1) the performance and effectiveness of the Supervisory Board for the bank was widely seen to have improved since the last review in 2015, thereby enabling, supporting and encouraging the Executive Board to initiate important innovations such as the New10 fully digital loan platform for SMEs, international growth initiatives in Corporate & Institutional Banking, the necessary organisation-wide cost cuts and the sale of non-strategic business units, 2) it was agreed to re-design and update the scope and content of the Permanent Education programme, including joint sessions with the Executive Board and Executive Committee, 3) it was decided that, given the new Executive Board/ Executive Committee management structure, the Supervisory Board must maintain sufficient connection and engagement with the non-statutory Executive Committee members instead of just with the Executive Board members. This was deemed to be very important because the Supervisory Board would otherwise become too removed from the business units represented by these senior executives, and this would then inhibit the Supervisory Board in the required optimal execution of its supervisory and advisory responsibilities. It was agreed that this would require an additional investment of time from all Supervisory Board members, including formal bilateral meetings, informal sessions and joint Permanent Education sessions with the non-statutory Executive Committee members.

The 2017 Supervisory Board review will be conducted after the external review of the role of the Executive Board, the role of the Executive Committee and the role of the Supervisory Board with regard to the new top management structure has been finalised.

Regarding the independence requirements of each member of the Supervisory Board, as referred to in the Dutch Corporate Governance Code, the Supervisory Board is of the opinion that these have been fulfilled.

Assessment Executive Board

The Supervisory Board evaluates the functioning of the Executive Board and its individual members on an annual basis. Consistent with the new Dutch Corporate Governance Code, the evaluation will assess inter alia the competence and functioning of the Executive Board and its provision of information to the Supervisory Board to safeguard and guarantee an appropriate system of checks and balances. The code stipulates that Supervisory Board members are expected to pay specific attention to the dynamics and the relationship between the Executive Board and the Executive Committee, and these will also be part of the evaluation.

The self-assessment by the Executive Board (including the members' individual leadership assessments) and performance review for 2017 by the Supervisory Board is to be performed after the performance evaluation relating to the new management structure, as mentioned above, has been finalised.

Induction programme

Following their appointment, all new members of the Supervisory Board complete an extensive induction programme designed to ensure that they have the relevant knowledge to fulfil their role, including thorough knowledge of ABN AMRO Group and its business activities, financial reporting by the Group and general financial, social and legal affairs. As the knowledge, background and experience of newly appointed members of the Supervisory Board differ, the curriculum of the induction programme is tailor-made.

Permanent Education Programme

There is a lifelong learning programme in place for the members of the Supervisory Board, Executive Board and Executive Committee which is designed to keep their expertise up to date and to broaden and deepen their knowledge where necessary. The objective is for members of the Supervisory Board, Executive Board and Executive Committee to participate in the same training sessions to foster knowledge-sharing. The curriculum is developed and updated continuously to ensure a balanced programme covering all relevant aspects of the bank's performance and takes into account current developments in the global financial industry. Topics covered in 2017, in joint sessions with management, included PSD2, data management, banking industry trends, cyber security, the agile way of doing business and digitalisation.

Annual Accounts and Dividends

The Supervisory Board received regular updates from the Audit Committee on topics such as financial reporting and the related internal controls, the role, performance and reports of Group Audit, the reports of the external auditor and the progress of the improvement programmes regarding financial and regulatory reporting and data quality. The Supervisory Board reviewed and approved the 2017 Annual Report, the 2017 Annual Financial Statements and all annexed information of ABN AMRO Bank. These documents were evaluated by and discussed with the Executive Board, Group Audit and EY (ABN AMRO's independent external auditor). In addition, the Supervisory Board took note of the independent auditor's report that EY issued on the 2017 Annual Financial Statements. The Supervisory Board was given sufficient assurance regarding the information provided by the Executive Board in the annual Management Control Statement. The Supervisory Board is satisfied that the 2017 Annual Report and the 2017 Annual Financial Statements comply with all relevant requirements.

In 2017 ABN AMRO Bank N.V. paid out an interim dividend of EUR 611 million to ABN AMRO Group N.V. This was equal to EUR 0.65 per share. An equal cash interim dividend for H1 2017 was paid out to ABN AMRO's shareholders following the publication of the Q2 2017 results. Including the final dividend of EUR 752 million, the total dividend for 2017 will thus be EUR 1,363 million, or EUR 1.45 per share, equivalent to a 50% payout ratio. Additionally, a semi-annual coupon payment was made on the outstanding AT1 instrument.

Governance

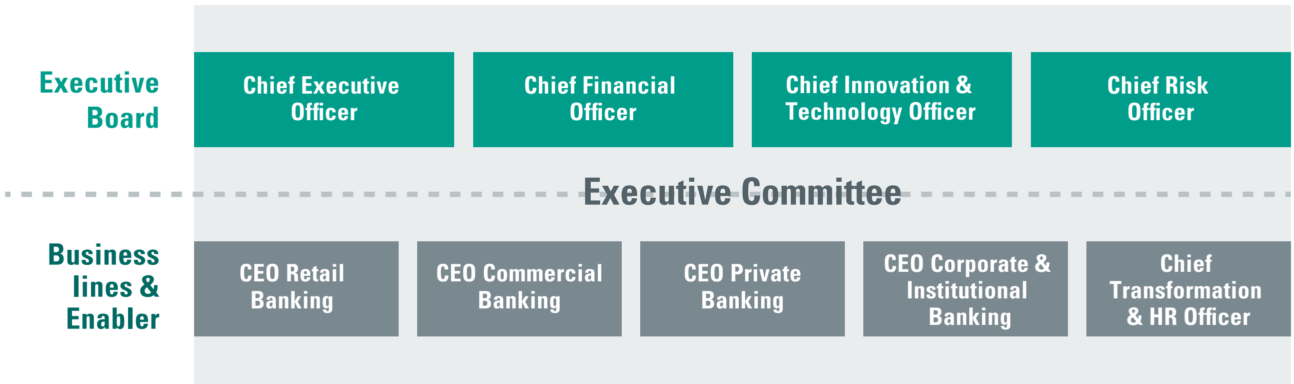
This section presents an overview of the Group's corporate governance framework, including information on the bank's legal structure and remuneration policy.

Corporate Governance

ABN AMRO Group is a public company with limited liability incorporated on 18 December 2009 under Dutch law. ABN AMRO has a two-tier governance model, consisting of a Supervisory Board and an Executive Board. As such, ABN AMRO ensures effective risk control, meets all relevant legislation and regulations, and provides full transparency to all relevant stakeholders and market parties. Additionally, there is an Executive Committee at the level of ABN AMRO Bank. The Executive Boards and the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank are identical, as are their respective committees. Pursuant to Section 2:154 of the Dutch Civil Code, the full 'structure regime' applies to ABN AMRO Group. Under the mandatory full structure regime, the Supervisory Board has the authority to appoint and dismiss members of the Executive Board.

Executive Committee (from left to right)
Rutger van Nouhuijs, Johan van Hall, Daphne de Kluis, Frans van der Horst, Kees van Dijkhuizen, Tanja Cuppen, Pieter van Mierlo, Gert-Jan Meppelink, Clifford Abrahams

Executive Board and Executive Committee



Role/Responsibilities of the Executive Board

The Executive Board is the Bank's statutory managing board within the meaning of Section 2:129 of the Dutch Civil Code and is responsible for (i) the general course of business of ABN AMRO, for ensuring compliance with laws and regulations and for the adequate financing of its activities (ii) the continuity of the ABN AMRO and its business and (iii) setting ABN AMRO's mission, vision, strategy, risk appetite, corporate standards and values, risk framework, main policies, budgets, financial and non-financial targets, and for the realisation thereof. In respect of these duties, and to the extent they relate to ABN AMRO Bank, the Executive Board will consult the Executive Committee, allwithout prejudice to the Executive Board's statutory collective management responsibilities. The Executive Board will also ensure close cooperation with the Supervisory Board in the discharge of these responsibilities and shall seek the approval of the Supervisory Board for the bank-wide strategy (in line with the pursued culture aimed at long-term value creation) and the targets. The Executive Board is accountable to the Supervisory Board and to the General Meeting for the performance of its duties. In performing its duties, the Executive Board shall develop a view on long-term value creation for ABN AMRO and its business and take into account the relevant stakeholder interests.

Role/Responsibilities of the Executive Committee

The Executive Committee is part of ABN AMRO's 'management body' (together with the Executive Board and the Supervisory Board) as defined in CRD IV and has decision-making authority based upon delegation by the Executive Board. The Executive Committee is specifically mandated to ensure the translation of ABN AMRO's mission, vision, strategy, policies, annual budget, risk appetite, standards and values, financial and other non-financial targets into specific group-aligned strategies, policies, budgets, risk appetites, standards and performance targets for each business line, with the aim of contributing to long-term value creation by ABN AMRO and to building and maintaining the culture that is required for that purpose. The respective members of the Executive Committee are also responsible for the daily management of their own business lines.

In addition, the Executive Committee contributes to the definition of the strategic direction of the bank: the Executive Board is required to consult the Executive Committee in respect of any decisions with regard to the bank's (i) mission, vision and strategy, and (ii) risk policies, risk appetite framework and statement. The Executive Committee shall ensure an open dialogue with the Supervisory Board, both on specific issues and in general, in order to inform the Supervisory Board adequately and shall provide the Supervisory Board with all the information necessary for the proper performance of its supervisory duties and as requested by the Supervisory Board through the Chairman of the Executive Committee. For further information on the role and duty of the Executive Committee and the manner in which the contacts between the Supervisory Board and the Executive Committee have been given shape, please refer to the Executive Board Rules of Procedure (including the Executive Committee Rules of Procedure) of ABN AMRO Bank N.V. on abnamro.com.

In the execution of its duties, the Executive Committee focuses on client centricity, the activities and needs of the business lines, transformation, innovation, digitalisation and sustainable growth in operating income and propagates ABN AMRO Bank's and its subsidiaries' values through leading by example.

Composition

The Supervisory Board determines the number of members of the Executive Board, the minimum being two people.

The number of members of the Executive Committee is determined by the Executive Board, subject to advice by the Remuneration, Selection & Nomination Committee and approval by the Supervisory Board.

An overview of the composition of the Executive Board and the Executive Committee, including key information on the backgrounds and terms of office of each Executive Board and Executive Committee member, is provided in the Leadership chapter of this Annual Report.

In line with the group's diversity policy, ABN AMRO strives to meet and/or exceed the gender target of 30% for both the Supervisory Board and the Executive Board. ABN AMRO Group currently exceeds this target for the Supervisory Board (43%). For the Executive Board, where 25% (1 out of 4) of its members were female in 2016, the diversity target was not met. In the event of vacancies ABN AMRO Group will give due consideration to any applicable gender requirements in its search to find suitable new members who meet the fit and proper requirements under the Dutch Financial Markets Supervision Act. In addition, ABN AMRO continues to encourage greater diversity at other levels of the Group.

Appointment, suspension and dismissal

Members of the Executive Board are appointed and reappointed by the Supervisory Board for a maximum term of three years, provided that the term of office continues up to and including the first general meeting to be held after the expiry of this term. The diversity objectives laid down in ABN AMRO's diversity policy shall be considered when preparing to appoint and reappoint members of the Executive Board. The Supervisory Board notifies the General Meeting of the intended appointment of a member of the Executive Board. Only candidates who meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The Supervisory Board may appoint one of the members of the Executive Board as Chairman and may at all times suspend a member of the Executive Board. Further information on the suspension and dismissal procedure of the Executive Board is provided in ABN AMRO's Articles of Association.

The members of the Executive Committee (other than the members of the Executive Board) are appointed, suspended and/or dismissed by the Executive Board subject to approval by the Supervisory Board following advice of the Remuneration, Selection & Nomination Committee. The Executive Board takes into account ABN AMRO's diversity policy in respect of the composition of the Executive Committee. Only candidates who meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The CEO is the Chairman of the Executive Committee. The Supervisory Board, upon the proposal of the Executive Board and the advice of the Remuneration, Selection & Nomination Committee, appoints one member of the Executive Board as vice-chairman of the Executive Committee. The members of the Executive Committee are appointed and reappointed for a maximum term of four years.

Committees

The Executive Board has established a number of committees that are responsible for decision-making on certain subjects and for advising the Executive Board on certain matters. This includes the following three risk-related committees: the Group Risk Committee, the Assets & Liabilities Committee and the Central Credit Committee. More information on the delegated authority of these committees is provided in the Risk, funding & capital section.

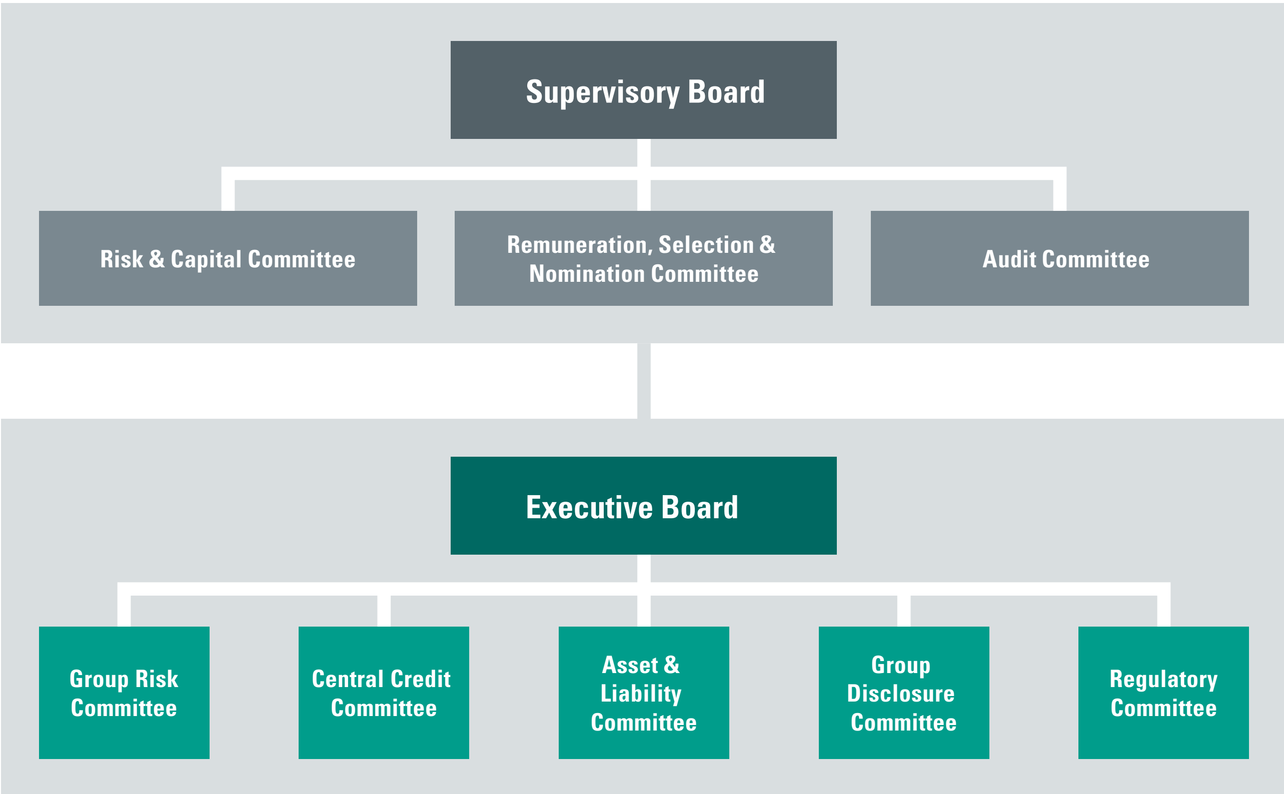
In addition, the Executive Board has installed the Group Disclosure Committee and the Regulatory Committee.

The Group Disclosure Committee is responsible for, among other things, advising and supporting the Executive Board in relation to (i) supervision on the accuracy and timeliness of public disclosures by the Group, and (ii) integrity with regard to the financial statements and other public disclosures.

The Regulatory Committee is responsible for, among other things, ensuring a good understanding and an adequate overview of and regularly informing and consulting the Executive Board on strategic choices and decisions on matters relating to changing national and international laws and regulations affecting the Group.

Supervisory Board

Supervisory Board (from left to right)
Arjen Dorland, Annemieke Roobeek, Steven ten Have, Olga Zoutendijk, Tjalling Tiemstra, Frederieke Leeflang, Jurgen Stegmann



Role/Responsibilities

Together with the Executive Board, the Supervisory Board is responsible for ABN AMRO's long-term value creation, requiring members to act in a sustainable manner by making informed choices about the long-term viability of the strategy being pursued. The Supervisory Board supervises the Executive Board, as well as ABN AMRO Group's general course of affairs and its business.
In addition, it supports the Executive Board and Executive Committee by providing advice as well as by challenging the Executive Board and Executive Committee. The Executive Board, supervised by the Supervisory Board, is responsible for creating a culture that promotes the desired behaviour to achieve value creation and that encourages employees to act with integrity. The Executive Board is required to ensure early and close involvement of the Supervisory Board in strategy formulation and the culture of the company.

In performing their duties, the members of the Supervisory Board are guided by the interests of ABN AMRO, which include the interests of the businesses associated with it (including but not limited to the legitimate interests of all ABN AMRO's stakeholders, such as its clients, savers and deposit holders, shareholders, holders of depositary receipts, employees and the society in which ABN AMRO operates). Specific powers are vested in the Supervisory Board, including the approval of certain decisions taken by the Executive Board.

Composition

The Supervisory Board determines the minimum number of its members, which must in any case be at least three people.

ABN AMRO aims to ensure that the composition of the Supervisory Board is well balanced in terms of gender, age, expertise, personal style and professional background. Therefore a profile has been established that outlines the required qualifications of its members. This profile is evaluated on an annual basis. Insofar as its actual composition differs from the profile, the Supervisory Board will account for this in its Report of the Supervisory Board included in the Annual Report and will also indicate the period within which it expects to be able to comply with the profile. The full profile of the Supervisory Board is available on abnamro.com, as an annex to the Rules of Procedure of the Supervisory Board.

The Supervisory Board evaluates its own functioning and that of its individual members on an annual basis. For more information, see the Report of the Supervisory Board.

Appointment, suspension and dismissal

The members of the Supervisory Board are appointed by the General Meeting, following nomination by the Supervisory Board itself. Only candidates who have passed the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The General Meeting and the Employee Council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members are appointed for a period ending at the close of the first general meeting that is held after four years have passed since their last appointment, unless a shorter period was set at the time of the appointment. The Supervisory Board is required to nominate a candidate recommended by the Employee Council in respect of one third of the members of the Supervisory Board (the 'enhanced recommendation right'). The Supervisory Board must accept the recommendation of the Employee Council, unless it believes that the candidate recommended is unsuitable to perform the duties of a member of the Supervisory Board, or that the Supervisory Board would not be properly composed if the appointment were made as recommended. During 2017, the members of the Supervisory Board appointed following the enhanced recommendation right were Mr Steven ten Have and Ms Annemieke Roobeek.

The Supervisory Board may suspend any of its members at any time. The General Meeting can dismiss the Supervisory Board in its entirety due to lack of confidence in the Board, by an absolute majority of the votes cast, representing a quorum of at least one third of the issued share capital. If this quorum is not met, there is no possibility to hold a second General Meeting in which no quorum applies. Further information on the suspension and dismissal procedure is provided in ABN AMRO's Articles of Association.

Committees

The Supervisory Board has established three committees to prepare its decision-making and to advise the Supervisory Board on specific matters. These committees are composed exclusively of Supervisory Board members.
These committees are the:

- Audit Committee
- Risk & Capital Committee
- Remuneration, Selection & Nomination Committee.

The terms of reference of these committees are included in the Rules of Procedure of the Supervisory Board and are available on abnamro.com.

Please refer to the Report of the Supervisory Board for a full overview of the committees, their composition, responsibilities, number of meetings held and main items discussed.

General Meeting and shareholder structure

General Meeting

The Annual General Meeting is held each year no later than 30 June. The agenda for the Annual General Meeting must include certain matters as specified in ABN AMRO's Articles of Association and under Dutch law, for example the adoption of the annual financial statements. The General Meeting is also entitled to approve important decisions regarding the identity or character of ABN AMRO, such as major acquisitions and divestments.

The Supervisory Board and the Executive Board can both convene a General Meeting. Shareholders or holders of depositary receipts issued with the cooperation of ABN AMRO Group may also convene additional extraordinary General Meetings, if they represent at least 10% of the issued share capital. NLFI may also request the Executive Board or Supervisory Board to convene a General Meeting, as stated in the Relationship Agreement. Shareholders or holders of depositary receipts who alone or together represent at least 3% of the issued share capital of ABN AMRO Group are entitled to have items added to the agenda of the General Meeting, provided they submit a request for this (including reasons) to ABN AMRO Group at least 60 days prior to the General Meeting.

ABN AMRO Group held two General Meetings in 2017: the Annual General Meeting on 30 May 2017 and the Extraordinary General Meeting on 8 August 2017.

The agenda of the Annual General Meeting of ABN AMRO Group on 30 May 2017 included the adoption of the 2016 annual financial statements, approval of the proposed dividend for the year 2016, discharge of each member of the Executive and Supervisory Boards in office during the financial year 2016, approval of the authorisation for the Executive Board to (a) issue shares and grant rights to subscribe to rights for shares for a period of 18 months up to a maximum of 10% of the issued share capital of ABN AMRO Group, (b) limit or exclude pre-emptive rights, and (c) acquire shares or depositary receipts representing shares in ABN AMRO Group's own capital for a period of 18 months, subject to approval by the Supervisory Board and provided that the total number of shares or depositary receipts held by ABN AMRO is limited to 10% of the issued share capital of ABN AMRO Group, as well as the re-appointment of Mr Kees van Dijkhuizen as a member of the Executive Board and Ms Annemieke Roobeek as a member of the Supervisory Board. All agenda items for approval were approved by the General Meeting.

The Extraordinary General Meeting of 8 August 2017 had as agenda items the notification of the proposed appointments of Mr Clifford Abrahams and Ms Tanja Cuppen as members of the Executive Board.

Issue and acquisition of shares

Issue of shares

Shares can be issued either (a) if and to the extent the Executive Board has been designated by the General Meeting as the authorised corporate body to resolve to issue shares, pursuant to a resolution by the Executive Board, which resolution or proposed resolution has been approved by the Supervisory Board or (b) if and to the extent the Executive Board has not been designated as the authorised corporate body to resolve to issue shares, pursuant to a resolution by the general meeting (adopted with a simple majority) on a proposal to that effect by the Executive Board, which proposal has been approved by the Supervisory Board. This also applies to the granting of rights to subscribe for shares, such as options, but is not required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares. A designation as referred to above will only be valid for a specific period of no more than five years and may from time to time be extended by a period of no more than five years. A valid resolution of the General Meeting to issue shares or to designate the Executive Board to do so shall require, in addition to approval by the Supervisory Board, a prior or simultaneous resolution or approval by each group of shareholders of the same class whose rights are prejudiced by the issue. In the Annual General Meeting of ABN AMRO Group on 30 May 2017, the Executive Board was mandated to i) issue shares and grant rights to subscribe to rights for shares and ii) to acquire shares or depositary receipts representing shares in ABN AMRO Group's own capital, as further set out in this section under 'General Meeting'.

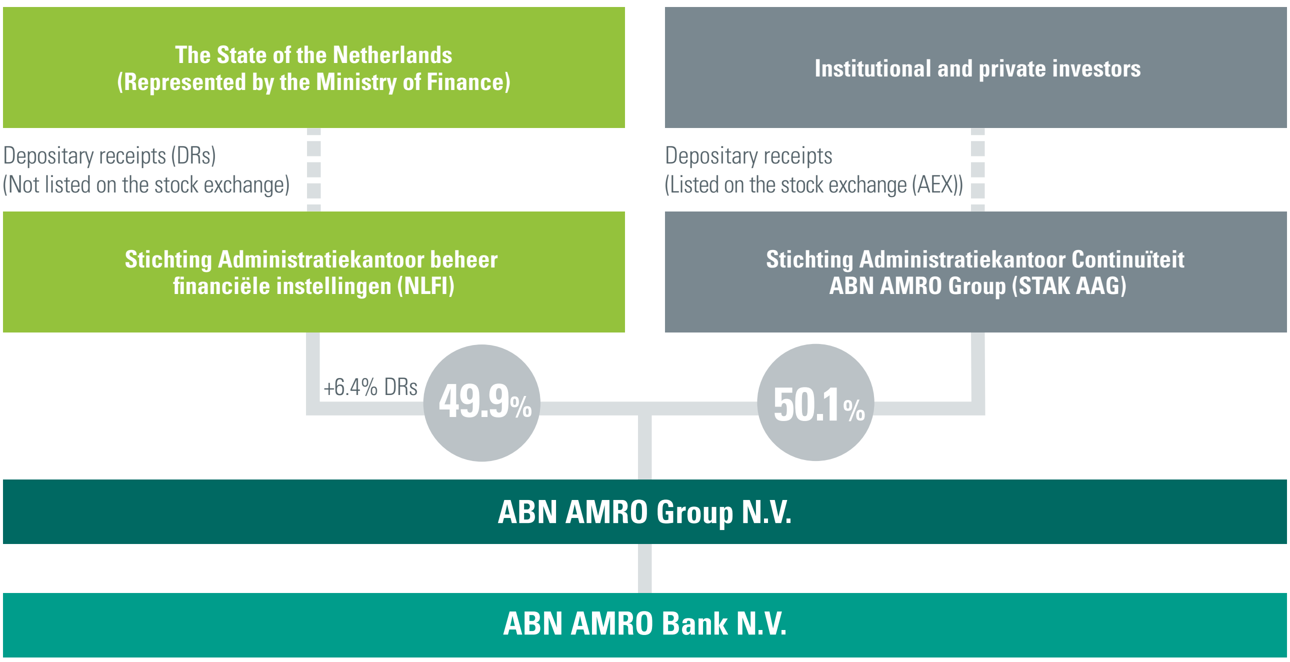
Acquisition of shares

ABN AMRO Group may, subject to prior approval by the competent regulatory authority, acquire fully paid-up shares or depositary receipts for shares in its own capital at any time for no consideration or, subject to certain provisions of Dutch law and the Articles of Association, if (i) the distributable part of the shareholders' equity is at least equal to the total purchase price of the repurchased shares or depositary receipts, (ii) the nominal value of the shares or depositary receipts which ABN AMRO Group acquires, holds or which are held by a subsidiary does not exceed 50% of the issued share capital and (iii) the Executive Board has been authorised by the General Meeting to repurchase shares or depositary receipts. The General Meeting's authorisation is valid for a maximum of 18 months. As part of the authorisation, the General Meeting must specify the number of shares and/or depositary receipts that may be acquired, the manner inwhich the shares or depositary receipts may be acquired and the price range within which the shares or depositary receipts may be acquired. A resolution of the Executive Board to repurchase shares or depositary receipts is subject to approval by the Supervisory Board. No authorisation from the General Meeting is required for the acquisition of fully paid-up shares or depositary receipts for the purpose of transferring these shares to employees pursuant to any share or share option plan. ABN AMRO Group may not cast votes on, and is not entitled to dividends paid on, shares and/or depositary receipts held by it and nor will such shares be counted for the purpose of calculating a voting quorum.

Amendments of the Articles of Association

A resolution to amend the Articles of Association of ABN AMRO Group may only be adopted by the General Meeting on the basis of a proposal of the Executive Board that has been approved by the Supervisory Board A resolution of the General Meeting to amend the Articles of Association, insofar this relates to a change of name, corporate seat and/or objectives of ABN AMRO group, or to approve a significant transaction (as described in the Articles of Association) requires two thirds of the votes cast, which two thirds must represent more than half of the issued share capital of ABN AMRO Group. Other resolutions to amend the Articles of Association will require a simple majority of the votes cast, unless the law provides for a larger majority or a quorum.

Shareholder structure



ABN AMRO Bank is a wholly-owned subsidiary of ABN AMRO Group. At 31 December 2017, all shares in the capital of ABN AMRO Group were held by two foundations: NLFI and STAK AAG. On that date, NLFI held 56.3% in ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts for shares in ABN AMRO. On that date, STAK AAG held 50.1% of the shares in the issued capital of ABN AMRO Group. Only STAK AAG's depositary receipts have been issued with the cooperation of ABN AMRO Group and are traded on Euronext Amsterdam.

NLFI

The Dutch State holds an interest in ABN AMRO Group through NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that the Dutch Minister of Finance might otherwise face and to avoid undesired political influence being exerted. NLFI issued exchangeable depositary receipts for shares in the capital of ABN AMRO Group to the Dutch State. NLFI is responsible for managing these shares and exercising all rights associated with these shares under Dutch law, including voting rights. NLFI acts as a standalone shareholder independent of the Dutch State, including the Dutch Ministry of Finance. However, important decisions taken by NLFI require prior approval by the Dutch Minister of Finance, who can also give binding voting instructions to NLFI with respect to such decisions. NLFI is not permitted to dispose of or encumber the ordinary shares in the capital of ABN AMRO Group, except pursuant to authorisation from and on behalf of the Dutch Minister of Finance.

NLFI entered into a Relationship Agreement with ABN AMRO Group governing their relationship after the IPO. The full text of the Relationship Agreement is available on abnamro.com. The Relationship Agreement will terminate if and when NLFI (directly or indirectly) holds less than 10% of ABN AMRO Group's issued share capital. A limited number of clauses will not terminate under any circumstances. The Relationship Agreement includes inter alia the following provisions, subject to certain conditions stated in the agreement:

- the right of NLFI to advise (a) the Supervisory Board on the appointment or reappointment of (i) members of the Managing Board and (ii) the Chairman of the Managing Board or the Supervisory Board, and (b) the Managing Board on a proposal for the appointment of the external auditor. The references to "Managing Board" are currently to be understood to refer to the Executive Board;
- NLFI's right of prior approval of any issuance of (or granting of rights to acquire) shares in ABN AMRO Group or ABN AMRO Bank for as long as NLFI holds at least 33 1/3% of the shares in ABN AMRO Group;
- for as long as NLFI holds more than 50% of the shares in ABN AMRO Group: any investments or divestments by ABN AMRO Group or any of its subsidiaries with a value of more than 5% of the equity of ABN AMRO Group, and
- for as long as NLFI holds 50% or less but 33 1/3% or more of the shares in ABN AMRO Group: any investment or divestments by ABN AMRO Group or any of its subsidiaries with a value of more than 10% of the equity of ABN AMRO Group;
- the obligation of NLFI to effect sell-downs of ABN AMRO Group shares through STAK AAG;
- certain orderly market arrangements; and
- certain information rights for NLFI as long as it holds at least 33 1/3% of the shares in ABN AMRO Group.

On 28 June 2017 NLFI announced it had sold 65 million depositary receipts representing ordinary shares in ABN AMRO Group for a price of EUR 22.75 per depositary receipt. Following the settlement of the transaction, the stake of NLFI decreased from 70% to 63%.

On 15 September 2017 NLFI announced it had sold 65 million depositary receipts representing ordinary shares in ABN AMRO Group for a price of EUR 23.50 per depositary receipt. Following settlement of the transaction, the stake of NLFI decreased from 63% to 56%. Since settlement of the transaction, STAK AAG has held 44% of the ordinary shares in ABN AMRO Group. NLFI has previously announced that it intends to divest its remaining stake in ABN AMRO Group over time.

On 21 December 2017 NLFI announced that it has transferred approximately 59.7 million ordinary shares in ABN AMRO Group to STAK AAG in exchange for an equal amount of depositary receipts for ordinary shares in ABN AMRO. NLFI executed this transfer to avoid the necessity for STAK AAG to apply for new declarations of no objection and other similar regulatory approvals if

NLFI wishes to reduce its shareholding in ABN AMRO in the future. STAK AAG had been granted declarations of no objection and other similar regulatory approvals to issue depositary receipts in exchange for ordinary shares, provided that a majority would be exchanged in 2017. That condition has now been met.

The transferred ordinary shares represent approximately 6.4% of ABN AMRO's share capital and do not affect the total number of shares issued by ABN AMRO. As a result of the transfer, NLFI continues to hold a stake of approximately 56.3% in ABN AMRO, of which 49.9% is directly held via ordinary shares and approximately 6.4% indirectly via depositary receipts. The remaining 43.7% is held by institutional and retail investors in the form of depositary receipts.

In 2017 four periodic meetings were held with NLFI, in accordance with the terms of the Relationship Agreement. Among other things, the following topics were discussed: the agenda of the 2017 Annual General Meeting and the proposed statement by NLFI at the General Meeting, the approach to potential subsequent sell-downs of ABN AMRO Group shares by NLFI, the appointment of the CFO, and NLFI's annual focus letter *(speerpuntenbrief)* and ABN AMRO's reply. Furthermore, NLFI and ABN AMRO hold investor meetings on a quarterly basis to discuss the most recently published financial results.

STAK AAG

STAK AAG is independent of ABN AMRO and the holder of shares in ABN AMRO Group's issued share capital. STAK AAG has acquired such shares for the purpose of administration *(ten titel van beheer)* in exchange for depositary receipts. The manner in which this structure can serve as a defence measure and STAK AAG's role in this is described in more detail in this section under Anti-takeover measures.

In addition to serving as a defence measure, STAK AAG also aims to promote the exchange of information between ABN AMRO Group on the one hand and holders of depositary receipts and shareholders on the other. It also promotes the obtaining of voting instructions from depositary receipt holders by, for example, organising a meeting of depositary receipt holders prior to ABN AMRO Group's General Meeting. STAK AAG also reports on its activities at least once a year in its annual report. In addition, further sell-downs of NLFI's shareholding in ABN AMRO Group will take place through STAK AAG (and in the form of depositary receipts) only.

The Trust Conditions of STAK AAG state that it will ensure that, no later than two weeks before a General Meeting of ABN AMRO Group is held, a meeting of depositary receipt holders is held at which the agenda items of that General Meeting will be discussed. Accordingly, STAK AAG held meetings of depositary receipt holders on 16 May 2017 and 17 July 2017.

The STAK AAG website (stakaag.org) provides more information on the activities of STAK AAG, as well as its annual report, Articles of Association (including STAK AAG's objectives), the Trust Conditions and any information relating to meetings of depositary receipt holders.

In 2017, two periodic meetings were held between ABN AMRO and STAK AAG. Among other things, the following topics were discussed: the amendment of the Articles of Association and the Trust Conditions of STAK AAG, the changes in the composition of the Supervisory Board and Executive Board of ABN AMRO, as well as in the Board of STAK AAG due to the sudden passing away of Ms Saskia Stuiveling in April 2017, DNO applications, a status update on a sell-down by NLFI of depositary receipts for ABN AMRO Group shares and other current affairs. The Chairman of the Supervisory Board expressed her gratitude during the General Meeting on 30 May 2017, on behalf of the Supervisory Board and the Executive Board, for the valuable role and contribution by Ms Stuiveling as a member of the Board of STAK AAG.

Anti-takeover measures

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

STAK AAG will do everything in its power to deter any action that could affect the independence, continuity or identity of ABN AMRO. In a non-hostile situation, STAK AAG will act primarily in the interests of depositary receipt holders. In a hostile situation, STAK AAG will act primarily in the interests of ABN AMRO Group and its business enterprises. Under all circumstances STAK AAG will also take into account the legitimate interests of all other stakeholders: clients, savers and deposit holders, shareholders, depositary receipt holders, employees, and the society in which ABN AMRO operates.

In a non-hostile situation, STAK AAG will grant a power of attorney to the holders of depositary receipts to exercise the voting rights attached to the underlying shares. STAK AAG will not exercise voting rights on the shares unless holders of depositary receipts have requested it to do so. This may be different under hostile circumstances, as described in section 2:118a of the Dutch Civil Code. In this case, STAK AAG may refuse or revoke powers of attorney for up to two years (whereby NLFI must approve this as long as NLFI holds at least 33 1/3% of the shares in ABN AMRO Group). In this case, STAK AAG will vote itself. In doing so, it should focus, pursuant to the Trust Conditions and the Articles of Association of STAK AAG, primarily on ABN AMRO's interests, taking into account the legitimate interests of the stakeholders mentioned above.

Employee Council *(Raad van Medewerkers)*

ABN AMRO's employees are represented by works councils *(ondernemingsraden)* at all levels of its group. Under Dutch law, the managing board of any company running an enterprise where a works council has been established must seek the non-binding advice of the works council before taking certain decisions with respect to the enterprise, such as those related to a major restructuring, a change of control, or the appointment or dismissal of a member of the managing board. Certain other decisions directly involving employment matters that apply either to all employees or certain groups of employees may only be taken with the works council's consent.

The Employee Council deals primarily with topics that affect all parts of the group's organisation and meets regularly with members of the Executive Board and Supervisory Board on various other occasions throughout the year. The Employee Council and ABN AMRO Group have entered into an agreement under which the Employee Council has been granted certain additional rights (the Works Council Covenant). Under the Works Council Covenant, the Employee Council has the right of inquiry *(enquêterecht)* within the meaning of Section 2:346 of the Dutch Civil Code in the event of a hostile situation. The Works Council Covenant defines the following situations as hostile: (i) a public offer has been announced or is made in respect of shares in the capital of ABN AMRO Group (or in respect of depositary receipts representing such shares) or there is a justified expectation that this will take place, without agreement first having been reached between the bidder and ABN AMRO Group, (ii) the exercise of the voting rights by a depositary receipt holder or shareholder would effectively be in conflict with the interests of ABN AMRO Group and its business, or (iii) any other situation in which the independence, continuity or identity of ABN AMRO Group and the enterprises associated with ABN AMRO Group could be harmed. Other situations can be qualified as hostile by agreement between the Employee Council and ABN AMRO Group. Furthermore, if NLFI requests the consent, cooperation and/or a position statement of ABN AMRO Group in the event of a subsequent placement or a private sale of shares or depositary receipts, the Employee Council will be requested by ABN AMRO Group to provide advice within the meaning of articles 25 and 26 of the Works Councils Act *(Wet op de Ondernemingsraden)*.

Corporate Governance Codes and Regulations

ABN AMRO Group is required to comply with a wide variety of governance codes and regulations. This includes the Dutch Corporate Governance Code, the Banking Code and CRD IV. This section explains how ABN AMRO Group complies with these codes and regulations. More comprehensive overviews of ABN AMRO Group's compliance with such codes and regulations are published under the Corporate Governance section on abnamro.com.

Dutch Corporate Governance

We believe that corporate governance that meets high international standards significantly boosts the confidence of the stakeholders in a company. Compliance with the applicable corporate governance codes by financial institutions is an important basis for restoring trust in the financial sector as a whole. Since depositary receipts for shares in ABN AMRO Group are listed on Euronext Amsterdam, ABN AMRO Group has been required to adhere to the Dutch Corporate Governance Code. An updated Dutch Corporate Governance Code was published on 8 December 2016 and came into force in the financial year 2017.

ABN AMRO Group has complied with all principles and best practices of the Dutch Corporate Governance Code that was applicable to the Company in 2017, except for the deviations and nuances described below. ABN AMRO Group also publishes under the Corporate Governance section on its website a detailed 'comply or explain' list with regard to the Corporate Governance Code that was applicable in 2017.

ABN AMRO Group applies best practice provision 4.1.3, which states, among other things, that (a) each substantial change in the corporate governance structure of ABN AMRO Group and in the compliance with the Code and (b) material changes in the Articles of Association should be presented to the General Meeting as a separate discussion item or voting item, as applicable. The only exception to this practice is that the Executive Board and the Supervisory Board may decide to place certain topics on the agenda under one agenda item if these topics are justifiably related. ABN AMRO Group considers this to be a further substantiation of this best practice provision, which may be necessary due to the fact that a situation could arise in which proposals to amend the Articles of Association or the corporate governance structure of ABN AMRO Group are interrelated in such a way that separate votes on each of those proposals could result in an imbalanced voting result and consequently in an imbalance in the corporate governance structure.

ABN AMRO Group applies principle 2.7 and best practice provisions 2.7.1 through 2.7.4, which deal with actual and apparent conflicts of interest. However, ABN AMRO Group makes an exception with respect to qualitative conflicts of interest *(kwalitatief tegenstrijdige belangen)* that are exclusively the result of the identical composition of the Executive Boards of ABN AMRO Bank and ABN AMRO Group and the Supervisory Boards of the respective entities.

ABN AMRO Group applies best practice provisions 2.2.5, 2.3.2 and 2.3.3, which set out the roles and responsibilities of the remuneration committee and the selection and appointment committee. However, instead of having a separate remuneration committee and a selection and nomination committee, these committees are combined into one committee.

Best practice provision 1.3.6 is not applicable as ABN AMRO does have an internal audit function. Best practice provision 4.3.3 is not applicable as ABN AMRO Group does have a statutory two-tier status *(structuurregime)*. Principle 5.1 and best practice provisions 5.1.1 through 5.1.5 are not applicable because ABN AMRO Group has a two-tier board.

ABN AMRO Group does not apply principle 4.4. In contradiction to this principle and provision, the issuing of depositary receipts by STAK AAG is primarily used as a defence measure and not to prevent a situation in which, as a result of shareholder absenteeism, a minority of shareholders can control the decision-making process at a General Meeting. Regulatory considerations have been decisive in choosing a structure with depositary receipts as a protective measure. Declarations of No Objection could be obtained up front only by means of a structure with depositary receipts. These Declarations of No Objection are required in connection with the direct or indirect acquisition of a qualified holding in ABN AMRO Bank and certain other regulated entities in which ABN AMRO Group holds an interest. Therefore, this structure provides the greatest possible certainty of adequate protection of ABN AMRO Group against a hostile takeover. Although the issuing of depositary receipts has been primarily set up as a defence measure and not to prevent absenteeism, STAK AAG does aim to promote the exchange of information between ABN AMRO Group on the one hand and holders of depositary receipts and shareholders on the other, for example by organising a meeting of depositary receipt holders prior to every General Meeting. Please see the STAK AAG website (stakaag.org) for more information on the purpose and functioning of the depositary receipts and STAK AAG, including information on situations in which STAK AAG may decide to limit, refuse or revoke powers of attorney (and to not observe any voting instructions received).

Compliance with best practice provisions 4.4.1 through 4.4.5 and 4.4.7 through 4.4.8 are a responsibility of the board of STAK AAG. With respect to best practice provisions 4.4.5 and 4.4.8, the following applies. In a non-hostile situation, STAK AAG will act primarily in the interests of depositary receipt holders. In a hostile situation, STAK AAG will act primarily in the interests of ABN AMRO Group and its business enterprises. Under all circumstances STAK AAG will also take into account the legitimate interests of all other stakeholders: clients, savers and deposit holders, shareholders, depositary receipt holders, employees, and the society in which ABN AMRO operates. Furthermore, STAK AAG has in principle the obligation to grant a power of attorney to depositary receipt holders to exercise the voting rights attached to the underlying shares and will not exercise voting rights on the shares in ABN AMRO Group (unless depositary receipt holders have requested STAK AAG to do so). The foregoing could be different in hostile situations as described in Article 2:118a of the Dutch Civil Code.

STAK AAG may then decide to (a) limit, exclude or revoke powers of attorney and (b) not observe voting instructions received for a period of up to two years. Furthermore, under the depositary receipt terms, when exercising the voting rights in a hostile situation, STAK AAG should focus primarily on the interests of ABN AMRO Group and its business enterprises as set out above.

Dutch Banking Code

The Dutch Banking Code was introduced in 2010 to ensure that banks commit to and account for treating their customers with care, while balancing the interests of various stakeholders. An updated Dutch Banking Code came into effect on 1 January 2015, along with the Social Charter *(Maatschappelijk Statuut)* which is complementary to the Dutch Banking Code. The Dutch Banking Code, along with the Social Charter, which includes the Banker's Oath and the associated rules of conduct and disciplinary rules, applies to all employees of financial institutions in the Netherlands and emphasises the social role of banks and their commitment to meeting the expectations of society at large. The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands should observe in terms of corporate governance, risk management, audit and remuneration. Although ABN AMRO Group does not have a banking licence itself, the Dutch Banking Code does apply to ABN AMRO Bank as the main entity within the group that holds a banking licence.

We are committed to complying with the Dutch Banking Code and devote a great deal of effort to ensuring that the spirit of the Code is reflected in the behaviour of employees and in the culture of the bank. As such, we are pleased to confirm that ABN AMRO Group complies with the principles of the Dutch Banking Code 2015. A principle-by-principle overview of the manner in which ABN AMRO Bank complied during 2017 with the Dutch Banking Code 2015 is published on abnamro.com. Throughout 2017, we continued to improve the manner in which we apply the principles of the Dutch Banking Code, taking into account the focus areas indicated by the Dutch Banking Code Monitoring Committee. In particular, the bank devoted a great deal of attention to leadership, integrity and its societal role, including increased efforts regarding sustainability, throughout 2017.

All members of the Supervisory Board and Executive Board of ABN AMRO Group have taken the Banker's Oath. Taking the oath is required by Dutch law. The oath is a confirmation of ABN AMRO's existing policy, which is fully in line with the bank's cultural principles and core values. Along with the introduction of a Social Charter and the Dutch Banking Code, the Dutch banking industry has taken the initiative to have all employees take the Banker's Oath. Employees take the oath so as to affirm their commitment to upholding high standards of ethical behaviour, and they will be personally responsible for complying with these rules of conduct and may be held accountable for non-compliance in the near future.

Subsidiaries of ABN AMRO Bank and the Dutch Banking Code

On 31 December 2017, ABN AMRO Bank had four Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all these Dutch subsidiaries on a consolidated basis by developing group-wide policies and standards to promote compliance with internal and external rules and best practice provisions. However, in view of the differences between the activities, organisation and risk management of the subsidiaries, the application of group-wide policy and standards can differ from one subsidiary to another. An explanation of the manner in which these subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

CRD IV

Article 96 of CRD IV requires financial institutions to explain on their website how they comply with the requirements of Articles 88 through 95 of CRD IV. These Articles set out governance, disclosure, remuneration and nomination requirements for financial institutions. The obligation to publish such an overview was implemented into Dutch law by Article 134b of the Decree on prudential measures FMSA *(Besluit prudentiële regels Wft)*. ABN AMRO has published on abnamro.com an overview of how ABN AMRO Group and ABN AMRO Bank comply with Article 134b of the Prudential Measures Decree and Article 96 of CRD IV.

Under CRD IV, all members of the management body of a bank (including non-executive members or supervisory board members acting in their role of overseeing and monitoring management decision-making) must commit sufficient time to allow them to perform their duties and to be able to understand the bank's business. In respect of significant banks, such as ABN AMRO Bank, Article 91 of CRD IV contains a specific regulation for limiting the number of executive and non-executive directorships such members may hold (which rules have been implemented in Dutch law through Section 3:8(3) of the Dutch Financial Markets Supervision Act).

The rules in the Dutch Corporate Governance Code are also applicable to ABN AMRO Group, but are not as strict as the rules under CRD IV. All members of the Executive Board and Supervisory Board currently comply with the aforementioned rules under CRD IV and the Dutch Corporate Governance Code. With respect to Supervisory Board members Ms Annemieke Roobeek and Mr Tjalling Tiemstra, requests for authorisation of one additional non-executive directorship that each of them currently holds were approved by the European Central Bank in 2016.

Subsidiaries and international governance

ABN AMRO has designed group-wide policies and standards to ensure that all relevant parts of the organisation adhere to governance principles and requirements. Considering the varying business activities, local regulatory requirements, organisations and risk frameworks of subsidiaries and branches, actual implementation of the group-wide policies and standards may differ between the subsidiaries and branches. All entities in the international network adhere to ABN AMRO's principles of risk governance and a moderate risk profile. International governance is in place which meets the requirements of our international organisation and both the home and host regulators. In November 2017, it was decided to implement a centralised function that (i) facilitates effective monitoring of the impact of decisions on the group structure, governance and strategy, and (ii) supports the businesses and functions in structuring initiatives in such a way that they are aligned and consistent with group structure and governance policies and standards. Implementation of this function is expected during 2018.

Legal structure

Global structure of ABN AMRO Group

The full list of subsidiaries and participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Retail Banking

The Retail Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Hypotheken Groep B.V. offers all ABN AMRO labelled residential mortgage products, including Direktbank, Florius and Moneyou brands. ALFAM Holding N.V. provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans. International Card Services B.V. (ICS) issues, promotes, manages and processes more than 25 different credit cards in partnership with companies, including credit card transactions, and offers other financial services, such as revolving credit facilities. Moneyou B.V. operates as an internet bank offering savings accounts and mortgages and is active in the Netherlands, Belgium, Germany and Austria. Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen) is an associate of ABN AMRO Bank N.V (49%). Nationale Nederlanden N.V. (parent company of Delta Lloyd) holds a 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO brand. APG-ABN AMRO Pensioeninstelling N.V. (ABN AMRO Pensions) is a joint venture of ABN AMRO (70%) and APG (30%), the largest pension institution in the Netherlands. ABN AMRO Pensions is a premium pension institution ('PPI') which offers pension schemes without insurance based on longevity or death.

Commercial Banking

The Commercial Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Lease N.V. delivers asset-based solutions (equipment leases and finance) and is active in the Netherlands, Belgium, Germany and the United Kingdom. ABN AMRO Commercial Finance Holding B.V. is active via subsidiaries in the Netherlands, France, Germany and the United Kingdom, providing working capital funding on debtors and inventory. On 1 January 2018, the ABN AMRO Commercial Finance entities in the Netherlands, Germany and the United Kingdom merged with ABN AMRO Lease N.V., which was renamed ABN AMRO Asset Based Finance N.V. at that date.

Private Banking

The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive): Banque Neuflize OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth, articulated around dedicated advisory and product offers. Bethmann Bank AG is a private bank and enjoys a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany and offers all private banking and private wealth management-related services. Neuflize Vie S.A. is a joint venture between Banque Neuflize OBC (60%) and AXA (40%). It was created to offer life insurance products to high net worth and ultra-high net worth individuals and has developed customised solutions, with a focus on unit-linked contracts.

Corporate & Institutional Banking

The Corporate & Institutional Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe.

Group Functions

The Functions business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Funding USA LLC is active in the US market, issuing ABN AMRO's US dollar Commercial Paper funding for clients operating in the US and for clients with US dollar loans. Stater N.V. offers administrative services related to mortgage loans. Stater works for ABN AMRO and other parties supplying mortgage loans.

Remuneration

This report sets out ABN AMRO's remuneration philosophy and principles for all our employees. The remuneration policy and practices for the Supervisory Board, Executive Board and Identified Staff are discussed in greater detail in the subsequent sections of this report.

Overview

Financial institutions are subject to many guidelines with respect to remuneration. The most recent major changes with respect to remuneration became effective in 2015 and imposed more limitations on variable remuneration for all employees in the Dutch financial industry, as well as extending the bonus prohibition for a specific group of senior employees. All relevant guidelines have been timely incorporated into ABN AMRO's own policies and practices. We aim to combine the pillars of our corporate strategy with the applicable remuneration restrictions.

Remuneration philosophy

ABN AMRO's long-term corporate strategy is based on four long-term strategic priorities. Our reward philosophy and principles centre around these priorities and are reflected in our remuneration policy and performance management system for 2017.

Remuneration philosophy

Strategic priorities...	...reflected in remuneration philosophy
Client-driven	1. Our clients' interests come first in everything we do. We make sure that our employees understand the client's needs, deliver high-quality advice, service our clients in a more flexible and fast manner and focus on long-term relationships with our clients. In order to ensure our clients' interests are met, we look closely at what kind of performance is being rewarded. We use a balanced set of KPIs to assess employee performance in which acting in the best interest of our clients is essential.
Invest in the future	2. We need to have a more flexible and agile workforce and want to be an attractive employer for which talented people are eager to work. Therefore we want our employees to be able to work any place, any time and in any way. We support our staff with the tools and resources they need to do their job (now and in the future) and to focus on their physical and mental well-being, so that they are well equipped to deal with the ever-changing environment. Our reward offering reflects the need of flexibility and agility.
Moderate risk profile	3. ABN AMRO adheres to all applicable rules and regulations on remuneration. Performance criteria should not provide any incentives for excessive risk taking. We pay our employees in line with the relevant market. Our total pay package is at the median of the market, but we have the possibility to differentiate to reward specific skills or talents. Our pay levels are positioned at internal and external equity via job grading and benchmarking.
Sustainable growth	4. To emphasize our sustainable growth ambition we treat our employees as our most valuable asset. Therefore we focus on our employee's ambition, expertise, development and well-being and have a performance management approach which is strength-based and forward-looking. Moreover, we aim to promote cost awareness and balance a healthy payroll versus revenues.

Remuneration policy

Responsible remuneration policy

Financial institutions are subject to many guidelines with respect to remuneration. We aim to pursue a responsible remuneration policy that remains within the regulatory boundaries, such as limitations on variable remuneration and the bonus prohibition for a specific group of senior employees, while taking into account the interests of all our stakeholders.

Our remuneration principles are embedded in ABN AMRO's Global Reward Policy. This policy is designed to support ABN AMRO's business strategy, objectives, values and long-term interests. It enables ABN AMRO to attract and retain the right talent and ensures we can meet our responsibilities towards clients and other stakeholders, now and in the future. Furthermore it provides a framework for effectively managing reward and performance across the bank and is periodically updated and aligned with ABN AMRO's goals and the applicable guidelines and regulations. The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy and assesses the general principles and exceptions that relate to the applicable governance and/or internationally applicable guidelines and regulations within the financial sector. The Supervisory Board therefore reviews the policy regularly, considering the company's strategy and culture, risk awareness, targets and corporate values, as well as relevant market practice. It also takes into account external requirements with respect to governance, the international context and relevant market data.

The Global Reward Policy applies within ABN AMRO at all levels and in all countries in the bank's international network (including branch offices). Different starting points apply to the different layers of the bank's workforce, but remuneration packages are structured in accordance with the applicable regulations and restrictions for the financial sector. In principle, we position remuneration levels around the median of the relevant labour market and focus on keeping labour costs under control. A typical remuneration package for ABN AMRO employees consists of an annual base salary, annual variable remuneration (if necessary, in alignment with relevant market practice), benefits and other entitlements. The Global Reward Policy also specifies rules with respect to those staff whose professional activities could have a material impact on the bank's risk profile. Within ABN AMRO, individuals within this group are referred to as Identified Staff.

A separate Reward Policy, in alignment with the policy adopted in 2010 for the then Managing Board, applies to the members of the Executive Board. This policy is aligned with all relevant and applicable guidelines and regulations and reflects developments and recommendations of the EBA, the ECB, DNB, the AFM, the Banking Code and the Corporate Governance Code as they apply.

Our annual performance management cycle aims to create a link between performance (realistic, sustainable results) and reward in such a way that reward is aligned with employees' and the bank's performance. We use a set of balanced financial and non-financial KPIs, as well as qualitative and quantitative KPIs. For 2017, our Group non-financial KPIs consisted of society at large and the Employee Engagement Survey. Society at large is measured on the basis of the Dow Jones Sustainability Index and the AFM/NVB confidence monitor for banks. The financial KPIs used in 2017 were revenue growth and the CET1 ratio at a Group level, and cost ceiling and RARORAC at a business line level. There is also ample room to set individual and business-related KPIs, such as individual leadership, collaboration between business lines and diversity targets. The 'Performance indicators of Identified Staff' table provides more insight into the KPI methodology used for Identified Staff in 2017.

In line with the general trend towards less hierarchy and more teamwork, we want to subject employees to fewer checks and give them more empowerment. ABN AMRO wants to offer employees the tools needed to keep them well equipped to do their job and to deal with the ever-changing environment. We aim to pursue a responsible remuneration policy, enabling our employees to further develop their expertise and to help us create a simpler, more agile organisation. We also want to give our staff more autonomy and responsibility, making their work more meaningful. Our employee performance management system will help keep us aligned with all the bank's future priorities. We expect to make additional changes in our performance management system in order to further emphasise our employees' ambitions and expertise and to put employee development centre stage. We aim to use a set of KPIs that will always be aligned with our goals and will contribute to creating long-term value for all our stakeholders.

Changes in 2017

The EBA Guidelines on sound remuneration policies that became effective in 2017 have been incorporated into the Global Reward Policy for 2017.

The new senior executive management structure of ABN AMRO became effective in 2017. Since 6 February 2017 the new structure has consisted of an Executive Board and an Executive Committee. These bodies were implemented to replace the former Managing Board. In Q2 2017, the management layer below the Executive Committee, formerly the Management Group (which ceased to exist on 1 May 2017), was changed into two groups of positions below Executive Committee level and is referred to as ExCo -1 and -2 positions. Individuals appointed to form part of these new two groups are collectively also referred to as 'above-CLA employees'. All these officers have been classified as Identified Staff in the light of the applicable remuneration restrictions. The new management structure resulted in changes in various fields, including remuneration, governance and performance management.

A new ABN AMRO Collective Labour Agreement (CLA) is effective from 1 January 2018 to 1 January 2020. This includes a considerable number of changes for employees in the Netherlands covered by the agreement.

Expected changes in 2018

The new ABN AMRO CLA contains a number of changes designed to keep the bank efficient and agile, while at the same time achieving working practices that focus on employees' and teams' autonomy, and also aim to ensure their sustainable employability, development and well-being. A contemporary, straightforward and easy to comprehend employment package forms the inspiration for the new CLA. From 2018, a new performance management approach will become effective. With respect to compensation and benefits, a set of simplifications and modernisations will be worked out and implemented during 2018 and 2019.

Remuneration principles for the Supervisory Board, Executive Board and other Identified Staff

Supervisory Board remuneration

The remuneration of members of the Supervisory Board is set by the General Meeting of Shareholders, based on a proposal of the Supervisory Board. ABN AMRO does not grant any variable remuneration or shares or options to Supervisory Board members in lieu of remuneration. The level of remuneration has not changed since 2010. Since 10 April 2014, remuneration of membership of Supervisory Board committees has been limited to two such memberships. Details of the remuneration of members of the Supervisory Board in 2017 are provided in note 36 to the Consolidated Annual Financial Statements.

Executive Board remuneration

The Global Reward Policy principles apply to all the bank's employees worldwide. Different governance applies to the Executive Board. The Supervisory Board is responsible for proposing the policy and principles, which are subject to shareholder approval. The fixed remuneration for the chairman and members of the new Executive Board has been set at a level slightly below that of the former CEO and Managing Board members. In addition to setting policy, the Supervisory Board executes the remuneration policy for the Executive Board.

In the case of the former Managing Board, ABN AMRO always aimed for a level of total compensation slightly below the median of the relevant markets. ABN AMRO used to define a peer group of companies, i.e. both financial and non-financial companies in the Netherlands and Europe, against which remuneration proposals for the Managing Board were assessed. Developments in previous years, however, made it difficult to properly assess the Managing Board's remuneration packages, considering the many changes that have occurred in the banking industry in the Netherlands in recent years and that have not necessarily impacted on companies operating in the general industry or the financial industry outside the Netherlands. This currently makes benchmark comparisons difficult, if not impossible. In 2017, therefore, benchmark comparisons were not leading in the process of fixing the new Executive Board annual salaries at the slightly lower level indicated above. The fixed remuneration for the five Executive Committee members has been designed in dependency with the Executive Board salaries by using a range reflecting the various responsibilities and that became effective on the starting date of their appointments, 1 March 2017.

Details of the remuneration of the individual Executive Board members and the Executive Committee members on a collective basis are provided in note 36 to the Consolidated Annual Financial Statements.

Annual fixed remuneration for 2017

The annual base salary for the Executive Board members follows developments in the Collective Labour Agreement for the banking industry (CAO Banken). For the year 2017, no collective salary increase applied. The annual base salary in 2017 amounted to EUR 605,000 gross for the members of the Executive Board and to EUR 712,668 gross for the Chairman of the Executive Board, Mr Kees van Dijkhuizen. The salary differential between the Chairman and members of the Executive Board amounts to 15%. From 1 January 2018, the salaries of all members of the Executive Board will be increased by 1.5% in alignment with the salary increase agreed in the CLA for the banking industry 2017-2019.

Variable remuneration

The remuneration package for the members of the Executive Board provides for a variable compensation component. However, the Bonus Prohibition Act, which became effective in 2011, and has been incorporated into the Act on the Remuneration Policy for Financial Undertakings (*Wbfo*) since 2015, does not allow such compensation to be paid to board members of financial institutions that fall under the scope of this Act during the period that the Dutch State provides support through a shareholding in the institution. The members of the Executive Board are therefore not entitled to receive variable remuneration during the period of state ownership. This also applied for the 2017 performance year. Executive Board members consequently do not participate in the Variable Compensation Plan applying to all Identified Staff within ABN AMRO.

Benefits

The Chairman and members of the Executive Board participate in the ABN AMRO pension schemes applicable to all employees in the Netherlands, whereby it should be noted that Mr Clifford Abrahams is not a Dutch tax resident. The pensionable salary for the former Managing Board members could include a frozen compensation for pension contributions for all employees employed before 2011. This compensation does not, therefore, apply to the Executive Board members who entered employment after 2011. For pensionable salary up to EUR 103,317 (the applicable threshold for 2017), a collective defined contribution (CDC) pension scheme applies. From 2018, the standard retirement age is 68, while the average income accrual is 1.875% and the employee pension contribution is 5.5%. For pensionable salary in excess of EUR 103,317, employees receive an allowance that can be used to build up a net pension in a defined contribution (DC) plan. The allowance in 2017 amounted to 37%. The allowance is set annually, based on the year-end interest of the preceding calendar year.

In addition to pension benefits, Executive Board members are eligible for benefits such as a company car and a chauffeur.

Severance

Former Managing Board members have a contractual right to a severance payment equal to one year's gross salary in the event of their employment contract being terminated at ABN AMRO's initiative. A contractual right to severance pay, in the above event, equal to three months' gross fixed salary was agreed with Mr van Dijkhuizen when he was appointed Chairman of the Managing Board on 1 January 2017. This superseded Mr Van Dijkhuizen's previous severance arrangements. The Executive Board members appointed since then all have the same contractual right to a severance payment equal to three months' gross fixed salary. In 2017, the agreed severance payment announced in October 2016 was paid out to former Managing Board member Ms Caroline Princen. In 2017, Mr Wietze Reehoorn, as a former Managing Board member, was awarded a severance payment equal to three months' gross fixed salary on his departure. The remaining two Managing Board members who departed in 2017, Mr Chris Vogelzang and Mr Joop Wijn, did not receive a severance payment. Mr Johan van Hall will be awarded a severance payment of three months' gross fixed salary on his departure in 2018.

Appointment period

The appointment term for Executive Board members is, in principle, set at three years. Mr van Dijkhuizen was appointed as CEO and Chairman of the Executive Board (previously Managing Board) on 1 January 2017, while Mr Clifford Abrahams was appointed Executive Board member and CFO on 1 September 2017, and Ms Tanja Cuppen was appointed Executive Board member on 1 October 2017 and became CRO on 1 November 2017. The appointment of Mr Christian Bornfeld as Executive Board member and CI&TO takes effect from 1 March 2018. The appointment terms for all Executive Board members have been contractually agreed to be three years, with the appointment ending at the close of the first General Meeting held after the three-year term has expired. Reappointment is possible.

Executive Board 2017 performance

For the Executive Board members who have been in function since the beginning of 2017 the Supervisory Board assessed their performance and concluded that the performance targets were satisfied.

For the new CFO and CRO, who, in view of their appointment dates, had a relatively short period in which to contribute towards ABN AMRO's performance the Supervisory Board concluded not to assess their performance.

As a consequence of the applicable Bonus Prohibition, the members of the Executive Board are not eligible to receive variable remuneration linked to their 2017 performance.

Identified Staff remuneration

Remuneration restrictions apply not only to the Executive Board, but also to those staff whose professional activities could have a material impact on the bank's risk profile (Identified Staff). Within ABN AMRO the group of Identified Staff consists of:

- Members of the Executive and Supervisory Boards;
- Members of the Executive Committee;
- Members who fulfill an Executive Committee -1 and -2 position at above-CLA level;
- Staff responsible for independent control functions;
- Other risk takers. The definition of the group of other risk takers follows from the credit, market and liquidity risk analyses undertaken annually by the Group Risk Management Team on the basis of RWA thresholds, membership of certain Risk Committees, the level of profit and loss budget, and responsibilities;
- Other employees whose total remuneration takes them into the same remuneration bracket as senior managers and risk takers.

Composition of remuneration packages

In general, the remuneration packages for Identified Staff have been structured in accordance with the various regulations and restrictions for the financial sector. A typical remuneration package for Identified Staff consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred payout);
- Benefits and other entitlements.

ABN AMRO strives to position the level of total direct compensation for the Executive Committee members and the Executive -1 and -2 positions just below the market median levels. In alignment with the Act on the Remuneration Policy for Financial Undertakings (*Wbfo*), which came into force in 2015, the variable compensation for this group of employees is capped at 20% of base salary for those employed in the Netherlands. In addition and with effect from 2015, the remuneration restrictions under the Bonus Prohibition Act were extended to a specific group of senior employees as defined in the *Wbfo*. Accordingly, these senior employees, comprising the five Executive Committee members, are also not allowed to be granted any variable remuneration. This prohibition on receiving variable compensation will apply until the Dutch State no longer holds an interest in ABN AMRO.

ABN AMRO's CLA governs the remuneration packages for Identified Staff based in the Netherlands unless they have been appointed to a position to which the CLA does not apply, such as the ExCo -1 and -2 groups of employees. For Identified Staff based outside the Netherlands, ABN AMRO takes the relevant business dynamics (e.g. market conditions, local labour and tax legislation) into account when deciding on the composition of the reward packages. For the latter two categories of employees, the total direct compensation is aimed to be positioned around the median levels in the market.

Special plans exist for certain key investment professionals within Private Equity. Key investment professionals are able to participate in private equity funds where separate performance-related incentives ('carried interest') are agreed upon. Carried interest becomes payable only after the relevant private equity fund has first returned all capital contributed by ABN AMRO plus an amount of profits at an agreed hurdle rate. Carried interest entitlement is awarded at the initiation of the private equity fund that is controlled by ABN AMRO. The value of this entitlement over the paid-up amount by the investment professionals is treated as variable compensation at the time of being granted. Subsequent changes in value are treated as third-party minority interest in the funds and reflected as other non-controlling interests in the consolidated income statement (see page 180) and as equity attributable to other non-controlling interests in the consolidated statement of financial position (see page 182) of ABN AMRO. Carried interest is subject to 'good and bad leaver' arrangements, as set out in the relevant agreement, to discourage malfeasance. Claw-back provisions are also in place.

Performance is measured during a one-year performance period at three levels: group, business unit and individual level, and by means of risk-adjusted or partly risk-adjusted financial and non-financial performance indicators.

Performance indicators for Identified Staff

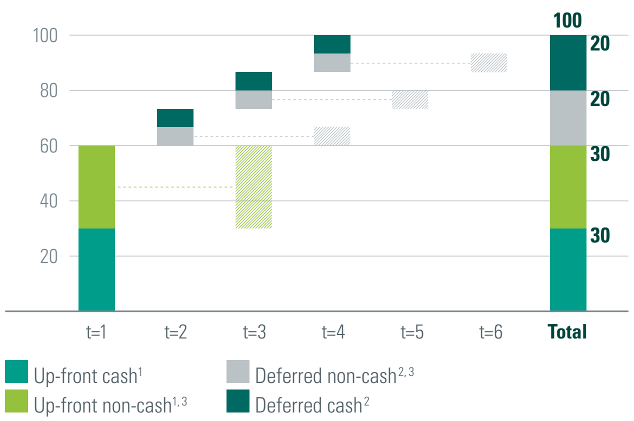
	Weighting Executive Board and Executive Committee	Weighting ExCo-1 and -2 above CLA (commercial business lines[4])	Weighting ExCo-1 and -2 above CLA (non-commercial business lines i.e. Group Functions)	Weighting other identified staff (commercial business lines[4])	Weighting other identified staff (non-commercial business lines i.e. Group Functions)
Financial KPIs at organisation level: revenue growth (for control functions - Common Equity Tier 1 ratio)[1]	10.0%	10.0%	10.0%	10.0%	10.0%
Non-financial KPIs at organisation level: society at large (DJSI, AFM/NVB confidence monitor banks) and for ExBo/ExCo - Employee Engagement Survey.	20.0%	10.0%	10.0%	10.0%	10.0%
Financial KPIs at business line level: RARORAC, cost ceiling[2]	30.0%	20.0%	20.0%	10.0%	10.0%
Non-financial KPIs at business line level: house in order, Employee Engagement and Net Promoter Score[3]	20.0%	30.0%	30.0%	10.0%	10.0%
Non-financial - individual: individual leadership (including collaboration between business lines and diversity)[3]	20.0%	30.0%	30.0%	60.0%	60.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 The CET1 Ratio is used as the only financial group KPI for the control functions.
2 For the commercial business lines this KPI is divided. For non-commercial business lines cost ceiling is the only KPI.
3 Net Promoter Score is only used within commercial business lines.
4 For control functions different KPIs and or a different weighting may not be linked to the business units they oversee.

Variable remuneration of Identified Staff

All variable remuneration awards for Identified Staff are subject to, and structured in accordance with, the Variable Compensation Plan. Before any variable remuneration is granted, ABN AMRO applies an ex-ante risk assessment consisting of collective quantitative risk adjustment mechanisms (such as the solvency check) and a qualitative individual check (the gatekeeper). The gatekeeper procedure forms part of the performance management framework and provides for an assessment of each individual Identified Staff member by the control functions (Risk, Compliance and Audit) on the basis of several behavioural elements. This assessment results in advice to the Executive Board, which ultimately decides on whether variable compensation can indeed be granted to the Identified Staff member concerned. The Executive Board's decision must be formally approved by the Supervisory Board, based on the advice of the Remuneration, Selection & Nomination Committee. In 2017 no gatekeeper adjustment will apply. Furthermore, the variable remuneration is awarded over time and split between an up-front portion (60%) and a deferred portion (40%), with all portions divided equally between a cash and a non-cash instrument, as shown in the following chart.

Variable remuneration
(in %)



[1] The up-front payment (60% in total) is awarded in March following the relevant performance year.
[2] The deferred award (40% in total) vests in three separate tranches respectively 1, 2 and 3 years after the end of the relevant performance year.
[3] All non-cash awards are subject to a two year retention period.

Up-front variable remuneration is awarded in the first quarter of the year following the relevant performance year, while deferred variable remuneration vests in equal instalments in the three years following the first payment. Furthermore, this remuneration will only vest after an explicit ex-post risk assessment: the 'malus assessment' (see the Ex-post risk adjustment tools paragraph).

With effect from the awards reflecting the 2016 performance year, the instrument underlying the non-cash award has been replaced by an award in the form of Restricted Share Units (RSUs) that entitle the participant to a number of depositary receipts, reflecting the initial value of the award. One depositary receipt represents one share in ABN AMRO Group. The value of the non-cash instrument fluctuates in line with the market price of the depositary receipts, and its use will result in an increased alignment between remuneration and shareholder value for all participants in the Variable Compensation Plan.

Variable income awards with respect to the performance years up to and including 2015 will continue to use performance certificates as the underlying non-cash instrument. The value of the performance certificates fluctuates in line with the net asset value of ABN AMRO.

A two-year retention period applies both to the depositary receipts and to the performance certificates. Any unconditional instrument will therefore need to be retained for a further two years.

Ex-post risk adjustment tools

ABN AMRO also uses several ex-post risk adjustment tools: the malus, claw-back and personal hedging or insurance.
The malus assessment is conducted by the Risk, Compliance, HR, Finance and Audit control functions, and any outcome is subject to approval by the Executive Board and Supervisory Board. This assessment includes determining whether any new information is available that prevents the vesting of deferred remuneration.

This could include:
- Evidence of misconduct or serious error by the staff member (e.g. breach of a code of conduct or other internal rules, especially concerning risks);
- The institution or the business unit subsequently suffers a significant downturn in its financial performance (specific indicators must be used);
- The institution or the business unit in which the staff member works suffers a significant failure of risk management;
- Significant changes in the institution's economic or regulatory capital base.

The Supervisory Board decided that, on the basis of the reassessment performed by the control functions, there was no reason to apply a collective malus with respect to the vesting of:
- The third tranche of deferrred variable compensation for the 2014 performance period;
- The second tranche of the deferred variable compensation for the 2015 performance period;
- The first tranche of the deferred variable compensation for the 2016 performance period.

In five individual cases, the Supervisory Board decided to apply a malus with respect to the vesting of the remaining deferred variable compensation for the 2014 performance period.

The other deferred variable compensation awards with respect to the above three performance years will now be granted to the relevant Identified Staff members in line with the rules of the Variable Compensation Plan.

The Supervisory Board has discretionary power to reduce any variable compensation to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board is also authorised to reclaim any variable remuneration for any performance period if the award, calculation or payment was based on incorrect data or if, in hindsight, the performance conditions were not achieved. The recipient will then be obliged to repay the relevant amount to the bank.

Lastly, personal hedging or insurance linked to remuneration and liability in order to circumvent the risk control effects that have been embedded in the variable compensation plan are not permitted.

Details of remuneration

Remuneration comprises fixed and variable compensation, employer pension contributions and sign-on, retention and severance pay for 2017.

Remuneration details of Identified Staff

	2017		2016	
(in thousands)	Number of FTEs (Identified Staff)[4]	Aggregated remuneration	Number of FTEs (Identified Staff)	Aggregated remuneration
Retail Banking	23	8,836	19	4,715
Commercial Banking	33	10,050		
Private Banking	47	20,660	43	18,315
Corporate & Institutional Banking	148	51,198		
Corporate Banking[2]			164	50,118
Group Functions[3]	153	40,633	136	30,812
Total	**404**	**131,377**	**362**	**103,959**

1 Employer pension contribution was not included in the 2016 remuneration.
2 In 2017 Corporate Banking was split into two new business lines: Commercial Banking and Corporate & Institutional Banking.
3 Executive and Supervisory Board members are reported under Group Functions.
4 The 2017 number of FTEs includes all employees that were Identfied Staff during the course of 2017 (including leavers).

(in thousands)	Number of FTEs (identified staff) ExBo, ExCo, ExCo-1 and -2	Other	Aggregated remuneration
Fixed remuneration over 2017	164	240	114,474
Variable remuneration over 2017[1]	131	211	16,903
- of which in cash			5,437
- of which in performance certificates			4,914
- of which unconditional (up-front payment)			10,351
- of which conditional (deferred payment)			6,552
Retention payments over 2017			
Sign on payments over 2017	1	3	278
Severance payments over 2017[2]	10	6	6,111

[1] Certain variable compensation elements are, due to their specific nature, paid out in cash and are not or only partially subject to deferral.
[2] Highest severance pay amounted EUR 825,000.

Remuneration details of all employees[1]

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

[1] Executive and Supervisory Board members are reported under Group Functions.
[2] Remuneration reflects the amounts paid in the financial year as per EBA requirement, as opposed to the renumeration disclosure in note 36 Remuneration of Executive Board and Supervisory Board which represents the remuneration allocated to the financial year in accordance with EU IFRS.

Total variable remuneration awarded to all employees, including Identified Staff, for 2017 amounted to EUR 163 million.

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

[1] Remuneration reflects the amounts paid in the financial year as per EBA requirement, as opposed to the renumeration disclosure in note 36 Remuneration of Executive Board and Supervisory Board which represents the remuneration allocated to the financial year in accordance with EU IFRS.

The ratio of the mean annual employee compensation and the total annual remuneration of the Chief Executive Officer in 2017 was 10.0 (calculated as CEO remuneration including pension costs divided by the mean employee remuneration and pension costs for the average number of employees during 2017). This ratio is considered to be a fair reflection of ABN AMRO's current position. The ratio we published last year was 11.4; the lower number follows primarily from the lower level of the new CEO's remuneration in 2017 versus 2016.

Annual Financial Statements 2017

Certain IFRS disclosures in the Risk, funding & capital information section are labelled as 'Audited' in the respective headings. These disclosures are an integral part of these Annual Financial Statements and are covered by the Audit opinion.

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Consolidated income statement

(in millions)	Note	2017	2016
Income			
Interest income		12,502	12,651
Interest expense		6,045	6,383
Net interest income	4	**6,456**	**6,267**
Fee and commission income		3,138	3,149
Fee and commission expense		1,391	1,340
Net fee and commission income	5	**1,747**	**1,810**
Net trading income	6	287	-211
Share of result in equity accounted investments		54	55
Other operating income	7	745	306
Operating income		**9,290**	**8,227**
Expenses			
Personnel expenses	8	2,590	2,777
General and administrative expenses	9	2,746	2,682
Depreciation and amortisation of tangible and intangible assets	23	245	198
Operating expenses		**5,582**	**5,657**
Impairment charges on loans and other receivables		-63	114
Total expenses		**5,519**	**5,771**
Operating profit/(loss) before taxation		**3,771**	**2,456**
Income tax expense	10	979	650
Profit/(loss) for the period		**2,791**	**1,806**
Attributable to:			
Owners of the parent company		2,721	1,762
Holders of AT1 capital securities		53	43
Other non-controlling interests		18	1
Earnings per share (in euros)			
Basic earnings per ordinary share[1]	11	2.89	1.87

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

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Consolidated statement of comprehensive income

(in millions)	2017	2016
Profit/(loss) for the period	**2,791**	**1,806**
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement gains/(losses) on defined benefit plans	-12	38
Items that will not be reclassified to the income statement before taxation	**-12**	**38**
Income tax relating to items that will not be reclassified to the income statement	-3	10
Items that will not be reclassified to the income statement after taxation	**-8**	**28**
Items that may be reclassified to the income statement		
(Un)realised gains/(losses) currency translation	-198	31
(Un)realised gains/(losses) available-for-sale	-94	112
(Un)realised gains/(losses) cash flow hedge	-102	284
Share of other comprehensive income of associates	28	31
Other comprehensive income for the period before taxation	**-366**	**457**
Income tax relating to items that may be reclassified to the income statement	-52	100
Other comprehensive income for the period after taxation	**-314**	**357**
Total comprehensive income/(expense) for the period after taxation	**2,469**	**2,191**
Attribution to:		
Owners of the parent company	2,398	2,147
Holders of AT1 capital securities	53	43
Other non-controlling interests	18	1

Consolidated statement of financial position

(in millions)	Note	31 December 2017	31 December 2016
Assets			
Cash and balances at central banks	12	29,783	21,861
Financial assets held for trading	13	1,600	1,607
Derivatives	14	9,825	14,384
Financial investments	16	40,964	45,497
Securities financing	17	16,645	17,589
Loans and receivables - banks	19	10,665	13,485
Residential mortgages	20	152,691	152,069
Consumer loans	20	12,122	12,106
Corporate loans	20	101,118	96,058
Other loans and receivables - customers	20	8,975	7,445
Equity accounted investments	22	714	765
Property and equipment	23	1,458	1,418
Goodwill and other intangible assets	23	184	251
Assets held for sale	24	3,165	3,481
Tax assets	10	431	415
Other assets	25	2,830	6,050
Total assets		**393,171**	**394,482**
Liabilities			
Financial liabilities held for trading	13	1,082	791
Derivatives	14	8,367	14,526
Securities financing	17	12,875	11,625
Due to banks	26	16,462	13,419
Demand deposits	27	127,675	119,848
Saving deposits	27	95,751	92,740
Time deposits	27	13,274	16,169
Issued debt	28	76,612	81,278
Subordinated liabilities	28	9,720	11,171
Provisions	29	1,529	1,672
Liabilities held for sale	24	4,843	5,667
Tax liabilities	30	110	134
Other liabilities	31	3,543	6,503
Total liabilities		**371,841**	**375,544**
Equity			
Share capital		940	940
Share premium		12,970	12,970
Other reserves (incl. retained earnings/profit for the period)		5,724	4,027
Accumulated other comprehensive income		-331	-9
Equity attributable to owners of the parent company		**19,303**	**17,928**
AT1 capital securities		2,007	1,004
Equity attributable to other non-controlling interests		20	5
Total equity	32	**21,330**	**18,937**
Total liabilities and equity		**393,171**	**394,482**
Committed credit facilities	34	32,772	25,288
Guarantees and other commitments	34	16,165	15,873

Consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other comprehensive income	Net profit/(loss) attributable to owners of the parent company	Total	AT1 Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2016	**940**	**12,970**	**1,140**	**-394**	**1,908**	**16,564**	**1,004**	**17**	**17,584**
Total comprehensive income				385	1,762	2,147	43	1	2,191
Transfer			1,908		-1,908				
Dividend			-790			-790		-12	-802
Paid interest on AT1 capital securities							-43		-43
Other changes in equity			7			7			7
Balance at 31 December 2016	**940**	**12,970**	**2,265**	**-9**	**1,762**	**17,928**	**1,004**	**5**	**18,937**
Total comprehensive income				-323	2,721	2,398	53	18	2,469
Transfer			1,763		-1,763				
Dividend			-1,025			-1,025		-3	-1,028
Increase/(decrease) of capital							993		993
Paid interest on AT1 capital securities							-43		-43
Other changes in equity			2			2			2
Balance at 31 December 2017	**940**	**12,970**	**3,004**	**-331**	**2,721**	**19,303**	**2,007**	**20**	**21,330**

In Q2 2017 it was decided to present separately the profit attributable to owners of the parent company, the profit attributable to AT1 Capital Securities holders and the profit attributable to other non-controlling interests. The opening balance has been adjusted accordingly.

Accumulated other comprehensive income included an amount of EUR -310 million from revaluation reserves as at 31 December 2017 (2016: EUR 4 million).

(in millions)	Remeasurements on post-retirement benefit plans	Currency translation reserve	Available-for-sale reserve	Cash flow hedge reserve	Accumulated share of OCI of associates and joint ventures	Total
Balance at 1 January 2016	**-41**	**137**	**473**	**-1,056**	**93**	**-394**
Net gains/(losses) arising during the period	38	31	234	297	31	630
Less: Net realised gains/(losses) included in income statement			122	13		136
Net gains/(losses) in equity	38	31	112	284	31	495
Related income tax	10	1	28	71		110
Balance at 31 December 2016	**-13**	**166**	**557**	**-843**	**124**	**-9**
Net gains/(losses) arising during the period	-12	-198	26	-274	28	-430
Less: Net realised gains/(losses) included in income statement			120	-172		-52
Net gains/(losses) in equity	**-12**	**-198**	**-94**	**-102**	**28**	**-378**
Related income tax	-3	1	-27	-25		-55
Balance at 31 December 2017	**-21**	**-32**	**490**	**-919**	**152**	**-331**

Total comprehensive income amounted to EUR 2,469 million (2016: EUR 2,191 million).

The total amount comprises EUR 2,721 million net profit attributable to owners of the parent company (2016: EUR 1,763 million), EUR 323 million unrealised losses as other comprehensive income (2016: 385 million unrealised gains), EUR 53 million attributable to holders of AT1 capital securities (2016: EUR 43 million) and EUR 18 million on other non-controlling interests (2016: EUR 1 million).

The total dividend paid to ordinary shareholders in the twelve months of 2017 was EUR 1,025 million (2016: EUR 790 million). This comprises the final 2016 dividend of EUR 414 million and the interim 2017 dividend of EUR 611 million.

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Consolidated statement of cash flows

(in millions)	Note	2017	2016
Profit/(loss) for the period		**2,791**	**1,806**
Adjustments on non-cash items included in profit:			
(Un)realised gains/(losses)		-508	-402
Share of profits in associates and joint ventures		-45	-59
Depreciation, amortisation and accretion		476	452
Provisions and impairment losses		314	1,103
Income tax expense	10	979	650
Operating activities:			
Assets held for trading		7	99
Derivatives - assets		4,535	4,754
Securities financing - assets		-420	2,791
Loans and receivables - banks		2,834	997
Residential mortgages		-571	-637
Consumer loans		-1,376	2,381
Corporate loans		-8,557	8,063
Other loans and receivables - customers		-2,031	-982
Other assets		3,145	-817
Liabilities held for trading		291	331
Derivatives - liabilities		-6,136	-7,725
Securities financing - liabilities		2,192	54
Due to banks		3,093	-1,195
Demand deposits		10,761	-14,404
Saving deposits		3,331	-1,226
Time deposits		-1,019	-2,230
Other due to customers			-160
Liabilities arising from insurance and investment contracts		-506	-402
Net changes in all other operational assets and liabilities		-4,714	1,460
Dividend received from associates		73	101
Income tax paid		-951	-1,324
Cash flow from operating activities		**7,988**	**-6,521**

continued >

(in millions)	Note	2017	2016
Investing activities:			
Purchases of financial investments		-11,812	-19,123
Proceeds from sales and redemptions of financial investments		14,813	15,114
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures		-12	-28
Divestments of subsidiaries (net of cash sold), associates and joint ventures		117	56
Proceeds from sale of private banking activities in Asia and the Middle East	24	-1,180	
Purchases of property and equipment		-382	-405
Sales of plant and equipment under operational lease			
Proceeds from sales of property and equipment		66	100
Purchases of intangible assets		-15	-37
Cash flow from investing activities		**1,594**	**-4,323**
Financing activities:			
Proceeds from the issuance of debt		33,604	32,635
Repayment of issued debt		-34,179	-27,872
Proceeds from subordinated liabilities issued		1,407	2,660
Repayment of subordinated liabilities issued		-1,988	-1,363
Proceeds from capital securities		1,000	1
Dividends paid to the owners of the parent company		-1,025	-790
Interest paid AT1 capital securities[1]		-43	-43
Dividends paid to other non-controlling interests		-3	-12
Cash flow from financing activities		**-1,227**	**5,217**
Net increase/(decrease) of cash and cash equivalents		8,355	-5,626
Cash and cash equivalents as at 1 January		24,954	30,551
Effect of exchange rate differences on cash and cash equivalents		-144	29
Cash and cash equivalents as at 31 December		**33,165**	**24,954**
Supplementary disclosure of operating cash flow information			
Interest paid		6,444	7,303
Interest received		12,746	13,248
Dividend received excluding associates		98	22

[1] In 2017 the interest paid on AT1 Capital securities was reclassified from Net changes in all other operational assets and liabilities. Comparative figures have been adjusted.

(in millions)	31 December 2017	31 December 2016
Cash and balances at central banks	29,783	21,861
Loans and receivables banks (less than 3 months)[1]	3,383	3,093
Total cash and cash equivalents	**33,165**	**24,954**

[1] Loans and receivables banks with an original maturity of 3 months or more is included in Loans and receivables banks. See note 19.

During 2017, EUR 33.6 billion of issued debt was issued (2016: EUR 32.6 billion) and EUR 34.2 billion repaid (2016: EUR 27.9 billion). Foreign exchange gains amounted to EUR 3.2 billion (2016: loss EUR 0.1 billion) and fair value gains were EUR 1.0 billion (2016: loss EUR 0.1 billion). Other non-cash changes amounted to losses of EUR 0.1 billion (2016: loss EUR 0.1 billion).

Subordinated liabilities were issued for an amount of EUR 1.4 billion during 2017 (2016: EUR 2.7 billion) and EUR 2.0 billion was repaid (2016: EUR 1.4 billion). Foreign exchange gains amounted to EUR 0.8 billion (2016: loss EUR 0.2 billion). Other non-cash changes amounted to gains of EUR 0.1 billion (2016: EUR 0.0 billion).

Notes to the Consolidated Annual Financial Statements

1 Accounting policies

The notes to the Consolidated Annual Financial Statements, including the audited information in the Risk, funding & capital section, are an integral part of these Annual Financial Statements. This section describes ABN AMRO Group's significant accounting policies and critical accounting estimates or judgements relating to the Annual Financial Statements. If an accounting policy or a critical accounting estimate relates to a specific note, it is included within the relevant note.

Corporate information

ABN AMRO Group N.V. (referred to as ABN AMRO Group or the parent company) is the parent company of ABN AMRO Bank N.V. and a related consolidated group of companies (referred to as the Group or ABN AMRO). ABN AMRO Group is a public limited liability company, incorporated under Dutch law on 18 December 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34370515).

As at 31 December 2017, all shares in the capital of ABN AMRO Group were held by two foundations: NLFI and STAK AAG. On that date, NLFI held 56.3% in ABN AMRO, of which 49.9% is directly held via ordinary shares and 6.4% is indirectly held via depositary receipts for shares in ABN AMRO. STAK AAG held 50.1% of the shares in the issued capital of ABN AMRO Group N.V. 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 provides a broad range of financial services to retail, private and corporate banking clients. These activities are conducted primarily in the Netherlands and selectively abroad.

The Consolidated Annual Financial Statements of ABN AMRO Group for the annual period ended 31 December 2017 incorporate financial information of ABN AMRO Group N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Executive Board and authorised for issue by the Supervisory Board and Executive Board on 13 March 2018.

Statement of compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

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Basis of preparation

The Consolidated Annual Financial Statements are prepared on the basis of a mixed valuation model as follows:

- Derivative financial instruments measured at fair value through profit or loss;
- Financial assets and liabilities held for trading or designated as measured at fair value through profit or loss;
- Available-for-sale financial assets are valued at fair value through other comprehensive income;
- Investments in associates of a private equity nature are valued at fair value through profit or loss;
- Other financial assets (including loans and receivables) and liabilities are valued at amortised cost less any impairment, if applicable;
- The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- Non-financial assets and liabilities are generally stated at historical cost;
- Associates and joint ventures are accounted for using the equity method.

The Annual Financial Statements are prepared under the going concern assumption. The Annual Financial Statements are presented in euros, which is the reporting currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

Disclosures

To combine disclosures where possible and to reduce duplication, we have integrated some IFRS disclosures into our Executive Board report. These are:

- IFRS 7 Risk disclosures of financial instruments. These are disclosed in the Risk, funding and capital section;
- IAS 1 Capital disclosures. These are part of the Risk, funding and capital section.

IFRS disclosures in the Risk, funding and capital section on pages 43 to 136 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

During 2017 ABN AMRO adopted the following amendments to IFRS:

IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments of IAS 7 require enhanced disclosures about changes in liabilities arising from financing activities. By disclosing the information in note 26 Due to banks, note 27 Due to customers and note 28 Issued debt and subordinated liabilities, together with the audited information in the capital and funding disclosures in the Risk, funding & capital section, ABN AMRO complies with the enhanced disclosure requirements. This information should be read in conjunction with the financing activities in the cash flow statement, which shows, for example, the proceeds and repayment of issued debt and subordinated liabilities.

IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This amendment did not have any impact on ABN AMRO.

Annual Improvements to IFRS Standards 2014-2016 Cycle. This cycle of annual improvements comprises three amendments, one of which became effective on 1 January 2017. This amendment

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relates to IFRS 12 Disclosure of Interests in Other Entities and provides clarifications on the scope of the standard. The other two amendments became effective on 1 January 2018. Neither amendment, IFRS 1 relating to First-Time adoption and IAS 28 relating to Investments in Associates and Joint Ventures, will have a significant impact on the Annual Financial Statements.

New standards, amendments and interpretations not yet effective

The following amendments to IFRSs have been issued by the IASB and endorsed by the EU, but are not yet effective. Note that only the amendments to IFRSs that are relevant for ABN AMRO are discussed.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments was endorsed by the EU in November 2016. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and includes new requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. ABN AMRO will apply the principles of IFRS 9 retrospectively from 1 January 2018 onwards. In line with the transitional provisions of the standard, ABN AMRO will not restate comparative figures.

Classification and Measurement

The classification and measurement of financial assets under IFRS 9 is determined by the business model in which the assets are held and whether the contractual cash flows are solely payments of principal and interest (SPPI). Under IFRS 9, financial assets can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). These categories replace the IAS 39 classifications of loans and receivables, Available For Sale (AFS), FVTPL, and held-to-maturity.

The business model in which a financial asset is held is determined at portfolio level. Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. Financial assets can only be classified at amortised cost or FVOCI when the contractual cash flows are SPPI. Bifurcation of embedded derivatives from a financial asset is not allowed.

ABN AMRO's analysis of the business models and contractual cash flows of financial assets resulted in two changes:

- For one portfolio of corporate loans, which was reclassified in 2015 from held for trading to loans and receivables (see note 20), a revised amortised cost measurement needs to be applied, as if these loans had always been measured at amortised cost. This results in a reduction in the carrying amounts of these loans as at 1 January 2018.
- Certain portfolios of corporate loans have embedded derivatives that are bifurcated under IAS 39. These are loans where the return is based on the price of underlying commodity contracts or loans with a floating rate of interest, and where the interest reset period does not match the interest reference rate. Under IFRS 9, these contracts were analysed in their entirety and failed the SPPI criterion. As such, they will be retrospectively classified at FVTPL as at 1 January 2018.

ABN AMRO has chosen to measure all equity securities at FVTPL under IFRS 9, whereas some equity instruments were classified as AFS under IAS 39. The IFRS 9 measurement criteria for financial liabilities designated as FVTPL have also changed, such that the change in the fair value that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income. These changes result in a transfer from retained earnings to other comprehensive income as at 1 January 2018.

There were no other significant changes in the classification and measurement of financial instruments as at 1 January 2018.

Impairments

IFRS 9 replaces the 'incurred loss' model by the 'expected credit loss (ECL) model', which is designed to be forward-looking. The IFRS 9 impairments requirements are applicable to financial assets measured at amortised cost or FVOCI, as well as to loan commitments and financial guarantee contracts. These assets will be divided into three groups, depending on the stage of credit risk deterioration:

- Financial assets without a significant increase in credit risk (stage 1): the portion of the lifetime expected credit losses associated with default events occurring in the next twelve months (12M ECL) is recognised. Interest revenue is recognised, based on the gross carrying amount;
- Financial assets with significantly increased credit risk (stage 2): lifetime expected credit loss (LECL) is recognised. Interest revenue is recognised, based on the gross carrying amount;
- Credit-impaired financial assets (stage 3): these financial assets are defaulted and consequently a LECL is recognised. Interest revenue is recognised, based on the amortised cost.

ABN AMRO has chosen to apply the same default definition under IFRS 9 as it currently uses for credit risk management purposes (see Risk Management chapter). The key quantitative metric determining when a financial asset is transferred to stage 2 is the deterioration of the lifetime probability of default (LPD) from the date of origination to the reporting date. The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on credit risk drivers such as characteristics of the financial asset, the financial condition of the borrower, the number of days past due, the geographical region and future developments in the economy. Due to limitations in the availability of historical data, the LPD cannot yet be determined for certain financial assets. In the case of these financial assets, ABN AMRO currently uses a proxy for LPD.

The key qualitative triggers chosen by the bank to identify when to transfer a financial asset to stage 2 are forbearance on a financial obligation and the watch status of a borrower. As a backstop, 30 days past due leads to a transfer to stage 2.

ABN AMRO makes a distinction between two types of calculation methods for credit loss allowances:

- Specific LECL for credit-impaired (stage 3) significant, individual financial assets: if significant doubts arise regarding a client's ability to meet its contractual obligations and/or one of the default triggers is met. The amount of the specific impairment loss is based on the discounted value of the expected future cash flows;
- Collective 12M ECL and LECL for non-credit-impaired (stage 1 and 2) financial assets and collective LECL for credit-impaired (stage 3) insignificant, individual financial assets that have similar credit risk characteristics, that are clustered in portfolios and that are collectively assessed for impairment losses. ABN AMRO has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the collective 12M ECL and LECL for these financial assets. In addition, the Lifetime Probability of Default (LPD) is calculated in order to determine whether a counterparty has experienced a significant increase in credit risk compared with the date of origination. Forward-looking information is incorporated by means of three different, probability-weighted macroeconomic scenarios, alongside the stress-testing processes and methodologies.

Hedge accounting

The IFRS 9 hedge accounting criteria aim to simplify general hedge accounting requirements and to align hedge accounting more closely with risk management. All micro hedge accounting strategies, as well as macro cash flow hedge accounting, are in scope of IFRS 9. Macro fair value hedging is not in scope of IFRS 9. Based on an impact assessment, ABN AMRO has decided to continue applying IAS 39 for hedge accounting, including application of the EU carve-out. The new hedge accounting requirements will therefore not impact on ABN AMRO's financial statements as at 1 January 2018.

Disclosure

The revised disclosures as required by IFRS 7 'Financial Instruments: Disclosures' will be included in the 2018 financial statements.

Transitional impact of IFRS 9

Based on the current status of the IFRS 9 implementation, the transition to IFRS 9 is estimated to result in the following at 1 January 2018:

- The classification and measurement requirements will result in an estimated reduction of approximately EUR 200 million in the carrying amounts of specific financial assets;
- The impairments requirements will result in an increase of approximately EUR 200 million in credit loss allowances. This increase is mainly based on the difference between the combined 12M ECL and LECL on stage 1 and 2 financial assets under IFRS 9 and the Incurred But Not Identified (IBNI) impairment loss recognised under IAS 39.

The combined effect, net of tax, will be deducted from equity. The CET1 ratio, after adjustment of the shortfall deduction, will decrease by approximately 0.15% (fully-loaded). The total capital ratio will decrease by approximately 0.17% (fully-loaded).

The estimated transitional impact of IFRS 9 is significantly below the impact mentioned in the EBA impact assessment of 2016. The difference is predominantly the result of the current positive economic climate. ABN AMRO is well capitalised and will be able to absorb the transitional impact within the existing capital plan. The estimated impact is based on assumptions, accounting estimates and judgements that remain subject to change until the interim 2018 financial statements are finalised.

Since the ECL model includes forward-looking elements, such as future economic conditions, impairment losses are expected to be more volatile under IFRS 9 than under IAS 39.

The regulatory transitional arrangements which allow for gradual phasing-in of the negative impact on own funds will not be applied by ABN AMRO due to the limited expected impact on CET1 capital. If future IFRS 9 credit loss allowances significantly increase, ABN AMRO may apply the transitional provisions, subject to prior permission from the ECB.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The standard was endorsed by the EU in October 2017 and is effective for annual periods beginning on or after 1 January 2018. Based on our analysis, the standard will not have an impact on the Annual Financial Statements.

IFRS 16 Leases

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'Operational' and 'Financial' lease for lessees. The requirements for lessor accounting remain largely unchanged. ABN AMRO is currently assessing the impact of the new standard.

New standards, amendments and interpretations not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but have not yet been endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRSs that are relevant for ABN AMRO are discussed below.

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments: Classification and Measurement of Share-based Payment Transactions. The issuance consists of three amendments that clarify how to account for certain types of share-based payment transactions. As ABN AMRO currently does not have any IFRS 2 share-based payment plans, this amendment does not impact on ABN AMRO.

IFRS 9, Prepayment Features with Negative Compensation. The IASB issued amendments to IFRS 9 which allow instruments with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income. As ABN AMRO currently does not have any financial instruments with these features, these amendments do not impact on ABN AMRO.

IAS 28, Long-term Interests in Associates and Joint Ventures. In October 2017, the IASB issued amendments to IAS 28 that will become effective on 1 January 2019. The amendments clarify that IFRS 9 should be applied when accounting for long-term interests in an associate or joint venture to which the equity method is not applied. Based on our initial analysis, the amendments will not have a significant impact on ABN AMRO.

In December 2017, the IASB issued the Annual Improvements to IFRS Standards 2015-2017 Cycle. These amendments are required to be applied for annual periods beginning on or after 1 January 2019. This cycle of annual improvements comprises amendments relating to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The impact of the amendments on the Annual Financial Statements is expected to be insignificant.

Amortisation of mortgage penalty interest

During Q4 2017, ABN AMRO adjusted its accounting policy for mortgage penalty interest received from interest rate renewals before the end of the interest period. Adjustments to the carrying value of these mortgages resulting from interest rate renewals are now amortised over the remaining original interest term, whereas previously the new interest term was used. ABN AMRO is of the opinion that the change in accounting policy enhances comparability with market participants and results in a more reliable representation, given that the term now used is the one to which the mortgage penalty interest relates. Changing the amortisation term resulted in increased amortisation of EUR 11 million as at 31 December 2016 and EUR 38 million as at 31 December 2017. For materiality reasons, the comparative figures have not been adjusted, thus resulting in a release of EUR 49 million in net interest income at year-end 2017.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise its judgement in the process of applying ABN AMRO's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those estimates and assumptions. Accounting policies for the most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are made in the following sections:

Impairment losses on loans and receivables	Risk, funding & capital section
Fair value of financial instruments	note **18**
Income tax expense, tax assets and tax liabilities	note **10**
Impairment of available-for-sale instruments	note **16**
Provisions	note **29**

Assessment of risks, rewards and control

Whenever ABN AMRO is required to assess risks, rewards and control, when considering the recognition and derecognition of assets or liabilities and the consolidation or deconsolidation of subsidiaries, ABN AMRO may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making such assessments, the actual risks, rewards and control may ultimately differ.

Significant accounting policies

Basis of consolidation

The Consolidated Financial Statements of ABN AMRO Group N.V. include the financial statements of the parent company and its controlled entities, thus incorporating the assets, liabilities, revenues and expenses of ABN AMRO Group N.V. and its subsidiaries. Non-controlling interests (held by third parties) in both equity and results of group companies are presented separately in the Consolidated Financial Statements.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of ABN AMRO.

Foreign currency differences

ABN AMRO applies IAS 21 The effect of changes in foreign exchange rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at the period-end exchange rates. Exchange gains and losses on such balances are recognised in the income statement. The Group's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated at the closing rate, and items in the income statement and other comprehensive income are translated into euros at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when the Group loses control, joint control or significant influence over the foreign operation.

Financial assets and liabilities

Classification of financial assets

Financial assets are classified as assets held for trading, financial investments, or loans and receivables and are based on the criteria in IAS 39 Financial Instruments: Recognition and measurement. Their measurement and income recognition depend on the classification of the financial assets. The following four groups are identified:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a client with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recorded in the income statement;
- Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recorded in the income statement;
- Financial assets at fair value through profit or loss include:
  - financial assets held for trading;
  - financial assets that ABN AMRO irrevocably designated at initial recognition to be held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of their fair value or include terms that have, by nature, substantive derivative characteristics;
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments, financial assets designated at fair value through profit or loss or financial assets held for trading. They are initially measured at fair value, with subsequent changes recognised in other comprehensive income.

If ABN AMRO reclassifies a financial asset from held for trading, the financial asset is reclassified at its fair value and this fair value becomes the new amortised cost. On the same date, a new effective interest is calculated.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities or other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities.

- financial liabilities at fair value through profit or loss include:
  - financial liabilities held for trading;
  - financial liabilities that ABN AMRO has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Other financial liabilities are measured at amortised cost using the effective interest rate method with the periodic amortisation recorded in the income statement. The initial measurement of other financial liabilities is at fair value, including transaction costs.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- A trading derivative (except for a derivative that is a designated and effective hedging instrument).

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which ABN AMRO commits to purchase or sell the underlying instrument. In the event that settlement terms are non-standard, the commitment is accounted for as a derivative between the trade and settlement dates. Loans and receivables are recognised when they are acquired or funded by ABN AMRO and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with ABN AMRO. Other financial assets and liabilities, including derivatives, are recognised in the Statement of financial position when ABN AMRO becomes a party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when ABN AMRO loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risks and rewards are transferred. Financial assets are also derecognised if the bank has neither transferred nor retained substantially all risks and rewards of ownership, but control has passed to the transferee.

Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows, and substantially all the risks and rewards and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

ABN AMRO has protected assets through synthetic securitisations. Through a synthetic securitisation a substantial part of the credit risk related to these assets is transferred, while actual ownership of the assets remains with ABN AMRO.

A restructuring of a financial asset with the same borrower on substantially different terms, qualitative and quantitative – generally a 10% difference in the present value of the cash flows – is accounted for as an expiration of the financial asset and recognition of a new financial asset. The difference between the former carrying amount and the carrying amount of the new financial asset is recognised in the income statement.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitative and quantitative – generally a 10% difference in the present value of the cash flows – is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former carrying amount and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

Client clearing

As a general clearing member, ABN AMRO provides clearing and settlement services to its clients for, among other things, exchange traded derivatives.

In its capacity as a clearing member, ABN AMRO guarantees the fulfilment of obligations towards CCPs of clients' transactions. ABN AMRO is not liable to clients for the non-performance of the CCP. In the event of a client defaulting, ABN AMRO has the legal obligation to settle all the client's positions with the relevant CCPs, possibly at a loss. Possible losses arising from this guarantee might relate not only to a client's current positions but also to future trades of the client. ABN AMRO receives and collects (cash) margins from clients, and remits these margins to the relevant CCP in whole or in part. Given the stringent margin requirements set by the CCPs, possible future outflows of resources for new clearing transactions are considered close to zero.

ABN AMRO does not reflect the exchange traded derivatives cleared on behalf of clients in its financial statements. Under normal circumstances, the guarantee has no fair value and is not recognised in the financial statements. The loss recognition in the event of non-performance of a client will be in line with our contingent liabilities policy.

Offsetting

The bank offsets financial assets and liabilities and the net amount reported in the Statement of financial position if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net balances on current accounts with other banks with less than three months maturity from the date of acquisition. The Statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

Government grants

Government grants are recognised in the income statement on a systematic basis over the periods that the related expenses, for which it is intended to compensate, are recognised. In the case of an income-related grant, the grant is deducted from the related expense.

2 Segment reporting

Accounting policy for segment reporting

The segment reporting is in accordance with IFRS 8 Operating Segments. The segments are reported in a manner consistent with the internal reporting provided to the Executive Board, which is responsible for allocating resources and assessing performance and has been identified as the chief operating decision-maker. All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions. Internal reporting to the Executive Board changed in the first half of 2017, in line with the Board's request. As a consequence, the operating segment Corporate Banking has been split into Commercial Banking and Corporate & Institutional Banking. Comparative information has been restated to reflect this change.

Geographical data are presented according to the management view.

Segment assets, liabilities, income and results are measured based on our accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Interest income is reported as net interest income because management primarily relies on net interest income as a performance measure, not gross income and expense.

There was no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2017 or 2016.

Retail Banking

Retail Banking provides banking products and services to individuals and small businesses. In addition, a wide variety of banking and insurance products and services are provided through our branch network, online, via contact centres and through subsidiaries. ABN AMRO Hypotheken Groep, Alfam, ICS and Moneyou are part of Retail Banking.

Commercial Banking

Commercial Banking 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 Corporate & Institutional Banking). Our Asset Based Finance activities are included in Commercial Banking.

Private Banking

Private Banking provides total solutions to meet 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 of 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 & Institutional Banking

Corporate & Institutional Banking serves business clients with revenues exceeding EUR 250 million. In Northwest Europe, clients with revenues exceeding EUR 100 million are served in eight selected sectors. Corporate & Institutional Banking covers loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Markets) and specialised products (Clearing and Private Equity). Corporate & Institutional Banking's business activities are organised according to sector, geography and product.

Group Functions

Group Functions supports the business segments and consists of Innovation & Technology, Risk Management, Finance, Transformation & HR, Group Audit, Strategy & Sustainability, and the Corporate Office. The majority of Group Functions' costs are allocated to the businesses. Group Functions' results include those of ALM and Treasury and the securities financing activities.

Segment income statement for the year 2017

						2017
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Net interest income	3,439	1,421	659	975	-38	6,456
Net fee and commission income	406	202	573	538	28	1,747
Net trading income	3	2	30	226	25	287
Share of result in equity accounted investments	31	2	10	15	-5	54
Other operating income	116	59	267	76	228	745
Operating income	**3,995**	**1,687**	**1,540**	**1,830**	**238**	**9,290**
Expenses						
Personnel expenses	486	315	472	442	876	2,590
General and administrative expenses	530	132	280	423	1,383	2,746
Depreciation and amortisation of tangible and intangible assets	8	4	65	11	156	245
Intersegment revenues/expenses	1,119	437	279	393	-2,228	
Operating expenses	**2,143**	**888**	**1,095**	**1,269**	**187**	**5,582**
Impairment charges on loans and other receivables	-100	-180	-6	219	4	-63
Total expenses	**2,043**	**709**	**1,089**	**1,488**	**190**	**5,519**
Operating profit/(loss) before taxation	**1,953**	**978**	**450**	**342**	**48**	**3,771**
Income tax expense	496	245	64	121	52	979
Profit/(loss) for the period	**1,456**	**733**	**386**	**221**	**-4**	**2,791**
Attributable to:						
Owners of the company	1,456	733	386	204	-58	2,721
Holders of AT1 capital securities					53	53
Other non-controlling interests				17	1	18

Retail Banking

Net interest income rose by 3% to EUR 3,439 million (2016: EUR 3,355 million). Interest income on mortgages benefited from higher volumes. Margin pressure on new mortgage production due to increased competition was offset by relatively high margins on the repricing portion of the mortgage book. Income from savings and deposits benefited from improved margins following the reduction in the rate paid on main retail deposits. Lending income declined on the back of lower volumes and margins. Income in 2017 was negatively impacted by a EUR 42 million provision for the Euribor claim and a EUR 8 million provision for ICS (2016: EUR 47 million).

Net fee and commission income at EUR 406 million (2016: EUR 463 million) decreased by 12%. This decrease was partly due to lower fees being charged for payment packages to small businesses from January 2017. In addition, securities-related fees were lower, owing to the migration of client assets to Private Banking.

Other operating income amounted to EUR 116 million (2016: EUR 93 million). Other operating income was mostly driven by the sale of the remaining equity stake in Visa Inc., resulting in a pre-tax book gain in 2017 of EUR 114 million. The figure for 2016 included a EUR 116 million pre-tax gain on the sale of Visa Europe shares, of which EUR 101 million was booked within Retail Banking.

Personnel expenses increased by EUR 16 million to EUR 486 million in 2017 (2016: EUR 470 million). The increase was due to a restructuring provision for ICS of EUR 24 million. Excluding the impact of the provision, personnel expenses decreased due to the lower numbers of FTE (5,192 compared with 5,266 in 2016). The FTE reduction was supported by an increase in online and mobile banking and an associated reduction in the number of branches (202 branches versus 221 in Q4 2016).

General and administrative expenses at EUR 530 million increased by EUR 17 million in 2017, mainly owing to higher regulatory levies (EUR 155 million compared with EUR 136 million in 2016). The figure for 2017 includes additional investments in the digital banking subsidiary Moneyou, while the figure for 2016 included a provision for ICS handling costs of EUR 16 million.

Intersegment expenses at EUR 1,119 million (2016: EUR 1,222 million) declined by EUR 103 million as a result of the existing cost-saving programmes and the transfer of FTE from Group Functions to the commercial business lines in order to embed an agile way of working.

Impairment charges amounted to a release of EUR 100 million release, compared with a charge of EUR 79 million in 2016. The results were driven by the strong performance of the Dutch economy, coupled with increasing house prices. Impairment charges in 2017 also benefited from favourable model updates, as well as from additional IBNI releases (EUR 60 million compared with EUR 49 million in 2016).

Commercial Banking

Net interest income at EUR 1,421 million (2016: EUR 1,339 million) was up 6% compared with 2016. The increase was partly related to favourable unearned interest releases and the TLTRO funding benefit in 2017, as well as to negative one-offs in 2016 associated with the provision for SME derivatives-related issues. Excluding these items, net interest income increased, driven by higher asset and liability volumes and partly offset by lower margins. Growth in client lending was widely based, although predominantly in Asset Based Finance and real estate. Margins on liabilities declined, owing to the climate of low interest rates.

Net fee and commission income was stable year-on-year.

Other operating income was slightly up, driven by positive revaluation results.

Personnel expenses amounted to EUR 315 million (2016: EUR 280 million), an increase of EUR 35 million. The increase was driven by a restructuring provision within Asset Based Finance (EUR 12 million), wage inflation, higher pension costs and, owing to a transfer from Group Functions to facilitate the shift to a more agile way of working, by higher numbers of FTEs.

General and administrative expenses at EUR 132 million (2016: EUR 117 million) increased by EUR 15 million. The increase was largely driven by additional investments in IT, digital investments and activities relating to the duty of care.

Intersegment expenses at EUR 437 million (2016: EUR 459 million) declined by EUR 22 million as a result of the ongoing cost-saving programmes and a transfer of FTEs from Group Functions to Commercial Banking.

Impairment charges on loans and other receivables were stable year-on-year. The figures for 2017 showed a release of EUR 180 million, compared with a release of EUR 179 million in 2016. In addition to the strong economic environment, the releases in 2017 were supported by model updates. The figures for 2017 also included EUR 6 million in IBNI releases (EUR 137 million in 2016).

Private Banking

Net interest income amounted to EUR 659 million (2016: EUR 645 million). Excluding the PB Asia divestment, net interest income rose by EUR 48 million. The increase was largely driven by increased income on deposits due to higher volumes and margins. The figures for 2017 were negatively impacted by a EUR 10 million provision for the Euribor claim.

Net fee and commission income amounted to EUR 573 million (2016: EUR 580 million). Excluding the PB Asia divestment, fee and commission income rose by EUR 43 million. The increase in fee and commission income was seen across both the domestic and international businesses and was mostly driven by higher asset management fees. Fee and commission income also benefited from the migration of clients from Retail Banking.

Other operating income at EUR 267 million (2016: EUR 27 million) increased by EUR 240 million. The increase was largely driven by the total gross sale proceeds of the PB Asia divestment, amounting to EUR 263 million (tax-exempt). The results for 2016 included the proceeds of a provision release of EUR 21 million related to the sale of Private Banking Switzerland (2011).

Personnel expenses at EUR 472 million (2016: EUR 501 million) were down EUR 29 million. Excluding PB Asia, personnel expenses declined by EUR 5 million (1%). The decreasing personnel expenses reflected lower FTE levels. Compared with 2016, FTE levels decreased by 604 (approximately 400 of which were driven by the PB Asia divestment). A further FTE reduction is expected as a result of the digital transformation of the private bank.

General and administrative expenses amounted to EUR 280 million (2016: EUR 240 million). Excluding PB Asia, general and administrative expenses increased by EUR 30 million. The increase was partly driven by investments in the new online wealth manager Prospery and higher regulatory levies. In addition, the figures for 2016 included a release following the settlement of an insurance claim of EUR 24 million at Private Banking International.

Depreciation and amortisation of tangible and intangible assets at EUR 65 million (2016: EUR 32 million) increased by EUR 33 million. This increase was driven by a goodwill impairment of EUR 36 million within Private Banking.

Impairment charges amounted to a release of EUR 6 million, compared with a charge of EUR 20 million in 2016. This improvement was largely driven by lower additions in the Netherlands and Luxembourg.

Corporate & Institutional Banking

Net interest income amounted to EUR 975 million (2016: EUR 931 million), an increase of EUR 44 million. The figures for 2017 were positively impacted by favourable unearned interest releases and the recognition of TLTRO funding benefit. Excluding these items, net interest income rose due to positive volume and margin developments, mainly within Natural Resources, Transportation and Financial Institutions. In addition, the figure for 2017 included more interest-related fees on the back of the growing number of new loan facilities. Net interest income at Global Markets decreased as favourable results from 2016, mainly within collateral management, were not replicated.

Net fee and commission income at EUR 538 million (2016: EUR 549 million) decreased by EUR 11 million. This decrease was largely driven by lower clearing fees, owing to lower volatility in the market compared with 2016.

Net trading income at EUR 226 million (2016: EUR -209 million) increased by EUR 435 million. The figures for 2016 were impacted by the addition to the provision for SME derivatives-related issues. The total gross impact was EUR 361 million, of which EUR 351 million was recorded in the net trading income at Corporate & Institutional Banking. The results for 2017 also benefited from higher CVA/DVA/FVA results (EUR 75 million, compared with EUR 2 million in 2016).

Other operating income amounted to EUR 76 million (2016: EUR -14 million), an increase of EUR 90 million. This outcome was driven by positive equity participations results (EUR 114 million, compared with EUR 13 million in 2016).

Personnel expenses at EUR 442 million (2016: EUR 400 million) increased by EUR 42 million. In addition to wage inflation and higher pension costs, the increase was driven by the higher number of FTE (155 higher than in 2016) needed to support the growth initiatives.

General and administrative expenses at EUR 423 million (2016: EUR 309 million) increased by EUR 114 million. Higher costs in 2017 include EUR 139 million of project costs for SME derivatives-related issues (2016: EUR 55 million provision and EUR 34 million project costs). In addition, regulatory expenses were higher in 2017 (EUR 76 million, compared with EUR 63 million in 2016).

Intersegment expenses at EUR 393 million (2016: EUR 413 million) declined by EUR 20 million as a result of the ongoing cost-saving programmes.

Impairment charges at EUR 219 million (2016: EUR 210 million) were up EUR 9 million. These charges included an IBNI charge of EUR 8 million (2016: EUR 1 million). The impairment charges in the ECT portfolio were lower at EUR 186 million, a decrease of EUR 23 million compared with 2016.

Special plans exist for certain key investment professionals within Private Equity. Key investment professionals are able to participate in private equity funds where separate performance-related incentives ('carried interest') are agreed upon. Carried interest becomes payable only after the relevant private equity fund has first returned all capital contributed by ABN AMRO plus an amount of profits at an agreed hurdle rate. Carried interest entitlement is awarded at the initiation of the private equity fund that is controlled by ABN AMRO. The value of this entitlement over the paid-up amount by the investment professionals is treated as variable compensation at the time of being granted. Subsequent changes in value are treated as third-party minority interest in the funds and reflected as other non-controlling interests in the consolidated income statement (see page 180) and as equity attributable to other non-controlling interests in the consolidated statement of financial position (see page 182) of ABN AMRO. Carried interest is subject to 'good and bad leaver' arrangements, as set out in the relevant agreement, to discourage malfeasance. Claw-back provisions are also in place.

Group Functions

Net interest income at negative EUR 38 million (2016: negative EUR 2 million) decreased by EUR 36 million. Higher buffer and steering costs were only partly offset by a release of mortgage penalty interest of EUR 49 million.

Net fee and commission income at EUR 28 million (2016: EUR 15 million), increased by EUR 13 million. The increase was driven by additional fees on securities financing activities and additional income from Stater (mortgage service provider). The 2017 figures include a reclassification of Stater-related income from other operating income to net fee and commission income (EUR 73 million; historical figures also restated).

Other operating income at EUR 228 million (2016: EUR 144 million) increased by EUR 84 million. The increase was largely driven by more favourable hedge accounting-related results. The 2016 figures included the Equens revaluation gain of EUR 52 million. In addition, both years included tax-exempt provisions related to the part of the securities financing activities that were discontinued in 2009.

Personnel expenses at EUR 876 million (2016: EUR 1,125 million) decreased by EUR 249 million. The decrease was supported by lower restructuring provisions. The 2016 figures included EUR 321 million in restructuring provisions related to the reorganisation of control and support activities and further digitalisation and process optimisation. The 2017 figures include EUR 112 million of restructuring provisions booked within Group Functions. Excluding the impact of provisions, personnel expenses declined on the back of the lower number of FTE resulting from the ongoing cost-saving programmes (6,206 FTE compared with 7,416 FTE in 2016). FTE levels were also impacted by a transfer of FTE from Group Functions to the commercial business lines to embed a more agile way of working.

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General and administrative expenses amounted to EUR 1,383 million (2016: EUR 1,502 million), an 8% decrease compared with 2016.The lower cost base was the result of the various cost-saving programmes, such as the IT transformation and restructuring of control and support activities.

The 2017 figures include a EUR 17 million impairment related to the ATM network, compared with a provision of EUR 27 million relating to office space in Q4 2016.

Segment income statement for the year 2016

						2016
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Income						
Net interest income	3,355	1,339	645	931	-2	6,267
Net fee and commission income	463	202	580	549	15	1,810
Net trading income	4	2	45	-209	-53	-211
Share of result in equity accounted investments	43	-1	17	-9	4	55
Other operating income	93	57	27	-14	144	306
Operating income	**3,959**	**1,598**	**1,315**	**1,247**	**108**	**8,227**
Expenses						
Personnel expenses	470	280	501	400	1,125	2,777
General and administrative expenses	513	117	240	309	1,502	2,682
Depreciation and amortisation of tangible and intangible assets	6	4	32	13	144	198
Intersegment revenues/expenses	1,222	459	272	413	-2,366	
Operating expenses	**2,211**	**860**	**1,045**	**1,135**	**405**	**5,657**
Impairment charges on loans and other receivables	79	-179	20	210	-15	114
Total expenses	**2,290**	**682**	**1,065**	**1,345**	**390**	**5,771**
Operating profit/(loss) before taxation	**1,669**	**917**	**249**	**-97**	**-282**	**2,456**
Income tax expense	422	231	50	-16	-36	650
Profit/(loss) for the period	**1,247**	**686**	**199**	**-81**	**-245**	**1,806**
Attributable to:						
Owners of the company	1,247	686	199	-82	-289	1,762
Holders of AT1 capital securities					43	43
Other non-controlling interests				1		1

Selected assets and liabilities by segment

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2017
Assets						
Financial assets held for trading				1,599		1,600
Derivatives			19	8,659	1,146	9,825
Securities financing			13	3,658	12,975	16,645
Residential mortgages	147,495	7	2,926		2,264	152,691
Consumer loans	7,295	453	4,324	49		12,122
Corporate loans	2,435	38,278	4,926	51,377	4,102	101,118
Other loans and receivables - customers	3	464	3	8,250	254	8,975
Other	1,777	1,855	8,950	6,877	70,735	90,195
Total assets	**159,006**	**41,057**	**21,162**	**80,470**	**91,476**	**393,171**
Liabilities						
Financial liabilities held for trading				1,082		1,082
Derivatives			12	6,368	1,987	8,367
Securities financing			46	1,973	10,856	12,875
Demand deposits	27,359	32,660	40,912	26,066	678	127,675
Saving deposits	73,185	2,723	19,835	8		95,751
Time deposits	2,241	342	4,285	4,199	2,207	13,274
Other	56,220	5,333	-43,927	40,774	54,417	112,818
Total liabilities	**159,006**	**41,057**	**21,162**	**80,470**	**70,146**	**371,841**

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2016
Assets						
Financial assets held for trading				1,607		1,607
Derivatives			54	12,038	2,293	14,384
Securities financing			14	4,634	12,941	17,589
Residential mortgages	146,065	8	2,924		3,073	152,069
Consumer loans	7,684	670	3,752	-0		12,106
Corporate loans	2,518	36,297	5,449	47,361	4,433	96,058
Other loans and receivables - customers		305		6,853	288	7,445
Other	2,313	1,735	12,426	8,374	68,375	93,223
Total assets	**158,580**	**39,014**	**24,618**	**80,866**	**91,403**	**394,482**
Liabilities						
Financial liabilities held for trading				791		791
Derivatives			30	10,087	4,409	14,526
Securities financing			3	1,101	10,522	11,625
Demand deposits	25,514	31,431	39,490	23,009	404	119,848
Saving deposits	72,019	3,363	17,345	13		92,740
Time deposits	5,217	145	4,990	4,414	1,404	16,169
Other	55,831	4,075	-37,240	41,452	55,727	119,845
Total liabilities	**158,580**	**39,014**	**24,618**	**80,866**	**72,466**	**375,544**

Geographical segments

						2017
(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Net interest income	5,388	587	244	167	70	6,456
Net fee and commission income	1,139	369	111	113	15	1,747
Net trading income	227	46	10	5	-1	287
Share of result in equity accounted investments	44	10				54
Other operating income	449	4	-1	293		745
Operating income	**7,247**	**1,016**	**364**	**578**	**85**	**9,290**
Expenses						
Personnel expenses	1,909	439	99	121	23	2,590
General and administrative expenses	2,357	249	61	65	15	2,746
Depreciation and amortisation of tangible and intangible assets	172	59	4	8	2	245
Intersegment revenues/expenses	-46	32	7	13	-6	
Operating expenses	**4,393**	**779**	**170**	**206**	**34**	**5,582**
Impairment charges on loans and other receivables	-274	80	101	21	10	-63
Total expenses	**4,119**	**859**	**271**	**227**	**43**	**5,519**
Operating profit/(loss) before taxation	**3,129**	**157**	**93**	**350**	**41**	**3,771**
Income tax expense	822	54	75	15	13	979
Profit/(loss) for the period	**2,307**	**103**	**18**	**336**	**28**	**2,791**
Attributable to:						
Owners of the company	2,236	103	18	336	28	2,721
Holders of AT1 capital securities	53					53
Other non-controlling interests	18					18

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						2016
Income						
Net interest income	5,259	569	199	175	65	6,267
Net fee and commission income	1,171	350	111	165	13	1,810
Net trading income	-261	26	11	16	-3	-211
Share of result in equity accounted investments	38	17				55
Other operating income	279	18	1	7	-0	306
Operating income	**6,486**	**980**	**322**	**364**	**76**	**8,227**
Expenses						
Personnel expenses	2,160	360	94	139	25	2,777
General and administrative expenses	2,336	230	43	56	16	2,682
Depreciation and amortisation of tangible and intangible assets	153	34	4	5	2	198
Intersegment revenues/expenses	-37	14	7	27	-11	
Operating expenses	**4,612**	**638**	**147**	**227**	**32**	**5,657**
Impairment charges on loans and other receivables	-42	72	58	17	9	114
Total expenses	**4,570**	**710**	**206**	**244**	**41**	**5,771**
Operating profit/(loss) before taxation	**1,915**	**270**	**117**	**119**	**35**	**2,456**
Income tax expense	537	71	15	16	10	650
Profit/(loss) for the period	**1,378**	**200**	**101**	**103**	**24**	**1,806**
Attributable to:						
Owners of the company	1,334	200	101	103	24	1,762
Holders of AT1 capital securities	43					43
Other non-controlling interests	1					1

3 Overview of financial assets and liabilities by measurement base

					31 December 2017
(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Fair value through other comprehensive income	Total
Financial assets					
Cash and balances at central banks	29,783				29,783
Financial assets held for trading		1,600			1,600
Derivatives		8,749	1,076		9,825
Financial investments			679	40,285	40,964
Securities financing	16,645				16,645
Loans and receivables - Banks	10,665				10,665
Loans and receivables - Customers	274,906				274,906
Assets held for sale	385		2,728	7	3,120
Total financial assets	**332,384**	**10,349**	**4,482**	**40,292**	**387,507**
Financial liabilities					
Financial liabilities held for trading		1,082			1,082
Derivatives		6,695	1,672		8,367
Securities financing	12,875				12,875
Due to banks	16,462				16,462
Due to customers	236,699				236,699
Issued debt	75,429		1,182		76,612
Subordinated liabilities	9,720				9,720
Liabilities held for sale	2,092		2,729		4,821
Total financial liabilities	**353,278**	**7,777**	**5,583**		**366,637**

					31 December 2016
(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Fair value through other comprehensive income	Total
Financial assets					
Cash and balances at central banks	21,861				21,861
Financial assets held for trading		1,607			1,607
Derivatives		12,211	2,173		14,384
Financial investments			778	44,719	45,497
Securities financing	17,589				17,589
Loans and receivables - Banks	13,485				13,485
Loans and receivables - Customers	267,679				267,679
Other assets			3,275		3,275
Total financial assets	**320,614**	**13,818**	**6,226**	**44,719**	**385,377**
Financial liabilities					
Financial liabilities held for trading		791			791
Derivatives		10,401	4,126		14,526
Securities financing	11,625				11,625
Due to banks	13,419				13,419
Due to customers	228,758				228,758
Issued debt	79,639		1,639		81,278
Subordinated liabilities	11,171				11,171
Other liabilities			3,275		3,275
Total financial liabilities	**344,613**	**11,191**	**9,040**		**364,844**

4 Net interest income

Accounting policy for net interest income and expense

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method, except for those financial instruments held for trading. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, over the expected lives of the assets and liabilities. The effective interest rate method requires the Group to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as expected lives of the assets and liabilities. Due to the large number of products, there are no individual estimates that are material to the bank's results or financial position. Interest income and expenses of trading balances are included in net trading income. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

(in millions)	2017	2016
Interest income	12,502	12,651
Interest expense	6,045	6,383
Net interest income	**6,456**	**6,267**

Net interest income

Net interest income for the full-year 2017 amounted to EUR 6,456 million, an increase of EUR 189 million compared with EUR 6,267 million in 2016 (which included EUR 10 million related to SME derivatives).

Excluding the impact of the PB Asia divestment, net interest income rose by EUR 223 million.

Positive volume developments on mortgages, improving margins on deposits (consumer and corporate) and growth of the loan book were offset by lower net interest income at Global Markets and increased buffer and steering costs at ALM.

Interest income

The breakdown of interest income by type of product for the years ended 31 December is shown in the following table.

(in millions)	2017	2016
Interest income from:		
Financial investments available-for-sale	646	690
Securities financing	340	290
Loans and receivables - banks	208	218
Loans and receivables - customers	9,033	9,187
Other	2,274	2,265
Total interest income	**12,502**	**12,651**

Interest income amounted to EUR 12,502 million in 2017, a decrease of EUR 149 million compared with EUR 12,651 million in 2016. Interest income from items not at fair value through profit or loss amounted to EUR 9,775 million (2016: EUR 9,906 million).

The 2017 results were impacted by positive incidentals such as a review of the treatment of credit risk allowances and interest income on impaired loans, which resulted in an adjustment of EUR 74 million. A change in the accounting policy for interest rate renewals of mortgages prior to the end of the interest period led to a release of penalty interest of EUR 49 million in interest income. The figures for 2017 also included a provision for ICS of EUR 8 million (2016: EUR 47 million).

A negative incidental was the ruling of the Court of Appeal against ABN AMRO in a case in which ABN AMRO had raised surcharges for mortgages with Euribor interest rates. This resulted in a provision of EUR 52 million.

Other includes interest income on hedging instruments for an amount of EUR 1,945 million (2016: EUR 1,884 million).

Interest expense

The breakdown of interest expenses by type of product for the years ended 31 December is shown in the following table.

(in millions)	2017	2016
Interest expenses from:		
Securities financing	227	179
Due to banks	151	155
Due to customers	875	1,250
Issued debt	1,570	1,563
Subordinated liabilities	511	520
Other	2,711	2,716
Total interest expense	**6,045**	**6,383**

Interest expense for the full year 2017 decreased by EUR 338 million to EUR 6,045 million (2016: EUR 6,383 million). Interest expense from items not at fair value through profit or loss amounted to EUR 3,539 million (2016: EUR 3,848 million).

The decrease in interest expense from due to customers was caused by the lower interest expense (EUR 375 million) for client savings as a result of lower interest rates.

The interest expense on ABN AMRO's participation in TLTRO II is linked to the interest rate on the deposit facility (-0.4%), subject to certain conditions. In 2017 ABN AMRO concluded that these conditions would be met with reasonable assurance, thus leading to the recognition of a government grant. A discount of EUR 29 million was recognised in interest expense due to banks.

Other includes interest expense on hedging instruments for an amount of EUR 2,366 million (2016: EUR 2,352 million).

5 Net fee and commission income

Accounting policy for net fee and commission income

ABN AMRO applies IAS 18 Revenue. Fees and commissions are recognised as the services are provided. The following fee types are identified:

- Service fees are recognised on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts;
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the following criteria have been met:

- The fees are realised and earned;
- The earnings process is completed by performing according to the terms of the arrangements, not simply by originating a revenue-generating arrangement;
- If services are rendered or rights to use assets extend continuously over time (for example, interest or rent), and when reliable measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

(in millions)	2017	2016
Fee and commission income	3,138	3,149
Fee and commission expense	1,391	1,340
Net fee and commission income	**1,747**	**1,810**

Net fee and commission income decreased in 2017 by EUR 63 million compared to 2016, mainly due to the sale of Private Banking Asia activities as at 1 May 2017.

In 2017, ABN AMRO reclassified EUR 67 million (for 2016) and EUR 73 million (for 2017) of fee income related to Stater (mortgage service provider) from other operating income to fee and commission income. ABN AMRO considers it more transparent to record all service-related fee income under a single line item (Fee and commission income) as the accounting of fee income is in scope of IAS 18 Revenue (and as at 1 January 2018 in scope of IFRS 15 Revenue from Contracts with Customers). The comparative figures have been adjusted accordingly.

Fee and commission income

Fee and commission income for the years ended 31 December is specified in the following table.

(in millions)	2017	2016
Fee and commission income from:		
Securities and custodian services	1,427	1,438
Payment services	659	676
Portfolio management and trust fees	563	545
Guarantees and commitment fees	170	167
Insurance and investment fees	83	86
Other service fees	237	238
Total fee and commission income	**3,138**	**3,149**

Fee and commission income was lower in 2017 as a result of the sale of Private Banking Asia (EUR 50 million) and because of lower fees from payment services due to a reduction in client rates for payment packages. Lower fee and commission income was partly offset by a reclassification of fee and commission income to fee and commission expense.

Fee and commission expense

The components of fee and commission expenses for the years ended 31 December are as follows:

(in millions)	2017	2016
Fee and commission expenses from:		
Securities and custodian services	1,086	1,046
Payment services	164	162
Portfolio management and trust fees	80	76
Guarantees and commitment fees	9	8
Insurance and investment fees	34	30
Other service fees	19	19
Total fee and commission expense	**1,391**	**1,340**

Fee and commission expense increased by EUR 51 million, mainly owing to a reclassification of fee and commission income to fee and commission expense.

6 Net trading income

Accounting policy for net trading income

In accordance with IAS 39, trading positions are held at fair value, and net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities. The latter comprise trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in own credit spreads where these impact on the value of our trading liabilities. The funding valuation adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives.

(in millions)	2017	2016
Interest instruments trading	39	-364
Equity trading	38	-38
Foreign exchange transaction results[1]	146	183
Other	64	8
Total net trading income	**287**	**-211**

[1] Includes foreign exchange results for balances not being "fair value to profit or loss" EUR 18 million (2016: EUR 31 million).

Net trading income amounted to a gain of EUR 287 million (2016: loss of EUR 211 million) and was EUR 498 million higher than in 2016. This was mainly caused by higher CVA/DVA/FVA results and gains of EUR 75 million (2016: a loss of EUR 2 million). Both years include provisions related to discontinued securities financing activities (Group Functions) and SME derivatives-related issues (Corporate & Institutional Banking). For more details, please refer to note 29 Provisions.

Interest income from instrument trading increased by EUR 403 million in 2017 compared with 2016. The increase was driven by the provisions for SME derivatives-related issues in Corporate & Institutional Banking in 2016, and the effect of CVA and DVA results (EUR 83 million in 2017 versus EUR 0 million in 2016).

Equity trading income increased to EUR 76 million compared with 2016, owing to a tax-exempt provision related to discontinued securities financing activities.

Foreign exchange transactions results decreased to EUR 146 million in 2017, down by EUR 37 million compared with 2016. The decrease was mainly due to lower client activity levels in 2017 compared with 2016.

7 Other operating income

Accounting policy for other operating income

Other operating income includes all other banking activities such as leasing activities and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IAS 39 for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in own credit spreads Dividend income from non-trading equity investments is recognised when entitlement is established.

(in millions)	2017	2016
Leasing activities	22	23
Disposal of operating activities and equity accounted investments	327	81
Result from financial transactions	334	163
Other	62	39
Total other operating income	**745**	**306**

Other operating income increased by EUR 439 million to EUR 745 million in 2017 (2016: EUR 306 million), mainly due to an increase in the disposal of operating activities and equity accounted investments and the result from financial transactions.

Disposal of operating activities and equity accounted investments increased, mainly due to the PB Asia divestment in the first half of 2017.

The result from financial transactions increased by EUR 171 million in 2017 compared with 2016, mainly due to hedge accounting-related results at Group Functions. The figures for 2017 include the proceeds of the sale of the remaining equity stake in Visa Inc. The sale of these shares resulted in a EUR 114 million pre-tax gain. The figures for 2016 included a EUR 116 million pre-tax gain on the sale of Visa Europe shares. Additionally, the results of the revaluation and divestments of equity accounted participations increased by EUR 24 million in 2017, compared with 2016.

8 Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate. The accounting policies for pensions and other post-retirement benefits are included in note 30.

(in millions)	2017	2016
Salaries and wages	1,656	1,716
Social security charges	227	235
Pension expenses relating to defined benefit plans		6
Defined contribution plan expenses	369	343
Other	338	477
Total personnel expenses	**2,590**	**2,777**

Total personnel expenses for 2017 amounted to EUR 2,590 million, a decrease of EUR 187 million, or 7%, compared with EUR 2,777 million in 2016.

Other decreased by EUR 139 million, despite several smaller restructuring provisions in 2017. The decrease in 2017 reflected the high provisions made for restructuring in 2016.

Personnel expenses include the costs of a variable compensation plan for Identified Staff. This plan is not an employee share-based payment plan as defined in IFRS 2 Share-based Payment. As a result of ABN AMRO depositary receipts being listed on the Amsterdam stock exchange, ABN AMRO is in the process of changing the variable compensation plan into a plan that may qualify as a share-based payment plan.

9 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period in which services have been provided and to which the payment relates.

(in millions)	2017	2016
Agency staff, contractors and consultancy costs	664	777
Staff related costs	77	87
Information technology costs	1,021	1,002
Housing	184	195
Post, telephone and transport	55	57
Marketing and public relations costs	111	109
Regulatory charges	325	275
Other	310	179
Total general and administrative expenses	**2,746**	**2,682**

Total general and administrative expenses increased by EUR 64 million to EUR 2,746 million in 2017, up 2% from EUR 2,682 million in 2016.

Agency staff, contractors and consultancy costs decreased by EUR 113 million, mainly due to lower consultancy fees (EUR 67 million lower than in 2016).

In the line item Other, provisions for legal matters increased by EUR 85 million. This was mainly due to the provision for SME derivatives-related issues, which rose by EUR 139 million in 2017.

(in millions)	2017	2016
Bank tax	103	98
Deposit Guarantee Scheme	94	90
Single resolution funds	103	66
Other regulatory levies	25	22
Total regulatory charges	**325**	**275**

The increase of EUR 50 million was mainly due to higher costs for the Single Resolution Fund in 2017 as the EUR 32 million refund on the 2015 payment was recorded in 2016.

Fees paid to EY are included under agency staff, contractors and consultancy costs. These fees are specified in the following table.

(in millions)	2017	2016
Financial statements audit fees	8	7
Audit related fees	5	3
Total auditor's fee	**13**	**10**

Financial statement audit fees relating to the audit of activities in the Netherlands amounted to EUR 6 million in 2017 (2016: EUR 6 million). Audit-related fees for activities in the Netherlands amounted to EUR 2 million in 2017 (2016: EUR 1 million).

Audit-related fees comprise services for regulatory reporting purposes, comfort letters and consent letters, assurance engagements on segregation of assets, assurance on service organisation reports and procedures agreed for supervisory purposes.

10 Income tax expense, tax assets and tax liabilities

Accounting policy for income tax expense, tax assets and tax liabilities

ABN AMRO applies IAS 12 Income Taxes in accounting for taxes on income.
ABN AMRO is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise. Withholding taxes are included in trading income. Income tax recoverable on tax-allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior period. Current tax is measured using tax rates enacted at the balance sheet date.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when there is both a legal right to offset and an intention to settle on a net basis.

(in millions)	2017	2016
Recognised in income statement:		
Current tax expenses for the current period	979	791
Adjustments recognised in the period for current tax of prior periods	-3	-20
Previously unrecognised tax losses, tax credits and temporary differences increasing (reducing) current tax expenses	4	-3
Total current tax expense	**981**	**768**
Deferred tax arising from the current period	-52	-158
Impact of changes in tax rates on deferred taxes	34	4
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	25	7
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	-9	30
Total deferred tax expense	**-1**	**-118**
Total income tax expense	**979**	**650**

Reconciliation of the total tax charge

The effective rate based on the Consolidated statement of income was 26.0% in 2017 (2016: 26.5%) and differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained as follows:

(in millions)	2017	2016
Profit/(loss) before taxation	3,771	2,456
Applicable tax rate	25.0%	25.0%
Expected income tax expense	943	614
Increase/(decrease) in taxes resulting from:		
Tax exempt income	-52	-19
Share in result of associates and joint ventures	-23	-9
Non-deductable Dutch bank tax	24	24
Other non-deductable expenses	60	3
Previously unrecognised tax losses and temporary differences	-5	26
Write-down and reversal of write-down of deferred tax assets	25	7
Impact of changes in tax rates on temporary differences	34	4
Foreign tax rate differential	-40	13
Adjustments for current tax of prior years	-3	-17
Other	15	4
Actual income tax expense	**979**	**650**

The effective tax rate is mainly affected by non-deductible expenses related to provisions and interest, expenses that are partly deductible and the Dutch Banking Tax. Furthermore, the reduction in the US tax rate has a negative impact on US deferred tax assets. This is partly offset by non-taxable gains and income and the effect of profits outside the Netherlands subject to lower tax rates.

Tax assets and liabilities

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities, including derivative contracts, allowances for loan impairment and investments (available-for-sale). The following table summarises the tax position at 31 December:

	31 December 2017		31 December 2016	
(in millions)	Assets	Liabilities	Assets	Liabilities
Current tax	72	101	107	123
Deferred tax	359	9	307	11
Total tax assets and liabilities	**431**	**110**	**415**	**134**

The significant components and annual movements in deferred tax assets and deferred tax liabilities at 31 December are shown in the following tables:

(in millions)	As at 1 January 2017	Income statement	Equity	Other	As at 31 December 2017
Deferred tax assets:					
Assets held for trading and derivatives	286	-1	25		310
Investments (available for sale)	26	-16		-1	9
Property and equipment	9	4			13
Intangible assets (excluding goodwill)	2	-2			
Insurance policy and claim reserves	-1	2			1
Loans and receivables - customers	3	1			4
Impairments on loans	57	8		-5	60
Provisions for pensions and post-retirement benefits	24	12	2		38
Accrued expenses and deferred income	53	14		1	68
Unused tax losses and unused tax credits	22	-1	1	-2	20
Other	37	-34	1	-2	3
Total deferred tax assets before offsetting	**517**	**-12**	**29**	**-9**	**525**
Offsetting deferred tax liabilities	209				166
Total deferred tax assets	**307**				**359**
Deferred tax liabilities related to:					
Investments (Available-for-sale)	189	-2	-27	-1	160
Property and equipment	3	1	1	-2	4
Intangible assets (excluding goodwill)	2	-2			
Loans and receivables - customers	6	-1			5
Deferred policy acquisition costs	1				1
Deferred expense and accrued income		-2		1	-1
Other	19	-8		-4	6
Total deferred tax liabilities before offsetting	**220**	**-13**	**-26**	**-5**	**175**
Offsetting deferred tax assets	209				166
Total deferred tax liabilities	**11**				**9**
Net deferred tax	**297**				**350**
Deferred tax through income statement and equity		**-1**	**-56**		

(in millions)	As at 1 January 2016	Income statement	Equity	Other	As at 31 December 2016
Deferred tax assets:					
Assets held for trading and derivatives	356	1	-71		286
Investments (available for sale)	16	10			26
Property and equipment	22	-13			9
Intangible assets (excluding goodwill)	2				2
Insurance policy and claim reserves	-2			1	-1
Loans and receivables - customers	3				3
Impairments on loans	33	23		1	57
Provisions for pensions and post-retirement benefits	24	11	-10	-1	24
Accrued expenses and deferred income	68	-14			53
Unused tax losses and unused tax credits	11	8		2	22
Other	50	-12	-1		37
Total deferred tax assets before offsetting	**581**	**14**	**-82**	**4**	**517**
Offsetting deferred tax liabilities	272				209
Total deferred tax assets	**309**				**307**
Deferred tax liabilities related to:					
Investments (Available-for-sale)	261	-99	28		189
Property and equipment	2			1	3
Intangible assets (excluding goodwill)	2				2
Loans and receivables - customers	8	-2			6
Deferred policy acquisition costs	1				1
Deferred expense and accrued income	1	-1			
Other	20	-1			19
Total deferred tax liabilities before offsetting	**295**	**-104**	**28**	**1**	**220**
Offsetting deferred tax assets	272				209
Total deferred tax liabilities	**23**				**11**
Net deferred tax	**286**				**297**
Deferred tax through income statement and equity		**-118**	**110**		

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Recognition is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO operates, available tax planning opportunities, and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that ABN AMRO may be able to implement, changes to the recognition of deferred tax assets could be required, and these could impact on our financial position and net profit.

Tax losses

The total accumulated losses available for carry-forward at 31 December 2017 amounted to EUR 1,448 million (2016: EUR 1,554 million), of which EUR 74 million (2016: EUR 60 million) could be recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 20 million (2016: EUR 22 million).

Unrecognised tax assets

Deferred tax assets of EUR 22 million (2016: EUR 24 million) have not been recognised in respect of gross deductible temporary differences of EUR 76 million (2016: EUR 74 million) and EUR 247 million (2016: EUR 266 million) have not been recognised in respect of gross tax losses of EUR 1,374 million (2016: EUR 1,494 million) because future taxable profits are not considered probable. These deferred tax assets are mainly related to positions outside the Netherlands.

Tax credits and unrecognised tax credits

ABN AMRO no longer has any carry-forward tax credits available at 31 December 2017 (2016: EUR 3 million) that are not recognised because offset against future tax benefits is not expected. The following tables show when the operating losses and tax credits as at 31 December 2017 expire:

(in millions)	2017	2018	2019	2020	2021	2022	After 5 years	No expiration	Total
2017									
Loss carry-forward recognised					5	7	23	38	74
Loss carry-forward not recognised		4	4	10	5	1	25	1,327	1,374
Total tax losses carry-forward (gross)		**4**	**4**	**10**	**10**	**8**	**48**	**1,365**	**1,448**
2016									
Loss carry-forward recognised					4		15	41	60
Loss carry-forward not recognised	4	4	4	10	5		8	1,460	1,494
Total tax losses carry-forward (gross)	**4**	**4**	**4**	**10**	**9**		**23**	**1,501**	**1,554**

(in millions)	2017	2018	2019	2020	2021	2022	After 5 years	No expiration	Total
2017									
Tax credits recognised									
Tax credits not recognised									
Total tax credits carry-forward (gross)									
2016									
Tax credits recognised									
Tax credits not recognised								3	3
Total tax credits carry-forward (gross)								**3**	**3**

ABN AMRO does not recognise deferred tax in respect of ABN AMRO investments in subsidiaries, branches, associates and interests in joint arrangements when ABN AMRO is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. It is not practicable to determine the amount of income tax payable were such temporary differences to be reversed.

Of the total amount of recognised net deferred assets, EUR 29 million (2016: EUR 16 million) is related to entities that suffered a loss either in the current or preceding year. The recognition of these deferred tax assets is based on a projection of future taxable income.

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and in the Consolidated statements of changes in equity.

Income tax consequences of dividend

The Executive Board proposes, subject to approval by the Supervisory Board, a final dividend of EUR 752 million on the ordinary shares. The dividend will, in principle, be subject to 15% withholding tax.

Country-by-country reporting

The following table provides an overview of total assets, total operating income, average number of FTEs, operating profit/(loss) before taxation and income tax expense, as well as the principal subsidiary and main activity, for each country. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

							31 December 2017
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	341,202	7,417	16,899	3,246	847
- of which international activities			5,888	224	23	117	26
France	Banque Neuflize OBC S.A.	Private Banking	5,833	332	972	24	
Germany	Bethmann Bank AG	Private Banking	4,384	275	753	8	20
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	1,252	85	249	-37	9
United Kingdom	ABN AMRO Commercial Finance Plc	Commercial Banking	1,723	66	361	25	7
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	2,962	44	162	4	1
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate & Institutional Banking	2,803	67	31	39	10
Denmark[1]	ABN AMRO Securities Holdings (Denmark) ApS	Corporate & Institutional Banking	-119	50		50	
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	-8				
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	519	43	131	21	2
United States	ABN AMRO Clearing Chicago LLC	Corporate & Institutional Banking	20,009	301	428	38	61
Brazil	ABN AMRO Brasil Participações	Corporate & Institutional Banking	353	23	87	15	7
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate & Institutional Banking	9,780	264	382	153	9
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	2,734	248	194	156	3
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate & Institutional Banking	105	14	15	4	
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	2	36	54	21	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate & Institutional Banking	202	16	51	5	1
Other			-565	9	10	-1	
Total			**393,171**	**9,290**	**20,779**	**3,771**	**979**

[1] Income is related to the settlement with the Swiss Federal Tax Authorities (see also note 29 Provisions).

							31 December 2016
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	338,869	6,586	17,708	1,968	551
- of which international activities			4,238	1	26	-4	
France	Banque Neuflize OBC S.A.	Private Banking	5,399	331	988	73	20
Germany	Bethmann Bank AG	Private Banking	3,726	262	769	72	18
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	1,375	98	238	21	10
United Kingdom	ABN AMRO Commercial Finance Plc	Commercial Banking	1,565	72	371	27	5
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	2,984	49	171	-1	-2
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate & Institutional Banking	3,310	77	29	42	11
Denmark[1]	ABN AMRO Securities Holdings (Denmark) ApS	Corporate & Institutional Banking	-119	-1		-1	
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	-8	5	40	-5	
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	599	39	117	14	1
United States	ABN AMRO Clearing Chicago LLC	Corporate & Institutional Banking	21,348	322	420	117	15
Brazil	ABN AMRO Brasil Participações	Corporate & Institutional Banking	259	58	82	9	5
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate & Institutional Banking	10,973	186	507	74	5
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	4,167	111	272	25	3
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate & Institutional Banking	38	22	14	11	4
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	587	43	96	3	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate & Institutional Banking	200	17	53	8	2
Other			-792	-49	2	-1	
Total			**394,482**	**8,227**	**21,877**	**2,456**	**650**

[1] Income is related to the settlement with the Swiss Federal Tax Authorities (see also note 29 Provisions).

ABN AMRO received a government grant for its TLTRO II programme in 2017. No material government grants were received in 2016.

11 Earnings per share

The following table shows the composition of basic earnings per share at 31 December.

			2017			2016
(in millions)	Profit/(loss) for the period[1]	Number of shares	Earnings per share (in euros)	Profit/(loss) for the period[1]	Number of shares	Earnings per share (in euros)
Basic earnings[1]	2,721	940	2.89	1,762	940	1.87

[1] Earnings consist of reported profit excluding reserved payments for AT1 Capital securities and results attributable to other non-controlling interests.

ABN AMRO does not have any dilutive potential ordinary shares. Therefore only basic earnings per ordinary share is disclosed. Basic earnings per ordinary share is calculated by dividing the profit attributable to the shareholders of ABN AMRO Group by the weighted average number of ordinary shares outstanding. The earnings per share in 2017 amounted to EUR 2.89 (2016: EUR 1.87). This is an increase of EUR 1.02, or 55%. A final dividend of EUR 0.80 per share will be proposed for 2017 (2016: EUR 0.44). Including the interim dividend paid on 8 September 2017 (EUR 611 million), the total dividend will amount to EUR 1.45 per share (2016: EUR 0.84).

12 Cash and balances at central banks

In accordance with IAS 39, cash and balances at central banks are held at amortised cost. This item includes cash on hand and available demand balances with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in note 19 Loans and receivables – banks.

(in millions)	31 December 2017	31 December 2016
Assets		
Cash on hand and other cash equivalents	371	444
Balances with central banks readily convertible in cash other than mandatory reserve deposits	29,412	21,417
Total cash and balances at central banks	**29,783**	**21,861**

Cash and balances at central banks increased by EUR 7.9 billion to EUR 29.8 billion at 31 December 2017, mainly due to higher outstanding overnight positions placed at the Dutch central bank and other central banks in Europe. Part of the increase is due to a reclassification in the balance as per 31 December 2017 (see note 19 Loans & receivables - banks). If the balance as per 31 December 2016 would have been adjusted the amount reported at “Balances with central banks readily convertible in cash other than mandatory reserve deposits” would have been EUR 22.4 billion.

13 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IAS 39, all assets and liabilities held for trading are held at fair value, with gains and losses in the changes of the fair value taken to net trading income in the income statement.

Financial assets held for trading

The following table shows the composition of assets held for trading.

(in millions)	31 December 2017	31 December 2016
Trading securities:		
Government bonds	1,071	1,152
Corporate debt securities	401	400
Equity securities	111	35
Total trading securities	**1,584**	**1,586**
Trading book loans	16	21
Total assets held for trading	**1,600**	**1,607**

Financial assets held for trading remained stable at EUR 1.6 billion at 31 December 2017.

Government bonds decreased slightly by EUR 0.1 billion, mainly related to changes in Dutch and Belgian bond positions. These portfolios are mainly a result of the primary dealership in these countries and held for the purpose of client facilitation. These contracts are hedged with short positions in corporate debt securities, government bonds and futures.

Equity securities increased slightly by EUR 0.1 billion, driven by an increase in derivative contracts used for client facilitation.

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(in millions)	31 December 2017	31 December 2016
Bonds	850	690
Equity securities	65	33
Total short security positions	**915**	**723**
Other liabilities held for trading	167	67
Total liabilities held for trading	**1,082**	**791**

Financial liabilities held for trading increased by EUR 0.3 billion to EUR 1.1 billion at 31 December 2017. Higher short positions in bonds, mainly related to Dutch and German government bonds and corporate debt securities.

The fair value of assets pledged as security is shown in note 33.

14 Derivatives

Accounting policy for derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of our clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. ABN AMRO also offers products that are traded on the financial markets to institutional and individual clients and governments.

Derivatives held for risk management purposes include the fair value of all derivatives qualifying as hedging instruments in fair value hedges and in cash flow hedges, hedge accounting derivatives, as well as the fair value of derivatives related to assets and liabilities designated as at fair value through profit or loss, economic hedges. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

From a risk perspective, the gross amount of trading assets must be associated with the gross amount of trading liabilities, which are presented separately in the statement of financial position. However, IFRS does not allow netting of these positions in the statement of financial position.

Derivatives comprise the following:

	31 December 2017								
	Derivatives held for trading			Economic hedges			Hedge accounting		Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	
Exchange traded									
Fair value assets	27		6			5			38
Fair value liabilities	23		17			132			172
Notionals	62	97	189			1,522			1,869
Over-the-counter									
Central counterparties									
Fair value assets									
Fair value liabilities									
Notionals	784,438			501			139,506		924,445
Other bilateral									
Fair value assets	5,860	1,946	326	107	336	136	1,076		9,786
Fair value liabilities	4,098	1,477	297	53	577	21	1,672		8,195
Notionals	133,341	140,914	3,053	1,034	28,483	1,738	11,609		320,173
Total									
Fair value assets	5,888	1,946	332	107	336	141	1,076		9,825
Fair value liabilities	4,121	1,477	314	53	577	153	1,672		8,367
Notionals	917,841	141,011	3,241	1,535	28,483	3,260	151,115		1,246,486

	31 December 2016								
	Derivatives held for trading			Economic hedges			Hedge accounting		Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	
Exchange traded									
Fair value assets	2		9			33			44
Fair value liabilities	6		17						22
Notionals	110		258			1,062			1,431
Over-the-counter									
Central counterparties									
Fair value assets									
Fair value liabilities									
Notionals	695,879			5,436			134,496		835,811
Other bilateral									
Fair value assets	8,967	2,367	131	173	507	23	2,173		14,341
Fair value liabilities	6,883	2,555	96	96	660	88	4,126		14,504
Notionals	157,676	156,402	1,350	2,923	25,936	1,263	29,051		374,601
Total									
Fair value assets	8,969	2,367	140	173	507	56	2,173		14,384
Fair value liabilities	6,889	2,555	113	96	660	88	4,126		14,526
Notionals	853,666	156,402	1,608	8,359	25,936	2,325	163,547		1,211,843

Over-the-counter derivatives cleared with a CCP are not presented in the statement of financial position.

The notional amount of the interest rate derivatives held for trading increased by EUR 64.2 billion to EUR 917.8 billion at 31 December 2017 (2016: EUR 853.7 billion). This increase was mainly due to higher client activity of Financial Institutions. At 31 December 2017 the fair value of interest rate derivatives decreased, mainly due to the increase in long-term interest rates compared to year-end 2016.

The notional amount of currency derivatives held for trading decreased by EUR 15.4 billion at 31 December 2017 to EUR 141.0 billion (2016: EUR 156.4 billion). The decrease was due to lower client activity.

The notional amount of the other derivatives held for trading increased by EUR 1.6 billion at 31 December 2017 to EUR 3.2 billion (2016: EUR 1.6 billion).

The hedging strategies are explained in greater detail in note 15.

15 Hedge accounting

Accounting policy for hedge accounting

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities, forecasted cash flows and net investments. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting.

Qualifying hedges may be designated as either fair value hedges, cash flow hedges or hedges of net investments. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates.

The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to the risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risks being hedged (the hedged risks) are typically changes in interest rates or foreign currency rates. ABN AMRO may also enter into credit risk derivatives (sometimes referred to as credit default swaps) for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item by assessing and measuring whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in results from financial transactions as part of other operating income. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Adoption of EU carved-out version IAS 39

Micro fair value hedging is hedging of separate hedged items, which can be assets or liabilities. ABN AMRO uses the 'carved out' version of IAS 39, as adopted by the European Union, which means that negative credit spreads are excluded in the hedge relationship for micro fair value hedging.

Macro fair value hedging implies that a group of financial assets is reviewed in combination and jointly designated as the hedged item. However, the portfolio may, for risk management purposes, include assets and liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at the designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro fair value hedging, ABN AMRO uses the carved-out version of IAS 39, as adopted by the European Union, which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. In this context, the impact of changes in the estimates of the repricing dates is considered ineffective only if it leads to over-hedging.

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the income statement within results from financial transactions as part of other operating income. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to profit or loss over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. Hedge effectiveness for cash flow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cash flow in the cash flow hedge. Any ineffective part of the cash flow hedge is recognised in other operating income immediately. If a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gains or losses recognised in equity are transferred to the income statement when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recognised in the income statement immediately.

Forecasted transactions

When the hedging instrument effectively hedges a forecasted transaction or firm commitment, the changes in fair value of the hedging instrument are recognised in equity. Amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur, hedge accounting is discontinued prospectively.

Hedging of net investments in foreign operations
ABN AMRO may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in equity, to the extent they are effective. The cumulative gain or loss recognised in equity is transferred to the income statement on the disposal of the foreign operation.

Hedges not qualifying for hedge accounting
The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost-beneficial to apply hedge accounting, are recognised directly in profit or loss.

Derivatives designated and accounted for as hedging instruments
The following results from ineffectiveness are recognised in other operating income:

(in millions)	2017	2016
Fair value hedges	47	-4
Cash flow hedges	4	-1
Net investment hedging		1
Total hedging results	**51**	**-4**

The total hedge ineffectiveness results increased by EUR 55 million compared with 2016. The increase was mainly driven by an increase of EUR 42 million in the macro fair value hedges.

Overview of the fair value and notional amounts of hedging instruments

	Fair value hedges			Cash flow hedges			Economic hedges	
	Notional amount	Fair value		Notional amount	Fair value		Fair value	
(in millions)		Assets	Liabilities		Assets	Liabilities	Assets	Liabilities
31 December 2017								
Derivatives for risk management purposes								
Interest rate	121,989	1,076	1,672	29,126		1,535	107	53
Currency						28,483	336	577
Other						3,260	141	153
Total	**121,989**	**1,076**	**1,672**	**29,126**		**33,278**	**584**	**784**
31 December 2016								
Derivatives for risk management purposes								
Interest rate	127,265	1,581	4,126	36,282	592	8,359	173	96
Currency						25,936	507	660
Other						2,325	56	88
Total	**127,265**	**1,581**	**4,126**	**36,282**	**592**	**36,620**	**736**	**844**

The notional amount of fair value hedges decreased from EUR 127.3 billion to EUR 122.0 billion at 31 December 2017, mainly driven by a decrease of EUR 4.7 billion in the macro fair value hedge portfolio. In 2017, ABN AMRO managed the interest rate risk by unwinding approximately EUR 8 billion of swaps in the cash flow hedges and by entering into EUR 1 billion of new swaps. This led to the notional amount of cash flow hedges decreasing from EUR 36.3 billion to EUR 29.1 billion.

The decrease in the fair value of the interest rate derivatives was mainly caused by the increase in long-term interest rates in 2017 and the clearing of a large part of the interest rate swaps portfolio at a CCP.

The market value of these swaps is settled on a daily basis, which results in a fair value of nil. This applies to all swaps in the cash flow hedges and the majority of the swaps in the fair value hedges.

In 2016, the economic hedges included opposite interest rate swaps with different counterparties to manage the exposure on a large counterparty. In 2017, these swaps were cleared by a CCP and subsequently cancelled, which explains the decrease in the notional amount of the economic hedges.

Fair value hedge accounting

ABN AMRO applies fair value hedge accounting to individual hedged items (micro fair value hedging), as well as to a portfolio of hedged items (macro fair value hedging).

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relationships principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed rate assets and fixed rate liabilities due to changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Net effect of gains/(losses) arising from fair value hedge accounting:

(in millions)	2017	2016
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-1,057	490
Gains/(losses) on hedging instruments used for the hedged assets	1,136	-500
Gains/(losses) on the hedged liabilities attributable to the fair value hedged risk	1,094	-42
Gains/(losses) on hedging instruments used for the hedged liabilities	-1,194	22
Net effect micro fair value hedge	**-22**	**-31**

Due to an increase in interest rate curves, the gains and losses on hedged items and hedging instruments in 2017 were opposite to those reported in 2016. Because the increase in 2017 was larger than the decrease in 2016, the absolute fair value changes of the hedged items and hedging instruments were larger in 2017.

Macro fair value hedge accounting

ABN AMRO hedges interest rate exposures of fixed-rate mortgages on a portfolio basis, using interest rate swaps. ABN AMRO applies a portfolio fair value hedge ('macro fair value hedge accounting') in which it designates interest rate swaps as hedging instruments and fixed-rate mortgages as hedged items. The hedge accounting relationship is reviewed and redesignated on a monthly basis.

As a result of the hedge, changes in the hedged item's fair value due to changes in the appropriate benchmark interest rate are booked to the income statement and are offset by changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are fixed-rate mortgages with the following features:
- denominated in local currency (euro);
- fixed term to maturity or repricing;
- pre-payable amortising or fixed principal amounts;
- fixed interest payment dates;
- no interest rate options;
- accounted for on an amortised cost basis.

Mortgages with these features form a portfolio of which the hedged item is designated in a fair value hedge accounting relationship. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. Hedged items are designated on a monthly basis to maintain an effective hedge accounting relationship.

Mortgage cash flows are allocated to monthly time buckets, based on expected maturity dates. ABN AMRO models the maturity dates of mortgages, taking into account a prepayment rate applied to the contractual cash flows and maturity dates of the mortgage portfolio. If the swap notional exceeds 95% of the expected mortgage notional in any given month, mortgages that mature one month earlier or one month later are designated to the swaps.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value attributable to the hedged interest rate risk and the carrying value of the hedged mortgages at de-designation of the hedge relationship is amortised over the remaining life of the hedged item.

(in millions)	2017	2016
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-810	-80
Gains/(losses) on hedging instruments used for the hedged assets	879	106
Net effect macro fair value hedge	**69**	**27**

In 2017 the total gain/(losses) on macro fair value hedges increased by EUR 42 million. Due to a transfer of swaps from macro cash flow hedging to macro fair value hedging in December 2016, the amount of swaps in the macro fair value model in 2017 was on average three times as high as in 2016. Ineffectiveness arises because the characteristics (e.g. maturity, coupon) of the hedged assets differ slightly from the characteristics of the hedging instruments.

Cash flow hedge accounting

ABN AMRO applies macro cash flow hedge accounting by which it designates interest rate swaps as hedging instruments and future cash flows on non-trading assets and liabilities as hedged items. The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated, if necessary, to maintain an effective hedge accounting relationship.

Future cash flows are derived from the projected balance sheet. This projected balance sheet is produced by asset and liability management models and forms the basis for the management of interest rate risk. The model behind the projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, growth rates and interest scenarios, based on statistical market and client data and an economic outlook.

The primary interest-sensitive positions in the balance sheet stemming from the non-trading book are loans and receivables, liabilities due to banks and customers, and issued debt securities.

Within the projected balance sheet, new assets and liabilities and the future repricing of existing assets and liabilities are grouped, based on the specific interest rate index on which they reprice (i.e. one month, three months, six months or one year). For each repricing index, all assets and liabilities are allocated to monthly clusters in which they reprice up until their maturity. Interest rate swaps are designated to these clusters, based on their repricing index and maturity.

The notional amounts of pay- or receive-floating swaps are designated to repricing all or a portion of current and forecasted assets and liabilities, respectively, in the clusters described above. These swap transactions are designated for hedge accounting purposes as a hedge of a gross position of a cluster of projected cash flows. In addition, the swap will only hedge the applicable floating swap rate portion of the interest repricing and reinvestment risk of the cluster. The availability of projected cash flows in the clusters is not constant over time and is therefore evaluated on a monthly basis. Changes in cash flow projections may lead to revision of the designation. Back-testing is also performed on the interest rate risk sensitivity models. Historical data are used to review the assumptions applied.

Hedge accounting ineffectiveness recognised in the income statement related to cash flow hedging amounted to a profit of EUR 4 million in 2017 (2016: loss of EUR 1 million).

The maturity profile of forecast principal balances designated in the cash flow hedge is as follows:

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
31 December 2017					
Assets	16,975	16,975	10,275		
Liabilities	4,436	4,436	4,436	4,436	2,364
Net assets/liabilities	**12,539**	**12,539**	**5,839**	**-4,436**	**-2,364**
31 December 2016					
Assets	23,930	23,930	20,430		
Liabilities	3,962	3,962	3,962	3,962	1,695
Net assets/liabilities	**19,968**	**19,968**	**16,468**	**-3,962**	**-1,695**

Net gains/(losses) on cash flow hedges transferred from equity to the income statement are as follows:

(in millions)	2017	2016
Interest income	537	395
Interest expense	709	382
Subtotal	**-172**	**13**
Tax expense	-43	3
Total gains/(losses) on cash flow hedges	**-129**	**10**

In 2017, the total gains/(losses) on cash flow hedges decreased by EUR 139 million. The increase in interest expense of EUR 327 million was mainly caused by the transfer of swaps from cash flow hedging to fair value hedging in December 2016 against the increase of EUR 142 million in interest income due to the unwinding of existing receiver swaps throughout 2017.

16 Financial investments

Financial investments are classified as available-for-sale or as held at fair value through profit or loss.

Accounting policy for available for sale investments

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest earning available-for-sale assets are amortised to income on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired, the cumulative gain or loss recognised in other comprehensive income is transferred to other operating income in the income statement.

Accounting policy for assets designated at fair value through profit and loss

Financial investments managed on a fair value through profit or loss basis are designated at fair value through profit or loss when the instruments:

- are held to reduce an accounting mismatch;
- include terms that have substantive derivative characteristics in nature; or
- are managed on the basis of its fair value.

The composition of financial investments is as follows:

(in millions)	31 December 2017	31 December 2016
Financial investments:		
Available-for-sale	40,285	44,719
Held at fair value through profit or loss	679	778
Total financial investments	**40,964**	**45,497**

Financial investments decreased by EUR 4.5 billion to EUR 41.0 billion at 31 December 2017 (2016: 45.5 billion). This decrease was mainly caused by maturing government bonds and corporate debt securities, which were not re-invested due to non-profitable investment yields.

Investments available for sale

The fair value of the available-for-sale investments (including gross unrealised gains and losses) is specified as follows:

(in millions)	31 December 2017	31 December 2016
Interest-earning securities:		
Dutch government	6,197	6,592
US Treasury and US government	2,698	3,497
Other OECD government	19,275	20,987
Non OECD government	896	913
International bonds issued by the European Union	1,714	1,756
European Stability Mechanism	2,585	2,402
Mortgage- and other asset-backed securities	2,551	3,244
Financial institutions	3,949	4,818
Non-financial institutions	6	59
Subtotal	**39,870**	**44,267**
Equity instruments	415	451
Total investments available-for-sale	**40,285**	**44,719**

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 annual report.

Government bonds by country of origin

	31 December 2017			31 December 2016		
(in millions)	Gross unrealised gains/(losses) and fair value hedges gains/(losses)	Impairments	Fair value	Gross unrealised gains/(losses) and fair value hedges gains/(losses)	Impairments	Fair value
Dutch national government	687		6,197	869		6,592
French national government	231		3,559	348		4,881
German national government	491		4,549	629		4,774
Belgian national government	281		3,292	367		3,387
Finnish national government	192		2,334	252		2,395
Austrian national government	280		1,888	331		1,764
USA national government	-19		2,698	-1		3,497
Japanese national government			1,450			1,104
European Union bonds (excl. European Stability Mechanism)	137		1,714	180		1,756
Italian national government	34		322	39		653
Spanish national government						500
Polish national government	134		427	130		421
Swedish national government	4		235	5		260
Great Britain national government	93		262	96		272
Danish national government			130	1		101
Hong Kong			287			370
Luxembourg national government	15		187	20		151
Brazil national government			137			156
Singapore national government			472			386
Canadian national government	22		640	16		324
Total government bonds	**2,580**		**30,779**	**3,281**		**33,745**

No impairment charges were recorded on these government bonds.

More information on country risk positions is provided in the the Risk, funding & capital section.

Critical accounting estimates and judgements

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities, this review considers factors such as the credit standing and prospects of the issuer, any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, triggers used for a significant or prolonged decline in the fair value below cost are 20% and 9 months respectively.

An interest-bearing security is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.

If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the income statement.

Impairment losses recognised on equity instruments can never be reversed through the income statement.

Investments designated at fair value through profit or loss

The following table provides information at 31 December about the investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

(in millions)	31 December 2017	31 December 2016
Government bonds		
Corporate debt securities	7	2
Private equities and venture capital	609	731
Equity securities	63	45
Total investments held at fair value through profit or loss	**679**	**778**

The decrease in Private equities and venture capital was mainly caused by dividend payments and currency losses.

In Corporate & Institutional Banking, some private equity investments are measured at fair value through profit or loss, reflecting the business of investing in financial assets to benefit from their total return in the form of interest or dividend and changes in fair value.

17 Securities financing

Accounting policy for securities financing

Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and receivables) or received (due to banks or customers). The market value of the securities borrowed or lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers and are shown as collateralised by the underlying security.

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Investments sold under repurchase agreements continue to be recognised in the statement of financial position. Proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest rate method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

	31 December 2017		31 December 2016	
(in millions)	Banks	Customers	Banks	Customers
Assets				
Reverse repurchase agreements	1,324	10,181	954	8,725
Securities borrowing transactions	2,574	1,606	3,731	3,252
Unsettled securities transactions	159	801	297	632
Total	**4,058**	**12,588**	**4,981**	**12,608**
Liabilities				
Repurchase agreements	913	8,404	2,007	6,059
Securities lending transactions	773	1,321	616	1,891
Unsettled securities transactions	106	1,358	44	1,008
Total	**1,792**	**11,084**	**2,667**	**8,958**

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.

The movements in securities financing assets and liabilities with banks and customers were a result of the cyclicality of the business since clients build up their positions around dividend season, reaching a high point primarily in Q2 and Q3, and a low point around the year-end. The pattern in 2017 was similar to that in previous years.

Items of securities financing transactions which ABN AMRO can repledge or resell are included in note 33 Transferred, pledged, encumbered and restricted assets.

18 Fair value of financial instruments carried at fair value

Accounting policy for fair value of financial instruments

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

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, the fair value is determined in a highly objective manner. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculation or option pricing models (e.g. Black Scholes).

When portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty) are taken into account.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to profit or loss at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Where inputs to the valuation of a new transaction cannot be reliably determined, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:

- Credit and debit valuation adjustments. In addition to credit valuation for loans valued at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and how counterparties consider ABN AMRO's creditworthiness respectively;
- Funding valuation adjustment. The funding valuation adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partially collateralised derivatives;
- Own credit adjustment. An own credit adjustment is applied to positions where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing trades;
- Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of the fair value are adequate. However, the use of different models or assumptions could result in changes to our reported results.

Internal controls over fair value

ABN AMRO has designated controls and processes for determining the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls of the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price-verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed and, if necessary, amended by the independent price-verification process. This process involves a team, independent of those trading the financial instruments, performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments. the process is performed daily. The minimum frequency of review is monthly, both for trading positions and non-trading positions. The independent price-verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of our exposure to the model.

Valuation techniques

A number of methodologies are used to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available. Values between and beyond available data points are obtained by interpolation and/or extrapolation. When using valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk.

Interest rate derivatives

This category includes interest rate swaps, cross-currency swaps, options and forward rate agreements. These products are valued by estimating future cash flows and discounting those cash flows using appropriate interest rate curves. The exception is interest option contracts, which are valued using market standard option pricing models. The inputs for the discounting cash flow models are principally observable benchmark interest rates in active markets such as the interbank rates and quoted interest rates in the swap, bond and futures markets. The inputs for credit spreads – where available – are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. In other cases, credit spreads are obtained from pricing services. The additional inputs for the option pricing models are price volatilities and correlations, which are obtained from broker quotations or pricing services or derived from option prices. Because of the observability of the inputs used in the valuation models, the majority of the interest rate derivative contracts are classified as Level 2. If adjustments to interest rate curves, credit spreads, correlations or volatilities are based on significant unobservable inputs, the contracts are classified as Level 3. Exchange traded options and futures are valued using quoted market prices and are hence classified as Level 1.

Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward contracts, foreign exchange options and foreign exchange swaps. The majority of the foreign exchange contracts at ABN AMRO are traded as over-the-counter derivatives. These instruments are valued using foreign currency exchange rates.

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There are observable markets both for spot and forward contracts and for futures in the world's major currencies. Therefore the over-the-counter foreign exchange contracts are classified as Level 2.

Government debt securities

Government debt securities consist of government bonds and bills with both fixed or floating rate interest payments issued by sovereign governments. These instruments are generally traded in active markets and prices can derived directly from those markets. Therefore the instruments are classified as level 1. Highly liquid bonds are valued using exchange traded prices. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. For a minority of the government debt securities, active market prices are not available. In these cases ABN AMRO uses discounted cash flow valuation techniques that incorporate observable market data for similar government instruments. The main inputs are interest rate curves, liquidity spreads and credit spreads. The instruments for which this method applies are classified as Level 2. If adjustments to any of the main inputs are made based on significant unobservable inputs, the instrument is classified as Level 3.

Corporate debt securities

Corporate debt securities primarily consist of corporate bonds and other debt securities issued by corporate entities. Most of these instruments are standard fixed or floating rate securities. Corporate debt securities are generally valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. These instruments are classified as Level 1. If observable market prices are not available, ABN AMRO uses discounted cash flow valuation techniques based on inputs derived from comparable instruments and credit default swap data of the issuer to estimate credit spreads. These instruments are classified as Level 2.

Equity instruments

The equity instruments that are actively traded on public stock exchanges are valued using the readily available quoted prices and therefore classified as Level 1. Investments in private equity funds are initially recognised at their transaction price and re-measured to the extent reliable information is available on a case-by-case basis and are classified as Level 3.

Unit-linked investments

Unit-linked investments allow life insurance policy holders to invest indirectly, through a life insurance contract, in a pool of assets. The policyholders are exposed to all risks and rewards associated with the underlying asset pool. The amounts due to policyholders equal the fair value of the underlying asset pool and are represented by the financial liability. The fair values of life insurance contract liabilities are determined by reference to the fair value of the underlying assets. Actively traded unit-linked investments are valued using publicly and daily quoted prices and hence classified as Level 1. Unit-linked investments for which there are no observable market prices are classified as Level 2. Their value is determined by adjusting quoted prices for credit and/or liquidity risk.

Issued debt

Issued debt securities are valued using discounted cash flow models based on current interest rate curves which incorporate observable inputs. These instruments are classified as Level 2. These instruments are classified as level 3 when there are no, or only limited, publicly quoted prices available for these instruments.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.

Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value in the three categories described below.

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

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

Level 3 financial instruments are those valued using a valuation technique where at least one input, which has a significant effect on the instrument's valuation, is not based on observable market data. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

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

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

	31 December 2017				31 December 2016			
(in millions)	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total fair value	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total fair value
Assets								
Government debt securities	1,071			1,071	1,152			1,152
Corporate debt securities	386	15		401	389	11		400
Equity securities	111			111	35			35
Other financial assets held for trading		16		16		21		21
Financial assets held for trading	**1,569**	**31**		**1,600**	**1,576**	**31**		**1,607**
Interest rate derivatives	27	6,847	89	6,963	2	11,064	76	11,141
Foreign exchange contracts		1,929	17	1,946		2,350	17	2,367
Other derivatives	11	904		915	42	820	14	876
Derivatives	**38**	**9,681**	**106**	**9,825**	**44**	**14,233**	**107**	**14,384**
Equity instruments	63		610	673	45		730	775
Other	7			7	2			3
Financial investments designated at fair value through profit or loss	**70**		**610**	**679**	**47**		**731**	**778**
Government debt securities	32,938		427	33,364	33,324		421	33,745
Corporate debt securities	3,210	702	43	3,955	6,013	1,227	38	7,279
Equity instruments	189	66	160	415	218	59	174	451
Other debt securities	2,551			2,551	2,519		724	3,244
Financial assets available for sale	**38,888**	**769**	**629**	**40,285**	**42,075**	**1,286**	**1,358**	**44,719**
Unit-linked investments[1]	1,813	914		2,728	2,219	1,056		3,275
Total financial assets	**42,378**	**11,394**	**1,344**	**55,117**	**45,961**	**16,606**	**2,196**	**64,763**
Liabilities								
Short positions in government debt securities	495			495	390			390
Corporate debt securities	345	10		356	294	6		300
Equity securities	65			65	33			33
Other financial liabilities held for trading		167		167		67		67
Financial liabilities held for trading	**905**	**177**		**1,082**	**717**	**73**		**791**
Interest rate derivatives	23	5,770		5,793	6	11,009		11,015
Foreign exchange contracts		1,477		1,477		2,555		2,555
Other derivatives	149	949		1,098	17	926	14	957
Derivatives	**172**	**8,195**		**8,367**	**22**	**14,490**	**14**	**14,526**
Issued debt		1,014	168	1,182		1,398	241	1,639
Unit-linked for policyholders	1,814	914		2,728	2,219	1,056		3,275
Total financial liabilities	**2,890**	**10,300**	**168**	**13,359**	**2,959**	**17,017**	**255**	**20,231**

[1] In 2017 these instruments were classified as held for sale and therefore included in note 24, Non-current assets and disposal groups held for sale.

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Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2 during the year.

Transfers from levels 1 and 2 into 3

There were no material transfers between levels 1 and 2 to level 3 in 2017. In 2016 there was a transfer of EUR 241 million of issued debt from level 2 to level 3. The transfer was carried out because there were no or only limited publicly quoted prices available for these specific instruments.

Other transfers

There were no other material transfers between levels during the year.

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 that are carried at fair value.

	Assets				Liabilities	
(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	Issued debt
Balance at 1 January 2016	**1,354**	**577**	**18**	**39**	**39**	
Purchases	2	122				
Sales	-2	-55				
Redemptions	-101	-30				
Gains/(losses) recorded in profit and loss[1]	2	28				
Unrealised gains/(losses)	4	16	2	-25	-25	-4
Transfer between levels			72			245
Other movements[2]	99	74				
Balance at 31 December 2016	**1,358**	**731**	**93**	**14**	**14**	**241**
Purchases	1	64				
Sales	-12	-62				
Redemptions	-717	-21				
Gains/(losses) recorded in profit and loss		8		-1	-1	
Unrealised gains/(losses)[1]		10	-4	-13	-13	-73
Transfer between levels	-1		16			
Other movements		-120				
Balance at 31 December 2017	**629**	**610**	**106**			**168**

[1] Included in other operating income.
[2] 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

Equities designated at fair value through profit or loss

Government bonds - Corporate debt securities

ABN AMRO has a position in a Polish bond, denominated in euros (in note 16 Financial investments, and part of Other OECD governments), 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 using a range of reasonable valuation spreads.

Other

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.

Equity shares - preferred shares

Equities designated at fair value through profit and loss and classified as level 3 mainly comprise private equity investments.

Private equity shares are designated at fair value, with two calculation techniques being applied:

- Using comparable pricing in accordance with the European Private Equity and Venture Capitalist Association (EVCA) guidelines. This valuation technique is based on earnings multiples of comparable listed and unlisted companies. The fair value calculation of an investment is strongly linked with movements on the public equity markets;
- Net Asset Value (NAV) for fund investments and asset-backed investments. This is determined by using audited and unaudited company financial statements and any other information available, publicly or otherwise. As a consequence, the net asset value calculation of an investment is strongly linked to movements in the quarterly performance of the company and can be used as an indicator of fair value. Net Asset Value is used as an indicator of fair value only after a materiality assessment has been made.

New investments are initially valued at fair value and subsequently at cost for the first year of investment. Thereafter, the fair value technique, either EVCA technique or NAV calculation, will be applied for direct investments.

The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based upon the quarterly performance cannot be applied.

Derivatives

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. The 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 following table of Level 3 sensitivity information, is internally generated and is therefore an unobservable input.

	Valuation technique	Unobservable data	Carrying value	Possible alternative assumptions		Unoberservable data range		Unobservable data base
(in millions)				Applying minimum	Applying maximum	Minimum	Maximum	
31 December 2017								
Equity shares	Private equity valuation	EBITDA multiples	286	-38	40	4.7	8.3	6.7
Equity shares	Private equity valuation	Net asset value	483	-18	15			
Interest-earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	427	-27	15	17	105	47
Interest-earning securities - other	Discounted cash flow	Liquidity and credit spread	43	-9	2	211	774	298
Derivatives held for trading	Discounted cash flow	Probability of default	106	-5	8	0.2%	100.0%	16.7%
Issued debt	Discounted cash flow	Credit spread	168	-1	8	97	130	111
31 December 2016								
Equity shares	Private equity valuation	EBITDA multiples	186	-14	14	4.0	6.0	5.1
Equity shares	Private equity valuation	Net asset value	719	-27	25			
Interest-earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	421	-7	5	85	102	95
Interest-earning securities - other	Discounted cash flow	Prepayment rate	763	-5	3	7.8%	15.0%	10.4%
Derivatives held for trading	Discounted cash flow	Probability of default	93	-8	9	0.3%	100.0%	71.6%
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate				7.8%	15.0%	10.4%
Issued debt	Discounted cash flow	Credit spread	241	-3	7	97	130	110

19 Loans and receivables - banks

Accounting policy for loans and receivables from banks and customers

Under IAS 39 Financial Instruments, loans and receivables from banks and customers are held at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset.

(in millions)	31 December 2017	31 December 2016
Interest-bearing deposits	4,914	5,041
Loans and advances	2,871	5,162
Mandatory reserve deposits with central banks	251	306
Other	2,635	2,978
Subtotal	**10,671**	**13,488**
Less: loan impairment allowance	7	3
Loans and receivables - banks	**10,665**	**13,485**

Loans and receivables from banks decreased by EUR 2.8 billion to EUR 10.7 billion at 31 December 2017, mainly as a result of a decrease in the loans and advances.

Loans and advances decreased by EUR 2.3 billion to EUR 2.9 billion at 31 December 2017, mainly due to a decrease of cash collateral at other banks. This is a result of the European Market Infrastructure Regulation (EMIR), which no longer allows bilateral transactions. New derivative transactions and related cash collateral are settled via a Central Counter Party (CCP) clearing house.

Interest-bearing deposits decreased by EUR 0.1 billion to EUR 4.9 billion at 31 December 2017, mainly as a result of a reclassification to cash and cash balances at central banks, which was partly offset by an increase in the interbank deposit market. If the balance as per 31 December 2016 would have been adjusted, the amount reported at “Interest-bearing deposits” would have been EUR 4.0 billion.

Other loans and receivables from banks decreased by EUR 0.3 billion to EUR 2.6 billion at 31 December 2017, mainly due to lower purchased trade bills. This is partly driven by decreases in commodity prices and partly attributable to the depreciation of the dollar.

Mandatory reserve deposits are held with local central banks in accordance with statutory requirements; these deposits are not available to finance ABN AMRO’s day-to-day operations.

20 Loans and receivables - customers

The accounting policy for loans and receivables is included in Loans & receivables - banks (note 19).

(in millions)	31 December 2017	31 December 2016
Residential mortgages (excluding fair value adjustment)	150,562	149,255
Fair value adjustment from hedge accounting on residential mortgages	2,264	3,073
Residential mortgages, gross	**152,825**	**152,328**
Less: loan impairment allowances - residential mortgage loans	134	258
Residential mortgages	**152,691**	**152,069**
Consumer loans, gross	12,426	12,539
Less: loan impairment allowances - consumer loans	304	433
Consumer loans	**12,122**	**12,106**
Corporate loans	94,220	90,920
Fair value adjustment from hedge accounting on corporate loans	1,425	1,722
Financial lease receivables	4,530	4,069
Factoring	2,962	2,321
Corporate loans, gross	**103,138**	**99,031**
Less: loan impairment allowances - corporate loans	2,020	2,973
Corporate loans	**101,118**	**96,058**
Government and official institutions	1,595	1,445
Other loans	7,371	6,003
Fair value adjustment from hedge accounting on other loans	11	
Other loans and receivables customers, gross	**8,977**	**7,448**
Less: loan impairment allowances - other	2	2
Other loans and receivables customers	**8,975**	**7,445**
Loans and receivables - customers	**274,906**	**267,679**

Loans and receivables - customers increased by EUR 7.2 billion to EUR 274.9 billion at 31 December 2017.

Residential mortgages (excluding fair value adjustments) increased by EUR 1.3 billion to EUR 150.6 billion at 31 December 2017. The inflow of new residential mortgages was partly offset by mortgage redemptions and voluntary repayments.

Corporate loans (gross) increased by EUR 4.1 billion to EUR 103.1 billion. The increase was mainly related to the increase in financing client activity.

Other loans and receivables customers (gross) increased by EUR 1.5 billion to EUR 9.0 billion, mostly related to higher outstandings at CCPs, for the purpose of margin requirements and default fund contributions.

(in millions)	31 December 2017	31 December 2016	31 December 2015	Prior to 2015
Amounts reclassified			781	
Carring value	752	818	780	
Fair value	778	835	770	
Other reclassifications of trading assets to loans and receivables				
	2017	2016	2015	Prior to 2015
Fair value gains or losses recognised in Net trading income			26	
Interest income recognised in Net interest income	24	26	3	
Fair value gains or losses that would have been recognised in Net trading income if the financial assets had not been reclassified	-18	98	15	

With effect from November 2015, a portfolio of loans originally classified as held for trading was reclassified to the loans and receivables category. The reason for this reclassification was that these loans were no longer deemed to be held for trading as a result of revised governance in which management of the loans was transferred from the trading department to the central Treasury department. The reclassification between the two categories was at the fair value of the loans on the date of reclassification. Any gain or loss already recognised in profit or loss has not been reversed. The fair value of the loans on the date of reclassification has become the new amortised cost value.

Until the reclassification of this loan portfolio, there were no reclassifications from the held for trading category to the loans and receivables category. ABN AMRO does not expect to apply other reclassifications of financial assets from the held for trading category to the loans and receivables category.

21 Fair value of financial instruments not carried at fair value

The categorisation and valuation of financial instruments not carried at fair value is determined in accordance with the accounting policies set out in note 18.

Valuation methodologies

The methods and assumptions described below have been applied to estimate the fair value of financial instruments not carried at fair value. These fair values were calculated for disclosure purposes only. Note that the fair value can be significantly impacted by the choice of valuation model and underlying assumptions concerning factors such as the amount and timing of cash flows, discount rates, credit risk and liquidity risk.

Short-term financial instruments

The carrying amounts (net of impairment allowances) of financial instruments maturing within a period of less than 3 months or that have no contractual maturity are assumed to be a reasonable approximation of their fair value. For certain instruments, behavioural maturities are applied.

Short-term financial instruments are classified as Level 2 as unobservable inputs (such as inputs to determine credit risk, prepayment risk and liquidity risk) do not have a significant influence in determining the fair value.

Cash and balances at central banks

Cash and balances at central banks are classified as Level 1 as these instruments have a short-term nature, prices from an active market are available and no fair value adjustments are made to the carrying amounts.

Securities financing

Securities financing includes repurchase and reverse repurchase agreements and securities borrowing and lending transactions. Due to the short-term characteristics of these instruments and the value and liquidity of available collateral, the carrying amounts (net of impairment allowances) are considered to approximate the fair value. Securities financing amounts are classified as Level 2.

Loans and receivables – banks and customers

The fair value of loans and receivables – banks and customers are estimated by a discounted cash flow model based on contractual cash flows, using actual yields and discounting by risk-free interest rates. Adjustments to reflect changes in liquidity spreads are applied and prepayment options are included in the estimated fair value. The calculations are adjusted for credit risk by incorporating the expected credit losses over the estimated lifetime of the loan, based on parameters including probability of default, loss given default and exposure at default. The loans and receivables are classified as Level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The loans and receivables for which unobservable inputs do not significantly influence the approximated fair values are classified as Level 2. Behavioural maturities instead of contractual maturities are used for a small part of the portfolio to determine the level classification.

Cash collateral paid to counterparties in relation to Credit Support Annexes (CSA) is included in loans and receivables – banks and customers. Due to the short-term characteristics of these instruments, fair value is considered to approximate the carrying amounts. The related amounts are classified as Level 2.

Due to banks and customers

The fair value for instruments such as deposits and borrowings included in due to banks and customers is estimated by a discounted cash flow model based on risk-free interest rates. Adjustments to reflect changes in liquidity spreads are applied. Due to banks and customers are classified as Level 3 on the basis that unobservable inputs significantly influence the approximated fair values. The financial instruments for which unobservable inputs do not significantly influence the approximated fair values are classified as Level 2. For the majority of the portfolio, behavioural maturities are used to determine the level classification.

Cash collateral liabilities in relation to Credit Support Annexes (CSA) are included in due to banks and customers. Due to the short-term characteristics of these instruments, fair value is considered to approximate the carrying amounts. The related amounts are classified as Level 2.

Issued debt and subordinated liabilities

The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, the fair value is based on a market approach in which independent quotes from market participants are used for the debt issuance spreads above average interbank offered rates (over a range of tenors) that the market would demand when purchasing new senior or subordinated debt from ABN AMRO. Where necessary, these quotes are interpolated, using a curve shape derived from CDS prices.

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The following table presents the valuation methods used in determining the fair value of financial instruments carried at amortised cost. In addition, the carrying amount of these financial assets and liabilities reported at amortised cost is compared with their estimated fair value, based on the valuation methodologies and assumptions mentioned previously.

						31 December 2017
	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	29,783	29,783			29,783	
Securities financing	16,645		16,645		16,645	
Loans and receivables - banks	10,665		9,671	990	10,661	-3
Loans and receivables - customers	274,906		19,454	263,914	283,369	8,462
Total	**331,999**	**29,783**	**45,771**	**264,905**	**340,458**	**8,459**
Liabilities						
Securities financing	12,875		12,875		12,875	
Due to banks	16,462		7,531	8,917	16,447	15
Due to customers	236,699		88,095	147,501	235,596	1,103
Issued debt	75,429	42,752	33,725		76,477	-1,047
Subordinated liabilities	9,720	8,922	1,595		10,517	-797
Total	**351,186**	**51,673**	**143,821**	**156,417**	**351,912**	**-726**

						31 December 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	21,861	21,861			21,861	
Securities financing	17,589		17,589		17,589	
Loans and receivables - banks	13,485		11,951	1,534	13,485	
Loans and receivables - customers	267,679		18,933	257,928	276,861	9,182
Total	**320,614**	**21,861**	**48,473**	**259,462**	**329,796**	**9,182**
Liabilities						
Securities financing	11,625		11,625		11,625	
Due to banks	13,419		7,415	6,004	13,419	
Due to customers	228,758		82,973	145,785	228,758	
Issued debt	79,639	36,990	43,567		80,557	-918
Subordinated liabilities	11,171	5,762	5,998		11,759	-588
Total	**344,613**	**42,752**	**151,578**	**151,789**	**346,119**	**-1,506**

During 2017, ABN AMRO refined the fair value measurement methodology for loans and receivables - banks, loans and receivables - customers, due to banks and due to customers. As a result of the improved measurement, the differences between the carrying amounts and the estimated fair values presented in the 2017 table increased. ABN AMRO did not perform a fair value estimation based on the refined measurement methodology for the 2016 comparative figures.

During 2017, ABN AMRO reclassified cash and balances at central banks from Level 2 to Level 1 due to reassessed interpretation. The comparative figures have been adjusted accordingly. For issued debt instruments, a refined measurement methodology was implemented. This resulted in a reclassification to Level 1 for instruments where quoted prices are available. The comparative amounts have been restated.

22 Group structure

Accounting policy for business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. All items of consideration, including contingent consideration, transferred by ABN AMRO are measured and recognised at fair value at the acquisition date. Transaction costs incurred by ABN AMRO in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill. ABN AMRO measures the identifiable assets acquired and the liabilities assumed at the fair value at the date of acquisition.

In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss as the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Accounting policy for subsidiaries

ABN AMRO Group's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by ABN AMRO's ability to exercise its power in order to affect the variable returns that ABN AMRO is exposed to through its involvement in the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on consideration of all facts and circumstances. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns, and a link between the two).

ABN AMRO sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well-defined objectives. Particularly in the case of securitisations, these entities may acquire assets from ABN AMRO companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO or its subsidiaries. These entities are consolidated in ABN AMRO's financial statements when the substance of the relationship between ABN AMRO and the entity indicates that control is held by ABN AMRO.

ABN AMRO is mainly involved in securitisations of own originated assets, such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interests. In many cases, these retained interests convey control, such that the SPE is consolidated and the securitised assets continue to be recognised in the consolidated statement of financial position.

The financial statements of subsidiaries and special purpose entities are included in the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which ABN AMRO has significant influence on, but no control or joint control over, the operating and financial policies. Significant influence is generally presumed when ABN AMRO holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether ABN AMRO has significant influence. Among other factors, representation on the board of directors, participation in the policy-making process and material transactions between the entity and the investee are considered to determine significant influence.

A joint venture is an investment in which two or more parties have contractually agreed to share control over the investment. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities conducted through joint ventures include cash transfers, insurance, finance and leasing.

Investments in associates and joint ventures, including strategic investments, are accounted for using the equity method. Under this method, the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting on the equity of the investee and any adjustments required for impairment. ABN AMRO's share of the profit or loss of the investee is recognised in other operating income in the income statement. If ABN AMRO's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence and which are not held for trading or not designated at fair value through profit or loss are classified as available-for-sale.

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Assets and liabilities of acquisitions and divestments

The following table provides details of the assets and liabilities resulting from the acquisitions or disposals of subsidiaries and equity-accounted investments at the date of acquisition or disposal.

	31 December 2017		31 December 2016	
(in millions)	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Derivatives		-16		
Financial investments		-28		
Loans and receivables - banks		-12	3	
Loans and receivables - customers		-3,186		
Equity accounted investments	12	-57	29	26
Goodwill and other intangible assets			1	
Other assets		-1	354	
Derivatives		4		
Due to customers		4,641		
Provisions		39		
Other liabilities		1	-354	
Other non-controlling interests			-1	
Net assets acquired/Net assets divested	**12**	**1,384**	**31**	**26**
Result on divestments, gross		327		81
Cash used for acquisitions/received from divestments:				
Total purchase consideration/Proceeds from sale	-12	-1,057	-31	56
Cash and cash equivalents acquired/divested		-6	3	
Cash used for acquisitions/received from divestments	**-12**	**-1,063**	**-28**	**56**

Acquisitions and divestments include increases and decreases in the investments in several equity accounted investments in 2017 and 2016.

Acquisitions in 2017

No major assets and liabilities were acquired in 2017.

Divestments in 2017

On 6 December 2016, ABN AMRO announced it had reached agreement with LGT Group on the sale of ABN AMRO's private banking activities in Asia and the Middle East. This sale was completed on 30 April 2017.

Acquisitions in 2016

In 2016, ABN AMRO obtained the remaining 30% of the shares in ABN AMRO Pensioeninstelling N.V. As a result, ABN AMRO has control and ABN AMRO Pensioeninstelling N.V. has been consolidated since the first quarter of 2016. An amount of EUR 2 million in goodwill was recognised. ABN AMRO Pensioeninstelling N.V. is a private pension company.

Divestments in 2016

As a result of the merger of Equens SE and Worldline SA on 30 September 2016, ABN AMRO's interest in Equens SE has been diluted from 18.4% to 7.0% and has therefore been reclassified from equity accounted investments to financial investments available for sale at fair value.

Composition of the group

The following table provides an overview of the most significant investments in associates and joint ventures at 31 December.

			31 December 2017		31 December 2016	
(in millions)	Principle place of business	Business line	Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)
Joint ventures:						
Neuflize Vie S.A.	France	Private Banking	218	60%	217	60%
Richmond Preferente Aandelen C. B.V.	The Netherlands	Corporate & Institutional Banking	25	50%	25	50%
Associates:						
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	177	49%	197	49%
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	The Netherlands	Group Functions	117	20%	100	20%
European Merchant Services B.V.	The Netherlands	Commercial Banking	25	49%	23	49%
Compagnie Maritime Monegasque OSV B.V.	The Netherlands	Corporate & Institutional Banking	20	79%	24	75%
Private Equity Investments			83		122	
Other			49		58	
Total equity accounted investments			**714**		**765**	

Neuflize Vie is a joint venture where the power to govern the financial and operating policies of the economic activity is subject to joint control.

The total amount of the investments in equity associates and joint ventures amounted to EUR 714 million at 31 December 2017, which is a decrease of EUR 51 million compared with EUR 765 million at 31 December 2016. This decrease was mainly the result of some exits within Private Equity. The change in the carrying value of Delta Lloyd ABN AMRO Verzekeringen Holding B.V. was also partly offset by the change in the carrying value of Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.

Other investments in equity associates and joint ventures represent a large number of equity associates and joint ventures with individual carrying amounts of less than EUR 15 million.

	31 December 2017			31 December 2016		
(in millions)	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Assets						
Financial assets held for trading	1,403		1,403	1,458		1,458
Financial investments	426	7,122	7,548	443	7,250	7,693
Loans and receivables-banks and customers	2,502	155	2,657	2,484	196	2,680
Property and equipment	100	232	332	71	204	275
Other assets	369	60	429	374	71	445
Total assets	**4,799**	**7,570**	**12,369**	**4,831**	**7,722**	**12,552**
Liabilities						
Financial liabilities held for trading	5		5			
Due to banks and customers	1,313	138	1,451	1,320	145	1,464
Provisions	2,288	3,469	5,757	2,349	3,955	6,303
Other Liabilities	298	3,711	4,009	228	3,380	3,608
Total liabilities	**3,904**	**7,318**	**11,222**	**3,897**	**7,479**	**11,376**
			2017			2016
Total operating income	376	46	422	540	46	586
Operating expenses	288	30	318	428	24	452
Operating profit/(loss)	**89**	**16**	**104**	**112**	**23**	**135**
Income tax expense	17	4	22	25	8	33
Profit/(loss) for the period	**71**	**12**	**83**	**87**	**15**	**102**

Assets related to equity associates are mainly held by Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (EUR 2,527 million at 31 December 2017, compared with EUR 2,621 million at 31 December 2016) and Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (EUR 1,678 million at 31 December 2017, compared with EUR 1,652 million at 31 December 2016). The amounts for 2016 have been restated owing to a reclassification in the 2016 annual report of Delta Lloyd ABN AMRO Verzekeringen Holding B.V. regarding savings mortgages (spaarhypotheken) that were partly reclassified from financial assets held for trading to loans and receivables. For comparative purposes the 2016 amounts relating to Delta Lloyd ABN AMRO Verzekeringen Holding B.V. are based on Q4 figures while in the previous annual report the Q3 figures were used.

Neuflize Vie holds the majority of assets under joint ventures (EUR 7,536 million at 31 December 2017, compared with EUR 7,696 million at 31 December 2016).

The profit for the period regarding the associates decreased, mainly due to the results of the above associates.

Impairments on equity accounted investments

The following table shows the changes in impairments on equity accounted investments.

(in millions)	2017	2016
Balance as at 1 January	**4**	4
Increase in impairments	3	5
Release of impairments	-12	-1
Other	12	-4
Balance as at 31 December	**6**	**4**

The impairments on equity accounted investments increased by EUR 2 million from EUR 4 million at 31 December 2016 to EUR 6 million at 31 December 2017. The increase in impaired assets was mainly related to the variance in the carrying value of the primary assets of an equity associate, compared with its fair value. The release of impairments and other related to an exit of an equity accounted investment.

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity has some or all of the following features or attributes:
- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- financing, in the form of multiple contractually linked instruments, to investors that creates concentrations of credit or other risks;
- relevant activities are directed by contractual arrangements.

Consolidated structured entities

The total amount of notes sold to external parties amounted to EUR 1.3 billion at 31 December 2017, a decrease of EUR 1.1 billion compared with EUR 2.4 billion at 31 December 2016. The decrease was due to the calling of several securitisation transactions.

The securitisation transactions are primarily used for funding and liquidity purposes. There was no RWA (REA) relief at 31 December 2017 (31 December 2016: no relief).

In 2017, the bank had only true sale (i.e. traditional) securitisation transactions outstanding. In such transactions, a foundation (stichting) incorporates a bankruptcy-remote, structured entity, to which the legal title to a portfolio of receivables is sold. As ABN AMRO continues to recognise the assets after the legal title has been sold, no derecognition takes place. The structured entity issues notes to fund the purchase. ABN AMRO performs key ancillary roles in all its securitisation transactions, including as counterparty to the sale.

Risks associated with the roles in the securitisation process

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable regulation.

Liquidity risk

Liquidity risk relates to the risk that ABN AMRO may incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios, where required. This includes the potential impact of the liquidity facilities or swap agreements which form part of certain securitisation transactions, most of which relate to transactions where ABN AMRO is the originator of the underlying assets.

Approaches to calculating risk exposure amount

ABN AMRO does not achieve significant risk transfers for any of the mortgage securitisations. Therefore, the look-through approach is used and RWA (REA) reduction is not applied.

Monitoring process

ABN AMRO periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test. For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which the downgrade and default risks under stressed market conditions are assessed.

Overview of securitisation positions and securitised assets

The total amount of assets securitised in true sale securitisations decreased to EUR 32.8 billion at 31 December 2017 (31 December 2016: EUR 39.7 billion). No securitisation transactions for the purpose of capital relief were originated in 2017.

Securitisation overview of own originated assets (overall pool size)

	31 December 2017			31 December 2016		
	True sale securitisations		Total	True sale securitisations		Total
(in millions)	Mortgage loans	SME loans		Mortgage loans	SME loans	
Total assets securitised reported under the CRD framework						
Total assets securitised not reported under the CRD framework	32,797		32,797	39,687		39,687
Total assets securitised	**32,797**		**32,797**	**39,687**		**39,687**

Details of retained and purchased securitisation positions

The tables in the following sections contain details of securitisation positions in which ABN AMRO acts as originator and/or investor. Amounts reported are based on the regulatory exposure values calculated in accordance with the regulatory guidelines. Note that this not only includes the notes issued under the securitisation, but also the credit equivalent of interest rate swaps and first loss positions. The following table outlines the total amount of ABN AMRO's exposure value on securitisation positions in which ABN AMRO acts as originator and/or investor. The total securitisation position decreased to EUR 4 million at 31 December 2017 (31 December 2016: EUR 1.3 billion).

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Overview of retained, transferred and purchased securitisation positions

	31 December 2017			31 December 2016		
	True sale securitisations		Total	True sale securitisations		Total
(in millions, Exposure at Default)	Mortgage loans	SME loans		Mortgage loans	SME loans	
Securitisation position in purchased securitisations	4		4	1,265		1,265

Of the EUR 4 million purchased securitisation positions at 31 December 2017, the full position is risk-weighted at 7%. Of the EUR 1.3 billion purchased securitisation positions at 31 December 2016, the full position is risk-weighted at 7%.

Details of total notes outstanding per structured entity

The following table provides details of the outstanding notes issued by consolidated structured entities which were established by ABN AMRO for securitisation purposes, exceeding 0.1% of the bank's total assets.

	31 December 2017		31 December 2016	
(in millions)	Total notes issued	% of total assets	Total notes issued	% of total assets
Category				
Dolphin Master Issuer B.V.	26,483	6.7%	30,472	7.7%
Goldfish Master Issuer B.V.	6,635	1.7%	9,656	2.4%
SMILE Securitisation Company 2007 B.V.[1]			15	0.0%
Total	**33,118**		**40,143**	

[1] Securitisation structured entity in the CRD securitisation framework.

Support to consolidated structured entities

ABN AMRO did not provide support, financial or otherwise, to a consolidated structured entity, including when ABN AMRO was not contractually obliged to do so, and nor does ABN AMRO intend to do so in the future.

Unconsolidated structured entities

At 31 December 2017 ABN AMRO had no investments in securitisations which were not set up by ABN AMRO (31 December 2016: EUR 0.7 billion).

To raise funding, ABN AMRO has interests in two structured entities: Simba Finance B.V. (Simba) and Pumbaa Finance B.V. (Pumbaa). Simba and Pumbaa are unconsolidated structured entities as ABN AMRO does not have power over these entities and does not have the ability to affect the amount of their returns.

Sponsoring of unconsolidated structured entities.

An entity is considered a sponsor of an unconsolidated structured entity if it had a key role in establishing that entity so that the transaction, which is the purpose of the entity, could occur. No material sponsoring occurred in 2017.

23 Property and equipment, goodwill and other intangible assets

Accounting policy for property and equipment

In accordance with IAS 16, property and equipment is stated at cost less accumulated depreciation and any amount for impairment. At each balance sheet date, an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO generally uses the following useful lives in calculating depreciation:

- Land: not depreciated;
- Buildings: 30 years;
- Leasehold improvements: 5 years;
- Equipment: 5 years;
- Computer installations: 2 to 5 years.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Depreciation rates and residual values are reviewed at least periodically to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Assets for which the bank acts as a lessor in an operational lease contract are included in property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value.

Accounting policy for intangible assets

Goodwill

Goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairments of Assets. Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is not amortised, but is reviewed annually for impairment, or more frequently if there are indications that impairment may have occurred. In the test the carrying amount of goodwill is compared with the higher of the fair value less costs to sell and the value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash-generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense and are irreversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years, unless the software is classified as core application software, which is depreciated over its estimated useful lifetime set at a maximum of seven years. Only the development phase is capitalised for own-developed software.

Other intangible assets include separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general, the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

The following table shows the carrying amount for each category of property and equipment at 31 December.

(in millions)	31 December 2017	31 December 2016
Land and buildings held for own use	648	706
Leasehold improvements	49	47
Equipment	761	664
Other	1	1
Total property and equipment	**1,458**	**1,418**

Total property and equipment increased by EUR 40 million to EUR 1,458 million at 31 December 2017 (2016: EUR 1,418 million). The increase was mainly due to operational leasing activities and was partially offset by the sale of and depreciation on buildings in the Netherlands.

The following table shows the carrying amount for goodwill and other intangible assets at 31 December.

(in millions)	31 December 2017	31 December 2016
Goodwill	104	144
Purchased software	38	56
Internally developed software	8	11
Other	33	40
Total goodwill and other intangible assets	**184**	**251**

Total goodwill and other intangible assets decreased by EUR 67 million to EUR 184 million at 31 December 2017 (2016: EUR 251 million). The decrease was mainly due to impairments on goodwill.

The book value of property, equipment, goodwill and intangible assets changed as follows for the years 2017 and 2016.

								2017
(in millions)	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
Acquisition costs as at 1 January	**1,602**	**235**	**1,579**	**1**	**3,416**	**190**	**939**	**1,129**
Acquisitions/divestments of subsidiaries								
Additions	39	17	326		382		15	15
Reversal of cost due to disposals	-74	-10	-155		-240	-3	-28	-31
Transfer from (to) investment property								
Foreign exchange differences		-4	-13		-16	-3	-2	-6
Other	-8	4	13		9		-7	-7
Acquisition costs as at 31 December	**1,559**	**242**	**1,749**	**1**	**3,551**	**183**	**917**	**1,100**
Accumulated depreciation/ amortisation as at 1 January	**-888**	**-188**	**-913**		**-1,989**		**-810**	**-810**
Acquisitions/divestments of subsidiaries								
Additions								
Depreciation/amortisation	-46	-15	-216		-277		-38	-38
Reversal of depreciation/amortisation due to disposals	41	9	126		176		28	28
Foreign exchange differences		2	7		9		2	2
Other	-8		9		1		5	5
Accumulated depreciation/ amortisation as at 31 December	**-900**	**-192**	**-988**		**-2,080**		**-813**	**-813**
Impairments as at 1 January	**-8**		**-1**		**-9**	**-46**	**-22**	**-68**
Acquisitions/divestments of subsidiaries								
Increase of impairments charged to the income statement	-4	-2	-1		-8	-38	-5	-43
Reversal of impairments credited to the income statement			1		1		2	2
Reversal of impairments due to disposals	7	1	2		9	3		3
Foreign exchange differences						2		2
Other	-5				-5		1	1
Impairments as at 31 December	**-11**	**-1**			**-12**	**-79**	**-24**	**-103**
Total as at 31 December	**648**	**49**	**761**	**1**	**1,458**	**104**	**80**	**184**

(in millions)	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
								2016
Acquisition costs as at 1 January	1,683	218	1,464	3	3,368	202	1,202	1,403
Acquisitions/divestments of subsidiaries						2		2
Additions	52	12	340		405		37	37
Reversal of cost due to disposals	-137	-7	-225		-369		-299	-299
Foreign exchange differences	-2		-13		-14	-11	-1	-12
Other	6	10	12	-2	26	-2	1	-1
Acquisition costs as at 31 December	**1,602**	**235**	**1,579**	**1**	**3,416**	**190**	**939**	**1,129**
Accumulated depreciation/ amortisation as at 1 January	-891	-176	-924		-1,991		-1,066	-1,066
Depreciation/amortisation	-44	-18	-173		-236		-46	-46
Reversal of depreciation/amortisation due to disposals	89	7	173		268		300	300
Foreign exchange differences	1						1	1
Other	-41		11		-30		1	1
Accumulated depreciation/ amortisation as at 31 December	**-888**	**-188**	**-913**		**-1,989**		**-810**	**-810**
Impairments as at 1 January	-10		-1		-11	-53	-22	-75
Increase of impairments charged to the income statement	-13			-2	-14			
Reversal of impairments due to disposals	13				13			
Foreign exchange differences						7		7
Other	1			2	3			
Impairments as at 31 December	**-8**		**-1**		**-9**	**-46**	**-22**	**-68**
Total as at 31 December	**706**	**47**	**664**	**1**	**1,418**	**144**	**107**	**251**

The fair value of land and buildings held for own use is estimated at EUR 849 million at 31 December 2017 (2016: EUR 621 million). Of this fair value, 99% is based on external valuations performed in 2017, 2016 or 2015, while 1% is based on Dutch local government property tax valuations with a discount of 0% to reflect the current market situation. Some properties have a lower fair value than the carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Group is sufficient to cover the total value of all these assets.

Lessor

In its capacity as lessor, ABN AMRO leases out various assets, included in equipment, under operating leases. Future minimum lease receipts under non-cancellable operating lease are EUR 593 million (2016: EUR 486 million), of which EUR 417 million (2016: EUR 336 million) matures within five years.

Impairment of goodwill

Impairment testing on goodwill is performed at least annually by comparing the recoverable amount of the cash-generating units (CGU) to their carrying amount. The CGU is the smallest identifiable group of assets that:

- generate cash inflows from continuing use; and
- are largely independent of the cash inflows from other assets or groups of assets.

Identification of an asset's cash-generating unit involves judgement. If recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets generating largely independent cash inflows. The recoverable amount is determined by the higher of the value in use or fair value less costs to sell. The type of the acquired entity determines the definition of the type of CGU.

The value in use of a CGU is assessed through a discounted cash flow model of the anticipated future cash flows of the CGU. The discounted cash flow model uses assumptions which depend on various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being assessed. The values assigned to each key assumption reflect past experience, modified based on management's expectation for the future, and are consistent with external sources of information.

Besides the discount rates stated in the following table, calculation of the value in use was also based on cash flows, projected based on past experience, actual operating results and the 5-year budget plan. Cash flows for a further 5-year period were extrapolated using the long-term growth rate stated for the CGU.

	31 December 2017						31 December 2016
(in millions)	Segment	Method used for recoverable amount	Discount rate	Long term growth rate	Impairment charges	Goodwill	Goodwill
Entity							
Bethmann Bank	Private Banking	Value in use	10.0%	1.0%	36	63	99
ABN AMRO (Guernsey)	Private Banking	Value in use	10.0%	1.0%		22	23
ABN AMRO Commercial Finance Holding	Commercial Banking	Value in use	10.0%	2.0%		9	10
Banque Neuflize	Private Banking	Value in use	10.0%	0.0%		6	6
Banco ABN AMRO S.A.	Corporate & Instutional Banking	Value in use	10.0%	2.0%		3	4
Other					2		2
Total goodwill and impairment charges					**38**	**104**	**144**

During 2017, ABN AMRO reassessed the valuation of Bethmann Bank and concluded that the goodwill is partially impaired based on expectations of profitability and capital usage.

(in millions)	2017	2016
Depreciation on tangible assets		
Land and buildings held for own use	46	44
Leasehold improvements	15	18
Equipment	97	75
Amortisation on intangible assets		
Purchased software	27	28
Internally developed software	4	3
Other intangible assets	7	16
Impairment losses on tangible assets		
Land and buildings held for own use (incl. held for sale)	4	13
Equipment	1	
Other	2	2
Impairment losses on intangible assets		
Goodwill	38	
Purchased software	4	
Total depreciation and amortisation	**245**	**198**

24 Non-current assets and disposal groups held for sale

Accounting policy for non-current assets and disposal groups held for sale

In accordance with IFRS 5, non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Assets held for sale (other than financial instruments) are not depreciated and are measured at the lower of their carrying amount and fair value, less costs to sell. Assets and liabilities of a business held for sale are presented separately in the consolidated statement of financial position.

(in millions)	31 December 2017	31 December 2016
Assets		
Financial assets held for trading		28
Financial investments	7	
Loans and receivables - banks	67	
Residential mortgages	14	
Consumer Loans	70	1,634
Corporate Loans	234	1,785
Property and equipment	31	32
Tax assets	3	
Other assets	2,739	2
Assets of businesses held for sale	**3,165**	**3,481**
Liabilities		
Financial liabilities held for trading		7
Derivatives	1	
Securities financing	10	
Demand Deposits	1,502	3,283
Saving Deposits	336	233
Time Deposits	244	2,143
Provisions	1	
Tax liabilities	3	
Other liabilities	2,746	
Liabilities of businesses held for sale	**4,843**	**5,667**

In line with the strategic update in 2016, ABN AMRO classified its private banking subsidiary ABN AMRO Bank (Luxembourg) S.A. and its fully owned subsidiary ABN AMRO Life S.A. as held for sale in Q4 2017. The bank is currently in the process of selling this subsidiary and expects a sale to occur during 2018. The intended transfer involves an amount of EUR 3,151 million in assets and EUR 4,843 million in liabilities.

The sale of ABN AMRO's private banking operations in Asia and the Middle East was announced on 16 November 2016. This sale was completed on 30 April 2017. A total amount of EUR 3,202 million in assets and EUR 4,637 million in liabilities were divested. The sale resulted in total gross sale proceeds of EUR 255 million.

25 Other assets

The following table shows the components of other assets at 31 December.

(in millions)	31 December 2017	31 December 2016
Accrued other income	457	514
Prepaid expenses	28	27
Unit-linked investments		3,275
Reinsurers share, trade and other receivables	1,895	1,758
Other	450	476
Total other assets	**2,830**	**6,050**

Other assets decreased by EUR 3.2 billion to EUR 2.8 billion at 31 December 2017 as a result of a decrease in unit-linked investments.

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Unit-linked investments are investments on behalf of insurance contract policyholders who bear the investment risk. Minimum guaranteed rates are agreed for certain contracts.

As at 31 December 2017, unit-linked policyholders decreased to zero as a result of the 'held for sale' classification of its private banking subsidiary ABN AMRO Bank (Luxembourg) S.A., including its fully owned subsidiary ABN AMRO Life S.A., and the non-consolidation of investments owned by policyholders of ABN AMRO Pensioeninstelling, where ABN AMRO concluded that these assets should be treated as a silo as defined by IFRS 10.

Reinsurers' share, trade and other receivables include the amount of the receivables purchased by ABN AMRO (the factor) from its clients under non-recourse factoring contracts.

Other assets in 2017 and 2016 include a net receivable of EUR 204 million, mainly related to the bankruptcy of DSB Bank.

26 Due to banks

Accounting policy for due to banks and due to customers

Under IAS 39 Financial Instruments, amounts due to banks and customers are held at amortised cost. That is, at fair value upon initial recognition, adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the instrument.

This item comprises amounts due to banking institutions, including central banks and multilateral development banks.

(in millions)	31 December 2017	31 December 2016
Deposits from banks:		
Demand deposits	2,539	2,591
Time deposits	1,083	1,475
Other deposits	12,817	9,329
Total deposits	**16,439**	**13,394**
Other Due to banks	23	25
Total due to banks	**16,462**	**13,419**

Due to banks increased by EUR 3.0 billion to EUR 16.5 billion at 31 December 2017. Other deposits increased by EUR 3.5 billion as a result of an increase in the participation in the TLTRO II programme in March 2017 (EUR 4.0 billion). The maturity of TLTRO II is four years and interest payments will be settled in arrears. The interest rate, which is fixed for the entire maturity of TLTRO II, will be set in March 2021.

27 Due to customers

The accounting policy for due to customers is included in note 26.

(in millions)	31 December 2017	31 December 2016
Demand deposits	127,675	119,848
Saving deposits	95,751	92,740
Time deposits	13,274	16,169
Total due to customers	**236,699**	**228,758**

Due to customers increased by EUR 7.9 billion to EUR 237.0 billion at 31 December 2017, mainly as a result of the increase in demand deposits (EUR 7.8 billion) and saving deposits (EUR 3.0 billion), partly offset by a decrease in time deposits (EUR 2.9 billion), reflecting an overall increase in demand for these types of investments.

Demand deposits increased by EUR 7.8 billion to EUR 127.7 billion at 31 December 2017 due to higher outstanding positions held by Retail Banking clients (EUR 2.0 billion), Private Banking clients (EUR 1.4 billion), Commercial Banking clients (EUR 1.3 billion), and Corporate & Institutional Banking clients (EUR 3.1 billion). The main driver for these increases was excessive liquidity in the market.

Saving deposits increased by EUR 3.0 billion to EUR 95.8 billion, mainly due to higher outstanding positions held by Private Banking clients (EUR 2.5 billion) and Retail Banking clients (EUR 1.2 billion), and transfers from time deposits. Clients chose for the flexibility of saving deposits over the more fixed character of time deposits as the difference in interest rates between these products during the year was relatively small.

Time deposits decreased by EUR 2.9 billion to EUR 13.3 billion, mainly due to a transfer of saving deposits by Retail Banking clients (EUR 3.0 billion). This was partly offset by a small increase in time deposits held by Commercial Banking clients.

28 Issued debt and subordinated liabilities

Accounting policy for issued debt and subordinated liabilities

Issued debt securities and subordinated liabilities are recorded at amortised cost using the effective interest rate method, unless they are of a hybrid or structured nature and irrevocably designated upon initial recognition to be held at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of their fair value or include terms that have substantive derivative characteristics in nature.

ABN AMRO applies IAS 32 Financial Instruments: Presentation to determine whether funding is a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or at the option of the holder are classified as liabilities. Dividends and fees on preference shares classified as a liability are recognised as interest expense.

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Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO and its subsidiaries.

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where own credit risk would be considered by market participants. Exchange-traded own debt at fair value through profit or loss is valued against market prices.

Fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 31 December. Movements in these debt instruments involve a continual process of redemption and issuance of long-term and short-term funding.

(in millions)	31 December 2017	31 December 2016
Bonds and notes issued	59,527	62,882
Certificates of deposit and commercial paper	15,896	16,705
Saving certificates	6	52
Total at amortised cost	**75,429**	**79,639**
Designated at fair value through profit or loss	1,182	1,639
Total issued debt	**76,612**	**81,278**
- of which matures within one year	23,790	27,754

Total issued debt decreased by EUR 4.7 billion to EUR 76.6 billion at 31 December 2017. This decrease was driven by USD depreciation, resulting in a decline in senior unsecured funding. A decline in securitisations was offset by a near similar increase in covered bonds.

The amounts of 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.

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2017	31 December 2016
Cumulative change in fair value of the structured notes attributable to changes in credit risk	85	100
Change during the year in fair value of the structured notes attributable to changes in credit risk	-15	6

For all financial liabilities designated at fair value through profit or loss, the amount that ABN AMRO is contractually required to pay at maturity was EUR 1.1 billion (2016: EUR 1.5 billion).

Following a review of the amounts relating to the change in fair value of the structured notes attributable to changes in credit risk, the comparative figures have been restated.

The following table shows the outstanding subordinated liabilities at 31 December.

(in millions)	31 December 2017	31 December 2016
Subordinated liabilities	9,720	11,171

Subordinated liabilities decreased by EUR 1.5 billion to EUR 9.7 billion at 31 December 2017. The redemption of a USD 1.5 billion 6.25% instrument, with an original maturity of 5 years and issued in September 2012, was offset by the issuance in March 2017 of a USD 1.5 billion 4.4% instrument with a minimum maturity of 6 years. The movement was caused by the redemption and issuance of notes and the depreciation of notes denominated in USD.

29 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement costs expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is responsible to pay upon default of payment.

The following table shows the breakdown of provisions at 31 December.

(in millions)	31 December 2017	31 December 2016
Insurance fund liabilities	62	127
Provision for pension commitments	76	86
Restructuring provision	404	417
Other staff provision	122	117
Legal provisions	692	731
Other provisions	173	193
Total provisions	**1,529**	**1,672**

Insurance fund liabilities

Insurance fund liabilities include the insurance companies' actuarial reserves, premium and claims reserves. The expected cash outflow for 2018 is approximately EUR 3 million and approximately EUR 22 million for the 2019-2022 period.

Provision for pension commitments

Provision for pension commitments includes early retirement benefits payable to non-active employees. In 2014 the pension scheme was changed from a defined benefit plan to a defined contribution plan. Further details are provided in note 30.

Restructuring

Restructuring provisions cover the costs of the restructuring plans for which implementation has been formally announced. The decrease in restructuring provisions was caused by the use of existing provisions, partly offset by new provisions. The new restructuring provisions mainly relate to initiatives that are the result of the new management structure, combined with initiatives that are the result of further digitalisation and process optimisation. Implementation of the 2017 restructuring plans will start within one year. The estimated costs are based on the ABN AMRO Social Plan. Settlement may take up to five years.

Other staff provisions

Other staff provisions relate mainly to disability and other post-employee benefits.

Legal provisions

Legal provisions are based on best estimates available at the year-end and taking into account the opinion of legal specialists. The timing of the outflow of cash related to these provisions is by nature uncertain, given the unpredictability of the outcome and the time involved in concluding litigations. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

Interest rate derivatives for SME clients

In 2015, ABN AMRO started a review, at the request of the Netherlands Authority for the Financial Markets (AFM) and the Dutch Ministry of Finance, to determine whether the bank had acted in accordance with its duty of care obligations in respect of the sale of interest rate derivatives to SME clients. In the second quarter of 2015, ABN AMRO first recognised a provision for compensating clients who had been disadvantaged in this respect and suffered loss or damage.

In December 2015, the AFM announced that it found the review performed by banks to be insufficient. In the 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 Uniform Recovery Framework. On that same date, ABN AMRO announced it would adhere to the framework and, as a result, increased its provision. In the months since 5 July 2016, the Committee, the AFM, the banks and the external file reviewers have worked together to monitor how the Uniform Recovery Framework is working in practice. The Committee has now added its findings to the Uniform Recovery Framework, which was finalised on 19 December 2016.

ABN AMRO has set up its own client reassessment process, together with the related checks and balances. In the first quarter of 2017, ABN AMRO started reassessing around 6,800 clients and some 9,000 interest rate derivatives. Due inter alia to the complexity of the reassessment, it was not feasible to propose a solution to our clients before the end of 2017. ABN AMRO aims to propose a solution under the Uniform Recovery Framework for the vast majority of these clients before the end of 2018. However, it is possible that the review of some of the more complex files will not be finalised until 2019. At various points in the process, the reassessments will be checked by an independent external file reviewer (in ABN AMRO's case, the audit firm PwC, supervised by the AFM). The total provision for SME derivatives-related issues as at 31 December 2017 amounted to EUR 471 million.

Euribor-based mortgages

ABN AMRO has sold mortgage loans with floating, often Euribor-based interest rates (close to 1% of the total mortgage portfolio) to consumers. An important element of the pricing model of these mortgage loans is the ability for ABN AMRO to pass on costs, allocated and unallocated, to clients by adjusting the margin charged above the prevailing floating interest rate. In many of these cases, ABN AMRO has structured its ability to do so in provisions contained in its terms and conditions that allow it to unilaterally adjust pricing or contractual terms. As ABN AMRO's external funding costs (i.e. the spread above Euribor) have risen, ABN AMRO has adjusted the margin charge upwards for the whole portfolio on two occasions. These increases have been contested by clients.

These complaints are based on a number of specific and general legal principles. In 2012/2013, in addition to multiple individual cases, class actions were brought by Stichting Stop de Banken and Stichting Euribar in respect of mortgage agreements with a floating interest rate based on Euribor. These class actions alleged that ABN AMRO was contractually not allowed to unilaterally increase the level of the applicable margin and had breached its duty of care. ABN AMRO lost the class action cases at the lower court in November 2015. The Amsterdam court's judgement took a rather principled view of unconditional pricing amendment provisions.

ABN AMRO filed an appeal against this judgement. On 19 December 2017, the Amsterdam Court of Appeal ruled that the bank was not allowed to increase the surcharges on Euribor mortgages. The Court ruled that the amendment clauses used by the bank in its general conditions to increase the margin charged were unfair, based on the European Directive on unfair conditions in consumer contracts. Consequently, these clauses were quashed. The Court ruled that the clauses were unfair because they were not transparent as:

- The mortgage credit agreement was not clear about the fact that the interest rate contained a variable margin and/or how high the surcharge was;
- Clients were not informed about the different cost components of the margin and could not foresee the economic consequences up-front;
- Therefore, clients had not explicitly chosen for a variable margin and its economic consequences when entering into the mortgage credit agreement.

ABN AMRO decided to appeal at the Supreme Court and has recorded a provision.

ICS redress scheme

International Card Services B.V. (ICS), the credit card business of ABN AMRO, has identified certain issues from the past in respect of the granting of credit to consumers, as a result of which certain customers were provided with loans above their lending capacity. This has been reported to the AFM. ICS has drafted a redress scheme that provides remedial measures for customers who have been affected, and which inter alia includes financial compensation for certain customers. The redress scheme is currently being implemented and the process is expected to be completed by the end of 2018. ABN AMRO has recognised a provision in respect of this redress scheme.

Other provisions

Other provisions include provisions for tax purposes. The tax provisions are based on best estimates available at the year-end and taking into account the opinion of tax specialists. The timing of the outflow of cash related to these provisions is by nature uncertain, given the unpredictability of the outcome and the time involved.

Discussions with tax authorities in Switzerland and Germany

The issue in Switzerland referred to in last year's Annual Report has been settled. The tax treatment of certain transactions relating to discontinued securities financing activities are currently still the subject of discussions with the German tax authorities. The latter issued tax assessments to a former German subsidiary of FBN (Fortis Bank Nederland) and to a German branch in order to reclaim dividend withholding tax amounts previously reclaimed by the German company and the branch. The German tax authorities disputed these reclaims. The issue with respect to the former subsidiary has now been settled. ABN AMRO has also received liability notices relating to these reclaims and to reclaims of dividend withholding tax for clients.

Changes in provisions during the year were as follows:

(in millions)	Insurance fund liabilities	Provision for pension commit-ments	Restruc-turing provision	Other staff provision	Legal provisions	Other	Total
At 1 January 2016	**154**	**85**	**200**	**144**	**292**	**381**	**1,256**
Acquisition and divestment of subsidiaries							
Increase of provisions	3		369	1	513	83	969
Reversal of unused provisions	-4		-20	-2	-30	-44	-100
Utilised during the year			-132		-70	-201	-402
Accretion of interest					26	5	31
Foreign exchange differences					-1		-1
Other	-26	1		-25	1	-31	-81
At 31 December 2016	**127**	**86**	**417**	**117**	**731**	**193**	**1,672**
Acquisition and divestment of subsidiaries	-39						-39
Increase of provisions			222		257	20	499
Reversal of unused provisions	-10		-17		-21	-35	-84
Utilised during the year			-218		-281	-4	-503
Accretion of interest					4	2	6
Foreign exchange differences						-2	-2
Other	-16	-10		5	2	-1	-20
At 31 December 2017	**62**	**76**	**404**	**122**	**692**	**173**	**1,529**

Total provisions decreased by EUR 143 million to EUR 1,529 million at 31 December 2017 compared with EUR 1,672 million at 31 December 2016. This was mainly due to decreases in insurance fund liabilities and legal provisions.

30 Pension and other post-retirement benefits

Accounting policy for pension and other post-retirement benefits

ABN AMRO sponsors a number of pension schemes in the Netherlands and abroad. IAS 19 applies to the accounting of these schemes. These schemes are mainly defined contribution plans. The majority of the beneficiaries of the plans are located in the Netherlands.

Defined contribution plans

For defined contribution plans, ABN AMRO pays annual contributions determined by a fixed method and has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants in the plan.

Defined benefit plans

For defined benefit schemes, the net obligation of each plan is determined as the difference between the present value of the defined benefit obligations and the fair value of plan assets.

The actuarial assumptions used in calculating the present value of the defined benefit obligation include discount rates based on high-quality corporate bonds, the inflation rate, future salary increases, employee contributions, mortality assumptions and rates of employee turnover. The assumptions are based on available market data and management expectations at the end of the reporting period.

Plan assets are measured at fair value at the balance sheet date and are netted against the defined benefit obligations.

Pension costs recognised in the income statement for defined benefit plans consist of:

- service costs;
- net interest costs determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments; and
- curtailments or plan amendments.

Differences between the pension costs and the contributions payable are accounted for as provisions or prepayments.

Remeasurement

Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover) and are recognised in other comprehensive income and will not be recycled to profit or loss in later periods. In determining the actual return on plan assets, the costs of managing the plan assets and any tax payable by the plan itself are deducted.

Other post-retirement benefits

Some group companies provide post-retirement benefits to their retirees such as long-term service benefits, and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are calculated annually.

Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Pension and other post-retirement benefits

Amounts recognised in the income statement for pensions and other post-retirement benefits

(in millions)	2017	2016
Current service cost	4	5
Interest cost	2	3
Interest income	-1	-1
Losses/(gains) on settlements and curtailment	-6	-1
Other	1	1
Pension expenses relating to defined benefit plans		**6**
Defined contribution plans	369	343
Total Pension expenses	**369**	**349**

The increase in the total pension expenses of EUR 20 million in 2017 mainly related to a decrease in the interest rate relating to the defined contribution plans. The pension expenses for defined contribution plans consist mainly of the cash contributions to the Dutch Collective Defined Contribution plan.

The remaining pension expenses relating to defined benefit plans consist mainly of several small defined benefit plans outside the Netherlands. The decrease of EUR 6 million compared with 2016 related to settlements in France.

Dutch defined contribution plan

The Dutch defined contribution plan is a Collective Defined Contribution (CDC) plan, based on an average salary plan. The normal retirement age is currently 67 years. The contribution payable by pension fund participants is 5.5% (2016: 5.5%).

Plan participants' contributions in 2017 amounted to EUR 43 million (2016: EUR 43 million) and are included in pension expenses.

Reconciliation to the statement of financial position and other comprehensive income

(in millions)	2017	2016
Present value of defined benefit obligations - funded	247	132
Fair value of plan assets	182	87
	65	**45**
Present value of unfunded obligations	10	40
Net recognised liabilities/(assets) at 31 December	**76**	**86**
Remeasurements arising from changes in demographic assumptions DBO	1	1
Remeasurements arising from changes in financial assumptions DBO	-2	-6
Remeasurements arising from changes in financial assumptions Plan assets.		2
Remeasurements in Other comprehensive income		**-3**

Change in defined benefit obligation

(in millions)	2017	2016
Defined benefit obligation as at 1 January	173	179
Current service cost	4	5
Interest cost	2	3
Losses/(gains) on settlements and curtailment	-7	-11
Participants' contributions	-8	-3
Benefits paid	-7	-2
Remeasurements arising from changes in demographic assumptions defined benefit obligation	-1	-1
Remeasurements arising from changes in financial assumptions defined benefit obligation	2	6
Acquisitions and disposals of subsidiaries		4
Foreign exchange differences	-1	-2
Other	101	-5
Defined benefit obligation as at 31 December	**257**	**173**

The net defined benefit liabilities / (assets) balance as at December 2017 consisted of pensioners with a profit share, the indexation of benefits insured at an insurance company and several small defined benefit plans outside the Netherlands.

The defined benefits obligation and fair value plan assets increased, mainly due to an increase in the vested benefit obligation of the liabilities for indexation in the retirement benefits which was added to the DBO and plan assets in 2017 (EUR 93 million).

Change in fair value of plan assets

(in millions)	2017	2016
Fair value of plan assets as at 1 January	87	94
Interest Income	1	1
Remeasurements arising from changes in financial assumptions plan assets		2
Employer's contributions	1	3
Benefits paid	-7	-2
Asset distributed on settlements		-9
Foreign exchange differences	-1	-2
Other	100	-1
Fair value of plan assets as at 31 December	**182**	**87**

The fair value of plan assets increased from EUR 87 million in 2016 to EUR 182 million in 2017. The defined benefits obligation and fair value plan assets increased. mainly due to an increase in the vested benefit obligation of the liabilities for indexation in the retirement benefits which was added to the DBO and plan assets in 2017 (EUR 93 million).

Principal actuarial assumptions

	2017	2016
Discount rate	1.4%	1.8%
Indexation rate	1.6%	1.7%
Future salary increases	1.8%	2.5%

The assumptions in the previous table are weighted by defined benefit obligations. The discount rate consists of a risk-free rate and a credit spread on AA-rated corporate bonds.

31 Other liabilities

The following table shows the components of accrued expenses and other liabilities at 31 December 2017.

(in millions)	31 December 2017	31 December 2016
Accrued other expenses	983	1,287
Liability to unit-linked policyholders		3,275
Sundry liabilities and other payables	2,560	1,941
Total other liabilities	**3,543**	**6,503**

Obligations to policyholders whose return is dependent on the return of unit-linked investments recognised in the balance sheet are measured at fair value with changes through income.

Other liabilities decreased by EUR 3.0 billion to EUR 3.5 billion at 31 December 2017 (2016: EUR 6.5 billion) due to a decrease in liability to unit-linked policyholders.

As at 31 December 2017, liabilities to unit-linked policyholders decreased to zero as a result of the 'held for sale' classification of its private banking subsidiary ABN AMRO Bank (Luxembourg) S.A., including its fully owned subsidiary ABN AMRO Life S.A., and the non-consolidation of investments owned by policyholders of ABN AMRO Pensioeninstelling, where ABN AMRO concluded that these liabilities should be treated as a silo as defined by IFRS 10.

32 Equity

Share capital and other components of equity

Ordinary shares and depositary receipts for ordinary shares

As at 31 December 2017, all shares in the capital of ABN AMRO Group were held by two foundations: NLFI and STAK AAG. On that date, NLFI held 56% and STAK AAG held 44% of the shares in the issued capital of ABN AMRO Group. Both foundations have issued depositary receipts in ABN AMRO Group. Only STAK AAG's depositary receipts were issued with the cooperation of ABN AMRO Group and are traded on Euronext Amsterdam. For more information about the STAK AAG and the depositary receipts, please refer to the Governance section of this report. More details on the shares are provided in the ABN AMRO Shares section.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective areas of the statement of financial position.

Other reserves

Other reserves mainly comprise retained earnings, profit for the period and legal reserves.

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Available-for-sale reserve

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes, excluding impairment losses recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that will be recycled to the income statement when the hedged transactions affect profit or loss.

Net investment hedging reserve

The net investment hedging reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, to the extent they are effective.

Dividends

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

Capital securities

Undated, deeply subordinated, resettable, callable capital securities are classified as additional tier 1 (AT1) capital, under total equity. ABN AMRO Bank has the European Central Bank's permission to carry out limited repurchases from investors and to sell back in the market.

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The following table shows the composition of equity attributable to shareholders of the parent company at 31 December 2017 and 31 December 2016.

(in millions)	31 December 2017	31 December 2016
Share capital	940	940
Share premium	12,970	12,970
Other reserves (incl. retained earnings/profit for the period)	5,724	4,027
Other components of equity	-331	-9
Equity attributable to shareholders of the parent company	**19,303**	**17,928**
Capital securities	2,007	1,004
Equity attributable to other non-controlling interests	20	5
Total equity	**21,330**	**18,937**

At 31 December 2017, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 4.7 billion, distributed over 4,500,000,000 ordinary shares and 200,000,000 class B ordinary shares.

All shares have a nominal value of EUR 1.00 each and each share entitles the shareholder to one vote. At 31 December 2017, capital issued by ABN AMRO Group N.V. and paid-up consisted of 940,000,001 ordinary shares (EUR 940 million).

In October 2017 ABN AMRO Bank N.V. issued EUR 1.0 billion in capital securities. Capital securities qualify as Additional Tier 1 as described in CRD IV and CRR. The capital securities are perpetual, unsecured and deeply subordinated. Redemption is discretionary to ABN AMRO Bank N.V. on the interest reset date in year 10, subject to regulatory approval. The securities can be called on an annual basis after year 10. There is a fixed interest coupon of 4.75%, payable semi-annually. Interest is non-cumulative and fully at the discretion of ABN AMRO Bank N.V. No interest will be paid if there are insufficient distributable items and/or if constrained by maximum distributable amount (MDA) restrictions or at the order of the Competent Authority.

In 2017, a final dividend for 2016 of EUR 414 million was paid out to ordinary shareholders, bringing the total dividend for 2016 to EUR 790 million. An interim dividend of EUR 611 million for 2017 was paid to ordinary shareholders in September 2017 (2016: EUR 376 million).

The following table shows the number of shares in the authorised capital, unissued and issued, and paid-up and unpaid amounts, at 31 December 2017 and 31 December 2016.

	31 December 2017		31 December 2016	
	Class A ordinary shares	Class B ordinary shares	Class A ordinary shares	Class B ordinary shares
Number of shares				
Authorised share capital	4,500,000,000	200,000,000	4,500,000,000	200,000,000
Unissued share capital	3,559,999,999	200,000,000	3,559,999,999	200,000,000
Issued share capital	940,000,001		940,000,001	
Amount of shares				
Authorised share capital	4,500,000,000	200,000,000	4,500,000,000	200,000,000
Unissued share capital	3,559,999,999	200,000,000	3,559,999,999	200,000,000
Issued share capital	940,000,001		940,000,001	
Par value	1.00	1.00	1.00	1.00

33 Transferred, pledged, encumbered and restricted assets

Accounting policy for transferred, pledged, encumbered and restricted assets

Transferred financial assets are arrangements/transactions for which ABN AMRO has:

- transferred the contractual rights to receive the cash flows of the financial asset to a third party, or;
- retained the contractual rights to receive the cash flows of that financial asset, but has assumed a contractual obligation to pay the cash flows to a third party; or
- alternatively, transferred a financial asset when the counterparty has the right to re-pledge or to re-sell the asset.

Depending on the circumstances, these transfers may either result in financial assets that are not derecognised in their entirety or in assets that are derecognised in their entirety. More detailed information on our recognition and derecognition policy is provided in the paragraph on significant accounting policies under note 1, Accounting policies.
Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to the pledge. Encumbered assets are those that are pledged or other assets which we believe to be restricted to secure, credit-enhance or collateralise a transaction.

In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO:

- Encumbered assets include mandatory reserve requirements with central banks and unit-linked investments;
- Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements such as:

- those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to (or from) other entities within the Group;
- guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within the Group;
- protective rights of other non-controlling interests that may restrict the ability of the Group to access and transfer assets freely to or from other entities within the Group and to settle liabilities of the Group.

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to show which risks the bank is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised in the balance sheet, ABN AMRO Group is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

	31 December 2017			31 December 2016		
(in millions)	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total
Securitisations						
Carrying amount Transferred assets	1,240		1,240	2,342		2,342
Carrying amount Associated liabilities	1,250		1,250	2,350		2,350
For those liabilities that have recourse only to the transferred assets						
Fair value of assets	1,329		1,329	2,533		2,533
Fair value of associated liabilities	1,257		1,257	2,365		2,365
Net position	**71**		**71**	**168**		**168**
Other						
Carrying amount Transferred assets		146	146		60	60
Carrying amount Associated liabilities		208	208		72	72
Fair value of assets		146	146		60	60
Fair value of associated liabilities		208	208		72	72
Net position		**-62**	**-62**		**-11**	**-11**
Totals						
Carrying amount Transferred assets	1,240	146	1,386	2,342	60	2,402
Carrying amount Associated liabilities	1,250	208	1,458	2,350	72	2,422
Fair value of assets	1,329	146	1,475	2,533	60	2,594
Fair value of associated liabilities	1,257	208	1,465	2,365	72	2,437
Net position	**71**	**-62**	**10**	**168**	**-11**	**157**

Securitisations

The bank uses securitisations as a source of funding, whereby the Special Purpose Entity (SPE) issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, the bank transfers the title of the assets to SPEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (mainly residential mortgage loans) are considered to be transferred.

Securities financing

Securities financing transactions are entered into on a collateralised basis for mitigating the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO. ABN AMRO transfers the securities; if the counterparty has the right to re-sell or re-pledge them, the bank considers them to be transferred assets.

Continuing involvement in transferred financial assets that are derecognised in their entirety

The bank does not have any material transferred assets that are derecognised in their entirety, but where ABN AMRO has continuing involvement.

Pledged and encumbered assets

Pledged and encumbered assets are no longer readily available to the Group to secure funding, to satisfy collateral needs or to be sold to reduce the funding requirement. The following activities conducted by ABN AMRO give rise to pledged assets:

- cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- securities lent as part of repurchase and securities lending transactions.

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2017	31 December 2016
Assets pledged		
Cash and balances at central banks	2	1
Financial assets held for trading	257	94
Investments available-for-sale	1,796	3,306
Loans and receivables - Banks:		
- Interest bearing deposits	1,951	4,503
Loans and receivables - Customers:		
- Residential mortgages	70,692	79,579
- Commercial loans	7,419	6,476
Other financial assets	111	3
Total assets pledged as security	**82,228**	**93,962**
Differences between pledged and encumbered assets		
Financial investments available-for-sale		-724
Loans and receivables – banks[1]	273	270
Loans and receivables – customers[2]	-19,508	-28,221
Other assets[3]	2,728	3,275
Total differences between pledged and encumbered assets	**-16,507**	**-25,400**
Total encumbered assets	**65,721**	**68,562**
Total assets	**393,171**	394,482
Total encumbered assets as percentage of total assets	16.7%	17.4%

1 Includes mandatory reserve deposits.
2 Excludes mainly mortgage-backed securities.
3 Includes unit-linked investments.

Total encumbered assets decreased by EUR 2.8 billion to EUR 65.7 billion in December 2017 (2016: EUR 68.6 billion), mainly due to a decrease in interest-bearing deposits. In 2017 the bank concluded that a portfolio of financial investments should be regarded as encumbered. The comparative figures have been adjusted accordingly.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO obtains securities on terms which permit it to re-pledge or re-sell the securities to others. These transactions are conducted on terms that are usual and customary in standard professional securities transactions.

ABN AMRO controls the credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and, if necessary, by requiring additional collateral to be deposited with or returned to the Group.

(in millions)	31 December 2017	31 December 2016
Fair value of securities received which can be sold or repledged	46,711	51,696
- of which: fair value of securities repledged/sold to others	37,892	39,660

ABN AMRO has an obligation to return the securities accepted as collateral to its counterparties.

Significant restrictions on the ability to access or use the Group's assets

The purpose of disclosing assets with significant restrictions is to provide information to enables users of the Group's consolidated financial statements to evaluate the nature and extent of any significant restrictions on the latter's ability to access or use assets, and settle liabilities.

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and encumbered assets. Other restrictions impacting on the Group's ability to use assets:

- Assets as a result of collateralising repurchase and borrowing agreements (2017: EUR 15.7 billion; 2016: EUR 16.7 billion);
- Assets held in certain jurisdictions to comply with local liquidity requirements and that are subject to restrictions in terms of their transferability within the Group (2017: EUR 3.5 billion; 2016: EUR 3.3 million);
- ABN AMRO Group in general is not subject to significant restrictions that would prevent the transfer of dividends and capital within the Group, except for regulated subsidiaries that are required to maintain capital to comply with local regulations (2017: EUR 1.4 billion; 2016: EUR 1.3 billion).

34 Commitments and contingent liabilities

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on clients. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Initial recognition of financial guarantee contracts is at their fair value. Subsequent measurement is the higher of the amount initially recognised less cumulative amortisation, when appropriate, and the best estimate of the amount expected to settle the obligation.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

Committed credit facilities

Commitments to extend credit take the form of approved but undrawn loans and overdraft, revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions. In addition, ABN AMRO has entered into transactions to guarantee various liabilities with respect to insurance-related regulatory reserve financing transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Furthermore, statements of liability within the meaning of Article 403 Book 2 of the Dutch Civil Code have been issued for a number of ABN AMRO's affiliated companies (see also chapter Other information).

The committed credit facilities, guarantees and other commitments at 31 December 2017 and 2016 are summarised in the following table.

(in millions)	Less than one year	Between one and three years	Between three and five years	After five years	Total
					Payments due by period
31 December 2017					
Committed credit facilities	**14,263**	**6,701**	**9,520**	**2,289**	**32,772**
Guarantees and other commitments:					
Guarantees granted	311	267	51	1,880	2,509
Irrevocable letters of credit	4,477	1,367	420	263	6,526
Recourse risks arising from discounted bills	7,010	121			7,130
Total guarantees and other commitments	**11,797**	**1,754**	**471**	**2,143**	**16,165**
Total	**26,060**	**8,455**	**9,990**	**4,432**	**48,938**
31 December 2016					
Committed credit facilities	**13,461**	**4,920**	**5,014**	**1,892**	**25,288**
Guarantees and other commitments:					
Guarantees granted	244	378	69	1,967	2,659
Irrevocable letters of credit	4,306	852	445	575	6,178
Recourse risks arising from discounted bills	6,790	209	4	35	7,037
Total guarantees and other commitments	**11,340**	**1,439**	**518**	**2,577**	**15,873**
Total	**24,801**	**6,358**	**5,532**	**4,469**	**41,161**

The total of committed credit facilities, guarantees and other commitments increased by EUR 7.8 billion to EUR 48.9 billion at 31 December 2017 (2016: EUR 41.2 billion). This increase was mainly due to an increase of EUR 7.5 billion in committed credit facilities and an increase of EUR 0.3 billion in Irrevocable letters of credit.

The increase in committed credit facilities by EUR 7.5 billion to EUR 32.8 billion at 31 December 2017 (2016: EUR 25.3 billion) was mainly related to an increase of EUR 8.4 billion in credit lines granted to commercial and consumer clients, which was partly offset by lower outstanding credit offers of EUR 0.9 billion. Exclusion of credit offers relating to mortgage renewals and process improvements resulted in a downward adjustment of the comparative figures for 2016 by EUR 2.0 billion.

Leasing

ABN AMRO mainly enters into leases classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. If it is decided that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub-leasing income) is recognised as an expense. If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised.

Operating lease commitments

ABN AMRO leases various offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. ABN AMRO also leases equipment under non-cancellable lease arrangements. Total operating lease arrangements amounted to EUR 371 million at 31 December 2017 (31 December 2016: EUR 398 million), of which EUR 294 million (31 December 2016: EUR 321 million) is due within five years.

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Other contingencies

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting consolidated financial information, management makes estimates regarding the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not.

Provisions are not recognised for matters for which the expected cash outflow cannot be reasonably estimated or that are not considered more likely than not to lead to a cash outflow. Some of these matters may be regarded as a contingency. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities. On the basis of information currently available, and having taken counsel with legal advisors, ABN AMRO is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated result of ABN AMRO. In particular the following matters are regarded as contingencies.

Certain hedge funds initiated proceedings in Belgium and claimed an amount of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 from four issuers, among which ABN AMRO, in relation to the conversion of Ageas mandatory convertible securities. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims by the hedge funds. This verdict underlined the verdict in the summary proceedings (*kort geding*) of November 2010. Certain hedge funds have since filed an appeal against the verdict. ABN AMRO remains confident that it has acted within its rights and therefore also continues to be optimistic about the outcome of the currently pending appeal proceedings.

As previously reported, ABN AMRO, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. Provision of the custodial services has resulted in a number of legal claims, including by BLMIS' (Bernard L Madoff Investment Securities) trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to compensate their alleged losses. Certain ABN AMRO subsidiaries are defendants in these proceedings. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO's potential liability, if any. ABN AMRO continues to investigate and implement strategies for recovering the losses suffered. As previously reported, a total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. In 2011, 2012 and 2013, one of ABN AMRO's subsidiaries was able to sell shares and limited partnership interests that were provided to it as collateral or which it had bought to hedge its exposure in the context of the collateralised loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52 million, EUR 78 million and EUR 253 million respectively and an equivalent amount provided for in 2008 was subsequently released.

The Imtech N.V. group has been in financial difficulties ever since certain fraudulent events, perpetrated by certain managers and staff, were discovered a few years ago and was declared bankrupt in August 2015. ABN AMRO has extended credit to the Imtech N.V. group of businesses and it holds shares in Imtech N.V. further to its underwriting commitment in the Imtech N.V. rights offering of October 2014. In April 2015, Stichting ImtechClaim threatened to initiate a collective action lawsuit against, among others, Imtech N.V. and the four underwriters (including ABN AMRO Bank) of the Imtech N.V. rights offering of October 2014. Since a claim has not yet been formally filed, the complaint is not entirely clear but ABN AMRO expects that, among other complaints, it would appear to relate to prospectus liability and inappropriate behaviour as a result of conflicts of interest (*dubieuze dubbelrol*). The amount of damages that Stichting ImtechClaim can claim depends on the number of people in the class action. The press reported in 2017 on various developments surrounding Imtech Poland. According to its website, Stichting Imtechclaim now has 760 individual shareholders as members and is said to be preparing to commence proceedings against the individual managing board members and supervisory board members, the accountant and banks.

In August 2007, Sentinel Management Group, Inc. ('Sentinel'), a futures commission merchant that managed customer segregated funds for ABN AMRO, filed for bankruptcy. Shortly before Sentinel filed for bankruptcy, Sentinel sold securities to Citadel Equity Fund, Ltd. The US Bankruptcy Court ordered funds from the sale to Citadel Equity Fund, Ltd to be distributed to certain Sentinel customers. ABN AMRO received its pro rata share of in total USD 53 million. On or about 15 September 2008, the bankruptcy trustee filed an adversary proceeding against all of the recipients of the court-ordered distribution of funds from the Citadel Equity Fund, Ltd sale, including ABN AMRO, claiming the repayment of the amounts received. The complaint also includes a claim for other monies ABN AMRO received shortly before Sentinel filed for bankruptcy. This regards an amount of USD 4 million and a claim for pre-judgement interest which could range from USD 0.4 million to USD 10 million. In 2017, the Seventh Circuit Court ruled in favour of, inter alia, a party in a similar position as ABN AMRO (FC Stone) and denied the claim from the Trustee. ABN AMRO is awaiting application of this judgement to its case.

On 16 August 2016, ABN AMRO received a writ of summons from a housing corporation, Stichting Havensteder ('Havensteder'), relating to two extendible loans ('the Loans') with a total principal of EUR 64 million. Havensteder claimed partial annulment (*partiële vernietiging*) of the extendible part of the Loans since, according to Havensteder, the Loans conflicted with the interest of public housing and public housing laws. Alternatively, Havensteder claimed that, as a result of unforeseen circumstances, the interest rates on the Loans should be reduced to approximately 2.45% or 3.0%. In the further alternative, Havensteder claimed partial annulment of the extendible part of the Loans in view of error (*dwaling*), breach of the duty of care and breach of information duties. The court hearing in this matter took place in September 2017. The District Court of Amsterdam is expected to announce its verdict in the first half of 2018.

On 22 August 2016, ABN AMRO received a writ of summons from the indirect shareholders of ABN AMRO's former clients, the Partner Logistics Group. The claimants alleged that ABN AMRO, among other defendants, acted wrongfully in relation to the bankruptcy of the Partner Logistics Group. Based on this, they have claimed damages in the amount of EUR 205 million. The litigation is ongoing and ABN AMRO is scheduled to file an additional document with the court in March 2018.

International Card Services B.V. (ICS), the credit card business of ABN AMRO, has identified certain issues from its past in respect of the granting of credit to consumers. Further details are provided in note 29 Provisions.

Other contingencies include EUR 35 million related to an irrevocable payment commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions with the option to fulfil part of 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.

Duty of care matters

A number of proceedings have been initiated against ABN AMRO for alleged breach of its duty of care in transparency-related standards, and a larger number of proceedings have been threatened. Where applicable, provisions for these matters have been made.

There can be no assurance that additional proceedings will not be brought or that the amount demanded in claims brought to date will not rise. Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. The uncertainties are likely to continue for some time. As a result, although the consequences could be substantial for ABN AMRO, with a potentially material adverse effect on ABN AMRO's reputation, results of operations, financial condition and prospects, it is not possible to reliably estimate or quantify ABN AMRO's exposure at this time. In conclusion, although claims in relation to alleged breach of the duty of care remain contingent, they have been provisioned or partly provisioned.

Interest rate derivatives sold to SME clients

Since 2014, there has been a public debate in the Netherlands on a bank's duty of care towards SMEs with respect to interest rate derivatives.

As explained in note 29 Provisions, the bank entered into interest rate derivatives, in combination with floating interest rate loans, with approximately 6,800 SME clients. These clients entered into an interest rate derivative with the purpose of fixing their interest rate risk on their floating rate loans. The combination of a floating interest rate loan and an interest rate swap was less expensive for the clients than the alternative of a loan with a fixed interest rate.

As a result of the decline in interest rates, the interest rate swaps currently have a negative mark-to-market value. There are no negative consequences for clients as long as the loan is not repaid, in whole or in part, before its maturity date.

Individual or class action complaints and litigation

Some SME clients needed or wanted to repay their floating interest rate loans before their maturity date. As a consequence, the interest rate swap needed to be unwound in order to avoid creating an overhedge. In line with standard market practice in such situations, the SME clients then had to pay the bank the negative mark-to-market value of the interest rate swap. Such payment may be compared to the penalty interest on a fixed rate loan. The bank received multiple complaints and some clients and/or interest groups instigated legal proceedings about the bank's alleged breach of its duty of care, claiming, for instance, that the bank had not properly informed them of the risks associated with interest rate swaps. In most of these cases, the client's claim was rejected, while in some other cases the bank paid compensation to the client.

In the case of litigation relating to SME derivatives, the bank does not make provisions for claims that do not meet the recognition and/or measurement criteria. There can be no assurance that additional proceedings will not be brought or that the amount demanded in claims brought to date will not rise. Current proceedings are pending and their outcome is uncertain. The uncertainties are likely to continue for some time. In conclusion, claims in relation to the alleged breach of duty of care remain contingent.

Uniform Recovery Framework

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting with respect to their SME client files containing interest rate derivatives would need to be amended. On 1 March 2016, the AFM published a press release and sent a letter to the Dutch Minister of Finance, advising him to appoint a panel of independent experts to advise on the reassessment of SME and middle-market interest rate derivatives. On 5 July 2016, the draft Uniform Recovery Framework prepared by this panel of independent experts was presented, and ABN AMRO committed to this framework. Based on the contents of the framework, ABN AMRO recognised a provision at the year-end, the details of which are included in note 29 Provisions. After the draft Uniform Recovery Framework had been presented, the panel of independent experts worked with the banks involved, the AFM and interest groups to finalise the framework. On 19 December 2016, the panel of independent experts presented the final version of the Uniform Recovery Framework. This will result in revised compensation solutions for clients. The extent to which the Uniform Recovery Framework will impact on pending and future litigation is currently unclear.

As this is a possible liability dependent on a future event, no provision has been made for this possible outflow of resources and it is therefore considered a contingency. Reference is made in this respect to note 29 Provisions.

Cross-liability

A legal demerger may cause so-called cross-liabilities. Pursuant to section 2:334t of the Dutch Civil Code, the acquiring company or companies and the demerging company, if it continues to exist, are jointly and severally liable for the obligations of the demerging company at the time of the demerger. The acquiring companies and the continuing demerged company will remain fully liable for indivisible obligations. In the case of divisible obligations (e.g. monetary obligations), the acquiring company to whom the obligation transferred or, if the obligation remained where it was, the company that continued to exist is fully liable. However, if an obligation has not been transferred to or remained with a company, that company's liability for divisible obligations is limited to the value of the assets acquired or retained in the demerger. A cross-liability is of a secondary nature. The company that did not acquire or retain the obligation is not required to perform until the company that did acquire or retain the obligation has failed to perform.

On 6 February 2010, the former ABN AMRO Bank N.V. demerged into two entities: RBS N.V. and ABN AMRO Bank N.V. (the '2010 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the time of the 2010 Demerger, RBS N.V. is liable for the performance; if RBS N.V. fails to perform its obligations existing at the time of the 2010 Demerger, ABN AMRO Bank N.V. is liable. RBS N.V.'s contingent liability for divisible obligations as a result of the 2010 Demerger is limited to EUR 4 billion, whereas ABN AMRO Bank N.V.'s contingent liability is limited to EUR 1.8 billion (which amount remained unchanged compared to 31 December 2016). ABN AMRO Bank N.V. has put in place arrangements to mitigate the risks of such contingent liability and has received collateral from RBS Plc amounting to EUR 1.8 billion (2016: EUR 1.8 billion). ABN AMRO Bank N.V. did not post any collateral with RBS N.V. or RBS Plc.

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V. (the '2008 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, New HBU II N.V. is liable for the performance; if New HBU II N.V. fails to perform its obligations existing at the date of the 2008 Demerger, ABN AMRO Bank N.V. is liable.

On 1 April 2010, New HBU II N.V. was transferred to Deutsche Bank AG and renamed Deutsche Bank Nederland N.V. As a result of the cross-liabilities described above, if RBS N.V. or ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, Deutsche Bank Nederland N.V. is liable for the performance. Deutsche Bank Nederland N.V.'s contingent liability in this regard is limited to EUR 950 million. On 27 September 2014, pursuant to a put option exercised by Deutsche Bank AG, the assets and liabilities of Deutsche Bank Nederland N.V., apart from the cross-liabilities created as a result of the 2008 Demerger, were demerged into a newly incorporated subsidiary of Deutsche Bank AG (the '2014 Demerger'). Deutsche Bank Nederland N.V. was subsequently acquired by ABN AMRO Bank N.V. and renamed Sumsare N.V. As a consequence, Deutsche Bank Nederland N.V.'s contingent liability under the 2008 Demerger is now held by Sumsare N.V., a wholly-owned subsidiary of ABN AMRO Bank N.V. Deutsche Bank AG indemnified Sumsare N.V. for any claims (including cross-liabilities) in connection with the 2014 Demerger.

Indemnity agreement 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 of 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. As of the publication date of these Annual Financial Statements, ABN AMRO is not aware of any claim being filed by NLFI. This situation could change in the future.

35 Related parties

Parties related to ABN AMRO include NLFI with control, the Dutch State with significant influence, associates, pension funds, joint ventures, the Executive Board, the Executive Committee, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Loans and advances to the Executive Board, Executive Committee members and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions.

Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other	Total
31 December 2017				
Assets	4	352		356
Liabilities	82	585		667
Guarantees given		15		15
Guarantees received		4		4
Irrevocable facilities		23		23
2017				
Income received	41	42		82
Expenses paid	13	7	315	335
31 December 2016				
Assets	14	382		396
Liabilities	205	710		914
Guarantees given		15		15
Guarantees received		7		7
Irrevocable facilities		26		26
2016				
Income received	34	45		79
Expenses paid	14	12	296	321

Liabilities with joint ventures decreased by EUR 123 million at 31 December 2017 compared with 31 December 2016, mainly due to lower customer deposits held by other financial corporations.

Liabilities with associates decreased by EUR 125 million at 31 December 2017 compared with 31 December 2016, mainly due to lower balances on demand deposits with financial institutions and other financial corporations.

Expenses paid in the column Other reflect pension contributions paid to the ABN AMRO pension fund.

Balances with the Dutch State

(in millions)	31 December 2017	31 December 2016
Assets:		
Financial assets held for trading	480	269
Derivatives	1,076	1,701
Financial investments - available for sale	6,197	6,592
Loans and receivables - customers	760	782
Other assets	9	99
Liabilities:		
Derivatives	1,753	2,371
Due to customers	882	830
Financial liabilities held for trading	98	9
Subordinated loans		

	2017	2016
Income statement:		
Interest income	130	141
Interest expense	38	44
Net trading income	-3	-24
Other operating income	10	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 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.

Transactions and balances related to taxation are included in note 10 Income tax expense, tax assets and tax liabilities. Most of the tax items in this note consist of transactions and balances with the Dutch tax authorities.

The regulatory charges relating to the Dutch State are included in note 9 General and administrative expenses.

Financial assets held for trading increased by EUR 0.2 billion at 31 December 2017 compared with 31 December 2016, mainly as a result of higher Dutch government bonds related to the primary dealership in the Netherlands and of client facilitation. Most of these contracts are hedged with short positions in government bonds.

Derivatives related to both assets and liabilities decreased by EUR 0.6 billion at 31 December 2017 compared with 31 December 2016, mainly due to lower lending positions with the Dutch State. Derivatives transactions with the Dutch State relate to the normal course of business.

Net trading income increased by EUR 21 million at 31 December 2017 compared with 31 December 2016, due to trading results on sold Dutch government bonds.

Other operating income decreased by EUR 29 million at 31 December 2017 compared with 31 December 2016, mainly as a result of higher realised gains on financial investments in 2016.

Key management personnel compensation

In 2017 ABN AMRO changed its management structure. Management now consists of the Executive Committee, which includes the Executive Board. Remuneration of the Executive Board is disclosed in note 36, as required by Part 9 Book 2 of the Dutch Civil Code. All members of the Executive Committee are considered key management personnel and their remuneration is included in the tables below.

Loans to key management personnel

	Base salary	Variable remuneration	Total pension related contributions		Severance payments	Total
(In thousands)			Post employee pension (3a)	Short-term allowances (3b)		
2017						
Executive Board[1]	3,390		198	1,172	157	4,917
Other ExCo members[2]	2,329		160	703		3,192
Total	**5,719**		**358**	**1,875**	**157**	**8,109**
2016						
Executive Board[1]	4,841		257	1,628	155	6,881
Total	**4,841**		**257**	**1,628**	**155**	**6,881**

[1] Consists of Executive Board members and former Managing Board members.
[2] The other Executive Committee members were appointed as from 1 March 2017 and the figures reflect the period from 1 March 2017 untill 31 December 2017.
[3] The Executive Committee members participate in Group's pension plans as applicable to the employees in The Netherlands. Total pension related contributions as applicable as of 2017 refer to (3a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 103,317) and (3b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ("ABN AMRO CAO"). This participation is not mandatory for Mr C. Abrahams considering his current non Dutch Tax resident status.

	2017			2016		
(In thousands)	Outstanding 31 December	Redemptions	Average interest rate	Outstanding 31 December	Redemptions	Average interest rate
Executive Board	3,650	244	2.7%	3,894	463	2.7%
Other ExCo members	3,960	235	3.1%			

Compensation of and loans and advances to Supervisory Board members are disclosed in note 36 Remuneration of Executive Board and Supervisory Board.

36 Remuneration of Executive Board and Supervisory Board

Remuneration of Executive Board and former Managing Board

ABN AMRO's remuneration policy was formally approved by shareholders and adopted by the Supervisory Board.

In 2017, ABN AMRO changed its management structure. Management now consists of the Executive Committee, which includes the Executive Board.

The following statement summarises the income components for the individual Executive Board and former Managing Board members for the year 2017.

						2017
	Base salary[10]	Variable remuneration[11]	Total pension related contributions[12]		Severance payments	Total[13]
(In thousands)			Post employee pension (12a)	Short-term allowances (12b)		
C. van Dijkhuizen	713		38	225		976
G. Zalm[1]	65		3	25		93
C. Abrahams[2,3]	202		13	62		277
T.J.A.M. Cuppen[4]	151		10	46		207
J. van Hall[5]	620		38	235		893
J.G. Wijn[6]	207		13	78		298
W. Reehoorn[7]	971		57	345	157	1,530
C.F.H.H. Vogelzang[8]	461		26	156		643
Total	**3,390**		**198**	**1,172**	**157**	**4,917**
(In thousands)						2016
G. Zalm[1]	775		34	275		1,084
C. van Dijkhuizen	620		34	171		825
J. van Hall	620		34	213		867
C.E. Princen[9]	966		53	330	155	1,504
W. Reehoorn	620		34	213		867
C.F.H.H. Vogelzang	620		34	213		867
J.G. Wijn	620		34	213		867
Total	**4,841**		**257**	**1,628**	**155**	**6,881**

1 The Managing Board membership for G. Zalm ended on 1 January 2017. The labour agreement of G. Zalm ended on 1 February 2017.
2 C. Abrahams joined the Executive Board on 1 September 2017.
3 C. Abrahams receives a compensation for double housing costs as from 1 September 2017 which is not included in the base salary.
4 T.J.A.M. Cuppen joined the Executive Board on 1 October 2017.
5 The Executive Board membership for J. van Hall ended on 1 March 2018.
6 J.G. Wijn stepped down as Managing Board member on 18 January 2017. The labour agreement of J.G. Wijn ended on 1 May 2017.
7 The Executive Board membership for W. Reehoorn ended on 1 November 2017. The labour agreement of W. Reehoorn will end on 1 July 2018. Remuneration relates to the period up to 1 July 2018. The remuneration 2018 is inclusive 1.5% increase in accordance with the CLA Banken.
The severance payment was awarded in 2017.
8 C.F.H.H. Vogelzang stepped down as Managing Board member on 6 February 2017. The labour agreement of C.F.H.H. Vogelzang ended on 1 September 2017.
9 The Managing Board membership for C.E. Princen ended on 1 January 2017. The labour agreement of C.E. Princen ended on 1 July 2017. Remuneration relates to the period up to 1 July 2017. The severance payment was awarded in 2016. Comparative figures are adjusted accordingly.
10 The 2016 base salary is inclusive 1% salary adjustment in accordance with the developments in the collective labour agreement for the banking industry ("CAO Banken").
11 As a consequence of the applicability of the Bonus Prohibition Act the Executive Board members are not entitled to receive variable compensation. This prohibition applies since the performance year 2011.
12 The Executive Board members participate in Group's pension plans as applicable to the employees in The Netherlands. This participation is not mandatory for Mr C. Abrahams considering his current non Dutch Tax resident status. Total pension related contributions as applicable as of 2017 refer to (12a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 103,317) and (12b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ("ABN AMRO CAO").
13 In addition to remuneration, Executive Board members are eligible for benefits such as the use of a company car and chauffeur.

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Loans from ABN AMRO to Executive Board and former Managing Board members

The following table summarises outstanding loans to the members of the Executive Board and former Managing Board at 31 December.

	2017			2016		
(In thousands)	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
J. van Hall	69		3.5%	69		3.5%
C.E. Princen[1]	747		3.3%	747	47	2.6%
W. Reehoorn	1,270	159	3.8%	1,429		3.8%
C.F.H.H. Vogelzang[2]	1,390	12	1.4%	1,402	13	1.7%
J.G. Wijn[3]	174	73	2.4%	247	403	2.3%

1 The Managing Board Membership for C.E. Princen ended on 1 January 2017.
2 C.F.H.H. Vogelzang stepped down as Managing Board Member on 6 February 2017.
3 J.G. Wijn stepped down as Managing Board Member on 18 January 2017.

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

(In thousands)	2017[7]	2016[7]
O.L. Zoutendijk[1]	90	86
S. ten Have	63	63
J.M. Roobeek	73	68
J.S.T. Tiemstra[2]	78	77
A.C. Dorland[2]	75	70
F.J. Leeflang[2]	73	61
J.B.J. Stegmann[3]	78	41
D.J.M.G. van Slingelandt[4]		34
A. Meerstadt[5]		20
H.P. de Haan[6]		30
Total	**530**	**550**

1 O.L. Zoutendijk was appointed as Chairman as of 18 May 2016.
2 A.C. Dorland, J.S.T. Tiemstra and F.J. Leeflang were appointed as member of the Supervisory Board as per 18 May 2016. The remuneration reflects the full year 2016.
3 J.B.J. Stegmann acted as member of the Supervisory Board as of 10 June 2016 and was appointed as member of the Supervisory Board on 12 August 2016. The remuneration reflects the period 10 June 2016 till 31 December 2016.
4 D.J.M.G. van Slingelandt stepped down as Chairman and member of the Supervisory Board as of 18 May 2016.
5 A. Meerstadt stepped down as member of the Supervisory Board as of 7 April 2016.
6 H.P de Haan stepped down as member of the Supervisory Board as of 18 May 2016.
7 Remuneration amounts excluding VAT.

Loans from ABN AMRO to Supervisory Board members

The following table summarises the outstanding loans to the members of the Supervisory Board at 31 December.

	2017			2016		
(In thousands)	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
J.M. Roobeek	1,700		3.1%	1,700	150	3.5%
S. ten Have	564	36	4.0%	600		3.8%
J.B.J. Stegmann[1]	900		0.1%	900		0.2%

1 J.B.J. Stegmann was appointed to the Supervisory Board as of 12 August 2016.

37 Post balance sheet events

In 2018, the bank started the process of preparing for the sale of a subsidiary. Should a sale take place, it is expected to occur during 2018. As a consequence, the 'held for sale' criteria were met for this subsidiary during the first quarter of 2018. A total amount of EUR 97 million of assets and EUR 35 million of liabilities relate to this subsidiary. No write-off is expected.

On 20 February 2018, ABN AMRO and BGL BNP Paribas signed an agreement concerning the acquisition by BGL BNP Paribas of all the outstanding shares in ABN AMRO Bank (Luxembourg) S.A. and its wholly owned subsidiary ABN AMRO Life S.A. The transaction, which is still subject to regulatory approval, is expected to be completed by the third quarter of 2018.

Company financial statements ABN AMRO Group N.V.

Accounting policies

The Company Financial Statements of ABN AMRO Group N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. ABN AMRO Group N.V. prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). ABN AMRO Group N.V. applies the option as included in section 2:362 paragraph 8. Participating interests in group companies are valued at net asset value using the same valuation principles that are used in the consolidated financial statements. The share in the results of participating interests in group companies is reported in accordance with the principles of valuation and profit determination that apply to the consolidated financial statements. Reference is made to the accounting policies section in the consolidated financial statements, the respective notes and Other information.

ABN AMRO Group N.V. is registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34370515). The Annual Financial Statements were prepared by the Executive Board and authorised for issue by the Supervisory Board and Executive Board on 13 March 2018.

Basis of preparation

The financial statements are presented in euros, which is the presentation currency of the company, rounded to the nearest million (unless otherwise stated).

Income statement of ABN AMRO Group N.V.

(in millions)	2017	2016
Income:		
Share in result from participating interests	2,721	1,762
Income tax expense		
Profit/(loss) for the year	**2,721**	**1,762**

As of 2017, the cost of AT1 Capital securities is deducted from the share in the result from participating interests after taxation. The amount for 2016 has been adjusted accordingly.

The share in the result from participating interests after taxation increased by EUR 958 million to EUR 2,721 million (2016: a decrease of EUR 145 million).

Statement of financial position of ABN AMRO Group N.V.

(before appropriation of profit)

(in millions)	31 December 2017	31 December 2016
Assets		
Participating interest in Group companies	19,303	17,928
Total assets	**19,303**	**17,928**
Equity		
Share capital	940	940
Share premium	12,970	12,970
Legal reserves	-210	77
Other reserves (incl. retained earnings/profit for the period)	5,603	3,941
Total company equity ABN AMRO Group N.V.	**19,303**	**17,928**
Reconciliation to consolidated equity ABN AMRO Group N.V.		
AT1 Capital securities[1]	2,007	1,004
Equity attributable to other non-controlling interests	20	5
Total consolidated equity ABN AMRO Group N.V.	**21,330**	**18,937**

[1] This relates to capital securities issued by ABN AMRO Bank N.V.

As of 2017, the cost of AT1 Capital securities is no longer included in the participating interest in Group companies. The amount for 2016 has been adjusted accordingly.

Statement of changes in equity of ABN AMRO Group N.V.

	Share capital	Share premium reserve	Legal reserves	Other reserves including retained earnings	Total company equity ABN AMRO Group N.V.	Reconciliation to consolidated equity ABN AMRO Group N.V.		Total
(in millions)						AT1 Capital securities[1]	Equity attributable to other non-controlling interests	
Balance at 1 Januari 2016	**940**	**12,970**	**-281**	**2,935**	**16,564**	**1,004**	**17**	**17,584**
Total comprehensive income			357	1,790	2,147	43	1	2,191
Dividend				-790	-790		-12	-802
Paid interest on AT1 capital securities						-43		-43
Other changes in equity			1	6	7			7
Balance at 31 December 2016	**940**	**12,970**	**77**	**3,941**	**17,928**	**1,004**	**5**	**18,937**
Total comprehensive income			-287	2,685	2,398	53	18	2,469
Dividend				-1,025	-1,025		-3	-1,028
Paid interest on AT1 capital securities						-43		-43
Increase of capital						993		993
Other changes in equity				2	2			2
Balance at 31 December 2017	**940**	**12,970**	**-210**	**5,603**	**19,303**	**2,007**	**20**	**21,330**

[1] This relates to capital securities issued by ABN AMRO Bank N.V.

Legal reserves comprise reserves such as the currency translation reserve, available-for-sale reserve, results retained from participating interest and the cash flow hedge reserve, which are non-distributable reserves. The legal reserves included an amount of EUR -310 million from revaluation reserves as at 31 December 2017 (2016: EUR 4 million).

Total comprehensive income includes EUR 2,721 million profit from participating interests (2016: EUR 1,763 million profit).

The total dividend paid in 2017 was EUR 1,025 million (2016: EUR 790 million). This comprises the final 2016 dividend of EUR 414 million and the interim 2017 dividend of EUR 611 million (2016: EUR 376 million).

Participating interests in group companies

ABN AMRO Group N.V. has one subsidiary, ABN AMRO Bank N.V.
ABN AMRO Group N.V. is the sole shareholder of ABN AMRO Bank N.V.

Movements in participating interests in group companies are shown in the following table.

(in millions)		2017		2016
Balance as at 1 January		**17,928**		16,564
Increase/(decrease) of capital				
Result from participating interests		2,721		1,762
Dividend upstream		-1,025		-790
Actuarial gains/(losses) on defined benefit pension plans	-8		28	
Currency translation	-198		29	
Available for sale	-67		84	
Cash flow hedge	-76		213	
Share of OCI of associates and joint ventures	28		31	
Other comprehensive income		-323		385
Other		2		7
Balance as at 31 December		**19,303**		**17,928**

Issued capital and reserves

As at 31 December 2017, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 4.7 billion distributed over 4,500,000,000 ordinary shares and 200,000,000 class B ordinary shares.

All shares have a nominal value of EUR 1.00 each, and each share entitles the shareholder to one vote.

As at 31 December 2017, capital issued by ABN AMRO Group N.V. and paid-up consisted of 940,000,001 ordinary shares (EUR 940 million).

Issued guarantees

For a few group companies established in the Netherlands, general guarantees have been issued within the scope of Article 403, Book 2 of the Dutch Civil Code by ABN AMRO Group N.V. for an amount of EUR 189.0 billion (2016: EUR 181.3 billion).

Other information provides a list of the major subsidiaries and associated companies of ABN AMRO Group N.V. for which a general guarantee has been issued.

Profit appropriation

For more information, refer to note 11 Earnings per share and note 32 Equity in the Consolidated Annual Financial Statements.

Post balance sheet events

For more information, refer to note 37 Post balance sheet events in the Consolidated Annual Financial Statements.

Fiscal unity

ABN AMRO Group N.V. forms a fiscal unity with several Dutch subsidiaries for corporate income tax purposes. All the members of the fiscal unity are jointly and severally liable for the corporate income tax liabilities of the fiscal unity.

Authorisation of Company Annual Accounts

13 March 2018

Supervisory Board

S. (Steven) ten Have, acting Chairman
A.C. (Arjen) Dorland
F.J. (Frederieke) Leeflang
J.M. (Annemieke) Roobeek
J.B.J. (Jurgen) Stegmann
J.S.T. (Tjalling) Tiemstra
O.L. (Olga) Zoutendijk

Executive Board

C. (Kees) van Dijkhuizen, CEO and Chairman
C. (Clifford) Abrahams, CFO
T.J.A.M. (Tanja) Cuppen, CRO
C.M. (Christian) Bornfeld, CI&TO

Other

Other gives an overview of definitions of important terms and abbreviations used in the Annual Report. Enquiries and the Cautionary statements are included in Other.

Building a better working world

Independent auditor's report

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

Report on the audit of the annual financial statements 2017 included in the annual report

Our opinion

We have audited the annual financial statements of ABN AMRO Group N.V. ('ABN AMRO' or 'the Bank'), based in Amsterdam. The annual financial statements include the consolidated annual financial statements and the company annual financial statements.

In our opinion:

- The accompanying consolidated annual financial statements give a true and fair view of the financial position of ABN AMRO Group N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company annual financial statements give a true and fair view of the financial position of ABN AMRO Group N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated annual financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company annual financial statements comprise:

- The company statement of financial position as at 31 December 2017
- The company income statement for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the annual financial statements" section of our report.

We are independent of ABN AMRO Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 150 million (2016: EUR 130 million)
Benchmark applied	5% of operating profit before taxation
Explanation	Based on our professional judgment, a benchmark of 5% of operating profit before taxation is an appropriate quantitative indicator of materiality and it best reflects the financial performance of ABN AMRO Group N.V. In our planning phase we have set the initial planning materiality at EUR 150 million. Based on the 2017 operating profit before taxation, we reassessed the materiality and concluded the initial planning materiality to be appropriate for the purpose of the audit of the 2017 annual financial statements.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the annual financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 7.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view should be reported on qualitative grounds.

Scope of the group audit

ABN AMRO Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated annual financial statements of ABN AMRO Group N.V.

Our group audit mainly focused on significant group entities in the Netherlands, Germany, France and United States based on size and risk. We have performed full scope audit procedures, specific audit procedures or review scope procedures at those entities. We were responsible for the scope and direction of the audit process. On a regular basis, we interacted with the component teams during various stages of the audit. Based on our risk assessment, we visited component locations in Germany, France and the United States, reviewed key local working papers and conclusions and met with local management.

In aggregate, the procedures above for full, specific and review scope entities cover approximately 91% of the group's total assets and 85% of operating profit before taxation. For the remaining entities we performed analytical procedures. All entities in scope for group reporting are audited by EY.

By performing the procedures outlined above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated annual financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation uncertainty with respect to impairment allowances for loans and receivables - customers	
Risk	At 31 December 2017, the loan impairment allowance for loans and receivables - customers amounts to EUR 2.5 billion. The Bank's assessment of the credit quality, correct credit risk classification and the determination of the loan impairment allowance is part of the risk estimation process, and requires significant management's judgment. The assessment includes, amongst others, the identification of objective evidence for impairment as result of a loss event, the review of the financial condition of the counter party and the estimation of future cash flows. As the loans and receivables - customers represent the majority of the Bank's balance sheet and given the related estimation uncertainty on impairment allowances, we consider this a key audit matter. The Critical accounting estimates and judgments and loan impairment allowance amounts are disclosed in note 1 Accounting policies and note 20 Loans and receivables - customers to the annual financial statements. Related credit risk disclosures are included in the Risk sections of the Executive Board report. As of 1 January 2018, the new standard IFRS 9 Financial Instruments became effective, and includes new requirements for classification and measurement, impairment and hedge accounting. The bank has disclosed the impact of IFRS 9 in note 1 Accounting policies to the annual financial statements.
Our audit approach	We have gained an understanding of the loan origination process, the credit risk management process and the estimation process of determining impairment allowances for loans and receivables - customers and tested the operating effectiveness of controls within these processes. On a risk basis, we selected individual loans and performed a detailed credit file review and challenged the Bank's assessment of impairment identification and credit risk classification. In addition, and for certain areas assisted by our specialists, we assessed the assumptions, such as estimated future cash flows and collateral valuations, underlying the impairment allowance calculation. For loan impairment allowances calculated on a collective basis we tested the Bank's models used. With the assistance of our specialists, we tested the model approval and validation process and the appropriateness of model inputs. Where possible, we compared data and assumptions used to external benchmarks. Finally, we assessed whether the disclosures are in compliance with the EU-IFRS requirements.

Key observations	Based on our procedures performed we consider the impairment allowances for loans and receivables - customers to be reasonable. The disclosures on loans and receivables - customers and loan impairment allowances meet the requirements under EU-IFRS.
Estimation uncertainty with respect to provisions	
Risk	Provisions are liabilities of uncertain timing or amount and require judgment of management. The use of estimates and the determination of possible outcomes is an essential part of the recognition and measurement of a provision. In 2017, the Bank recorded, amongst others, legal provisions of EUR 0.7 billion and for the restructuring programs an amount of EUR 0.4 billion. As the outcome of these claims and procedures are uncertain and the amounts involved are significant, we consider this a key audit matter. Please refer to the Critical accounting estimates and judgments in note 1 and note 29 Provisions to the financial statements.
Our audit approach	We assessed whether the provisions recognized are adequate and do meet the Bank's accounting policies and other legal requirements. We examined the level of provisioning and assessed the assumptions and judgments made by management. Possible outcomes were considered by us for material provisions to independently assess the appropriateness of the judgment applied by the Bank. Finally, we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the requirements included in EU-IFRS.
Key observations	Based on our procedures performed we consider the provisions to be reasonable. The disclosure on provisions is in line with the requirements under EU-IFRS.
Use of suspense accounts	
Risk	In recording its daily transaction flows, the Bank makes use of suspense accounts. The volumes of transactions processed through suspense accounts are high and mostly result from automated and manual finance processes. Suspense accounts are also used to temporarily store any transaction for which there is uncertainty about the final account in which they should be recorded. The Bank periodically assesses any unmatched positions and reviews the nature of the underlying transactions. As a suspense account may include unmatched amounts at the reporting date, which can have a material impact on the Bank's financial position and/or income statement, and significant effort is required to audit suspense accounts due their inherent complexity, we consider this a key audit matter. The unmatched position of the suspense accounts is disclosed in note 31 Other liabilities to the annual financial statements.

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Our audit approach	We have gained an understanding and performed walkthroughs of the financial statement closing processes and main business processes that result in transactions recorded on suspense accounts. We have challenged the Bank's assessment of unmatched positions. In addition, we performed procedures on unmatched positions at the reporting date, amongst others using data analytics and substantive procedures, to validate open positions and correct cut off. Furthermore, we investigated unmatched amounts using a risk based sample and assessed unusual items. Finally, we reconciled the unmatched position of the suspense accounts to the other liabilities as disclosed in note 31 to the annual financial statements.
Key observations	No material findings were noted following our procedures performed on suspense accounts.
Reliability and continuity of electronic data processing	
Risk	An adequate IT infrastructure ensures the reliability and continuity of the Bank's business processes and financial reporting. The Bank continuously makes investments to further improve the IT environment and IT systems. The role of external reports, such as financial reporting and regulatory reporting, and the increased granularity of financial and non-financial data are important to stakeholders, which require high quality data and an adequate IT environment. As the reliability and continuity of the IT systems may have an impact on automated data processing we therefore consider this a key audit matter. A summary of technology and the IT environment is included in the business review section in the Executive Board report.
Our audit approach	We tested the IT general controls related to logical access, change management and application controls as embedded in the automated data processing systems, where we relied upon for financial reporting. In some areas we performed additional procedures on access management for the related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or to meet external reporting requirements. In addition, our audit procedures consisted of assessing the developments in the IT infrastructure and analyzing the impact on the IT organization. We assessed the reliability and continuity of automated data processing only to the extent necessary within the scope of the audit of the annual financial statements.
Key observations	For the audit of the annual financial statements we found the reliability and continuity of the automated data processing systems adequate.

In the 2016 auditor's report, 'Financial Instruments at Fair Value' was identified as key audit matter. We consider the estimation uncertainty lower compared to prior year, as such, we have no longer included this item as a key audit matter.

Report on other information included in the annual report

In addition to the annual financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Executive Board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the annual financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the annual financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the annual financial statements.

Management is responsible for the preparation of the other information, including the Executive Board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of ABN AMRO Group N.V. on 11 September 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the annual financial statements

Responsibilities of management and the supervisory board for the annual financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the annual financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the annual financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the annual financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the annual financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the annual financial statements, including the disclosures
- Evaluating whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 13 March 2018

Ernst & Young Accountants LLP

signed by W.J. Smit

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Major subsidiaries and participating interests

The following table shows the branches, major subsidiaries and participating interests at 31 December 2017.

Subsidiary	Percentage of interest	Location
ABN AMRO Bank N.V.		Amsterdam, The Netherlands
Retail Banking		
ABN AMRO Digital Impact Management B.V.		Amsterdam, The Netherlands
ABN AMRO Digital Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO Hypotheken Groep B.V.[1]		Amersfoort, The Netherlands
ABN AMRO Pensioeninstelling N.V.		Amsterdam, The Netherlands
ALFAM Holding N.V.[1]		Bunnik, The Netherlands
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
International Card Services B.V.[1]		Diemen, The Netherlands
Moneyou B.V.[1]		Amsterdam, The Netherlands
Commercial Banking		
ABN AMRO Asset Based Finance N.V.[2]		Utrecht, The Netherlands
ABN AMRO Commercial Finance Holding B.V.[1,2]		's-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance Plc[2]		Haywards Heath, United Kingdom
ABN AMRO Commercial Finance GmbH[2]		Köln, Germany
ABN AMRO Commercial Finance N.V.[1,2]		's-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance S.A.		Paris, France
ABN AMRO Groenbank B.V.[1]		Amsterdam, The Netherlands
European Merchant Services B.V.	49%	Amsterdam, The Netherlands
New10 B.V.		Amsterdam, The Netherlands
Private Banking		
ABN AMRO Bank (Luxembourg) S.A.		Luxembourg, Luxembourg
ABN AMRO Life Capital Belgium N.V.		Brussels, Belgium
ABN AMRO Life S.A.		Luxembourg, Luxembourg
ABN AMRO Social Impact Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO (Channel Islands) Ltd		St Peter Port, Guernsey, Channel Islands
Banque Neuflize OBC S.A.	99.90%	Paris, France
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschafts K.G.	50%	Frankfurt am Main, Germany
Cofiloisirs S.A.	46%	Paris, France
Neuflize Vie S.A.	60%	Paris, France
Prospery GmbH		Frankfurt am Main, Germany
Triodos MeesPierson Sustainable Investment Management B.V.	50%	Zeist, The Netherlands
Corporate & Institutional Banking		
ABN AMRO Capital USA LLC		New York, USA
ABN AMRO Clearing Bank N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Pty Ltd		Sydney, Australia
ABN AMRO Clearing Tokyo Co Ltd		Tokyo, Japan
ABN AMRO Effecten Compagnie B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Investment Holding B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V.[1]		Amsterdam, The Netherlands

Subsidiary	Percentage of interest	Location
ABN AMRO Participaties Fund I B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Securities (USA) LLC		New York, USA
Aline Holding S.A.	50%	Majuro, Marshall Islands
Alma Maritime Ltd	42%	Majuro, Marshall Islands
Banco ABN AMRO S.A.		São Paulo, Brazil
BassDrill Alpha Shareco Ltd	26%	Hamilton, Bermuda
CM Bulk Ltd	50%	Nassau, Bahamas
Edda Accommodation Holding AS	20%	Haugesund, Norway
European Central Counterparty N.V.	20%	Amsterdam, The Netherlands
Franx B.V.		Amsterdam, The Netherlands
Graig MCI Ltd	49%	Cardiff, United Kingdom
Holland Venture B.V.	45%	Amsterdam, The Netherlands
Iceman IS	39%	Oslo, Norway
Icestar B.V.[2]		Amsterdam, The Netherlands
Maas Capital Investments B.V.[1]		Rotterdam, The Netherlands
Maas Capital Offshore B.V.		Amsterdam, The Netherlands
Maas Capital Renewables B.V.		Rotterdam, The Netherlands
Maas Capital Shipping B.V.		Amsterdam, The Netherlands
Poseidon Containers Holdings LLC	6%	Majuro, Marshall Islands
Principal Finance Investments Holding B.V.[1]		Amsterdam, The Netherlands
Richmond Preferente aandelen C B.V.	50%	Amsterdam, The Netherlands
Safe Ship Investment Company S.C.A. SICAR	48%	Luxembourg, Luxembourg
Group functions		
ABN AMRO Arbo Services B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Funding USA LLC		New York, USA
ABN AMRO Holdings USA LLC		New York, USA
Currence Holding B.V.	35%	Amsterdam, The Netherlands
equensWorldline S.E.	7%	Utrecht, The Netherlands
Geldservice Nederland B.V.	33%	Amsterdam, The Netherlands
Nederlandse Financieringsmij voor Ontwikkelingslanden N.V.	20%	Den Haag, The Netherlands
Stater N.V.		Amersfoort, The Netherlands
Branches/Representative Offices		
ABN AMRO Bank N.V. (Belgium) Branch		Berchem, Belgium
ABN AMRO Bank N.V. (Hong Kong) Branch		Hong Kong, China
ABN AMRO Bank N.V. (Norway) Branch		Oslo, Norway
ABN AMRO Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Bank N.V. (UAE/DIFC) Branch		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. (UK) Branch		London, United Kingdom
ABN AMRO Bank N.V. (Greece) Branch		Athens, Greece
ABN AMRO Bank N.V. Frankfurt Branch		Frankfurt am Main, Germany
ABN AMRO Bank N.V. Shanghai Branch		Shanghai, China
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Representative Office Moscow		Moscow, Russia
ABN AMRO Bank N.V. Representative Office New York		New York, USA
ABN AMRO Clearing Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Clearing Bank N.V. (UK) Branch		London, United Kingdom
ABN AMRO Asset Based Finance N.V. (UK) Branch[2]		London, United Kingdom
ABN AMRO Lease N.V. Branch Deutschland		Frankfurt am Main, Germany
International Card Services B.V. Branch Deutschland		Düsseldorf, Germany

1 A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.
2 On 1 January 2018, subsidiary is legally merged with and into ABN AMRO Asset Based Finance N.V.

The interest is 100%, unless stated otherwise.

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Provisions of the Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are included in Article 10 of the Articles of Association. In accordance with the reserve and dividend policy and subject to approval by the Supervisory Board, the Executive Board proposes to the General Meeting of Shareholders which part of the profit is to be reserved. The remainder of the profit will be at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Executive Board, subject to approval by the Supervisory Board.

ABN AMRO announced its dividend policy in September 2015. This targets a payout ratio of 40% of the reported net annual profit for 2015 and rising to 50% of the 2017 net profit. This target was increased based on the expected strong capital generation, while allowing for a further build-up of capital. Even though ABN AMRO remains well capitalised under Basel III, the bank would like to build up additional capital buffers in order to execute its strategic ambitions and manage the impact of new regulations (Basel IV). Please refer to the Capital chapter for more information on ABN AMRO's dividend policy.

Fiscal unity

ABN AMRO Group N.V. forms a fiscal unity with several Dutch subsidiaries for corporate income tax purposes. All members of the fiscal unity are jointly and severally liable for the corporate income tax liabilities of the fiscal unity.

Any distribution of dividend remains discretionary, and deviations from the above policy may be proposed by ABN AMRO.

Definitions of important terms

Term	Definition
ABN AMRO or the Group	ABN AMRO Group N.V. incorporated on 18 December 2009 ('ABN AMRO Group' or 'the Company') and its consolidated subsidiaries.
ABN AMRO Bank	ABN AMRO Bank N.V. (formerly known as 'ABN AMRO II N.V.').
Advanced Internal Ratings Based (AIRB)	The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.
Advanced Measurement Approach (AMA)	The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.
Ageas	Ageas SA/NV (formerly known as Fortis SA/NV) and Ageas N.V. (formerly known as Fortis N.V.) together.
Basis point (bp)	One hundredth of 1 percentage point.
Capital adequacy	Measure of a company's financial strength, often expressed in equity as a percentage of total assets or, in the case of banks, in the CET1 ratio.
Certificate of deposit (CD)	A certificate of deposit is an unsecured short-term funding instrument with maturities up to one year.
Client assets	Assets, including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Client assets also include cash and securities of clients held on accounts with ABN AMRO.
Commercial paper (CP)	Commercial paper is an unsecured short-term funding instrument with maturities up to one year.
Consortium	Refers to The Royal Bank of Scotland Group plc ('RBS Group'), Ageas and Banco Santander S.A. ('Santander'), which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ('RFS Holdings'). On 3 October 2008, the State of the Netherlands became the successor of Ageas.
Core Equity Tier 1 ratio	The bank's core capital, excluding preference shares, expressed as a percentage of total risk exposure amount.
Cost of risk	The cost of risk is defined as the annualised impairment charges on loans and other receivables - customers for the period, divided by the average loans and receivables - customers on the basis of the gross carrying amount and excluding fair value adjustments from hedge accounting.
Coverage ratio	The coverage ratio shows the extent to which the impaired exposures are covered by impairment allowances for identified credit risk.
Covered bonds	Covered bonds (CB) are secured long-term funding instruments. This type of bond differs from a standard bond because of the possibility of recourse to a pool of assets. In a default event, the bondholder has recourse to the issuer and this pool of assets.
Credit risk	Credit risk is the risk of a financial loss that occurs if a client or counterparty fails to meet the terms of a contract or otherwise fails to perform as agreed.
Credit valuation adjustments	Market value adjustments for counterparty credit risk.
Duration of equity	Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.
Economic capital	An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.
Employee engagement	A business management concept that describes the level of enthusiasm and dedication a worker feels toward his/her job.
Encumbered assets	Assets that have been pledged or are subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.
Exposure at Default (EAD)	EAD models estimate the expected exposure at the time of a counterparty's default.
Fortis Bank Nederland (FBN)	The legal entity Fortis Bank (Nederland) N.V., previously named Fortis Bank Nederland (Holding) N.V., which merged with ABN AMRO Bank Standalone pursuant to the Legal Merger.
Full-time equivalent (FTE)	The ratio of the total number of paid hours during a period to the number of working hours in that period.
Impaired exposures	Exposures for which not all contractual cash flows are expected and/or exposures more than 90 days past due for which impairments are determined on a portfolio basis.
Impaired ratio	The impaired ratio shows which fraction of the gross carrying amount of a financial asset category consists of impaired exposures.
International Financial Reporting Standards (IFRS)	IFRS, formerly known as International Accounting Standards, are drawn up and recommended by the International Accounting Standards Board. The European Union has required IFRS to be used by all exchange-listed companies in the EU since the start of the financial year 2005.

Term	Definition
Liquidity coverage ratio (LCR)	The LCR is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon. The LCR requires banks to hold sufficient highly-liquid assets equal to or greater than the net cash outflow during a thirty-day period.
Market risk (banking book)	Market risk in the banking book, mainly interest rate risk, is the risk of a yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book, either through hedging (foreign rate exchange risk) or in general (other market risk types).
Market risk (trading book)	Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book.
Medium-term notes (MTN)	Medium-term notes are unsecured funding instruments with maturities up to ten years and issued in several currencies.
Net Promoter Score (NPS)	This metric shows the extent to which customers would recommend ABN AMRO to others. The customer is regarded as a 'promoter' (score of 9 or 10), as 'passively satisfied' (score of 7 or 8) or as a 'detractor' (score of 0 to 6). The NPS is calculated by subtracting the percentage of 'detractors' from the percentage of 'promoters'. The score is expressed as an absolute number between -100 and +100.
Net Stable Funding Ratio (NSFR)	The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives to fund activities with more stable sources of funding on an ongoing basis.
NII-at-Risk	The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII calculated using a constant yield curve with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. The net interest income is negatively impacted when rates rise.
NLFI	Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments). On 29 September 2011 the Dutch State transferred its shares in ABN AMRO Group N.V. and in ABN AMRO Preferred Investments B.V. to NLFI. NLFI is a foundation and was set up to avoid potential conflicting responsibilities that the Minister of Finance might otherwise face, as a shareholder and as a regulator, and to avoid political influence being exerted.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.
Past due exposure	A financial asset is past due if a counterparty has failed to make a payment when contractually due, if it has exceeded an advised limit or if it has been advised of a limit lower than its current outstanding.
Past due ratio	The past due ratio shows which fraction of the gross carrying amount of a financial asset category is past due but not impaired.
Permanent modification	Terms and conditions of a contract such as interest, principal, repayment terms, tenor or financial covenants are changed permanently.
Preference share	A share that receives a fixed rate of dividend ahead of ordinary shares.
Qualifying revolving exposures	Qualifying revolving exposures are revolving, unsecured and uncommitted exposures to private individuals that meet additional criteria specified in the CRD. These outstanding balances are permitted to fluctuate, based on decisions to borrow and repay, up to a limit set by the bank.
Refinancing	A contract is considered to be refinanced when the objective of the new contract is to enable the repayment or partial repayment of an existing contract where the counterparty is unable to meet the existing obligations.
Risk-weighted assets (RWA)	Total assets and off-balance sheet items calculated to reflect the risks relating to the various balance sheet items.
Royal Bank of Scotland (RBS)	The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. prior to the Legal Demerger.
Savings mortgages	Savings mortgages are mortgages with a separate savings account, whereby the savings balance is used to repay the principal at maturity.
STAK AAG	An independent holder of shares in ABN AMRO Group's issued share capital, for the purpose of administration (ten titel van beheer) in exchange for depositary receipts.
Standardised Approach (Basel II)	This approach measures credit risk in a standardised manner, supported by external credit assessments.
Sustainable client assets	Sustainable client assets are assets that ABN AMRO invests for its clients in investment funds, products and securities that explicitly base their investment approach and decisions on sustainable criteria. These investments explicitly factor in the social and environmental effects of investments.
Temporary modification	Terms and conditions of a contract such as interest, principal, repayment terms, tenor or financial covenants are changed temporarily.
Tier 1 ratio	Tier 1 capital, the sum of the bank's CET1 capital and AT1 capital, expressed as a percentage of total risk-weighted assets.
Trust Monitor AFM/NvB	A survey conducted by market research institute GfK on what people in the Netherlands think about banks in general and their own bank and how they experience various aspects of services provided by banks.
Uniform Counterparty Rating (UCR)	The UCR is an obligor rating and refers to the probability of default by an obligor, i.e. the likelihood that a counterparty will fail to pay interest and/or principal and/or other financial obligations to the bank.
Value-at-Risk banking book	Value-at-Risk banking book (VaR banking book) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Abbreviations

Term	Definition
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)
ALM	Asset & Liability Management
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
bp(s)	basis point(s)
BRRD	Bank Recovery and Resolution Directive
C&IB	Corporate & Institutional Banking
CAO	Collectieve Arbeidsovereenkomst (collective labour agreement)
CBS	Centraal Bureau voor de Statistiek (Statistics Netherlands)
CCP	Central Counterparty Clearing House
CD	Certificate of Deposit
CDC	Collective Defined Contribution
CDS	Credit Default Swap
CET1	Common Equity Tier 1
CP	Commercial Paper
CRD	(the EU's) Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
DNB	De Nederlandsche Bank N.V. (Dutch central bank)
DVA	Debit Valuation Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECT	(ABN AMRO's) Energy, Commodities & Transportation
EDTF	Enhanced Disclosure Task Force
ESMA	European Securities and Market Association
FTE	Full-Time Equivalent (a measurement of number of staff)
FVA	Funding Valuation Adjustment
FX	Foreign exchange
GDP	Gross Domestic Product
GfK	Gesellschaft für Konsumforschung (Society for Consumer Research)
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board

Term	Definition
IBNI	Incurred But Not Identified
ICS	International Card Services
IFRS	International Financial Reporting Standards
IRB	Internal Ratings-Based (approach)
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LtD	Loan-to-Deposit (ratio)
LtMV	Loan-to-Market-Value
MDA	Maxium Distributable Amount
MiFID	(the EU's) Markets in Financial Instruments Directive
MtM	Mark-to-Market
MTN	Medium-Term Notes
NHG	Nationale Hypotheek Garantie (Dutch State-guaranteed mortgages)
NII	Net Interest Income
NIM	Net Interest Margin
NLFI	NL Financial Investments (foundation)
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OTC	Over-The-Counter
PD	Probability of Default
RARORAC	Risk-Adjusted Return On Risk-Adjusted Capital
RBS	The Royal Bank of Scotland plc
REA	Risk Exposure Amount
RMBS	Residential Mortgage-Backed Securities
ROE	Return On Average Equity
RWA	Risk-Weighted Assets
SA	Standardised Approach
SMEs	Small and Medium-sized Enterprises
STAK AAG	Stichting Administratiekantoor Continuïteit ABN AMRO Group
TLTRO	Targeted Long Term Refinancing Operations
UCR	Uniform Counterparty Rating
VaR	Value-at-Risk

Cautionary statements

The Group has included in this Annual Report and may from time to time make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "aim", "desire", "strive", probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO's beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank's control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO in particular;
- The effect on ABN AMRO's capital of write-downs in respect of credit and other risk exposures;
- Risks relating to ABN AMRO's stock-exchange listing;
- Risks related to ABN AMRO's corporate transactions (e.g. merger, separation and integration process);
- General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO's performance, liquidity and financial position;
- Macroeconomic and geopolitical risks;
- Reductions in ABN AMRO's credit ratings;
- Actions taken by the EC, governments and their agencies to support individual banks and the banking system;
- Monetary and interest rate policies of the ECB and G20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks and related market risk losses;
- Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- Changes in Dutch and foreign laws, regulations, policies and taxes;
- Changes in competition and pricing environments;
- Inability to hedge certain risks economically;
- Adequacy of loss reserves and impairment allowances;
- Technological changes;
- Changes in consumer spending, investment and saving habits;
- Effective capital and liquidity management;
- The success of ABN AMRO in managing the risks involved in the foregoing.

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

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