Interim Financial Report 2015

ABN AMRO Bank N.V.

Notes to the reader

Introduction

This is the Interim Financial Report for the year 2015 of ABN AMRO Bank N.V. (ABN AMRO Bank). ABN AMRO Bank N.V. is a wholly owned subsidiary of ABN AMRO Group N.V. (ABN AMRO Group) and consists of the following segments: Retail Banking, Private Banking, Corporate Banking and Group Functions. The objective of this Interim Financial Report is to comply with regulatory requirements.

The report represents our Interim Report 2015 and our Condensed Consolidated Interim Financial Statements for 2015. The Interim Report contains our operating and financial review, and selected risk, capital, liquidity and funding disclosures for the first half of 2015.

Presentation of information

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

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

The balance sheet line item Commercial loans has been renamed to Corporate loans in order to avoid any confusion with the Corporate Banking sub-segment Commercial Clients.

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

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

Other publications

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

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

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managing board report

operating and financial review

This operating and financial review includes a discussion and analysis of the results of operations and sets out the financial condition of ABN AMRO Bank on the basis of underlying results. For a reconciliation of reported versus underlying results, please refer to the additional financial information section of this report.

First half year results

(in millions)	First half 2015	First half 2014	Change
Net interest income	3,056	2,873	6%
Net fee and commission income	926	842	10%
Other operating income	312	185	68%
Operating income	**4,294**	**3,900**	**10%**
Personnel expenses	1,233	1,156	7%
Other expenses	1,232	1,149	7%
Operating expenses	**2,465**	**2,305**	**7%**
Operating result	**1,828**	**1,595**	**15%**
Impairment charges on loans and other receivables	287	703	-59%
Operating profit/(loss) before taxation	**1,542**	**892**	**73%**
Income tax expenses	398	192	107%
Underlying profit/(loss) for the period	**1,144**	**700**	**63%**
Special items		-350	
Reported profit/(loss) for the period	**1,144**	**351**	

Underlying profit for the first half of 2015 amounted to EUR 1,144 million, an increase of EUR 444 million compared with the same period previous year. The increase was mainly due to higher operating income and lower loan impairments.

The **underlying Return on Equity (ROE)** increased to 14.7% in the first half of 2015, compared with 10.1% in the same period of 2014. If the expected regulatory levies to be recorded in Q4 2015, comprising the Dutch bank tax, the contribution to the European Resolution Fund, and the Deposit Guarantee Scheme had been equally divided over the year, ROE would have been 13% in the first half of 2015.

Operating income increased by 10% to EUR 4,294 million compared with the same period previous year, driven by improved results on all line items.

Net interest income rose by EUR 183 million to EUR 3,056 million in the first half of 2015. The increase was primarily driven by improved margins on loans (mainly mortgages and, to a lesser extent, corporate loans) and higher average corporate loan volumes. In addition, lower funding costs favourably impacted net interest income. These developments were partly offset by non-recurring interest provisions in Retail Banking and Group Functions.

Net fee and commission income at EUR 926 million was EUR 84 million higher than in the first half of 2014. The increase was primarily recorded in Private Banking, due to favourable stock market performance, and in Corporate Banking, as Capital Markets Solutions included higher cleared transaction volumes.

Other operating income amounted to EUR 312 million in the first half of 2015, up by EUR 127 million compared with the same period previous year. The increase was primarily driven by higher CVA/DVA/FVA results (EUR 75 million in the first half of 2015 and EUR 11 million negative in the first half of 2014), favourable hedge accounting related results at Group Functions and higher tax exempt revaluation and divestment results at Equity Participations. This was partly offset by a tax exempt provision in Group Functions related to the in 2009 discontinued part of the Securities Financing activities and a provision for an identified group of SMEs with possible derivative related issues.

Personnel expenses amounted to EUR 1,233 million, up EUR 77 million compared with the same period of the previous year. The first half year of 2015 was impacted by higher pension expenses following a lower discount rate for 2015 and a reorganisation provision at Corporate Banking.

Other expenses showed an increase of EUR 83 million to EUR 1,232 million, mainly driven by higher project costs related to enhancing client centricity and continuously improving the quality of our products and services as well as IT and back-office processes.

The **operating result** improved by 15% compared with the same period last year to EUR 1,828 million and the **underlying cost/income ratio** improved with 2 percentage points to 57%. If the expected regulatory levies had been equally divided over the year, the cost/income ratio would have been 60% in the first half of 2015.

Impairment charges on loans and other receivables amounted to EUR 287 million, down by EUR 416 million compared with the same period in 2014. The decrease in loan impairments was mainly driven by improved economic circumstances and consequently improved asset quality of the loan portfolio in the Netherlands which also resulted in lower IBNI levels.

The total IBNI levels in the first half of 2015 were lower, resulting in a release of EUR 138 million. The first half of 2014 included an addition to the IBNI allowances of EUR 109 million.

In addition, the impairment charges were mainly lower at Retail Banking and small-sized Commercial Clients due to a further recovery of the Dutch economy and the improved circumstances in the housing market. International Clients also recorded significantly lower impairments. This was partly offset by higher impairment charges at medium-sized Commercial Clients mainly due to a single large addition in the first half of 2015.

Balance sheet

Condensed consolidated statement of financial position

(in millions)	30 June 2015	31 December 2014
Cash and balances at central banks	15,132	706
Financial assets held for trading	6,648	9,017
Derivatives	21,262	25,285
Financial investments	41,140	41,466
Securities financing	35,526	18,511
Loans and receivables - banks	15,641	21,680
Loans and receivables - customers	266,776	261,910
Other	8,536	8,292
Total assets	**410,661**	**386,867**
Financial liabilities held for trading	3,602	3,759
Derivatives	24,206	30,449
Securities financing	22,592	13,918
Due to banks	17,909	15,744
Due to customers	230,322	216,011
Issued debt	79,626	77,131
Subordinated liabilities	9,938	8,328
Other	6,567	6,652
Total liabilities	**394,762**	**371,990**
Equity attributable to the owners of the parent company	15,885	14,865
Equity attributable to non-controlling interests	14	12
Total equity	**15,899**	**14,877**
Total liabilities and equity	**410,661**	**386,867**
Committed credit facilities	20,934	16,164
Guarantees and other commitments	14,207	15,335

Main developments in total assets compared with 31 December 2014

Total assets increased to EUR 410.7 billion at 30 June 2015 from EUR 386.9 billion at 31 December 2014, mainly due to higher Securities financing assets and increased Cash and balances at central banks.

Cash and balances at central banks increased by EUR 14.4 billion as mandatory reserve deposits held with DNB recorded in Loans and receivables - banks were transferred to overnight deposit accounts.

Financial assets held for trading decreased by EUR 2.4 billion compared with 31 December 2014 due to the wind-down of activities resulting from the strategic review of Capital Markets Solutions, partly offset by higher government bond positions related to primary dealerships.

Derivative assets decreased by EUR 4.0 billion, mainly reflecting both the impact of movements in mid- to long-term interest rates. This is also observed in Derivative liabilities.

Financial investments decreased by EUR 0.3 billion.

Securities financing increased by EUR 17.0 billion compared with 31 December 2014.

Loans and receivables - banks decreased by EUR 6.0 billion compared with 31 December 2014, mainly as a result of transferred mandatory reserve deposits at DNB to overnight deposits and lower collateral pledged on derivative positions. This was partly offset by a EUR 2 billion reclassification from Loans and receivables - customers within the ECT Clients portfolio in the first quarter of the year.

Loans and receivables - customers increased by EUR 4.9 billion, mainly due to EUR 3.0 billion higher assets at ECT Clients and higher margin requirements at Clearing Clients. After high redemptions in December 2014, residential mortgages increased slightly at 30 June 2015. This was partly offset by a reclassification in the ECT Clients loan book of EUR 2 billion to Loans and receivables - banks.

Main developments in total liabilities compared with 31 December 2014

Total liabilities increased by EUR 22.8 billion compared with 31 December 2014, mainly due to higher Securities financing liabilities and Due to customers.

Financial liabilities held for trading were somewhat lower at EUR 3.6 billion. Lower liabilities due to the wind-down of activities resulting from the Strategic Markets Review were nearly offset by increased short bond activities.

Derivative liabilities decreased by EUR 6.2 billion to EUR 24.2 billion at 30 June 2015, mainly reflecting the impact of movements in mid- to long-term interest rates.

Securities financing went up by EUR 8.7 billion to EUR 22.6 billion at 30 June 2015.

Due to banks increased by EUR 2.2 billion at 30 June 2015 to EUR 17.9 billion.

Due to customers increased by EUR 14.3 billion, mainly driven by higher deposits in all segments. Retail includes holiday allowances, Private Banking is partly driven by conversions of securities to cash and Corporate Banking deposits were mainly driven by Clearing and International Clients.

Issued debt increased by EUR 2.5 billion to EUR 79.6 billion. Long-term funding decreased by EUR 1.6 billion mainly due to EUR 5.3 billion new issued funding (especially senior unsecured), partly offset by EUR 7.2 billion matured long-term funding. Apart from this, long-term funding was also impacted by other movements (FX impact and fair value impact). Short-term funding increased by EUR 4.1 billion.

Subordinated liabilities increased EUR 1.6 billion to EUR 9.9 billion after a EUR 1.5 billion Tier 2 benchmark transaction issuance in June.

Total equity rose to EUR 15.9 billion. The increase was mainly the result of reported profit for the period, partly offset by the final dividend payment over 2014 of EUR 275 million.

results by segment

The results by segment section includes a discussion and analysis of the results of operations and of the financial condition of ABN AMRO Bank at segment level for the first half of 2015 compared with the first half of 2014, on the basis of underlying results. Almost all interest expenses for maintaining the liquidity buffer and subordinated capital and operating expenses incurred by Group Functions are allocated to the business lines through net interest income and other expenses respectively.

Retail Banking

Operating results

(in millions)	First half 2015	First half 2014	Change
Net interest income	1,645	1,639	0%
Net fee and commission income	262	267	-2%
Other operating income	17	18	-2%
Operating income	**1,924**	**1,924**	**0%**
Personnel expenses	246	251	-2%
Other expenses	734	711	3%
Operating expenses	**980**	**962**	**2%**
Operating result	**944**	**962**	**-2%**
Impairment charges on loans and other receivables	38	291	-87%
Operating profit/(loss) before taxation	**906**	**671**	**35%**
Income tax expenses	226	166	36%
Underlying profit/(loss) for the period	**680**	**504**	**35%**
Special items			
Reported profit/(loss) for the period	**680**	**504**	

Retail Banking's **underlying profit** rose by EUR 176 million to EUR 680 million in the first half of 2015, up 35% compared with the first half of 2014. This increase was the result of lower loan impairments.

Net interest income at EUR 1,645 million remained nearly stable compared with the same period in the previous year. Net interest income was driven by improved margins on mortgages resulting from the gradual re-pricing of the mortgage book, which was offset by marginally lower average loan volumes and a provision for inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products.

Interest income on deposits remained nearly stable as higher average savings volumes were offset by decreasing margins as reinvestment yields declined at a higher pace than the client savings rates.

Net fee and commission income at EUR 262 million is marginally lower than the same period previous year.

Personnel expenses declined with EUR 5 million or 2% due to lower average FTE levels, following a further reduction in branches. This is only partly offset by higher pension expenses.

Other expenses were up 3% to EUR 734 million in the first half of 2015. Higher expenses were mainly attributable to higher allocation of IT project expenses and projects aimed at enhancing client centricity and the quality of products and services.

Operating result decreased by 2% to EUR 944 million in the first half of 2015. The underlying cost/income ratio increased by 1 percentage point to 51%.

Impairment charges on loans and other receivables fell by EUR 253 million compared with the first half of 2014, to EUR 38 million in 2015. The decrease in impairments is visible in both the mortgage portfolio as well as the consumer loan portfolio. Improved circumstances in the housing market and the recovery of the Dutch economy contributed to a lower inflow of clients in the impaired portfolio, increased outflow and an improvement of the portfolio's risk profile. In addition, the improvement of the Dutch economic circumstances and consequently the asset quality of the mortgage and consumer loan portfolios also led to releases from the IBNI allowances totalling EUR 70 million in the first half of 2015, while previous year included an IBNI addition.

Private Banking

Operating results

(in millions)	First half 2015	First half 2014	Change
Net interest income	293	292	0%
Net fee and commission income	322	265	21%
Other operating income	63	30	108%
Operating income	**678**	**588**	**15%**
Personnel expenses	249	221	12%
Other expenses	253	231	9%
Operating expenses	**501**	**453**	**11%**
Operating result	**176**	**135**	**30%**
Impairment charges on loans and other receivables	-15	22	
Operating profit/(loss) before taxation	**191**	**113**	**69%**
Income tax expenses	32	17	81%
Underlying profit/(loss) for the period	**159**	**95**	**67%**
Special items			
Reported profit/(loss) for the period	**159**	**95**	

Private Banking's **underlying profit** rose by EUR 64 million compared with the first half of 2014 to EUR 159 million in the first half of 2015. The increase was mainly driven by higher operating income and lower loan impairments, partly offset by higher expenses. The acquired German private banking activities of Credit Suisse were consolidated as of 1 September 2014.

Net interest income amounted to EUR 293 million, nearly stable compared with the same period in 2014.

Net fee and commission income grew by EUR 57 million, or 21% compared with the same period previous year, to EUR 322 million in the first half of 2015. Net fees increased due to higher client assets, partly due to a favourable stock market performance in combination with the additional fee income from the acquired German activities.

Other operating income in 2015 was EUR 33 million higher, partly due to the sale of premises in the first half of 2015.

Personnel expenses increased by EUR 28 million to EUR 249 million in the first half of 2015. The increase in the international activities was mainly attributable to the acquired German activities, FTE growth and FX impact. In the Netherlands, personnel expenses increased due mainly to higher pension expenses.

Other expenses increased by EUR 22 million compared with the first half of 2014 to EUR 253 million. The increase was primarily related to higher IT project cost and projects to enhance client documentation. The same period in 2014 included project costs for the acquisition in Germany.

Operating result was up 30% and amounted to EUR 176 million. The underlying cost/income ratio for Private Banking improved by 3 percentage point to 74% in the first half of 2015.

Impairment charges on loans and other receivables showed a net release of EUR 15 million, versus EUR 22 million impairment additions in the same period in 2014. The decrease in impairment charges was driven by a EUR 15 million IBNI release in the first half of 2015 and a release on a single file.

Corporate Banking

Operating results

(in millions)	First half 2015	First half 2014	Change
Net interest income	1,081	968	12%
Net fee and commission income	378	318	19%
Other operating income	164	84	94%
Operating income	**1,623**	**1,370**	**18%**
Personnel expenses	344	304	13%
Other expenses	563	518	9%
Operating expenses	**907**	**823**	**10%**
Operating result	**716**	**547**	**31%**
Impairment charges on loans and other receivables	268	402	-33%
Operating profit/(loss) before taxation	**448**	**145**	
Income tax expenses	94	33	
Underlying profit/(loss) for the period	**354**	**113**	
Special items			
Reported profit/(loss) for the period	**354**	**113**	

Corporate Banking's **underlying profit** increased by EUR 241 million to EUR 354 million in the first half of 2015. The key drivers for the improvement were a strong rise in operating income and a sharp decrease in impairment charges.

Net interest income improved by EUR 113 million to EUR 1,081 million. The improvement was seen at all the sub-segments.

Commercial Clients posted a rise in net interest income of EUR 46 million to EUR 660 million in the first half of 2015. Commercial Clients benefited from increased margins on loans as well as higher average deposit volumes. Average loan volumes and deposit margins, however, decreased compared with the same period in 2014.

Net interest income in International Clients increased by EUR 49 million to EUR 361 million, benefiting from growth in the ECT Clients loan portfolio and FX rate developments. This was partly offset by lower margins on deposits.

Net interest income in Capital Markets Solutions improved EUR 18 million, mainly in Clearing, driven by increased market activity.

Net fee and commission income increased by EUR 60 million compared with the same period in 2014 to EUR 378 million. Higher transaction volumes in Capital Markets Solutions from increased volatility in the financial markets mainly drove fee growth. Corporate Finance fees were also higher on the back of increased M&A activity in the first quarter of 2015.

Other operating income was up by EUR 80 million to EUR 164 million in the first half of 2015. The increase was mainly driven by improved CVA/DVA/FVA impact compared with the same period in 2014 (EUR 41 million positive in the first half of 2015 versus EUR 7 million negative in the first half of 2014). Results further improved driven by volatility in the financial markets and favourable revaluation and divestment results on the Equity Participations portfolio, which increased on the back of improved market conditions. This was partly offset by a provision for possible derivative-related issues for a group of SMEs.

Personnel expenses amounted to EUR 344 million, up by of EUR 40 million compared with the same period last year. Personnel expenses were impacted by higher pension expenses, a EUR 19 million restructuring provision following the revised business segmentation within Corporate Banking and increased FTE's mainly within ECT Clients. The same period in 2014 included a provision following the strategic review at Capital Markets Solutions and the implementation of the sector approach at Commercial Clients.

Other expenses increased by EUR 45 million compared with the same period in 2014. The increase was mainly related to higher allocated project costs for IT investments and projects to enhance client centricity and the quality of products and services.

Operating result was EUR 716 million in the first half of 2015, an increase of EUR 169 million compared with the same period in 2014. The **underlying cost/income ratio** improved to 56% in the first half of 2015, from 60% in the same period of 2014.

Impairment charges on loans and other receivables amounted to EUR 268 million, down by EUR 134 million compared with the same period in 2014. Impairment charges on small-sized Commercial Clients decreased significantly and, to a lesser extent, impairments on International Clients decreased as well, partly driven by lower IBNI levels. Impairments on medium-sized Commercial Clients were up compared with the first half of 2014 due to a single large addition.

Group Functions

Operating results

(in millions)	First half 2015	First half 2014	Change
Net interest income	37	-26	
Net fee and commission income	-37	-9	
Other operating income	69	53	29%
Operating income	**69**	**19**	
Personnel expenses	394	379	4%
Other expenses	-317	-312	-2%
Operating expenses	**77**	**67**	**14%**
Operating result	**-8**	**-49**	**84%**
Impairment charges on loans and other receivables	-4	-12	65%
Operating profit/(loss) before taxation	**-3**	**-36**	**91%**
Income tax expenses	46	-25	
Underlying profit/(loss) for the period	**-49**	**-12**	
Special items		-350	
Reported profit/(loss) for the period	**-49**	**-362**	

The **underlying result** of Group Functions was a EUR 49 million loss in the first half of 2015. This is a decline of EUR 37 million compared with the first half of 2014.

Net interest income rose by EUR 63 million compared with the same period last year. The increase was mainly driven by lower funding costs due to lower spread levels paid for new funding. This was partly offset by a tax exempt non-recurring provision related to the in 2009 discontinued part of the Securities Financing activities.

Net fee and commission income decreased by EUR 28 million, mainly driven by higher fees paid to Capital Markets Solutions related to Securities Financing results.

Other operating income rose by EUR 16 million compared with the same period in 2014. The increase was partly driven by favourable CVA/DVA adjustments on the trading book loans (EUR 33 million positive in the first half of 2015 and EUR 4 million negative in the first half of 2014) and significantly higher hedge accounting-related results. This was partly offset by a tax exempt provision related to the in 2009 discontinued part of the Securities Financing activities.

Personnel expenses came to EUR 394 million in the first half of 2015, up EUR 15 million compared with the same period of 2014. This increase was mainly driven by higher pension expenses and increased FTEs.

Other expenses decreased by EUR 5 million compared with the same period in 2014. IT project costs increased compared with the first half of 2014 mainly due to the TOPS 2020 programme. The same period in 2014 was impacted by AQR project expenses. The majority of expenses are allocated to the commercial segments. Other expenses include allocation of operating expenses of Group Functions to the business segments as negative expenses.

additional financial information

Difference between underlying and reported results

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

Reconciliation from underlying to reported results

	First half 2015			First half 2014		
(in millions)	Underlying	Special items	Reported	Underlying	Special items	Reported
Net interest income	3,056		3,056	2,873		2,873
Net fee and commission income	926		926	842		842
Other operating income	312		312	185		185
Operating income	**4,294**		**4,294**	**3,900**		**3,900**
Personnel expenses	1,233		1,233	1,156	288	1,444
Other expenses	1,232		1,232	1,149	134	1,283
Operating expenses	**2,465**		**2,465**	**2,305**	**422**	**2,727**
Operating result	**1,828**		**1,828**	**1,595**	**-422**	**1,173**
Impairment charges on loans and other receivables	287		287	703		703
Operating profit/(loss) before taxation	**1,542**		**1,542**	**892**	**-422**	**470**
Income tax expenses	398		398	192	-72	120
Profit/(loss) for the period	**1,144**		**1,144**	**700**	**-350**	**351**
Return on Assets (in bps)			27			9

Special items

(in millions)	First half 2015	First half 2014
Operating income		
Total impact on Operating Income		
Operating expenses		
Pension settlement charge		288
SNS Levy		134
Total impact on Operating expenses		**422**
Loan impairments		
Total impact on Loan impairments		
Total impact on Income tax expenses		**-72**
Total impact on result for the period		**-350**

risk, funding & capital information

Key figures

	30 June 2015	31 December 2014
Total assets	410,661	386,867
Of which Residential mortgages	151,770	151,998
Of which Consumer loans	15,084	15,398
Of which Corporate loans	91,502	87,866
Total Exposure at Default (EAD)	377,587	350,762
Total RWA (REA)/total EAD	30.4%	31.3%
Regulatory capital		
Total RWA (REA)	114,930	109,647
Of which Credit risk[1]	92,742	87,667
Of which Operational risk	16,227	16,168
Of which Market risk	5,961	5,811
Fully-loaded CET1 ratio	14.0%	14.1%
Fully-loaded leverage ratio	3.1%	3.7%
Credit quality indicators		
Forbearance ratio	3.4%	3.1%
Past due ratio	1.7%	2.1%
Cost of risk (year to date, in bps) - reported[2]	21	45
Cost of risk (year to date, in bps) - underlying[2]	21	45
Coverage ratio	57.3%	53.6%
Impaired ratio	1.6%	1.8%
Liquidity and funding indicators		
Issued funding (in billions)	5.0	2.5

[1] RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA per 30 June 2015 amounted to EUR 1.2 billion (31 March 2015 EUR 2.0 billion; 31 December 2014 EUR 1.3 billion).
[2] Cost of risk consists of annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

In the first half of 2015, the decline in impairment charges is clearly reflected in the decreasing underlying cost of risk ratio. Total impairment charges on loans and other receivables declined by EUR 416 million, amounting to EUR 287 million, compared with EUR 703 million in the same period last year. This decline was mainly driven by lower impairment charges in the Corporate loans portfolio and the Residential mortgages and, to a lesser extent, Consumer loans. Corporate loans declined mainly within the small-sized Commercial Clients portfolio, as a result of several measures which had been taken to increase risk awareness, while acceptance criteria were tightened and files with a higher risk profile were proactively managed. Furthermore, impairment charges declined due to improved economic circumstances and a release of EUR 138 million for IBNI allowances.

The Residential mortgage portfolio including a fair value adjustment for hedge accounting declined slightly by EUR 0.2 billion, arriving at EUR 151.8 billion. Excluding the fair value adjustment for hedge accounting, the Residential mortgage portfolio increased slightly.
The Consumer loans portfolio also decreased slightly, amounting to EUR 15.1 billion at 30 June 2015.

The Corporate loans portfolio increased by EUR 3.8 billion, amounting to EUR 91.5 billion at 30 June 2015, compared with EUR 87.9 billion at 31 December 2014. This increase was mainly accountable to an increase in the ECT Clients portfolio.

The forbearance ratio increased slightly to 3.4%, compared with 3.1% at year end, mainly as a result of the inflow of new forborne clients within the Corporate loans portfolio, which mainly related to permanently adjusted payment arrangements within the performing portfolio. Past due ratio declined from 2.1% to 1.7% in the first half of 2015, mainly due to the combination of successful active management of the portfolio in arrears and the further improvement of the Dutch economy. The coverage ratio increased to 57.3% compared with 53.6% at year-end 2014. Impaired ratio slightly decreased to 1.6% in the first half of 2015.

Total RWA (REA) increased by EUR 5.3 billion, arriving at EUR 114.9 billion at 30 June 2015, compared with EUR 109.6 billion at 31 December 2014. This rise relates mainly to credit risk. The RWA (REA) increase was mainly the result of a EUR 5.4 billion increase in Corporate Banking, which was partly offset by a RWA (REA) decrease in Retail Banking.

Total Exposure at Default increased to EUR 377.6 billion at 30 June 2015, compared with EUR 350.8 billion at 31 December 2014, representing an increase of EUR 26.8 billion. The increase was mainly driven by a EUR 12.3 billion rise in Corporate Banking and a EUR 11.1 billion rise in Group Functions, caused by a rise in deposits at central banks.

Credit risk

Credit risk mitigation

Collateral & guarantees received as security IFS

30 June 2015

(in millions)	Carrying amount	Collateral received: Master netting agreement[3]	Financial instruments	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[4]	Net exposure[5]
Loans and receivables - banks	15,641	7,098	329			7,427		8,214
Loans and receivables - customers								
Residential mortgages[1]	151,770	17	92	208,281	4,855	213,244	73,622	12,149
Consumer loans	15,084	105	4,663	5,304	33	10,105	1,443	6,422
Corporate loans[1]	86,205	4,733	26,279	38,805	8,827	78,643	18,943	26,505
Other loans and receivables - customers[2]	13,717	1,247	4,124	3,007	1,922	10,299	2,183	5,601
Total Loans and receivables - customers	**266,776**	**6,102**	**35,157**	**255,396**	**15,636**	**312,292**	**96,192**	**50,677**
Total Loans and receivables	**282,417**	**13,200**	**35,487**	**255,396**	**15,636**	**319,719**	**96,192**	**58,891**
Other assets	128,244	17,559	37,961	24	161	55,705	4,755	77,294
Total assets	**410,661**	**30,758**	**73,448**	**255,420**	**15,797**	**375,424**	**100,947**	**136,185**

1 Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
2 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
3 The Master netting agreement amount presents legal netting rights and cash collateral.
4 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
5 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Collateral & guarantees received as security IFS

(in millions)	Carrying amount	Collateral received: Master netting agreement[3]	Collateral received: Financial instruments	Collateral received: Property & equipment	Collateral received: Other collateral and guarantees	Total risk mitigation	Surplus collateral[4]	Net exposure[5]
	31 December 2014							
Loans and receivables - banks	21,680	9,850				9,850		11,830
Loans and receivables - customers								
Residential mortgages[1]	151,998	25	98	205,730	5,072	210,925	71,635	12,708
Consumer loans	15,398	139	4,361	5,260	48	9,807	1,422	7,013
Corporate loans[1]	82,860	3,121	26,146	30,749	8,434	68,450	18,083	32,494
Other loans and receivables - customers[2]	11,654	1,585	4,008	2,866	2,488	10,946	2,287	2,994
Total Loans and receivables - customers[1]	**261,910**	**4,870**	**34,613**	**244,605**	**16,041**	**300,129**	**93,427**	**55,208**
Total Loans and receivables	**283,590**	**14,720**	**34,613**	**244,605**	**16,041**	**309,979**	**93,427**	**67,038**
Other assets	103,277	19,538	19,833		188	39,559	1,829	65,546
Total assets	**386,867**	**34,258**	**54,446**	**244,605**	**16,229**	**349,538**	**95,256**	**132,585**

[1] Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
[2] Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
[3] The Master netting agreement amount presents legal netting rights and cash collateral.
[4] Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
[5] Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Total net exposure of total loans and receivables decreased by EUR 8.1 billion in the first half of 2015, from EUR 67.0 billion at 31 December 2014 to EUR 58.9 billion at 30 June 2015.

Within the Residential mortgages, total risk mitigation increased by EUR 2.3 billion compared with year-end 2014, arriving at EUR 213.2 billion at 30 June 2015. This rise was mainly a result of the indexation of the housing prices.

Total risk mitigation within Corporate loans increased by EUR 10.2 billion compared with 31 December 2014, amounting to EUR 78.6 billion at 30 June 2015. The increase was mainly accountable to an increase of EUR 8.1 billion in Property & equipment, mainly resulting from improved collateral reporting and new client lending, which largely explains the decline in net exposure by EUR 6.0 billion.

Management of forborne, past due and impaired loans

Forborne loans

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

Clients in (potential) financial difficulty, where contract amendments have been made since 1 January 2012 which are considered to be a concession made by the bank, have been identified as forborne assets. A contract that is in a recovery phase at the reporting date is not considered forborne.

Overview forbearance as at 30 June 2015 IFS

											30 June 2015
		Performing assets				Non-performing assets				Total	
(in millions)	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total	Temporary modification	Permanent modification	Refinancing	Total	Total forborne assets	Forbearance ratio
Loans and receivables - banks	15,641										0.0%
Loans and receivables - customers											
Residential mortgages[1]	152,173	1,083	26	158	1,267	475	10	35	520	1,787	1.2%
Consumer loans	15,724	149	74	145	368	106	38	57	201	568	3.6%
Corporate loans[1]	89,702	1,312	1,233	1,756	4,301	565	1,057	1,021	2,643	6,943	7.7%
Other loans and receivables - customers[2]	13,847	116	18		135	203	14		217	351	2.5%
Total Loans and receivables - customers	**271,446**	**2,660**	**1,351**	**2,059**	**6,070**	**1,349**	**1,119**	**1,112**	**3,580**	**9,650**	**3.6%**
Total Loans and receivables[1]	**287,087**	**2,660**	**1,351**	**2,059**	**6,070**	**1,349**	**1,119**	**1,112**	**3,580**	**9,650**	**3.4%**

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

Overview forbearance as at 31 December 2014 IFS

											31 December 2014
		Performing assets				Non-performing assets				Total	
(in millions)	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total	Temporary modification	Permanent modification	Refinancing	Total	Total forborne assets	Forbearance ratio
Loans and receivables - banks	21,680										0.0%
Loans and receivables - customers											
Residential mortgages[1]	152,536	1,027	28	122	1,177	606	3	29	638	1,814	1.2%
Consumer loans	16,052	92	68	126	286	99	32	52	184	470	2.9%
Corporate loans[1]	86,299	1,215	872	1,823	3,910	729	878	1,181	2,788	6,698	7.8%
Other loans and receivables - customers[2]	11,783	23			24	64	4		68	92	0.8%
Total Loans and receivables - customers	**266,670**	**2,358**	**968**	**2,071**	**5,397**	**1,498**	**917**	**1,262**	**3,677**	**9,074**	**3.4%**
Total Loans and receivables	**288,351**	**2,358**	**968**	**2,071**	**5,397**	**1,498**	**917**	**1,262**	**3,677**	**9,074**	**3.1%**

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

Total forborne assets increased by EUR 0.6 billion, amounting to EUR 9.7 billion at 30 June 2015, compared with EUR 9.1 billion at year-end 2014.

Total forborne assets within Residential mortgages remained fairly stable compared with year-end 2014. Consumer loans increased slightly, reaching EUR 0.6 billion at 30 June 2015, as compared with EUR 0.5 billion at year-end 2014.

Total forborne assets for Corporate loans increased slightly, from EUR 6.7 billion at year-end 2014 to EUR 6.9 billion at 30 June 2015, which represents 7.7% of the gross carrying amount of the total Corporate loans portfolio. This increase was accountable to an inflow of new forborne clients and mainly relates to permanently adjusted payment arrangements within the performing portfolio. The rise in forborne exposure for Corporate loans was mainly driven by increases in the food & beverage sector and the basic resources industry.

Other loans and receivables – customers amounted to EUR 0.4 billion at 30 June 2015, up EUR 0.3 billion from EUR 0.1 billion at year-end 2014.

Financial assets past due but not impaired IFS

								30 June 2015
	Carrying amount		Days past due					
(in millions)	Gross	Assets not classified as impaired	< 30	> 30 days & < 60	> 60 days & < 90	> 90	Total past due but not impaired	Past due ratio
Loans and receivables - banks	15,641	15,641						0.0%
Loans and receivables - customers								
Residential mortgages[1]	152,173	150,951	2,505	336	88		2,929	1.9%
Consumer loans	15,724	14,874	345	105	63	200	712	4.5%
Corporate loans[1]	89,702	84,843	911	106	82	568	1,666	1.9%
Other loans and receivables - customers[2]	13,847	13,596	61	5	3	36	104	0.8%
Total Loans and receivables - customers	**271,446**	**264,265**	**3,821**	**551**	**236**	**803**	**5,412**	**2.0%**
Total Loans and receivables	**287,087**	**279,906**	**3,821**	**551**	**236**	**803**	**5,412**	**1.9%**
Other assets	37,755	37,727	72	89	2	5	168	0.4%
Total assets	**324,842**	**317,633**	**3,893**	**640**	**238**	**808**	**5,580**	**1.7%**

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

Financial assets past due but not impaired IFS

								31 December 2014
	Carrying amount		Days past due					
(in millions)	Gross	Assets not classified as impaired	< 30	> 30 days & < 60	> 60 days & < 90	> 90	Total past due but not impaired	Past due ratio
Loans and receivables - banks	21,680	21,680						0.0%
Loans and receivables - customers								
Residential mortgages[1]	152,536	151,058	3,057	463	118		3,639	2.4%
Consumer loans	16,052	15,184	335	135	38	125	633	3.9%
Corporate loans[1]	86,299	81,310	924	182	51	590	1,747	2.0%
Other loans and receivables - customers[2]	11,783	11,518	72	8	3	12	94	0.8%
Total Loans and receivables - customers	**266,670**	**259,070**	**4,388**	**788**	**210**	**727**	**6,114**	**2.3%**
Total Loans and receivables	**288,351**	**280,750**	**4,388**	**788**	**210**	**727**	**6,114**	**2.1%**
Other assets	20,453	20,431	202	19	8	24	253	1.2%
Total assets	**308,804**	**301,181**	**4,590**	**807**	**218**	**750**	**6,366**	**2.1%**

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

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Other

Compared with year-end 2014, total past due but not impaired showed a decrease of EUR 0.7 billion in the first half of 2015 and amounted to EUR 5.4 billion at 30 June 2015. This decrease was mainly accountable to a decline of EUR 0.6 billion in the <30 day past due exposure for Residential mortgages and was the combined result of successful active management of the portfolio in arrears, coaching of clients that run a higher risk of getting into arrears and improved economic conditions.

Within the Consumer loans portfolio the total past due amount increased slightly to EUR 0.7 billion at 30 June 2015, compared with EUR 0.6 billion at 31 December 2014.

The past due ratio for Corporate loans slightly improved to 1.9% at 30 June 2015, compared with 2.0% at 31 December 2014, as a result of the continuous focus on monitoring the past due exposure of our clients.

Coverage and impaired ratio IFS

	30 June 2015				
(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
Loans and receivables - banks	15,641				0.0%
Loans and receivables - customers					
Residential mortgages[1]	152,173	1,222	-325	26.6%	0.8%
Consumer loans	15,724	850	-537	63.1%	5.4%
Corporate loans[1]	89,702	4,859	-3,143	64.7%	5.4%
Other loans and receivables - customers[2]	13,847	250	-115	45.8%	1.8%
Total Loans and receivables - customers	**271,446**	**7,181**	**-4,119**	**57.4%**	**2.6%**
Total Loans and receivables[3]	**287,087**	**7,181**	**-4,119**	**57.4%**	**2.5%**
Securities financing	35,536	10	-10	100.0%	0.0%
Total on- and off-balance sheet	**439,023**	**7,216**	**-4,136**	**57.3%**	**1.6%**

1 Gross carrying amount includes 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 IFS

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
					31 December 2014
Loans and receivables - banks	21,680			0.0%	0.0%
Loans and receivables - customers					
Residential mortgages[1]	152,536	1,478	-408	27.6%	1.0%
Consumer loans	16,052	868	-533	61.4%	5.4%
Corporate loans[1]	86,299	4,989	-3,017	60.5%	5.8%
Other loans and receivables - customers[2]	11,783	265	-115	43.2%	2.3%
Total Loans and receivables - customers	**266,670**	**7,601**	**-4,073**	**53.6%**	**2.9%**
Total Loans and receivables[3]	**288,351**	**7,601**	**-4,073**	**53.6%**	**2.6%**
Securities financing	18,521	10	-10	100.0%	0.1%
Total on- and off-balance sheet	**418,815**	**7,632**	**-4,089**	**53.6%**	**1.8%**

1 Gross carrying amount includes 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).

The impaired ratio for the total Loans and receivables portfolio declined from 2.6% at 31 December 2014 to 2.5% at 30 June 2014. Decreases were noted for Residential mortgages, as a result of a lower inflow in the impaired portfolio and a higher outflow from the impaired portfolio.

The impaired ratio for Corporate loans declined to 5.4% at 30 June 2015, compared with 5.8% at 31 December 2014. The decline was mainly driven by an increase in the size of the portfolio. Impaired ratio for Consumer loans remained unchanged.

The coverage ratio for the total loans and receivables portfolio increased to 57.4% at 30 June 2015, compared with 53.6% at 31 December 2014. For the Residential mortgages, the coverage ratio declined from 27.6% at 31 December 2014 to 26.6% at 30 June 2015. Allowances as well as impaired exposures declined.

The coverage ratio for the consumer lending portfolio increased to 63.1% at 30 June 2015, compared with 61.4% at 31 December 2014. This increase was the result of a slightly decreased impaired portfolio as management of arrears improved. Allowances for impairments increased due to lower recovery rates for existing impaired clients.

The coverage ratio for Corporate loans increased to 64.7% at 30 June 2015, compared with 60.5% at 31 December 2014. This increase was largely accountable to a declined impaired portfolio, mainly driven by the improved Dutch economy.

Not all sectors benefitted equally from the recovery of the Dutch economy. Sectors that are still struggling are Retail, Commercial Real Estate, Transport & Logistics. It is noted that the total average period of clients in recovery is growing.

Loan impairment charges and allowances IFS

(in millions)	First half 2015 Securi-ties financing	Corpo-rate loans	Residen-tial mortgag-es	Consum-er loans	Total	First half 2014 Securi-ties financing	Corporate loans	Residen-tial mortgag-es	Consum-er loans	Total
Balance as at 1 January	**11**	**3,568**	**538**	**654**	**4,771**	**24**	**3,778**	**585**	**613**	**4,999**
Impairment charges for the period		569	68	89	726		601	275	170	1,047
Reversal of impairment allowances no longer required	-1	-291	-70	-41	-403	-2	-156	-124	-35	-317
Recoveries of amounts previously written-off		-7	-12	-20	-39		-4	-3	-21	-28
Total impairment charges on loans and other receivables	**-1**	**271**	**-14**	**28**	**284**	**-2**	**442**	**148**	**114**	**702**
Amount recorded in interest income from unwinding of discounting		-22	-28	-6	-56		-22	-10	-5	-37
Currency translation differences	1	55			56	1	3			4
Amounts written-off (net)		-260	-90	-61	-412		-328	-92	-74	-494
Reserve for unearned interest accrued on impaired loans		27		8	35		18	18		37
Other adjustments	-0	-11	-4	16		-0	-4	-0		-4
Balance as at 30 June	**10**	**3,627**	**402**	**640**	**4,680**	**22**	**3,887**	**649**	**649**	**5,207**
Reconciliation from reported to underlying impairment charges										
Total reported on-balance sheet impairment charges on loans and other receivables	**-1**	**271**	**-14**	**28**	**284**	**-2**	**442**	**148**	**114**	**702**
Total underlying on-balance sheet impairment charges on loans and other receivables	**-1**	**271**	**-14**	**28**	**284**	**-2**	**442**	**148**	**114**	**702**

Loan impairment charges on- and off-balance sheet IFS

(in millions)	First half 2015	First half 2014
On-balance sheet	284	702
Off-balance sheet	2	1
Total impairment charges on loans and other receivables	**287**	**703**

The first half year of 2015 reflects the further improvement of the Dutch economy. During the first half year of 2014, the Dutch economy was still amid of the economic crisis, but in the second half year of 2014 the economic recovery became visible. As of the second half of 2014, the overall impaired portfolio started to decline, with more outflow to the performing portfolio than inflow in the non-performing portfolio. This trend continued in the first half of 2015.

The on-balance sheet underlying impairment charges decreased by EUR 418 million in the first half year of 2015, coming to EUR 284 million, compared with EUR 702 million in the same period last year.

In the first half of 2015, the total IBNI levels were reassessed, resulting in a release of EUR 138 million. The current IBNI levels are assumed to cover the incurred but not recognised impaired exposures in the performing portfolio. Excluding the IBNI release, impairment charges decreased by EUR 280 million.

Impairment charges for Corporate loans decreased sharply by EUR 171 million in the first half year of 2015, arriving at EUR 271 million, as compared with EUR 442 million in the first half of 2014. The decrease reflects the upturn in the economic environment as well as a decrease due to the IBNI release of EUR 68 million.

For the Residential mortgage portfolio, the impairment charge in the first half of 2015 was EUR 162 million lower than in the first half of 2014. The improvement was mainly attributable to the Dutch housing market, which improved considerably, and a decrease due to the IBNI release of EUR 53 million.

The impairment charges for Consumer loans declined by EUR 86 million, dropping to EUR 28 million in the first half of 2015, compared with EUR 114 million in the first half of 2014. The decline was mainly the result of the improvements in the Dutch economy and the IBNI release of EUR 17 million.

Operational risk

The RWA (REA) for operational risk is calculated based on the Standardised Approach (TSA). To calculate the required capital, once a year the gross income is multiplied by a percentage (predefined by the directives).

As a result of the yearly revised calculation, RWA (REA) increased slightly by EUR 59 million to EUR 16.2 billion in the first half of 2015 compared with year-end 2014.

Market risk

RWA (REA) at 30 June 2015 slightly increased compared with 31 December 2014.

VAR

In the second quarter of 2015, the diversified VaR increased by EUR 4.7 million compared with the same period last year. The average diversified VaR increased by EUR 5.9 million in this period.

The diversified VaR increased by EUR 4.7 million in the second quarter of 2015 compared with the same period last year. The average diversified VaR increased by EUR 5.9 million in this period. The diversified VaR increased by EUR 4.7 million in the second quarter of 2015 compared with the same period last year. The average diversified VaR increased by EUR 5.9 million in this period.

Liquidity risk

A liquidity buffer of unencumbered assets is retained as a safety cushion in the event of severe liquidity stress. The liquidity buffer increased by EUR 8.0 billion from EUR 73.9 billion on 31 December 2014 to EUR 81.8 billion on 30 June 2015, mainly due to a higher cash position.

The cash position grew mainly due to an increase in the client deposit base which was only partially offset by higher client loan volumes. Other balance sheet developments affecting the cash position are largely offsetting.

The adequacy of the buffer is tested using regulatory and internal stress scenarios. These stress scenarios assume that wholesale funding markets will close down and retail and commercial clients will withdraw a proportion of their deposits.

The liquidity coverage ratio shows whether the liquidity buffer is sufficient to withstand 30 days of regulatory defined severe stress. The liquidity coverage ratio remained above 100% in H1 2015. This is in line with the bank's preferred early compliance with future regulatory requirements.

The survival period shows how long the liquidity buffer is able to withstand internally defined stress scenarios. The survival period based on moderate stress was consistently >12 months in H1 2015.

Dependence on wholesale funding is quantified using the Loan-to-Deposit ratio. In H1 2015, the Loan-to-Deposit ratio improved from 116.5% at 31 December 2014 to 111.1% at 30 June 2015, mainly due to a large increase in client deposits.

The net stable funding ratio remained above 100% in H1 2015. This ratio shows whether the available stable funding is in line with the required stable funding need.

Funding

ABN AMRO's funding strategy is based on the bank's moderate risk profile. It aims to optimise and diversify the bank's funding sources in order to maintain the targeted long-term funding position, liquidity profile and compliance with regulatory requirements. We aim to strike a balance between the need to have sufficient funding and the costs involved, thereby ensuring that the balance sheet has a diverse, stable and cost-efficient funding base.

Client deposits comprise a sound core funding base and serve as the main source of funding, complemented by wholesale funding. Client deposits increased by EUR 14.2 billion, rising from EUR 215.9 billion on 31 December 2014 to EUR 230.1 billion on 30 June 2015. Loans and receivables - customers increased by EUR 4.9 billion, resulting in a net deposit growth of EUR 9.3 billion in the first half of 2015.

Long-term funding (including subordinated liabilities) raised in the first half of 2015 amounted to EUR 6.9 billion, of which 27% in non-euro currencies. This includes EUR 5.2 billion of unsecured funding and EUR 1.5 billion of subordinated liabilities and replaces EUR 7.2 billion of maturing long-term funding.

Maturing funding in the first half of 2015 includes EUR 3.4 billion of maturing externally placed RMBS transactions. As a consequence asset encumbrance due to funding further reduced.

In the first half of 2015, total wholesale funding increased by EUR 4.1 billion, mainly due to short-term funding issuance. This increase is mainly due to active steering of the liquidity buffer.

The remaining maturity of the total outstanding long-term wholesale funding increased slightly from 4.3 to 4.4 years.

Capital management

ABN AMRO prudently manages its capital structure in order to comply with regulatory developments and the bank's moderate risk profile. The bank is already compliant with fully-loaded Basel III capital requirements. Regulatory developments are monitored and assessed continuously to further optimise the capital structure and effectively comply with upcoming requirements.

The capital structure consists mainly of highly loss-absorbing capital to withstand stress and cover unexpected losses. The subordination of specific capital elements provides further support to senior creditors.

The Common Equity Tier 1 ratio increased from 14.1% at 31 December 2014 to 14.2% at 30 June 2015, while the Tier 1 ratio remained stable at 14.6% over the same period. The total capital ratio decreased from 19.7% to 18.3% over the first half of 2015 following an ECB regulatory adjustment. Fully-loaded capital ratios remained comfortably above regulatory minimum levels.

The fully-loaded leverage ratio decreased to 3.1% on 30 June 2015 from 3.7% on 31 December 2014. The ratio decreased due to a considerable increase in the exposure measure. During 2015, ABN AMRO came to a revised interpretation of the Commission Delegated Regulation (EU) 2015/62 (CDR) regarding calculation of the exposure measure for its clearing services,using Basel (BCBS) guidelines and EBA guidance. If the fully-loaded leverage ratio had been calculated consistently using this revised interpretation, the leverage ratio would have amounted to 3.2% at 31 December 2014.

responsibility statement

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

- The Condensed Consolidated Interim Financial Statements, for the six months period ending on 30 June 2015, give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in the consolidation; and
- The Interim Report, for the six months period ending on 30 June 2015, gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of ABN AMRO Bank N.V. and the companies included in the consolidation.

Amsterdam, 20 August 2015

The Managing Board

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

condensed consolidated interim financial statements 2015

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

Condensed consolidated income statement

(in millions)	Note	First half 2015	First half 2014
Income			
Interest income		6,724	6,699
Interest expense		3,668	3,826
Net interest income		**3,056**	**2,873**
Fee and commission income		1,510	1,318
Fee and commission expense		585	476
Net fee and commission income		**926**	**842**
Net trading income		54	109
Share of result in equity accounted investments		12	29
Other operating income		246	47
Operating income	4	**4,294**	**3,900**
Expenses			
Personnel expenses		1,233	1,444
General and administrative expenses		1,148	1,201
Depreciation and amortisation of tangible and intangible assets		84	82
Operating expenses	5	**2,465**	**2,727**
Impairment charges on loans and other receivables		287	703
Total expenses		**2,752**	**3,430**
Operating profit/(loss) before taxation		**1,542**	**470**
Income tax expense		398	120
Profit/(loss) for the period		**1,144**	**351**
Attributable to:			
Owners of the company		1,142	351
Non-controlling interests		1	-1

Condensed consolidated statement of comprehensive income

(in millions)	First half 2015	First half 2014
Profit/(loss) for the period	**1,144**	**351**
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement gains/(losses) on defined benefit plans	-4	-187
Items that will not be reclassified to the income statement before taxation	**-4**	**-187**
Income tax relating to items that will not be reclassified to the income statement	-1	-47
Items that will not be reclassified to the income statement after taxation	**-3**	**-141**
Items that may be reclassified to the income statement		
Currency translation reserve	118	17
Available-for-sale reserve	46	169
Cash flow hedge reserve	-14	246
Share of other comprehensive income of associates	18	8
Other changes	-4	5
Other comprehensive income for the period before taxation	**164**	**445**
Income tax relating to components of other comprehensive income	7	100
Other comprehensive income for the period after taxation	**157**	**345**
Total comprehensive income/(expense) for the period after taxation	**1,297**	**555**
Total comprehensive income attributable to:		
Owners of the company	1,296	555
Non-controlling interests	1	-1

Condensed consolidated statement of financial position

(in millions)	Note	30 June 2015	31 December 2014
Assets			
Cash and balances at central banks		15,132	706
Financial assets held for trading	6	6,648	9,017
Derivatives	7	21,262	25,285
Financial investments	8	41,140	41,466
Securities financing	9	35,526	18,511
Loans and receivables - banks	11	15,641	21,680
Residential mortgages	12	151,770	151,998
Consumer loans	12	15,084	15,398
Corpoarte loans	12	91,502	87,866
Other loans and receivables - customers	12	8,420	6,648
Equity accounted investments		857	1,136
Property and equipment		1,343	1,412
Goodwill and other intangible assets		262	255
Tax assets		541	504
Other assets		5,533	4,986
Total assets		**410,661**	**386,867**
Liabilities			
Financial liabilities held for trading	6	3,602	3,759
Derivatives	7	24,206	30,449
Securities financing	9	22,592	13,918
Due to banks	14	17,909	15,744
Demand deposits	15	116,649	109,753
Saving deposits	15	94,552	88,655
Time deposits	15	18,906	17,459
Other due to customers	15	215	144
Issued debt	16	79,626	77,131
Subordinated liabilities	16	9,938	8,328
Provisions	17	1,152	1,003
Tax liabilities		453	175
Other liabilities		4,962	5,473
Total liabilities		**394,762**	**371,990**
Equity			
Share capital		800	800
Share premium		4,041	4,041
Other reserves (incl. retained earnings/profit for the period)		11,701	10,838
Other comprehensive income		-657	-814
Equity attributable to owners of the parent company		**15,885**	**14,865**
Equity attributable to non-controlling interests		14	12
Total equity		**15,899**	**14,877**
Total liabilities and equity		**410,661**	**386,867**

Condensed consolidated statement of changes in equity

(in millions)	Share capital	Share premium reserve	Other reserves including retained earnings	Other compre-hensive income	Net profit/ (loss) attributable to share-holders	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	**800**	**4,041**	**12,461**	**-4,909**	**1,162**	**13,555**	**13**	**13,568**
Total comprehensive income			5	199	351	555	-1	555
Transfer			1,162		-1,162			
Dividend			-200			-200	-0	-200
Reclassification post-employment benefit plan[2]			-3,606	3,606				
Other changes in equity							-1	-0
Balance at 30 June 2014	**800**	**4,041**	**9,823**	**-1,104**	**351**	**13,911**	**12**	**13,922**
Balance at 1 January 2015	**800**	**4,041**	**9,704**	**-814**	**1,134**	**14,865**	**12**	**14,877**
Total comprehensive income			-4	157	1,142	1,296	1	1,297
Transfer			1,134		-1,134			
Dividend			-275			-275		-275
Balance at 30 June 2015	**800**	**4,041**	**10,559**	**-657**	**1,142**	**15,885**	**14**	**15,899**

2015

Total comprehensive income of EUR 1,297 million includes EUR 1,144 million profit for the first half year of 2015. Transfer includes the allocation of the profit/loss of the prior period to the other reserves.

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

2014

Total comprehensive income of EUR 555 million includes EUR 351 million profit for the first half of 2014. Transfer includes the allocation of the profit/loss of the prior period to the other reserves.

A final dividend of EUR 200 million was paid out to ordinary shareholders, bringing the total dividend for 2013 to EUR 350 million.

ABN AMRO announced that it had reached a negotiated result with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in the Netherlands as part of the new collective labour agreement (CLA). The new pension scheme is a collective defined contribution (CDC) plan. The settlement on 12 June 2014 resulted in a release for post-employment benefit plans (OCI) of EUR 3,606 million (EUR 4,808 million less EUR 1,202 million in tax) from remeasurement gains/(losses) to Other reserves including retained earnings.

Condensed consolidated statement of cash flows

(in millions)	First half 2015	First half 2014
Profit/(loss) for the period	**1,144**	**351**
Adjustments on non-cash items included in profit:		
(Un)realised gains/(losses)	-4	242
Share of profits in associates and joint ventures	-17	-33
Depreciation, amortisation and accretion	157	164
Provisions and impairment losses	335	802
Income tax expense	398	120
Changes in operating assets and liabilities:		
Assets held for trading	2,460	-2,411
Derivatives - assets	3,928	-3,751
Securities financing - assets	-15,848	-20,069
Loans and receivables - banks	7,629	8,707
Residential mortgages	305	32
Consumer loans	421	174
Corporate loans	-2,612	604
Other loans and receivables - customers	-1,388	-2,082
Other assets	-493	-424
Liabilities held for trading	-335	2,266
Derivatives - liabilities	-6,226	3,287
Securities financing - liabilities	7,989	16,735
Due to banks	2,047	-1,176
Demand deposits	6,012	1,169
Saving deposits	5,841	2,491
Time deposits	1,164	-2,203
Other due to customers	71	66
Liabilities arising from insurance and investment contracts	-113	-95
Net changes in all other operational assets and liabilities	-114	-1,004
Dividend received from associates	44	33
Income tax paid	-164	-5
Cash flow from operating activities	**12,629**	**3,988**

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Investing activities:		
Purchases of financial investments	-9,896	-12,265
Proceeds from sales and redemptions of financial investments	10,268	5,408
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	-25	-85
Divestments of subsidiaries (net of cash sold), associates and joint ventures	33	21
Purchases of property and equipment	-112	-122
Proceeds from sales of property and equipment	107	49
Purchases of intangible assets	-20	-9
Cash flow from investing activities	**354**	**-7,004**
Financing activities:		
Proceeds from the issuance of debt	20,856	20,961
Repayment of issued debt	-19,153	-20,606
Proceeds from subordinated liabilities issued	1,492	
Repayment of subordinated liabilities issued	-3	-51
Dividends paid to the owners of the parent company	-275	-200
Cash flow from financing activities	**2,917**	**105**
Net increase/(decrease) of cash and cash equivalents	15,900	-2,912
Cash and cash equivalents as at 1 January	4,212	15,319
Effect of exchange rate differences on cash and cash equivalents	111	22
Cash and cash equivalents as at 30 June	**20,223**	**12,429**
Supplementary disclosure of operating cash flow information		
Interest paid	3,756	3,211
Interest received	7,411	5,834
Dividend received from investments	47	39

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

(in millions)	30 June 2015	30 juni 2014
Cash and balances at central banks	15,132	6,776
Loans and receivables banks (less than 3 months)[1]	5,091	5,653
Total cash and cash equivalents	**20,223**	**12,429**

[1] Loans and receivables banks with a original maturity less than 3 months is included in Loans and receivables - banks. See note 11.

notes to the Condensed Consolidated Interim Financial Statements

1 Accounting policies

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

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

Corporate information

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

All ordinary shares in ABN AMRO Bank N.V., representing 100% of the voting rights, are held by ABN AMRO Group N.V. since 9 April 2009. All ordinary shares in ABN AMRO Group N.V., representing 100% of the voting rights, are held by a foundation named Stichting administratiekantoor beheer financiële instellingen (NLFI) since 16 May 2013.

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

The Condensed Consolidated Interim Financial Statements of ABN AMRO Bank for the six months ending on 30 June 2015 incorporate financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Condensed Consolidated Interim Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 20 August 2015.

Basis of preparation

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

The Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with ABN AMRO Bank's 2014 consolidated Annual Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies used in these Condensed Consolidated Interim Financial Statements are consistent with those set out in the notes to the 2014 Consolidated Annual Financial Statements of ABN AMRO Bank, except for the changes in accounting policies described below.

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

Changes in accounting policies

In the first half of 2015, ABN AMRO adopted the following amendments and interpretations:
- Defined Benefit Plans: Employee Contributions;
- Annual improvements to IFRSs 2010-2012 Cycle – various standards;
- Annual improvements to IFRSs 2011-2013 Cycle – various standards.

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

New accounting standards and interpretations

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with customers

In May 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard sets out requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). The proposed effective date by the IASB is 1 January 2018. ABN AMRO Bank is currently assessing the impact of the new standard.

Narrow scope amendments

The IASB has published narrow scope amendments to the following standards: IFRS 11 Joint arrangements – Accounting for Acquisitions of Interests in Joint Operations, IAS 1 Presentation of Financial Statements – Disclosure Initiative, and Annual Improvements 2012-2014 – various standards (IFRS 5, IFRS 7, IAS 19 and IAS 34). The impact of these amendments is currently being assessed. The effective date is 1 January 2016.

2 Segment reporting

Retail Banking

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

Private Banking

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

Corporate Banking

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

- Commercial Clients serves business clients with revenues from EUR 1 million up to EUR 250 million, and clients active in Commercial Real Estate (excluding publicly listed companies, which are served by the International Clients sub-segment). ABN AMRO's Lease and Commercial Finance activities are also part of this sub-segment;
- International Clients serves business clients with revenues exceeding EUR 250 million, as well as Energy, Commodities & Transportation (ECT) Clients, Diamond & Jewellery Clients, Financial Institutions and Listed Commercial Real Estate clients;
- Capital Markets Solutions serves clients by providing products and services related to financial markets. This sub-segment includes ABN AMRO Clearing.

Group Functions

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

Segment income statement for the first half year 2015

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divestments	First half 2015 Total
Net interest income	1,645	293	1,081	37		3,056
Net fee and commission income	262	322	378	-37		926
Net trading income	5	35	100	-85		54
Share of result in equity accounted investments	15	8	-13	2		12
Other operating income	-2	20	77	152	-0	246
Operating income	**1,924**	**678**	**1,623**	**69**	**-0**	**4,294**
Personnel expenses	246	249	344	394		1,233
General and administrative expenses	166	126	135	721	-0	1,148
Depreciation and amortisation of tangible and intangible assets	4	12	9	60		84
Intersegment revenues/expenses	565	114	419	-1,098		
Operating expenses	**980**	**501**	**907**	**77**	**-0**	**2,465**
Impairment charges on loans and other receivables	38	-15	268	-4		287
Total expenses	**1,018**	**486**	**1,176**	**72**	**-0**	**2,752**
Operating profit/(loss) before taxation	**906**	**191**	**448**	**-3**		**1,542**
Income tax expenses	226	32	94	46		398
Underlying profit/(loss) for the period	**680**	**159**	**354**	**-49**		
Special items and divestments						
Profit/(loss) for the period	**680**	**159**	**354**	**-49**		**1,144**
Attributable to:						
Owners of the company	680	159	353	-50		1,142
Non-controlling interests			1			1

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Segment income statement for the first half year 2014

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divestments	Total
						First half 2014
Net interest income	1,639	292	968	-26		2,873
Net fee and commission income	267	265	318	-9		842
Net trading income	3	19	90	-3		109
Share of result in equity accounted investments	22	10	-7	5		29
Other operating income	-7	1	2	51		47
Operating income	**1,924**	**588**	**1,370**	**19**		**3,900**
Personnel expenses	251	221	304	379	288	1,444
General and administrative expenses	171	117	109	671	134	1,201
Depreciation and amortisation of tangible and intangible assets	5	9	8	60		82
Intersegment revenues/expenses	536	106	402	-1,043		
Operating expenses	**962**	**453**	**823**	**67**	**422**	**2,727**
Impairment charges on loans and other receivables	291	22	402	-12		703
Total expenses	**1,253**	**475**	**1,225**	**55**	**422**	**3,430**
Operating profit/(loss) before taxation	**671**	**113**	**145**	**-36**	**-422**	**470**
Income tax expenses	166	17	33	-25	-72	120
Underlying profit/(loss) for the period	**504**	**95**	**113**	**-12**	**-350**	
Special items and divestments				-350	350	
Profit/(loss) for the period	**504**	**95**	**113**	**-362**		**351**
Attributable to:						
Owners of the company	504	95	113	-362		351
Non-controlling interests			-1			-1

Retail Banking

Operating income remained stable at EUR 1,924 million during the first half of 2015 compared with the first half of 2014. Net interest income was primarily driven by improved margins on mortgages resulting from the gradual re-pricing of the mortgage book offset by marginally lower average loan volumes and a provision for inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products. Interest income on deposits remained nearly stable, as higher average savings volumes were offset by decreasing margins as reinvestment yields declined at a higher pace than the client savings rates.

Operating expenses rose by EUR 18 million to EUR 980 million during the first half of 2015, compared with EUR 962 million during the first half of 2014. This increase was mainly driven by higher allocation of IT project expenses and projects aimed at enhancing client centricity and the quality of products and services.

Impairment charges decreased by EUR 253 million to EUR 38 million during the first half of 2015, compared with EUR 291 million during the first half of 2014. The decrease in impairments is visible in both the mortgage portfolio and the consumer loan portfolio. Improved circumstances in the housing market and recovery of the Dutch economy contributed to a lower inflow of clients in the impaired portfolio, increased outflow and an improvement of the portfolio's risk profile. In addition, the improvement of the Dutch economy and, consequently, the asset quality of the mortgage and consumer loan portfolios also led to releases from the IBNI allowances totalling EUR 70 million in the first half of 2015, while the previous year included a small IBNI addition.

Private Banking

Operating income increased by EUR 90 million to EUR 678 million during the first half of 2015 compared with EUR 588 million during the first half of 2014. This was driven mainly by an increase in net fee and commision income of EUR 57 million due to higher Client Assets, partly due to a favourable stock market performance in combination with additional fee income from the acquired German activities. In addition, other operating income increased by EUR 19 million, partly due to sale of premises in the first half of 2015.

Operating expenses increased by EUR 48 million to EUR 501 million during the first half of 2015, up from EUR 453 million in the first half of 2014. This rise was mainly driven by an increase in personnel expenses of EUR 28 million due to the acquired German activities, FTE growth and FX impact. In the Netherlands, personnel expenses increased mainly due to higher pension expenses. In addition, operating expenses rose by EUR 22 million due to expenses for IT projects and projects to enhance client documentation, while the same period in 2014 included project costs for the acquisition in Germany.

Impairment charges decreased by EUR 37 million to a net release of EUR 15 million during the first half of 2015 compared with EUR 22 million during the first half of 2014, mainly driven by a EUR 15 million IBNI release in the first half of 2015 and a release on a single file.

Corporate Banking

Operating income increased by EUR 253 million to EUR 1,623 million during the first half of 2015, up from EUR 1,370 million in the first half of 2014. Commercial Clients posted a rise in net interest income of EUR 46 million to EUR 660 million in the first half of 2015. Commercial Clients benefited from increased margins on loans as well as higher liability volumes. Average loan volumes and deposit margins, however, decreased compared with the same period in 2014. Net interest income in International Clients increased by EUR 49 million to EUR 361 million, benefiting from growth in the ECT Clients loan portfolio and FX rate developments. This was partly offset by lower margins on deposits. Net fee and commission income increased by EUR 60 million compared with the same period in 2014 to EUR 378 million. Higher transaction volumes in Capital Markets Solutions from increased volatility in the financial markets mainly drove fee growth. Corporate Finance fees were also higher on the back of increased M&A activity in the first quarter of 2015.

Operating expenses increased by EUR 84 million to EUR 907 million during the first half of 2015, up from EUR 823 million in the first half of 2014. Personnel expenses rose by EUR 40 million and were impacted by higher pension expenses, a EUR 19 million restructuring provision following the revised business segmentation within Corporate Banking, and growth of the number of FTEs, mainly in ECT Clients. The same period in 2014 included a provision following the strategic review at Capital Markets Solutions and the introduction of the sector approach at Commercial Clients. In addition, other operating expenses rose by EUR 45 million. This increase was mainly related to higher allocated project costs for IT investments and projects to enhance client centricity and the quality of products and services.

Impairment charges decreased by EUR 134 million to EUR 268 million during the first half of 2015, down from EUR 402 million in the first half of 2014. Impairment charges on small-sized Commercial Clients decreased significantly and, to a lesser extent, impairments on International Clients also declined, partly driven by lower IBNI levels. Impairments on medium-sized Commercial Clients were up compared with the first half of 2014 due to a single large addition.

Group Functions

Operating income increased by EUR 50 million to EUR 69 million during the first half of 2015, up from EUR 19 million during the first half of 2014. This was driven chiefly by lower funding expenses due to lower spread levels paid for new funding and a higher portion of capital costs charged to the business segments. This was partly offset by a tax exempt provision related to the part of the Securities Financing activities that was discontinued in 2009. Lower costs for maintaining the liquidity buffer were re-allocated to the business segments.

Operating expenses increased by EUR 10 million to EUR 77 million during the first half of 2015, up from EUR 67 million during the first half of 2014, driven mainly by higher personnel expenses of EUR 15 million due to higher pension expenses and growth of the number of FTEs. In addition, operating expenses increased due to IT project expenses this year, partly driven by TOPS 2020 expenses. The same period in 2014 was impacted by the AQR project. The majority of expenses are allocated to the commercial segments. Operating expenses include allocation of Group Functions' operating expenses to the business segments as negative expenses.

Selected assets and liabilities by segment

					30 June 2015
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Assets					
Financial assets held for trading			6,712	-63	6,648
Derivatives		88	16,842	4,332	21,262
Securities financing		59	6,863	28,604	35,526
Residential mortgages	144,805	3,422	13	3,530	151,770
Consumer loans	8,365	5,988	730		15,084
Corporate loans	2,707	7,541	81,179	75	91,502
Other loans and receivables - customers		9	8,387	24	8,420
Other	1,850	7,053	15,619	55,927	80,449
Total assets	**157,727**	**24,160**	**136,344**	**92,429**	**410,661**
Liabilities					
Financial liabilities held for trading			3,602		3,602
Derivatives		79	17,128	6,999	24,206
Securities financing		43	2,787	19,762	22,592
Demand deposits	23,355	41,299	51,667	329	116,649
Saving deposits	71,305	19,240	4,006		94,552
Time deposits	4,715	6,970	4,980	2,241	18,906
Other due to customers			157	58	215
Other	58,352	-43,471	52,018	47,141	114,039
Total liabilities	**157,727**	**24,160**	**136,344**	**76,530**	**394,762**

					31 December 2014
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Assets					
Financial assets held for trading			9,115	-98	9,017
Derivatives		90	20,543	4,652	25,285
Securities financing	-0	8	3,981	14,522	18,511
Residential mortgages	144,424	3,426	14	4,134	151,998
Consumer loans	8,795	5,830	773		15,398
Corporate loans	2,758	7,460	77,625	22	87,866
Other loans and receivables - customers		9	6,630	9	6,648
Other	1,638	6,112	14,897	49,498	72,145
Total assets	**157,614**	**22,935**	**133,579**	**72,739**	**386,867**
Liabilities					
Financial liabilities held for trading			3,759		3,759
Derivatives		70	20,493	9,886	30,449
Securities financing		16	1,302	12,600	13,918
Demand deposits	22,619	38,338	48,479	317	109,753
Saving deposits	68,638	17,957	2,060		88,655
Time deposits	4,658	6,606	4,057	2,137	17,459
Other due to customers			144		144
Other	61,699	-40,053	53,285	32,922	107,854
Total liabilities	**157,614**	**22,935**	**133,579**	**57,862**	**371,990**

3 Overview of financial assets and liabilities by measurement base

				30 June 2015
(in millions)	Amortised cost	Fair value through profit or loss	Available for sale financial assets	Total
Financial assets				
Cash and balances at central banks	15,132			15,132
Financial assets held for trading		6,648		6,648
Derivatives		21,262		21,262
Financial investments		799	40,340	41,140
Securities financing	35,526			35,526
Loans and receivables - Banks	15,641			15,641
Loans and receivables - Customers	266,776			266,776
Other assets		2,485		2,485
Total financial assets	**333,075**	**31,195**	**40,340**	**404,611**
Financial Liabilities				
Financial liabilities held for trading		3,602		3,602
Derivatives		24,206		24,206
Securities financing	22,592			22,592
Due to banks	17,909			17,909
Due to customers	230,322			230,322
Issued debt	77,814	1,812		79,626
Subordinated liabilities	9,938			9,938
Other liabilities		2,485		2,485
Total financial liabilities	**358,575**	**32,105**		**390,681**

	31 December 2014			
(in millions)	Amortised cost	Fair value through profit or loss	Available for sale financial assets	Total
Financial assets				
Cash and balances at central banks	706			706
Financial assets held for trading		9,017		9,017
Derivatives		25,285		25,285
Financial investments		589	40,877	41,466
Securities financing	18,511			18,511
Loans and receivables - Banks	21,680			21,680
Loans and receivables - Customers	261,910			261,910
Other assets		2,453		2,453
Total financial assets	**302,807**	**37,343**	**40,877**	**381,028**
Financial Liabilities				
Financial liabilities held for trading		3,759		3,759
Derivatives		30,449		30,449
Securities financing	13,918			13,918
Due to banks	15,744			15,744
Due to customers	216,011			216,011
Issued debt	75,150	1,981		77,131
Subordinated liabilities	8,328			8,328
Other liabilities		2,453		2,453
Total financial liabilities	**329,150**	**38,642**		**367,791**

4 Operating income

(in millions)	First half 2015	First half 2014
Net interest income	3,056	2,873
Net fee and commission income	926	842
Net trading income	54	109
Share of result in equity accounted investments	12	29
Other income	246	47
Total operating income	**4,294**	**3,900**

Total operating income increased by EUR 394 million to EUR 4,294 million compared with EUR 3,900 million during the first half of 2014.

Net interest income increased to EUR 3,056 million, up EUR 183 million, or 6.4%, from EUR 2,873 million in the first half of 2014. Interest expense decreased mainly due to lower funding costs as a result of a lower average amount of issued debt. This decrease was also driven by lower interest expenses related to customer deposits, following lower market interest rates.

Net fee and commission income increased by EUR 84 million to EUR 926 million during the first half of 2015, compared with EUR 842 million in the first half of 2014. Securities and custodian service fees increased by EUR 31 million due to higher transaction volumes in Capital Market Solutions. Portfolio management fees rose by EUR 33 million due to an increase in Client assets and the effect of the acquisition of Private Banking activities in Germany in Q3 2014.

Net trading income decreased by EUR 55 million to EUR 54 million during the first half of 2015 due to a loss in discontinued securities financing activities and a provision for interest rate derivatives to SME clients.

This was partly offset by a favourable effect of the CVA, DVA and FVA (EUR 47 million) and unrealised gains on trading book loans.

Total other income grew by EUR 199 million to EUR 246 million during the first half of 2015, up from EUR 47 million in the first half of 2014. Results from financial transactions increased by EUR 169 million compared with the first half of 2014 mainly due to higher revaluation and divestment results at Equity Participations, unrealised gains on Private Investment Products, hedge accounting-related results, and some gains on the sale of premises in Guernsey and Belgium.

5 Operating expenses

(in millions)	First half 2015	First half 2014
Personnel expenses	1,233	1,444
General and administrative expenses	1,148	1,201
Depreciation and amortisation of tangible and intangible assets	84	82
Total operating expenses	**2,465**	**2,727**

Total operating expenses decreased by EUR 262 million to EUR 2,465 million during the first half of 2015, compared with EUR 2,727 million in the first half of 2014, driven mainly by lower Personnel expenses (EUR 211 million).

Personnel expenses decreased by EUR 211 million during the first half of 2015. See Personnel expenses for more information.

General and administrative expenses came down by EUR 53 million in the first half of 2015 compared with the first half of 2014, mainly resulting from incurring part of the levy for the nationalisation of SNS Reaal during the first half of 2014 (EUR 134 million). This was partially offset by higher agency staff, contractors and consultancy costs involved in the aftercare of large projects and hiring of new contractors (EUR 33 million) and by higher information technology expenses related to projects, IBM contracting and the extension of existing licences (EUR 15 million).

Personnel expenses

(in millions)	First half 2015	First half 2014
Salaries and wages	858	826
Social security charges	119	122
Pension expenses relating to defined benefit plans	12	385
Defined contribution plan expenses	155	30
Other	89	82
Total personnel expenses	**1,233**	**1,444**

Total personnel expenses decreased by EUR 211 million to EUR 1,233 million during the first half of 2015, compared with EUR 1,444 million in the first half of 2014.

This was mainly due to a EUR 288 million loss on the settlement of the Dutch defined benefit plan during the first half of 2014. This defined benefit pension plan was replaced by a collective defined contribution plan. Excluding the EUR 288 million pension settlement during 2014, pension expenses increased due to lower interest rates.

Other consists mainly of a restructuring provision and other short-term benefit expenses.

6 Financial assets and liabilities held for trading

Financial assets held for trading

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

(in millions)	30 June 2015	31 December 2014
Trading securities:		
Government bonds	4,744	2,326
Corporate debt securities	1,035	924
Equity securities	61	4,946
Total trading securities	**5,839**	**8,196**
Trading book loans	809	821
Total assets held for trading	**6,648**	**9,017**

Financial assets held for trading as at 30 June 2015 amounted to EUR 6.6 billion, down by EUR 2.4 billion or 26.3% compared with EUR 9.0 billion at 31 December 2014. This decrease was mainly due to the discontinuation of the equity derivatives activities (EUR 4.9 billion). This was partially offset by higher positions in government bonds (EUR 2.4 billion).

The increase in Government bonds was mainly related to Dutch (EUR 1.3 billion), Belgium (EUR 0.9 billion) and German (EUR 0.4 billion) positions. ABN AMRO Bank acquired these portfolios mainly as a result of primary dealership in these countries and for the purpose of client facilitation. Most of these contracts were further hedged with short government bond positions (see also increase in Govenment bonds in Financial liabilities held for trading).

As a result of the wind-down of activities resulting from the strategic review of Capital Markets Solutions, related equity security portfolios were sold (EUR 4.9 billion). The main portfolios sold were EUR 2.1 billion in FTSE equities, EUR 1.2 billion in equities relating to a EURO STOXX 50 index derivatives basket, and EUR 1.0 billion in equities relating to the closure of the equity derivatives desk in the US.

Financial liabilities held for trading

(in millions)	30 June 2015	31 December 2014
Bonds	3,184	1,710
Equity securities	383	2,016
Total short security positions	**3,566**	**3,725**
Other liabilities held for trading	35	34
Total liabilities held for trading	**3,602**	**3,759**

Financial liabilities held for trading amounted to EUR 3.6 billion at 30 June 2015, a decrease of EUR 0.2 billion or 4.2% compared with EUR 3.8 billion at 31 December 2014. This decline was due mainly to the wind-down of the equity derivatives portfolio (EUR 1.6 billion) resulting from the strategic review of Capital Markets Solutions.

This was partially offset by higher short positions in bonds (EUR 1.5 billion), mainly due to higher volume of short positions in Dutch government bonds (EUR 1.4 billion).

Short positions in equity securities decreased mainly due to closure of the equity derivatives desk in the US.

7 Derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of our clients. Derivatives held for risk management purposes include the fair value of all derivatives qualifying as hedging instruments in fair value hedges and in cash flow hedges, hedge accounting derivatives, and the fair value of derivatives related to assets and liabilities designated at fair value through profit or loss, economic hedges.

Derivatives comprise the following:

										30 June 2015
	Derivatives held for trading			Economic hedges			Hedge accounting			Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	Other	
Exchange traded										
Fair value assets	1		15			12				28
Fair value liabilities	4		15			7				26
Notionals	570	14	262			1,958				2,804
Over-the-counter										
Central counterparties										
Fair value assets										
Fair value liabilities										
Notionals	600,661			100			52,989			653,750
Other bilateral										
Fair value assets	12,699	2,942	642	212	599	40	3,425	676		21,235
Fair value liabilities	11,948	2,906	245	125	444	68	8,434	12	-0	24,180
Notionals	214,786	217,557	3,224	3,842	19,700	1,989	83,714	1,547		546,359
Total										
Fair value assets	12,700	2,942	657	212	599	52	3,425	676		21,262
Fair value liabilities	11,952	2,906	260	125	444	74	8,434	12	-0	24,206
Notionals	816,017	217,571	3,486	3,942	19,700	3,946	136,703	1,547		1,202,913

	31 December 2014									
	Derivatives held for trading			Economic hedges			Hedge accounting			Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	Other	
Exchange traded										
Fair value assets	13		2			21				36
Fair value liabilities	14		5			10				30
Notionals	163	8	205			2,396				2,773
Over-the-counter										
Central counterparties										
Fair value assets										
Fair value liabilities										
Notionals	544,841						40,372			585,213
Other bilateral										
Fair value assets	15,998	3,346	370	254	215	23	4,591	452	-0	25,249
Fair value liabilities	14,383	3,456	344	191	469	18	11,543	15		30,419
Notionals	213,089	163,334	8,719	3,853	27,794	116	93,890	1,399		512,193
Total										
Fair value assets	16,011	3,346	373	254	215	43	4,591	452	-0	25,285
Fair value liabilities	14,398	3,457	348	191	469	28	11,543	15		30,449
Notionals	758,093	163,342	8,923	3,853	27,794	2,512	134,262	1,399		1,100,179

Over-the-counter derivatives that are cleared with central counterparties are offset on the Statement of Financial Position because they are settled (intra) daily on a net basis.

The fair value of interest rate derivatives decreased due to the increase in long-term interest rates. Greater volatility of foreign exchange rates led to increased client activity in currency derivatives. As a result, the total notional amount of currency derivatives held for trading increased. The total notional amount of Derivatives held for trading – other decreased due to the wind-down of the equity derivatives portfolio resulting from the strategic review of Capital Markets Solutions.

8 Financial investments

Financial investments break down as follows:

(in millions)	30 June 2015	31 December 2014
Financial investments:		
Available-for-sale	40,363	40,898
Held at fair value through profit or loss	799	589
Total, gross	**41,162**	**41,487**
Less: Available-for-sale impairment allowance	23	21
Total financial investments	**41,140**	**41,466**

Financial investments amounted to EUR 41.1 billion at 30 June 2015, a decrease of EUR 0.3 billion or 0.8% compared with EUR 41.5 billion at 31 December 2014. This decrease was mainly caused by several sales of Other OECD government bonds (EUR 0.7 billion), Mortgage- and other asset-backed securities (EUR 0.5 billion), Dutch government bonds (EUR 0.3 billion) and Financial Institutions (EUR 0.2 billion), offset by an increase in US government bonds (EUR 1.2 billion).

In 2015, an amount of EUR 280 million in investments in venture capital was reclassified from Equity accounted associates to Financial investments. Since initial recognition, these investments are accounted for at fair value through profit or loss by use of the venture capital exemption for investments that otherwise would be classified as associates.

Financial investments available-for-sale

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

(in millions)	30 June 2015	31 December 2014
Interest-earning securities:		
Dutch government	6,544	6,884
US Treasury and US government	3,113	1,939
Other OECD government	20,091	20,779
Non OECD government	581	471
European Union	1,402	1,494
Mortgage- and other asset-backed securities	2,760	3,243
Financial institutions	5,597	5,824
Non financial institutions	33	37
Subtotal	**40,122**	**40,670**
Equity instruments	241	228
Total investment available-for-sale	**40,363**	**40,898**

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 Funding section of this report.

9 Securities financing

	30 June 2015		31 December 2014	
(in millions)	Banks	Customers	Banks	Customers
Assets				
Reverse repurchase agreements	3,860	11,144	936	6,518
Securities borrowing transactions	6,610	10,307	3,363	6,116
Unsettled securities transactions	1,191	2,414	163	1,415
Total	**11,661**	**23,865**	**4,462**	**14,049**
Liabilities				
Repurchase agreements	2,124	14,566	1,736	7,457
Securities lending transactions	1,457	1,702	672	2,779
Unsettled securities transactions	1,008	1,735	256	1,018
Total	**4,589**	**18,003**	**2,663**	**11,254**

Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Credit risk associated with these activities is controlled by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned when deemed necessary.

Securitities financing assets with banks and customers increased respectively by EUR 7.2 billion and EUR 9.8 billion at 30 June 2015 as a result of the seasonal pattern of this business. The same applies to securities financing liabilities.

10 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.

The internal controls of fair value measurement, the valuation techniques and the inputs used for these valuation techniques are consistent with those set out in the notes to ABN AMRO's 2014 Consolidated Financial Statements.

Fair value hierarchy

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

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

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques 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 techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

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

(in millions)	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
				30 June 2015
Assets				
Financial assets held for trading	5,839	809		6,648
- of which Government bonds and Corporate debt securities	5,778			5,778
- of which Equity securities	61			61
- of which Other financial assets held for trading		809		809
Derivatives held for trading	16	16,196	86	16,298
Derivatives not held for trading	25	4,884	55	4,964
Available-for-sale interest earning securities	35,895	2,749	1,478	40,122
Available-for-sale equities	113	24	81	218
Financial investments designated at fair value through profit or loss	169	15	615	799
Unit-linked investments	1,745	741		2,485
Total financial assets	**43,802**	**25,418**	**2,316**	**71,536**
Liabilities				
Financial liabilities held for trading	3,566	35		3,602
- of which Bonds	3,184			3,184
- of which Equity securities	383			383
- of which Other financial liabilities held for trading		35		35
Derivatives held for trading	19	15,099		15,118
Derivatives not held for trading	64	8,970	54	9,088
Issued debt		1,812		1,812
Unit-linked for policyholders	1,745	741		2,485
Total financial liabilities	**5,395**	**26,657**	**54**	**32,105**

Financial assets and liabilities held for trading valued by quoted market prices in active markets consisted mainly of equity securities, exchange traded derivatives and corporate debt securities (see note 6 Financial assets and liabilities held for trading). Financial assets and liabilities held for trading where valuation techniques based on observable inputs have been used mainly comprise OTC derivatives.

				31 December 2014
(in millions)	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
Assets				
Financial assets held for trading	8,196	821		9,017
- of which Government bonds and Corporate debt securities	3,250			3,250
- of which Equity securities	4,946			4,946
- of which Other financial assets held for trading		821		821
Derivatives held for trading	15	19,715		19,730
Derivatives not held for trading	21	5,469	66	5,555
Available-for-sale interest earning securities	35,909	3,173	1,588	40,670
Available-for-sale equities	107	20	80	207
Financial investments designated at fair value through profit or loss	315	2	271	589
Unit-linked investments	1,711	741		2,453
Total financial assets	**46,275**	**29,941**	**2,005**	**78,221**
Liabilities				
Financial liabilities held for trading	3,725	34		3,759
- of which Bonds	1,710			1,710
- of which Equity securities	2,016			2,016
- of which Other financial liabilities held for trading		34		34
Derivatives held for trading	20	18,183		18,203
Derivatives not held for trading	10	12,171	64	12,246
Issued debt		1,981		1,981
Unit-linked for policyholders	1,711	741		2,453
Total financial liabilities	**5,467**	**33,111**	**64**	**38,642**

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

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

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into level 3

In the first half of 2015, EUR 86 million in OTC derivatives (Financial assets held for trading) were transferred from level 2 to level 3 (see the following table). This transfer took place because one of the unobservable inputs to the fair value measurement became significant.

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 recorded 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
Balance at 1 January 2014	**1,125**	**121**		**75**	**73**
Purchases	5	174			
Sales	-0	-20			
Redemptions	-116				
Gains/(losses) recorded in profit and loss[1]	-0	1			
Unrealised gains/(losses)	6	-6		-9	-9
Other movements[1]	648	2			
Balance at 31 December 2014	**1,668**	**271**		**66**	**64**
Purchases	3	50			
Sales	-63	-24			
Redemptions	-12	-24			
Gains/(losses) recorded in profit and loss[1]	-1				
Unrealised gains/(losses)	-42	35		-11	-11
Transfer between levels	7		86		
Other movements[2]	-2	308			
Balance at 30 June 2015	**1,559**	**615**	**86**	**55**	**54**

1 During 2014 the interest earning securities were reassessed and consequently an amount of EUR 648 million was transferred from level 2 to level 3.
2 In 2015 an amount of EUR 280 million investments in venture capital was reclassified from Equity accounted associates to Financial investments.

Level 3 sensitivity information

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

There may be uncertainty about a valuation resulting from the choice of the valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique or model. At 30 June 2015 and 31 December 2014, ABN AMRO performed a sensitivity analysis to assess the range of reasonably possible alternative assumptions that would have a significant impact (i.e. increase or decrease) on the fair value of the instrument.

(in millions)	Valuation technique	Unobservable data	Carrying value	Minimum range	Maximum range	Weighted average	Reasonably possible alternative assumptions: Increase in fair value	Reasonably possible alternative assumptions: Decrease in fair value
30 June 2015								
Equity shares	Private equity-valuation	EBITDA multiples	69	5.0	9.8	7.0	19	-20
Equity shares	Private equity-valuation	Net asset value	628					
Interest earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	372	89bps	177bps	133bps	22	-22
Interest earning securities - other	Discounted cash flow	Prepayment rate	1,106	0.0%	10.0%	8.0%	66	-2
Derivatives held for trading	Discounted cash flow	Probability of default	86	1.0%	100.0%	42.0%	10	-19
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	1	0.0%	10.0%	8.0%		
31 December 2014								
Equity shares	Private equity-valuation	EBITDA multiples	65	5.0	9.8	7.0	20	-20
Equity shares	Private equity-valuation	Net asset value	286					
Interest earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	410	77 bps	145 bps	111 bps	17	-17
Interest earning securities - other	Discounted cash flow	Prepayment rate	1,178	0.0%	10.0%	8.0%	52	-9
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	2	0.0%	10.0%	8.0%		

Equity shares

Equities designated at fair value through profit and loss classified as level 3 mainly comprise private equity investments.

Private equity shares are designated at fair value, for which two calculation techniques apply:

- 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 (un)listed companies.
  The fair value calculation of an investment is strongly linked with movements on the public (share) markets;
- Net Asset Value (NAV) for Fund Investments and majority stakes. This is determined by using (un)audited company financial statements and any other (public) information available. As a consequence, the net asset value calculation of an investment is strongly linked with movements in the quarterly performance of the company. No other quantitative information (e.g. future cash flow information) is available and is therefore not included.

New investments are valued 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.

Interest earning securities

Government bonds

ABN AMRO has a position in a Polish bond, denominated in euros (in note 8 Financial investments part of Other OECD government), for which the market is relatively illiquid. The bond is valued using a discounted cash flow model. The main inputs are the interest rate curve, liquidity spread and credit spread. The valuation spread is determined using an internal model. The sensitivity analysis is performed by using a range of reasonable valuation spreads.

Other

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

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

Derivatives

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

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

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

Financial assets and liabilities not carried at fair value

The methods and assumptions applied to estimate the fair values of financial instruments not carried at fair value are consistent with those set out in note 20 of the Consolidated Annual Financial Statements 2014.

						30 June 2015
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	15,132		15,132		15,132	
Securities financing	35,526		35,526		35,526	
Loans and receivables - banks	15,641			15,641	15,641	
Loans and receivables - customers	266,776		1,814	273,785	275,599	8,823
Total	**333,075**		**52,472**	**289,426**	**341,898**	**8,823**
Liabilities						
Securities financing	22,592		22,592		22,592	
Due to banks	17,909			17,909	17,909	
Due to customers	230,322			230,322	230,322	
Issued debt	77,814	33,472	44,606		78,078	-264
Subordinated liabilities	9,938	8,178	2,265		10,444	-506
Total	**358,575**	**41,651**	**69,464**	**248,231**	**359,346**	**-770**

						31 December 2014
	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	706		706		706	
Securities financing	18,511		18,511	-0	18,511	-0
Loans and receivables - banks	21,680			21,680	21,680	
Loans and receivables - customers	261,910		2,346	266,819	269,164	7,254
Total	**302,807**		**21,563**	**288,499**	**310,062**	**7,254**
Liabilities						
Securities financing	13,918		13,918		13,918	-0
Due to banks	15,744			15,744	15,744	-0
Due to customers	216,011			216,011	216,011	-0
Issued debt	75,150	18,632	57,961		76,593	-1,443
Subordinated liabilities	8,328	6,588	2,232		8,820	-493
Total	**329,150**	**25,220**	**74,111**	**231,754**	**331,085**	**-1,935**

11 Loans and receivables - banks

(in millions)	30 June 2015	31 December 2014
Interest-bearing deposits	5,663	3,560
Loans and advances	7,385	11,382
Mandatory reserve deposits with central banks	245	6,724
Other	2,348	15
Subtotal	**15,641**	**21,680**
Less: loan impairment allowance		
Loans and receivables - banks	**15,641**	**21,680**

Loans and receivables – banks decreased by EUR 6.0 billion to EUR 15.6 billion at 30 June 2015, mainly as a result of a decrease in the Mandatory reserve deposits with central banks and decrease in Loans and advances. This decrease in Loans and advances is mainly due to lower pledged cash collateral.

Interest-bearing deposits increased by EUR 2.1 billion to EUR 5.7 billion at 30 June 2015 mainly due to higher outstanding current accounts held with international financial institutions.

Loans and advances decreased by EUR 4.0 billion to EUR 7.4 billion at 30 June 2015 due to lower pledged cash collateral related to derivatives under the ISDA Credit Support Annex, for which ABN AMRO Bank needs to pledge collateral with the counterparty (EUR 2.8 billion).

Mandatory reserve deposits with central banks decreased by EUR 6.5 billion to EUR 0.2 billion at 30 June 2015, due to the fact that the cumulative obligation of the Mandatory Reserve was reached. The excess balance on the Mandatory reserve deposits with central banks was therefore transferred to Cash and balances at central banks. Mandatory reserve deposits with central banks are not available for use in the bank's day-to-day operations.

Other Loans and receivables – banks increased by EUR 2.3 billion due to a reassessment of trade bills, which were reclassified from Corporate loans in Loans and receivables – Customers EUR 1.5 million and Loans and advances in Loans and receivables – banks EUR 0.8 million.

12 Loans and receivables - customers

(in millions)	30 June 2015	31 December 2014
Residential mortgages (excluding fair value adjustment)	148,642	148,402
Fair value adjustment from hedge accounting on residential mortgages	3,530	4,134
Residential mortgages, gross	**152,173**	**152,536**
Less: loan impairment allowances - residential mortgage loans	402	538
Residential mortgages	**151,770**	**151,998**
Consumer loans, gross	15,724	16,052
Less: loan impairment allowances - consumer loans	640	654
Consumer loans	**15,084**	**15,398**
Corporate loans	88,308	84,694
Fair value adjustment from hedge accounting on corporate loans	1,394	1,605
Financial lease receivables	3,496	3,357
Factoring	1,929	1,648
Corporate loans, gross	**95,128**	**91,305**
Less: loan impairment allowances - corporate loans	3,626	3,439
Corporate loans	**91,502**	**87,866**
Government and official institutions	1,624	1,971
Other loans	6,797	4,806
Other loans and receivables customers, gross	**8,421**	**6,777**
Less: loan impairment allowances - other	1	129
Other loans and receivables customers	**8,420**	**6,648**
Loans and receivables - customers	**266,776**	**261,910**

Loans and receivables – customers increased by EUR 4.9 billion to EUR 266.8 billion as a result of higher Corporate loans (EUR 3.6 billion) and Other loans (EUR 1.8 billion).

Residential mortgages (excluding fair value adjustments) increased by EUR 0.2 billion. The improvement of the housing market in the Netherlands, triggered by growing consumer confidence, led to higher mortgage production (EUR 5.4 billion). This was partially offset by higher mortgage redemptions and voluntary repayments as a result of the low interest rate on deposits (EUR 5.2 billion).

Corporate loans increased by EUR 3.6 billion to EUR 88.3 billion at 30 June 2015 mainly due to higher outstanding current accounts held with large corporates (EUR 2.7 billion), higher outstanding current accounts with clearing clients (EUR 1.0 billion) and an increase in pledged cash collateral related to derivatives (EUR 0.7 billion). This positive impact was partially offset by the reclassification of trade bills to Loans and receivables banks – Other (EUR 1.5 billion).

Other loans increased by EUR 1.8 billion mainly as a result of higher collateral pledged through central clearing (EUR 1.6 billion). Furthermore, higher funds were required for the clearing business in the US to cover margin requirements on client-facilitating trading (EUR 0.7 billion).

More information on loan impairments is provided in the Credit risk section of this report.

13 Acquisitions and divestments

(in millions)	First half 2015		First half 2014	
	Acquisitions	Divestments	Acquisitions	Divestments
Net assets acquired/Net assets divested	**25**	**-15**	85	-4
Cash used for acquisitions/received for divestments	**-25**	**33**	**-85**	**21**

The acquisitions and divestments were related to investments in equity accounted investments.

14 Due to banks

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

(in millions)	30 June 2015	31 December 2014
Deposits from banks:		
Demand deposits	4,447	3,024
Time deposits	3,028	3,399
Other deposits	10,367	9,276
Total deposits	**17,842**	**15,699**
Other Due to banks	67	45
Total Due to banks	**17,909**	**15,744**

Due to banks increased by EUR 2.2 billion on the back of higher Demand deposits (EUR 1.4 billion) and higher Other deposits (EUR 1.1 billion).

Demand deposits increased by EUR 1.4 billion to EUR 4.4 billion mainly due to overnight positions of international credit institutions.

The increase in Other deposits of EUR 1.1 billion to EUR 10.4 billion was mainly driven by higher outstanding balances with international central banks.

15 Due to customers

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

(in millions)	30 June 2015	31 December 2014
Demand deposits	116,649	109,753
Saving deposits	94,552	88,655
Time deposits	18,906	17,459
Total deposits	**230,107**	**215,867**
Other due to customers	215	144
Total due to customers	**230,322**	**216,011**

Due to customers increased by EUR 14.3 billion to EUR 230.3 billion at 30 June 2015 mainly as result of an increase in Demand deposits (EUR 6.9 billion) and Saving deposits (EUR 5.9 billion).

Demand deposits increased by EUR 6.9 billion to EUR 116.6 billion, mainly due to higher outstanding of current accounts held by large Clearing Bank customers due to temporary liquidity held for trading purposes.

Saving deposits increased by EUR 5.9 billion to EUR 94.6 billion, driven mainly by a higher volume in Retail Banking. Saving deposits in the Dutch retail market in particular were higher due to payment of holiday allowances in May and there was also a growth of retail deposits at MoneYou in Germany (EUR 1.4 billion).

Time deposits increased by EUR 1.4 billion to EUR 18.9 billion mainly due to higher outstanding of deposits held by insurers and other financial institutions.

16 Issued debt and subordinated liabilities

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding as at 30 June 2015 and 31 December 2014 respectively.

(in millions)	30 June 2015	31 December 2014
Bonds and notes issued	64,903	66,349
Certificates of deposit and commercial paper	12,850	8,729
Saving certificates	60	72
Total at amortised cost	**77,814**	**75,150**
Designated at fair value through profit or loss	1,812	1,981
Total issued debt	**79,626**	**77,131**
- of which matures within one year	24,741	20,347

Issued debt as at 30 June 2015 amounted to EUR 79.6 billion, up EUR 2.5 billion or 3.2% compared with EUR 77.1 billion at 31 December 2014. This growth was due chiefly to the increase of EUR 4.1 billion in Certificates of deposit and Commercial paper and the increase of EUR 2.0 billion in Unsecured medium-term notes, offset by EUR 3.4 billion in externally placed RMBS notes which were called. The development of these debt instruments is a continuous process of redemption and issuance of long-term and short-term funding.

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

Further details on the funding programmes are provided in the Liquidity risk and Funding sections of this report.

Financial liabilities designated at fair value through profit or loss

The cumulative change in fair value of the structured notes attributable to change in credit risk amounted to EUR 16 million (31 December 2014: EUR 13 million).

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities.

The following table specifies the issued and outstanding subordinated liabilities.

(in millions)	30 June 2015	31 December 2014
Perpetual loans	1,258	1,285
Other subordinated liabilities	8,680	7,043
Total subordinated liabilities	**9,938**	**8,328**

Subordinated liabilities amounted to EUR 9.9 billion at 30 June 2015, up EUR 1.6 billion or 19.3% compared with EUR 8.3 billion at 31 December 2014. This increase was driven mainly by a EUR 1.5 billion 2.875% newly issued subordinated loan. The maturity date of this loan is June 2025, with a possible call in June 2020.

17 Provisions

The following table shows a breakdown of provisions at 30 June 2015 and 31 December 2014 respectively.

(in millions)	30 June 2015	31 December 2014
Insurance fund liabilities	157	183
Provision for pension commitments	97	91
Restructuring	204	233
Other staff provision	176	182
Other	517	314
Total provisions	**1,152**	**1,003**

Total provisions increased by EUR 149 million to EUR 1,152 million at 30 June 2015 compared with EUR 1,003 million at 31 December 2014. This was due mainly to the recording of a tax provision and the recording of provisions for interest rate derivatives for small and medium-sized enterprises (SME) clients and for mortgage administration inconsistencies, partly offset by utilisation of existing provisions.

During the first half of 2015, ABN AMRO considered several developments around the tax treatment of transactions related to the discontinued part of the Securities Financing activities in 2009. It was concluded that changes to the level of provisioning were required.

The increase in Other was due to an increase in tax provisions, the recording of provisions for interest rate derivatives for SME clients and mortgage administration inconsistencies.

Provision for Interest rate derivatives to SME clients

The bank has entered into interest rate derivatives with its SME clients in combination with floating interest rate loans. The bank has approximately 350,000 SME clients, of which around 4,500 have entered into one or more interest rate derivative transactions. The bank's portfolio consists of approximately 6,000 interest rate derivative transactions with SMEs, primarily consisting of interest rate swaps and interest rate caps. SME clients with a floating interest rate loan entered into an interest rate derivative with the purpose of fixing their interest rate. In most cases, the combination of a floating interest rate loan together with an interest rate derivative was aimed to result in a lower fixed interest rate for the client than the alternative of a loan with a fixed interest rate.

At the request of both the AFM and the Dutch Ministry of Finance, a dedicated project team within the bank undertook a review of all SME client files containing interest rate derivatives. The review was aimed to determine whether the bank has acted in accordance with its duty of care obligations in connection with the sale of interest rate derivatives to its SME clients.

The review of these files was completed in the first half of 2015, and all 4,500 SME client files have now been reviewed. The outcome of the review is that in several instances ABN AMRO is unable to determine conclusively that it has fully complied with its duty of care obligations in connection with the sale of interest rate derivatives to SME clients. In these cases it could not be fully established that clients were sufficiently informed about the risks of their particular combination of floating rate interest loan and interest rate derivative, specifically in the scenario of declining interest rates.

For example, the review revealed cases of a mismatch between the loan and the interest rate derivative. This could be caused by an early prepayment of the loan or mismatches in other features of the loan and the interest rate derivative. A mismatch could lead to the relevant SME client being overhedged. As a result, these SME clients are faced with a risk exposure which is in most cases equal to the difference between the floating interest rate to be received and the fixed interest rate to be paid in the interest rate derivative, to the extent of the overhedge. To resolve the overhedge situation, the interest rate derivative has to be (partially) unwound. However, as a result of the declining floating interest rates, the interest rate derivative has a negative mark-to-market value. Pursuant to the terms of the interest rate derivatives contract, the mark-to-market value has to be settled by the parties when unwinding interest rate derivatives. This settlement results in a payment obligation by the SME client, which is similar to the penalty paid upon early repayment of an equivalent fixed interest rate loan.

Following the - case by case - duty of care analysis, the bank has in a number of SME client files agreed to (i) (partially) unwind the interest rate swap and/or (ii) partly compensate the SME client. ABN AMRO aims to provide an appropriate solution, if applicable, to all other relevant SME clients before the end of 2015. ABN AMRO has recognised a provision at the end of Q2 2015 for the anticipated compensation amounts.

Provision for mortgage administration inconsistencies

Other provisions include a provision for inconsistencies between the administration of the bank and business partners with respect to one of our mortgage products. The recorded provision is a best estimate. ABN AMRO will assess this provision every quarter.

18 Commitments and contingent liabilities

(in millions)	30 June 2015	31 December 2014
Committed credit facilities	20,934	16,164
Guarantees and other commitments:		
Guarantees granted	2,657	2,592
Irrevocable letters of credit	5,510	5,499
Recourse risks arising from discounted bills	6,040	7,243
Total guarantees and other commitments	**14,207**	**15,335**
Total	**35,141**	**31,498**

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Commitments and contingent liabilities amounted to EUR 35.1 billion at 30 June 2015, up EUR 3.6 billion or 11.5% compared with EUR 31.5 billion at 31 December 2014. This increase was due mainly to an increase of EUR 4.8 billion in the committed credit facilities offset by a decrease of EUR 1.2 billion in the recourse risks arising from discounted bills.

The increase in Committed credit facilities was mainly related to the irrevocable credit lines granted to Corporate Banking clients (EUR 3.7 billion) and to the outstanding credit offers for residential mortgages (EUR 1.0 billion).

Other contingencies

ABN AMRO is involved in a number of legal proceedings which relate to the ordinary course of business in a number of jurisdictions. In presenting the condensed consolidated interim financial information, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable. Charges other than those taken periodically for defence costs, are not established for matters when losses cannot be reasonably estimated.

On the basis of information currently available, and having taken legal counsel, ABN AMRO believes that the outcome of these proceedings is unlikely to have a materially adverse effect on ABN AMRO's interim financial position and interim result. For a list of the main relevant legal proceedings, see Note 32 of the 2014 Annual Financial Statements.

Cross liability

Section 2:334t of the Dutch Civil Code requires that in the event of an entity being divided into two or more parts through a legal demerger, each part remains liable to the creditors of the other demerged part. Such liabilities relate only to obligations existing as at the date of the legal demerger. As explained in more detail in note 32 to the 2014 Consolidated Annual Financial Statements, ABN AMRO was subject to one demerger in 2010 with RBS N.V.

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 about a claim it received from RBS relating to these assets and liabilities in RFS Holdings B.V. It is currently unclear if this will lead to a payment from ABN AMRO under the indemnity agreement.

19 Related parties

As part of its business operations, ABN AMRO Bank frequently enters into transactions with related parties. Parties related to ABN AMRO Bank include ABN AMRO Group N.V. with control, the Dutch State and NLFI with significant influence, associates, pension funds, joint ventures, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. Loans and advances to the Managing Board, the Supervisory Board and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions. For further information see note 34 of the Annual financial statements 2014.
ABN AMRO Bank has applied the partial exemption for government-related entities described in IAS 24 paragraphs 25-27.

Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other	Total
30 June 2015				
Assets	28	292		320
Liabilities	258	775		1,033
Irrevocable facilities		44		44
First half 2015				
Income received	16	24		40
Expenses paid	8	34	147	189
31 December 2014				
Assets	20	325		345
Liabilities	161	749		910
Irrevocable facilities		40		40
First half 2014				
Income received	16	24		40
Expenses paid	8	4	383	395

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

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, financial investments – available for sale, and are entered into under the same commercial and market terms that apply to non-related parties.

(in millions)	30 June 2015	31 December 2014
Assets:		
Financial assets held for trading	2,199	897
Financial investments - available for sale	6,544	6,884
Loans and receivables - customers	1,267	1,606
Other assets	18	22
Liabilities:		
Due to customers	1,931	1,968
Subordinated loans	1,653	1,654
	First half 2015	First half 2014
Income statement:		
Interest income	75	72
Interest expense	51	83
Net trading income	27	
Net fee and commission income		-13

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

During the first half of 2015 a final dividend of EUR 275 million was paid to ABN AMRO Group N.V. (first half of 2014: EUR 200 million).

Part of Due to customers (EUR 1.9 billion) and the full amount of subordinated loans are related to liabilities the Dutch State acquired from Ageas on 3 October 2008.

Financial assets held for trading increased by EUR 1.3 billion as a result of primary dealership and client facilitation activities.

Loans and receivables – customers decreased by EUR 0.3 billion due to lower cash collateral pledged as a result of a decline in financial liabilities held for trading.

Net fee and commission income was nihil as the last settlement of the guarantee fee to be paid to the Dutch state in relation to the EC Remedies guarantee will be due in the second half of the year.

Royal Bank of Scotland (RBS) is still the legal owner of specific Consortium shared assets and liabilities. These assets and liabilities are for the risk and reward of RBS, Santander and the Dutch State as shareholders 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.

20 Post balance sheet events

On 10 April 2015, ABN AMRO Bank N.V. announced the transfer of the diamond and jewellery activities in India to IndusInd Bank Limited. These activities were conducted under cohabitation with Royal Bank of Scotland in India. The transfer was subject to the satisfaction of closing conditions. These conditions were met and, as a result, the transfer of the activities was completed on 24 July 2015.

Having contributed for the past six years to the process of rebuilding ABN AMRO, Marjan Oudeman has decided to step down from the Supervisory Board with effect from 30 September 2015.
Her decision is based on the various other positions she holds and the time required to fulfil these positions. Ms Oudeman has taken into account the restriction on the number of positions that are allowed to be held under the Financial Supervision Act *(Wet financieel toezicht)* and the new phase the bank is entering. The procedure for finding a successor to Ms Oudeman is currently underway.

other

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

Disclaimer & cautionary statements

ABN AMRO has included in this document, and from time to time may make certain statements in its public statements that may constitute "forward-looking statements". This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "probability", "risk", "Value-at-Risk ("VaR")", "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, the document may include forward-looking statements relating but not limited to ABN AMRO's potential exposures to various types of operational, credit and market risk. Such statements are subject to uncertainties.

Forward-looking statements are not historical facts and represent only ABN AMRO's current views and assumptions on future events, many of which, by their nature, are inherently uncertain and beyond our control.

Factors that could cause actual results to differ materially from those anticipated by forward-looking statements include, but are not limited to, (macro)-economic, demographic and political conditions and risks, actions taken and policies applied by governments and their agencies, financial regulators and private organisations (including credit rating agencies), market conditions and turbulence in financial and other markets, and the success of ABN AMRO in managing the risks involved in the foregoing.

Any forward-looking statements made by ABN AMRO are current views as at the date they are made. Subject to statutory obligations, ABN AMRO does not intend to publicly update or revise forward-looking statements to reflect events or circumstances after the date the statements were made, and ABN AMRO assumes no obligation to do so.

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