ABN·AMRO

ABN AMRO Bank N.V.

Annual Report 2016

About this report

This Annual Report presents the developments that took place in 2016 that are related to ABN AMRO Bank. Complete information on ABN AMRO Group is provided in the 2016 Integrated Annual Report for ABN AMRO Group N.V.

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Notes to the reader

This is the Annual Report for the year 2016 of ABN AMRO Bank N.V (ABN AMRO Bank). ABN AMRO Bank is a wholly-owned subsidiary of ABN AMRO Group N.V. (ABN AMRO Group).

As from 2016, ABN AMRO Group has withdrawn the group exemption (Dutch Civil Code, Book 2, Article 403) for its Statutory Annual Financial Statements. As a result, ABN AMRO Bank is required to publish audited Annual Statutory Financial Statements in full.

The Annual Report includes the Managing Board Report, Report of the Supervisory Board and the audited Annual Financial Statements, including the audited Statutory Annual Financial Statements. This report consists of selected Pillar 3 and Enhanced Disclosure Task Force (EDTF) requirements. A complete overview is provided in the Annual Report of ABN AMRO Group.

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

This Annual Report complies with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable. The Consolidated Annual Financial Statements contained in this Annual Report have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS). Some chapters in the Risk, funding & capital section of this Annual Report contain audited information and are part of the Consolidated Annual Financial Statements. Audited information in these sections is labelled as 'audited' in the respective headings.

The Statutory Annual Financial Statements comply with Title 9, Book 2 of the Dutch Civil Code, and use the EU IFRS valuation principles that are applied in the Consolidated Annual Financial Statements.

Capital metrics and some risk exposures for 2016 and comparative figures for 2015 are reported under the Basel III (CRD IV/ CRR) framework. Where applicable, we have provided pro-forma figures for comparison purposes.

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

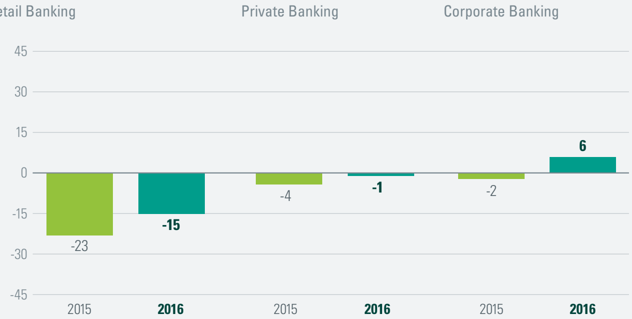
To provide a better understanding of the underlying results, ABN AMRO Bank has adjusted its reported results in the Financial Review, presented in accordance with EU IFRS , for defined special items. For more information refer to the reconciliation between reported and underlying results in the Financial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

The Annual Report of ABN AMRO Bank's parent company, ABN AMRO Group N.V. including audited Consolidated Annual 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.

Key figures

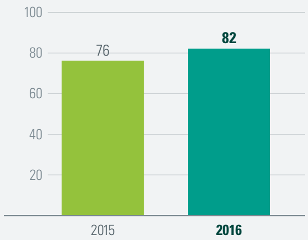
Clients

Net Promoter Score



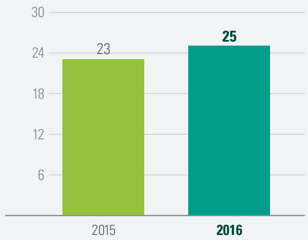
Employees

Employee engagement[1]
(in %)



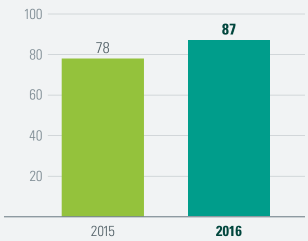
[1] 2016 score based on revised measurement method. For more details on employee engagement, please see 'Employee engagement' in the Bank performance section of this report.

Gender diversity at the top
(in %)

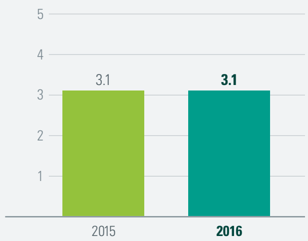


Society at large

Dow Jones Sustainability Index ranking
(scale 1 to 100)

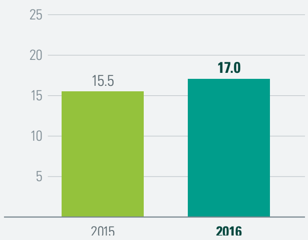


Trust Monitor AFM/NvB
(scale 1 to 5)

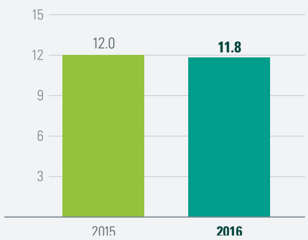


Investors

CET1 (fully-loaded)
(in %)



Underlying return on equity
(in %)



Profile

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

Geography

Europe

Branch or representation office

Rest of the world

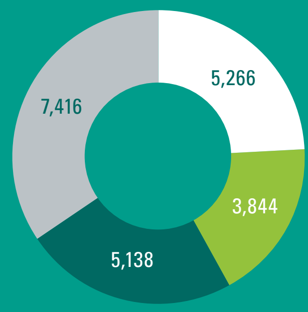
Australia: Sydney
Brazil: Sao Paulo
China: Shanghai, Hong Kong
Japan: Tokyo
Russia: Moscow
Singapore
United Arab Emirates: Dubai
United States: Dallas, New York, Chicago

Number of employees

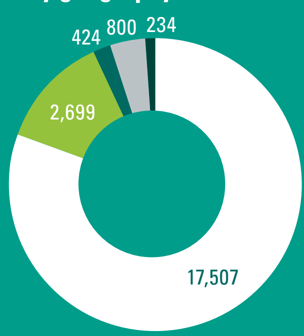
FTEs at 31 December 2016

21,664

FTEs by business segment



FTEs by geography



ABN AMRO

Retail Banking

- Leading position in the Netherlands
- Principal bank for 21%[1] of the Dutch population
- Market share of 20%[2] in the small business segment
- #2 position[3] in savings (including Private Banking)
- #1[4] in new mortgage production
- 5,000,000 retail clients
- 300,000 small businesses
- Seamless omni-channel distribution with a nationwide network of 221 branches, Advice & Service Centres and 24/7 internet and mobile banking

Private Banking

- Market leader in the Netherlands
- Ranked 4th in France, 3rd in Germany and the eurozone[5]
- Solid position in selected countries in Asia and the Middle East
- Serves over 100,000 clients
- Present in 11 countries with more than 50 branches
- Fully integrated financial advice and a broad array of services focused on wealth structuring, wealth protection and wealth transfer

Corporate Banking

- Established business partner of the Dutch corporate sector
- 70,000 commercial and international clients with annual turnover exceeding EUR 1 million across 15 defined sectors
- Client- and capability-led international strategy that focuses on three specialities: ECT Clients, Clearing and Asset Based Finance
- International presence in the key financial and logistical hubs

Group Functions

- TOPS (Technology, Operations & Property Services)
- Finance including ALM/Treasury and Tax
- RM&S (Risk Management & Strategy)
- PR&I (People, Regulations & Identity)
- Group Audit
- Corporate Office

[1] GfK online tracker, 2016. [2] TNS NIPO, 2016. [3] Calculated based on information provided by the Dutch Land Registry (Kadaster), 2016.
[4] Calculated based on DNB Domestic MFI statistics and internal analyses, H1 2016 figures. [5] BCG global wealth management survey 2014 & annual reports.

Operating income

Based on underlying figures
(in millions)

8,588

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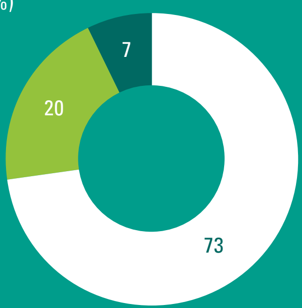
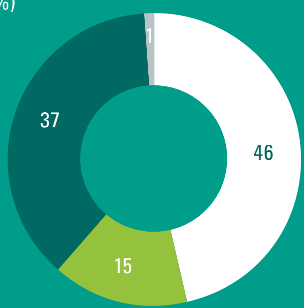
By type of income
(in %)



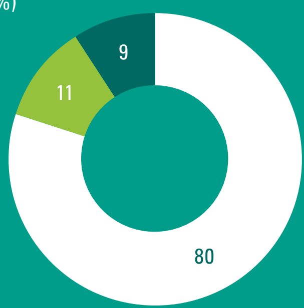
Net interest income
Net fee and commission income

By business segment
(in %)



Retail Banking
Private Banking
Corporate Banking
Group Functions

By geography
(in %)



The Netherlands
Rest of Europe
USA, Asia and rest of the world

Business

This Business section includes an overview of our operating environment, discussion and analysis of the results of operations, financial condition and business review of ABN AMRO Bank and its different segments for the years 2016 and 2015.

Strategy and culture

At the heart of our strategy is our long-term strategic foundation. In our updated strategy, our ambitions to improve profitability and to pursue selective international growth have been combined in our commitment to achieve sustainable growth. We have also defined four medium-term priorities to support us in pursuing our strategy. The purpose and strategy are the anchors of our culture. Our strategic initiatives reflect our focus and priorities and are underpinned by specific actions for each initiative.

PURPOSE

Creating space for dreams and ambitions

Driven by passion, guided by expertise

LONG-TERM STRATEGIC FOUNDATION

- Client-driven
- Invest in the future
- Moderate risk profile
- Sustainable growth

MEDIUM-TERM STRATEGIC PRIORITIES

- Bring expertise
- Enhance the client experience
- Innovate & grow
- Deliver fast

To help us achieve our medium-term strategic priorities, we will undertake the following activities:

Bring expertise
- Open up our network
- Strengthen our sector expertise
- Craft personalised solutions

Enhance the client experience
- Be digitally savvy, be where the client needs us
- Invest in new technologies and reshape our IT landscape
- Be quick and transparent

Innovate & grow
- Truly innovate with new propositions
- Grow in Northwest Europe and in selected sectors globally
- Be distinctive and introduce new digital innovators

Deliver fast
- Simplify our organisation
- Become agile and involve clients in product development
- Accelerate change and our time-to-market

Long-term strategic foundation

Clients want a bank that simply does its job well and that goes the extra mile for them. A bank that knows its business and provides the best service. To address our changing environment, we have set our priorities for the years up to 2020. The core of our strategy remains the same: we will continue to be a 'relationship-driven bank' while ranking among the best on the digital front; a bank with a strong position in Northwest Europe and serving selected sectors worldwide. We are client-driven, we invest in the future, we have a moderate risk profile and we are committed to sustainable growth.

The Business section describes which activities relating to each strategic priority are being developed and implemented at each business line and also looks back on our achievements over 2016.

Culture of change

Our future revolves around our clients. Connected, open-minded and fast; creative and dynamic; full of trust and empowering; engaged and committed to cooperation – we can be all these things if we have the guts to explore and change. Today's world calls for less hierarchy and more effective collaboration. We want fewer checks, more empowerment and more meaningful relationships.

We recently announced a new management structure designed to make our bank even more client-focused, agile and efficient. The new structure, which includes an Executive Board and an Executive Committee, creates more dedication to the business activities and a stronger client focus. In addition, the management layer below the Executive Committee will be reduced significantly.

Core values

Our core values are an expression of our culture and a firm promise to all employees.

They describe how we treat each other and the environment.

Trusted
We believe trust is about establishing and maintaining lasting relationships.

Professional
We understand banking and strive to improve ourselves every day.

Ambitious
We are always stretching our boundaries and striving to achieve more for our stakeholders.

Economic and regulatory environment

This section provides an overview of the main economic and regulatory developments and trends that had an impact on our operating environment and results.

Economic environment

2016 was a fairly calm year for the global economy. With actual growth slightly exceeding potential, unemployment in the eurozone declined and public finances improved, while inflationary pressure did not increase. The US economy strengthened in the course of the year as the energy sector stabilised and the inventory cycle in the manufacturing sector turned positive. The Chinese economy stabilised, partly thanks to fiscal stimulus. The Dutch economy showed convincing growth in 2016, with consumption, fixed investments and international trade all contributing. The mood on the global financial markets was not calm at all, but improved significantly in the latter part of the year, meaning the markets shrugged off unexpected political unrest (Brexit, US elections, Italian referendum) relatively easy.

The Dutch economy grew by 2.1% in 2016, more or less matching growth in 2015. Both years saw growth in all areas of spending. The housing market continued its powerful upward spiral in 2016. Sales growth was very strong: the number of homes sold was 20%[1] higher in 2016 than it was a year earlier. this growth was seen in all provinces of the country. However, it was still 11% below the 2008 peak. The steady decline in the number of homes for sale indicates an intensifying housing shortage. Low mortgage interest rates are largely responsible for this boom. Bank lending in the eurozone is on the rise, thanks in part to the ECB's relaxed monetary policy. In contrast, the amount of outstanding loans to Dutch businesses by banks in the Netherlands has shrunk continuously since July 2013. The pace of the decline of total outstanding bank loans to businesses diminished during the course of 2016.

We expect the Dutch economy to sustain its growth momentum in 2017. Growth of global trade is slim, but budgetary incentives in the US could provide an extra boost. Large budgetary incentives are not in the cards, but favourable corporate earnings should give fixed investment within the eurozone a push. However developments on the political front will cause uncertainty going forward. The outcomes of the British referendum on leaving the EU and of the US presidential election were surprising. Elections in various eurozone countries in 2017, including in Netherlands on 15 March, will reveal whether these two events were exceptions or whether they represent a structural development.

Regulatory environment

The main regulatory developments affecting ABN AMRO in 2016 involved finalising post-crisis European legislation, strengthening the Banking Union and supporting the European Single Market. This resulted in a substantial number of measures being implemented under European legislation, such as the Market in Financial Instruments Directive II (MiFID II), the Payment Services Directive II (PSD II) and the fourth Anti Money Laundering Directive (AMLD IV). Along with regulations and guidance from the national and European supervisors, amendments of the Capital Requirement Regulation and Directive (CRR/CRD-IV) and the Bank Recovery and Resolution Directive (BRRD) have been proposed. Also, further proposals under the Action Plan for the Capital Markets Union (CMU) have been made (including a proposal for a directive on business insolvency).

[1] Source: Dutch Land Registry: Kadaster

In 2016 the European Commission published a proposal for amendments to CRR/CRD-IV. The proposal regarding CRD-IV aims to avoid divergent interpretations and resolve disproportionate effects for certain institutions and introduces adjustments to CRD-IV as a result of BRRD. The Green Paper on retail financial services sets the course for the future of the cross-border provision of retail financial products, this paper identifies digitalisation and fintechs as key enablers for further integration of EU markets for retail financial products and further proliferation of cross-border financial services.

In 2014 the Basel Committee on Banking Supervision (Basel Committee) published consultations for revised standardised RWA calculations and on the application of capital floors (informally referred to as Basel IV). In March 2016 the Basel Committee issued a consultative paper regarding the reduction of the variation in credit risk-weighted assets and the constraints on the use of internal model approaches.The Basel Committee is still discussing the consultation papers.

An Action Plan for creating a Capital Markets Union (CMU) was presented in 2015 to improve the free movement of capital by removing the barriers to cross-border investments and to diversify the sources of funding. In 2016 priority was given to the proposal for establishing a framework for simple, transparent and standardised (STS) securitisations and more risk-sensitive capital charges for STS securitisations for banks in CRR.

Many initiatives to integrate European financial markets have resulted in a substantial number of proposals for implementing measures under European legislation. European financial markets will continue to be integrated in 2017 through further implementation of European rules and regulations These include MiFID II, PSD II and AMLD IV.

Bank performance

Performance on strategic targets

Stakeholder	Metrics	2016	2015	Target 2020
Clients	**Net Promoter Score**[1]			Best NPS of Dutch peers
	Retail Banking	**-15**	-23	
	Private Banking[2]	**-1**	-4	
	Corporate Banking	**6**	-2	
Employees	**Employee engagement**[3,4]	**82%**	76%	At least 80%
	Gender diversity at the top[5]	**25%**	23%	30% women in top
	Gender diversity at the subtop[6]	**26%**	25%	35% women in subtop
Society at large	**Dow Jones Sustainability Index ranking**[7]	**87**	78	Within 10% best banks
	Trust Monitor AFM/NvB[8]	**3.1**	3.1	Leading among large NL banks
Investors	**Underlying return on equity**	**11.8%**	12.0%	Pending Basel IV
	Underlying cost/income ratio	**65.9%**	61.8%	56-58%
	CET1 (fully-loaded)	**17.0%**	15.5%	Pending Basel IV
	Dividend pay-out ratio	**45%**	40%	Pending Basel IV

1 Please refer to the respective business line chapter for more information about measurement of NPS.
2 Score is a weighted average of the PBI and PBNL scores, weighted by operating income of the respective segments. The set-up of the NPS surveys differs among the segments.
3 Source: annual survey by Willis Towers Watson. Total number of respondents: 21,952.
4 2016 score based on revised measurement method. For more details on employee engagement, please see ‘Employee engagement’ in the Bank performance section of this report.
5 Diversity at the top is measured as the percentage of female employees in Hay salary scale 14+.
6 Diversity at the subtop is measured as the percentage of female employees in Hay salary scale 12 and 13.
7 Source: RobecoSAM.
8 Source: Trust monitor, Dutch Banking Association. Published 3 October 2016. Degree of confidence in own bank.
See also: nvb.nl/nieuws/1464/vertrouwensmonitor-banken-vertrouwen-in-sector-stabiel-maar-laag-in-eigen-bank-hoger-klantbelang-meer-gediend.html

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

Financial review

This section includes a discussion and analysis of the financial condition of ABN AMRO Bank for the years 2016 and 2015. The information in this section is presented on the basis of underlying results. A reconciliation from reported to underlying results is provided in this section as well. The Business performance section of the Business section provides more information on the activities, clients and products of the different segments as well as a discussion and analysis of the financial condition of the segments.

Income statement

Operating results

(in millions)	2016	2015	Change
Net interest income	6,277	6,076	3%
Net fee and commission income	1,743	1,829	-5%
Other operating income	568	550	3%
Operating income	**8,588**	**8,455**	**2%**
Personnel expenses	2,777	2,492	11%
Other expenses	2,880	2,736	5%
Operating expenses	**5,657**	**5,228**	**8%**
Operating result	**2,931**	**3,227**	**-9%**
Impairment charges on loans and other receivables	114	505	-77%
Operating profit/(loss) before taxation	**2,817**	**2,722**	**3%**
Income tax expense	740	798	-7%
Underlying profit/(loss) for the period	**2,076**	**1,924**	**8%**
Special items	-271		
Reported profit/(loss) for the period	**1,806**	**1,924**	**-6%**
Of which Non-controlling interests	1	5	

Other indicators

	2016	2015
Net interest margin (NIM) (in bps)[1]	152	146
Underlying cost/income ratio	65.9%	61.8%
Underlying cost of risk (in bps)[1, 2]	4	19
Underlying return on average Equity[3]	11.8%	12.0%
Underlying earnings per share (in EUR)[4]	2.16	2.03

1 For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
3 Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.
4 Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

	31 December 2016	31 December 2015
Client Assets (in billions)	322.7	313.5
FTEs	21,664	22,048

Analysis

ABN AMRO's **underlying profit** for 2016 was EUR 2,076 million, an increase of EUR 152 million compared with 2015. Significantly lower impairment charges and higher operating income were partly offset by higher expenses, mainly related to restructuring provisions in Q3 and Q4 2016.

Reported profit for 2016 amounted to EUR 1,806 million and includes an addition to the provision for SME derivatives-related issues of EUR 271 million net of tax, recorded in Q2 2016. The difference between underlying and reported results is shown in the table Reconciliation from underlying to reported results.

In December 2016 a final version of the settlement for SME derivatives-related issues was presented by the committee of independent experts. A new element in the Uniform Recovery Framework is that all files and client compensation proposals must be reviewed by independent external parties. This additional review will lead to higher-than-expected execution costs for which we recorded a provision of EUR 55 million in 2016 (in other expenses of Corporate Banking). In addition, the existing provision for compensation has been increased throughout 2016 by EUR 35 million (EUR 10 million in NII and EUR 25 million in other operating income of Corporate Banking). The total provision for compensation for SME derivatives-related issues taken in 2015 and 2016 amounts to EUR 520 million. This was recorded primarily in other operating income and, to a lesser extent, NII. In Q2 2016, the addition to the provision of EUR 361 million was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the Uniform Recovery Framework.

International Card Services (ICS), the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio. A number of clients were given a credit facility above their lending capacity. This has been reported to the AFM, and the clients who were affected will be compensated. A provision of EUR 47 million was recorded in Q4 2016 (in NII). In addition to the compensation, a provision of EUR 16 million has been recorded (in other expenses) for execution costs. ICS is part of Retail Banking.

The underlying **return on equity (ROE)** decreased slightly to 11.8% in 2016 (12.0% in 2015); 2016 included higher restructuring costs as well as lower impairments.

Operating income was EUR 8,588 million in 2016 compared with EUR 8,455 million in 2015. The increase in net interest income was partly offset by lower net fee and commission income.

Net interest income went up by EUR 201 million to EUR 6,277 million in 2016. The increase was recorded in all business segments and was primarily due to improved margins on residential mortgages, corporate loans and deposits (as well as higher volumes). Moreover, 2016 was not impacted as strongly by negative incidental items as 2015 was. Consumer loans saw lower volumes and margins.

Net fee and commission income, at EUR 1,743 million in 2016, was EUR 86 million lower than in 2015. This was mainly related to uncertainty and volatility in the financial markets which negatively impacted Private Banking in particular and, to a lesser extent, Retail Banking. The decline in fee income at Retail Banking was also caused by a reduction of client rates for payment packages in 2016.

Other operating income came to EUR 568 million in 2016, up from EUR 550 million in 2015. This was partly due to book profits/revaluation gains on stakes in Visa Europe (EUR 116 million) and Equens (EUR 52 million). Both years included provisions for SME derivatives-related issues as well as tax-exempt provisions related to the part of securities financing activities discontinued in 2009. CVA/DVA/FVA results (EUR 2 million negative in 2016 versus EUR 76 million positive in 2015), Equity Participations results (EUR 13 million in 2016 versus EUR 98 million in 2015) and hedge accounting-related results (EUR 39 million in 2016 versus EUR 182 million in 2015) were all lower.

Personnel expenses were EUR 2,777 million, an increase of EUR 285 million compared with 2015. The increase was due to EUR 321 million of restructuring provisions related to the announced reorganisation of the control and support activities (Q3 2016) and digitalisation and process optimisation (Q4 2016). This was partly offset by several smaller restructuring provisions recorded in 2015.

Other expenses rose by EUR 144 million to EUR 2,880 million in 2016. The increase was partly related to EUR 33 million higher regulatory levies booked in 2016. Regulatory levies amounted to a total of EUR 253 million in 2016 consisting of EUR 66 million for the Single Resolution Fund (including a EUR 32 million refund on the 2015 payment), EUR 98 million for the bank tax and EUR 90 million for the Deposit Guarantee Scheme. For 2017 a total of around EUR 295 million regulatory levies is expected.

Excluding regulatory levies, other expenses increased by EUR 111 million. The increase was largely due to provisions for SME derivatives-related issues (EUR 55 million), ICS (EUR 16 million) and restructuring provision for office space (EUR 27 million). This was partly offset by strict cost control and the favourable settlement of an insurance claim at Private Banking (EUR 24 million).

Last year included a EUR 35 million favourable release related to DSB and a VAT return, partly offset by a final settlement (EUR 55 million) with Vestia (a Dutch housing corporation).

The **operating result** decreased by EUR 296 million compared with 2015 and the cost/income ratio deteriorated by 4.1 percentage points to 65.9%. Excluding the EUR 348 million restructuring provisions related to the cost saving initiatives the underlying cost/income ratio ended at 61.8% similar to 2015.

Impairment charges on loans and other receivables were EUR 114 million versus EUR 505 million in 2015. Continued improvement of economic conditions in the Netherlands resulted in EUR 210 million lower additions and EUR 185 million higher releases of impairments previously taken. Both years recorded significant IBNI releases.

Impairment charges on residential mortgages were limited in 2016 but higher than in 2015 due to considerable IBNI releases in 2015. The cost of risk for mortgages was 4bps in 2016.

Impairment charges on corporate loans decreased in 2016. Commercial Clients recorded releases while International Clients had higher impairment charges, mainly in ECT Clients (EUR 209 million in 2016 versus EUR 128 million in 2015).

The **cost of risk** was 4bps in 2016, down from 19bps in 2015.

The **effective tax rate** in 2016 was 26% versus 29% in 2015. The effective tax rate in 2015 was negatively impacted by a reassessment of our tax position.

Balance sheet

Condensed statement of financial position

As a result of the netting adjustments, the comparative balance sheet figure has been adjusted by EUR 17.1 billion at 31 December 2015.

(in millions)	31 December 2016	31 December 2015
Cash and balances at central banks	21,861	26,195
Financial assets held for trading	1,607	1,706
Derivatives	14,384	19,138
Financial investments	45,497	40,542
Securities financing	17,589	20,062
Loans and receivables - banks	13,485	15,680
Loans and receivables - customers	267,679	276,375
Other	12,380	7,676
Total assets	**394,482**	**407,373**
Financial liabilities held for trading	791	459
Derivatives	14,526	22,425
Securities financing	11,625	11,372
Due to banks	13,419	14,630
Due to customers	228,758	247,353
Issued debt	81,278	76,207
Subordinated liabilities	11,171	9,708
Other	13,976	7,635
Total liabilities	**375,544**	**389,789**
Equity attributable to the owners of the parent company	17,939	16,575
Capital securities	993	993
Equity attributable to non-controlling interests	5	17
Total equity	**18,937**	**17,584**
Total liabilities and equity	**394,482**	**407,373**
Committed credit facilities	27,299	21,559
Guarantees and other commitments	15,873	13,868

Main developments in assets

Total assets decreased by EUR 12.9 billion to EUR 394.5 billion at 31 December 2016. Excluding netting adjustments, total assets increased by EUR 0.7 billion. This was mainly due to an increase in loans and receivables - customers and financial investments, partly offset by lower derivative assets and cash and balances with central banks.

Cash and balances at central banks decreased by EUR 4.3 billion to EUR 21.9 billion, reflecting a shift to financial investments (higher yield).

Financial assets held for trading remained stable.

Derivatives decreased by EUR 4.8 billion to EUR 14.4 billion (of which EUR 11.5 billion trading and EUR 2.9 billion non-trading) on the back of mid- to long-term interest rate movements impacting the fair value of derivatives. This is also observed in the derivative liabilities.

Financial investments increased by EUR 5.0 billion to EUR 45.5 billion. After a period of a lack of new short-term bonds with a yield higher than the overnight ECB deposit rate, a shift from cash into financial investments took place as of March 2016.

Loans and receivables – banks decreased by EUR 2.2 billion to EUR 13.5 billion.

Loans and receivables – customers decreased by EUR 8.7 billion to EUR 267.7 billion. Excluding netting adjustments, loans and receivables – customers increased by EUR 4.9 billion. Following the announcement in December on the intended sale of private banking activities in Asia and the Middle East, these client assets are classified as held for sale (other assets). This has an impact on client loans (loans and receivables - customers) of EUR 3.4 billion negative (EUR 1.6 billion negative consumer loans and EUR 1.8 billion negative corporate loans) on 31 December 2016. All further remarks are based on the table below (excluding netting adjustments, including the held for sale reclassification).

Residential mortgages increased by EUR 0.5 billion. New mortgage production grew on the back of low mortgage interest rates, insufficient residential construction activity and more favourable economic conditions in the Netherlands. The market share in new production increased to 21.9%[1] (2015: 19.9%). Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Consumer loans decreased by EUR 2.6 billion, of which EUR 1.6 billion outflow related to the reclassification of the private banking activities in Asia and the Middle East.

Corporate loans to clients (excluding netting adjustments) increased by EUR 4.4 billion to EUR 82.6 billion largely due to an increase in loans at International Clients (mainly ECT Clients). Growth over 2016, especially in the fourth quarter, was supported by an increase in oil prices, leading to higher utilisation of credit lines for commodity clients, and the strengthening of the US dollar (see also the Risk chapter).

Other assets increased by EUR 4.7 billion to EUR 12.4 billion following the held for sale reclassification.

(in millions)	31 December 2016	31 December 2015
Residential mortgages (excluding netting adjustment)[1]	147,472	146,932
Consumer loans	12,539	15,147
Corporate loans to clients (excluding netting adjustment)[2]	82,640	78,195
Total client loans (excluding netting adjustment)[3]	**242,651**	**240,274**
Netting adjustment[1]	3,505	17,056
Total client loans[3]	**246,156**	**257,330**
Loans to professional counterparties	12,947	12,194
Other loans[4]	7,448	6,356
Total Loans and receivables - customers[3]	**266,551**	**275,881**
Fair value adjustments from hedge accounting	4,794	4,850
Less: loan impairment allowance	3,666	4,355
Total Loans and receivables - customers	**267,679**	**276,375**

1 For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 Corporate loans excluding loans to professional counterparties.
3 Gross carrying amount excluding fair value adjustment from hedge accounting.
4 Other loans consist of loans and receivables to government, official institutions and financial markets parties.

1 Source: Dutch Land Registry (Kadaster).

Main developments in liabilities and equity

Total liabilities decreased by EUR 14.2 billion to EUR 375.5 billion at 31 December 2016. Excluding netting adjustments, total liabilities decreased by EUR 0.7 billion. The decrease in due to customers and derivatives was partly offset by higher issued debt and other liabilities.

Derivatives decreased by EUR 7.9 billion to EUR 14.5 billion (of which EUR 9.5 billion trading and EUR 5.0 billion non-trading) on the back of mid- to long-term interest and FX rates movements impacting the valuation of derivatives. This is also observed in derivative assets.

Due to customers (excluding netting adjustments) decreased by EUR 5.0 billion to EUR 225.3 billion. A decline was recorded at Private Banking, largely due to a reclassification of the private banking activities in Asia and the Middle East to other liabilities that impacted due to customers by EUR 5.7 billion negative. Due to customers at Corporate Banking decreased by EUR 2.2 billion, partly due to charging negative rates to a wider range of clients compared with 2015. Furthermore, due to customers at Corporate Banking is more volatile by nature due to third-party banking clients. Both were partly offset by an increase in due to customers at Retail Banking of EUR 2.3 billion, partly related to an increase in deposits at MoneYou.

Issued debt increased by EUR 5.1 billion to EUR 81.3 billion as short-term funding increased, partly offset by lower long-term funding.

Subordinated liabilities increased by EUR 1.5 billion to EUR 11.2 billion as a result of three Tier 2 capital issuances of in total EUR 2.4 billion in 2016.

Total equity increased by EUR 1.4 billion to EUR 18.9 billion at 31 December 2016, mainly due to the inclusion of reported profit for 2016, partly offset by dividend payments.

(in millions)	31 December 2016	31 December 2015
Retail Banking (excluding netting adjustment)	100,967	98,674
Private Banking	61,825	66,465
Corporate Banking (excluding netting adjustment)	60,653	62,850
Group Functions	1,808	2,308
Total Due to customers (excluding netting adjustment)	**225,253**	**230,296**
Netting adjustment[1]	3,505	17,056
Total Due to customers	**228,758**	**247,353**

[1] For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

Reconciliation from underlying to reported results

(in millions)	2016 Underlying	2016 Special items	2016 Reported	2015 Underlying	2015 Special items	2015 Reported
Net interest income	6,277	-10	6,267	6,076		6,076
Net fee and commission income	1,743		1,743	1,829		1,829
Other operating income	568	-351	217	550		550
Operating income	**8,588**	**-361**	**8,227**	**8,455**		**8,455**
Personnel expenses	2,777		2,777	2,492		2,492
Other expenses	2,880		2,880	2,736		2,736
Operating expenses	**5,657**		**5,657**	**5,228**		**5,228**
Operating result	**2,931**	**-361**	**2,570**	**3,227**		**3,227**
Impairment charges on loans and other receivables	114		114	505		505
Operating profit/(loss) before taxation	**2,817**	**-361**	**2,456**	**2,722**		**2,722**
Income tax expense	740	-90	650	798		798
Profit/(loss) for the period	**2,076**	**-271**	**1,806**	**1,924**		**1,924**

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

Business performance

Retail Banking

This section provides an overview of ABN AMRO Bank's business lines in 2016 and their financial performance per business line. More detailed information can be found in the Annual Report of ABN AMRO Group.

Overview

Retail Banking provides a full range of transparent banking products and high-quality services to individuals (investable assets up to EUR 500.000) and small businesses (turnover less than EUR 1 million).

Our ambition is to deliver the best client experience among our peers. We offer our products and services under the ABN AMRO brand, and specific products and services under different labels. Our omni-channel distribution network provides extensive digital and physical coverage.
We expanded and improved our digital offering in 2016, as clients increasingly want the convenience of these services.

Our Net Promoter Score (NPS) way of working entails carefully monitoring our clients' opinion of our products and services. To this end, we rolled out closed-loop feedback throughout the organisation in 2016 as a way to continuously learn from our clients. Examples of initiatives we launched in 2016 to enhance the client experience are our client loyalty programme &Meer, the Tikkie payment app and the Grip app, which gives clients insight and overview regarding their spending.

Looking ahead, our ambition is to be a client-driven Dutch retail bank with a digital footprint in Northwest Europe. We plan to expand our digital service and advisory offering, driving e-commerce and facilitating self-directed service for our clients. At the same time, we will further leverage our expertise by strengthening our advisory capabilities. Our ambition to be at the forefront of technological developments and innovative solutions is supported by our ongoing focus on co-creation and collaboration. One way we are pursuing our growth ambition is by transforming MoneYou into a fully digital retail bank. We intend to introduce MoneYou's offering throughout Northwest Europe, starting in countries where it is already active[1].

- We serve approximately 5 million individual clients and 300,000 small businesses;
- We are a top 3 player in the Netherlands: number 1[2] in new mortgage production and number 2[3] in savings (including Private Banking) in 2016;
- We are the primary bank for 21%[4] of the population and have a market share of 20%[5] in the small business segment;
- Clients can reach us through multiple channels, including our 24/7 Advice & Service Centres, our network of 221 branches, and via internet and mobile banking (over 75 million monthly logins).

[1] Besides the Netherlands, MoneYou is currently active in Germany, Belgium and Austria.
[2] calculated based on information provided by the Dutch Land Registry (Kadaster), 2016.
[3] calculated based on DNB Domestic MFI statistics and internal analyses, H1 2016 figures.
[4] GfK Online tracker, 2016.
[5] TNS NIPO, 2016.

Financial review

Operating results

(in millions)	2016	2015	Change
Net interest income	3,355	3,302	2%
Net fee and commission income	463	527	-12%
Other operating income	140	25	
Operating income	**3,959**	**3,853**	**3%**
Personnel expenses	470	487	-3%
Other expenses	1,741	1,619	8%
Operating expenses	**2,211**	**2,106**	**5%**
Operating result	**1,747**	**1,748**	**-0%**
Impairment charges on loans and other receivables	79	99	-20%
Operating profit/(loss) before taxation	**1,669**	**1,649**	**1%**
Income tax expense	422	423	-0%
Underlying profit/(loss) for the year	**1,247**	**1,226**	**2%**
Special items			
Reported profit/(loss) for the period	**1,247**	**1,226**	**2%**

Retail Banking's **underlying profit** increased by EUR 21 million to EUR 1,247 million in 2016. This increase was mainly the result of the gain on the sale of Visa Europe and lower impairment charges, partly offset by higher regulatory levies and higher (allocated) project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme).

Net interest income, at EUR 3,355 million, increased by EUR 53 million compared with 2015. This improvement can largely be attributed to a provision for inconsistencies in interest calculations between the bank and its business partners regarding one of the mortgage products which was booked in 2015 (EUR 29 million) and partly released in 2016. Net interest income in 2016 was negatively impacted by a provision for ICS (EUR 47 million) while 2015 included a provision for Euribor mortgages (EUR 41 million).

Margins on residential mortgages continued to improve in 2016 as the impact of repricing of the mortgage book in recent years continued to benefit net interest income. Net interest income on consumer loans decreased due to lower average loan volumes and decreased margins. Net interest income on deposits increased compared with 2015 due to higher margins and higher average deposit volumes.

Net fee and commission income decreased by EUR 64 million compared with 2015, due in part to a reduction of fees charged for payment packages. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact as well.

Other operating income increased by EUR 115 million mainly due to a profit (EUR 101 million) related to the gain on the sale of Visa Europe.

Personnel expenses decreased to EUR 470 million (2015: EUR 487 million). The number of FTEs in Retail Banking decreased in 2016 due to a reduction in the number of branches and a transfer of employees to Private Banking related to the lower threshold for Private Banking clients.

Other expenses increased to EUR 1,741 million in 2016. This was largely due to an increase in regulatory levies (EUR 136 million in 2016 versus EUR 87 million in 2015) and higher (allocated) project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme). The execution costs provision for ICS in 2016 (EUR 16 million) was offset by stricter cost control.

The **operating result** remained stable at EUR 1,747 million. The underlying **cost/income ratio** deteriorated by 1.3 percentage points to 55.9% as both operating income and operating expenses increased compared with 2015.

Impairment charges on loans and other receivables were limited in 2016 and EUR 20 million below the 2015 level. Both years included significant IBNI releases, although these were higher in 2015. An IBNI release of EUR 81 million was recorded in 2016, of which EUR 32 million was due to a reclassification to impairments. The reclassification has no impact on overall impairment charges and was carried out to align the definitions of defaulted and impaired loans (see also the Risk section). The IBNI release in 2015 amounted to EUR 85 million.

The Dutch economy recovered further and confidence in the housing market improved in 2016. Both contributed to lower impairment charges for mortgages (excluding IBNI releases). Consumer loans also benefited from further improved economic conditions and active risk management of the portfolio of clients in arrears, leading to lower loan impairments with higher IBNI releases.

Other indicators

	2016	2015
Underlying cost/income ratio	55.9%	54.6%
Underlying cost of risk (in bps)[1, 2]	5	6

[1] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
[2] For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

	31 December 2016	31 December 2015
Loan-to-Deposit ratio[1]	152%	152%
Loans and receivables - customers (excluding netting adjustment, in billions)[1]	154.5	154.2
Due to customers (excluding netting adjustment, in billions)[1]	101.0	98.7
Risk-weighted assets (risk exposure amount; in billions)	31.8	34.8
FTEs	5,266	5,844

[1] For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

Loans and receivables - customers grew by EUR 0.3 billion to EUR 154.5 billion at 31 December 2016, of which EUR 144.5 billion in residential mortgages. The Retail Banking mortgage portfolio increased by EUR 0.7 billion in 2016. New mortgage production grew on the back of low mortgage interest rates, insufficient residential construction activity and more favourable economic conditions in the Netherlands. The market share in new production increased to 21.9%[1] (2015: 19.9%). Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments.

Due to customers increased by EUR 2.3 billion to EUR 101.0 billion at 31 December 2016, partly related to an increase in deposits at MoneYou.

Client assets

(in billions)	31 December 2016	31-Dec-15
Cash	102.8	98.7
Securities	15.1	15.6
Total Client Assets	**117.9**	**114.3**

[1] Source: Dutch Land Registry (Kadaster)

Private Banking

Overview

ABN AMRO Private Banking is a modern private bank, internationally present and locally involved. We understand our clients' changing needs and provide agile service and distinctive financial solutions.

Our top priority is simple: to make every interaction count and to provide what our clients want to the standards they expect. To help us achieve our aspiration to be a leading private bank in Northwest Europe, we continuously innovate our services, especially in areas that matter most to our clients, such as digital banking. We want to serve our clients based on a multi-channel model, enabling clients to use our services whenever and wherever it suits them. Our daily business is driven by strategic drivers that are in line with the Group's strategic priorities: client-driven, invest in the future, moderate risk profile and sustainable growth.

We launched life-cycle segmentation in the Netherlands to deepen our knowledge of clients' situations and needs at various stages in their lives. Furthermore, we continued to develop wealth acquisition services for children of clients in our Generation Next Academy. We introduced a boot camp approach in order to enhance sharing of best practices and better serve our Private Wealth Management clients. We asked our clients for feedback on a wide range of topics relating to their experience with us as a whole. Our scores have been steadily improving over the past years, with an NPS of 5.7 overall for our international private banking services and -9 for our Dutch private banking services.

In 2016 we successfully completed the integration of our private banking activities in Guernsey and Jersey into one Channel Islands business. We also transformed our representative office in Marbella into a branch, enabling us to better serve clients with a residence in Spain. The planned transfer of our private banking business in Asia and the Middle East to LGT in 2017 is a logical next step in implementing our strategy.

Furthermore, we focused on strengthening our client relationships through digital services. These services give clients access to our expertise efficiently and offer an inspiring and convenient client experience. We launched key initiatives in online and mobile innovations in the Netherlands and developed an ambitious new digital client platform in Germany and France.

- Reinforced our strong market position (no.1 in the Netherlands, no. 3 in the eurozone, no. 3 in Germany, no. 4 in France[1]);
- Enhanced our digital offering by introducing a new client platform;
- Introduced life-cycle segmentation to pool knowledge and expertise;
- Opened up our service offering to a broader group of clients in the Dutch market (at least EUR 500,000 in investable assets).

[1] Source: BCG global wealth management survey 2014 and company annual reports.

Financial review

Operating results

(in millions)	2016	2015	Change
Net interest income	645	589	9%
Net fee and commission income	580	619	-6%
Other operating income	89	101	-12%
Operating income	**1,315**	**1,310**	**0%**
Personnel expenses	501	501	0%
Other expenses	544	549	-1%
Operating expenses	**1,045**	**1,050**	**-0%**
Operating result	**269**	**260**	**4%**
Impairment charges on loans and other receivables	20	-4	
Operating profit/(loss) before taxation	**249**	**264**	**-5%**
Income tax expense	50	49	2%
Underlying profit/(loss) for the period	**199**	**214**	**-7%**
Special items			
Reported profit/(loss) for the period	**199**	**214**	**-7%**

Private Banking's **underlying profit** decreased by EUR 15 million in 2016. The decline was the result of higher impairment charges, partly offset by an increased operating result.

Net interest income increased by EUR 56 million to EUR 645 million in 2016. This was mainly the result from higher margins on deposits, partly offset by lower average lending volumes.

Net fee and commission income decreased by EUR 39 million. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact on the stock markets. This led to lower average client assets and a decline in transaction volumes.

Other operating income decreased to EUR 89 million (2015: EUR 101 million). The decline was mainly due to lower trading income. The 2016 provision release related to the sale of the Swiss private banking activities in 2011 (EUR 21 million) was offset by the sale of premises in 2015 and negative one-offs in 2016.

Personnel expenses remained stable compared to 2015. Lower personnel expenses in the international activities were offset by higher personnel expenses in the domestic activities. The number of FTEs employed in Private Banking's domestic activities increased in 2016 due a transfer of employees from Retail Banking.

Other expenses decreased by EUR 5 million compared with 2015. The decline was mainly due to the favourable settlement of an insurance claim in 2016 (EUR 24 million), several smaller provision releases and strict cost control. This was partly offset by higher regulatory levies (EUR 18 million in 2016 versus EUR 11 million in 2015) and higher allocated project costs for the continuous improvement of products, services and IT processes.

The **operating result** improved by 4% compared with 2015. The underlying **cost/income ratio** decreased by 0.7 percentage points to 79.5%.

Impairment charges on loans and other receivables amounted to EUR 20 million compared with a EUR 4 million release in 2015. This was partly due to lower IBNI releases (EUR 3 million in 2016 versus EUR 12 million in 2015) and specific additions in 2016 compared with a specific release in 2015.

Other indicators

	2016	2015
Underlying cost/income ratio	79.5%	80.2%
Underlying cost of risk (in bps)[1]	13	-2
Gross margin on client assets (in bps)	67	65

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

	31 December 2016	31 December 2015
Loan-to-Deposit ratio	20%	25%
Loans and receivables - customers (in billions)	12.1	16.6
Due to customers (in billions)	61.8	66.5
Risk-weighted assets (risk exposure amount; in billions)	7.7	8.2
FTEs	3,844	3,722

Loans and receivables - customers decreased by EUR 4.5 billion in 2016. Of this decrease, EUR 3.4 billion was related to the reclassification of the private banking activities in Asia and the Middle East to held for sale. Excluding the reclassification, the decrease related to both the domestic and international activities.

Due to customers decreased by EUR 4.7 billion to EUR 61.8 billion at 31 December 2016. Of this decrease, EUR 5.7 billion was related to the reclassification of private banking activities. Excluding the reclassification, growth was mainly achieved in the Netherlands partly related to internal client transfers from Retail Banking to Private Banking based on the lower threshold.

Client assets

(in billions)	2016	2015
Opening balance Client assets	**199.2**	**190.6**
Net new assets (excl. sales/acquisitions)	0.6	1.5
Market performance	5.0	7.1
Divestments/acquisitions		
Other (incl. sales/acquisitions)		-0.0
Closing balance Client assets	**204.9**	**199.2**
Breakdown by type		
Cash	67.6	66.5
Securities	137.2	132.8
- of which custody	35.4	35.0
Breakdown by geography (in %)		
The Netherlands	48%	48%
Rest of Europe	44%	44%
Rest of the world	9%	8%

Client assets grew to EUR 204.9 billion at 31 December 2016. This was mainly due to positive market performance in 2016, especially in the second half of the year. Total client assets includes EUR 17.9 billion related to the private banking portfolio in Asia and the Middle East (held for sale).

Net new *assets*[1] amounted to EUR 0.6 billion in 2016 compared with EUR 1.5 billion in 2015. Net inflow in the international activities was partly offset by net outflow in the Netherlands. In 2016 an amount of EUR 0.9 billion was due to internal client transfers from Retail Banking to Private Banking based on the lower threshold of EUR 500,000 in investable assets. The threshold in the Netherlands was lowered to open up services to a broader client group and to enable us to gain further market share. Clients are gradually being transferred to Private Banking.

1 Net new assets include client transfers from Retail Banking and referrals from Corporate Banking.

Corporate Banking

Overview

Corporate Banking is an established business partner of the Dutch corporate sector with a strong domestic franchise and a focused international strategy. We serve clients both in the Netherlands and internationally based on our client-centric, relationship-driven business model and extensive sector expertise. In the Netherlands, our clients are active in all sectors of the Dutch economy. We offer a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge. In Northwest Europe and globally, we focus on selected sectors in which we are strengthening and expanding our existing positions, realising cross-business line synergies and leveraging core capabilities.

Our key strengths are our existing leading market positions and strong brand name, our relationship-driven business model combined with a dedicated sector approach and in-depth expertise, and our clear focus on risk management.

In 2016 we further strengthened our sector-based organisation and deepened our in-depth sector expertise. At the same time, we pursued controlled international growth in Northwest Europe and selected sectors globally. We increased our focus on digitalisation and innovation and introduced an agile way of working to support our strategic goals.

Looking ahead, we believe that our key strengths equip us to adapt to challenges relating to changing client needs, economic conditions, technological developments, new market entrants and new regulations such as MiFID II and Basel IV.

- Approximately 70,000 clients with annual turnover exceeding EUR 1 million;
- Leading player in the Netherlands with a capability-led international growth strategy for selected sectors in Northwest Europe and globally;
- International presence in key financial and logistical hubs;
- Extensive, in-depth sector expertise and product capabilities.

Financial review

Operating results

(in millions)	2016	2015	Change
Net interest income	2,280	2,142	6%
Net fee and commission income	751	751	0%
Other operating income	175	227	-23%
Operating income	**3,207**	**3,120**	**3%**
Personnel expenses	680	676	1%
Other expenses	1,316	1,264	4%
Operating expenses	**1,995**	**1,940**	**3%**
Operating result	**1,211**	**1,180**	**3%**
Impairment charges on loans and other receivables	31	419	-93%
Operating profit/(loss) before taxation	**1,180**	**762**	**55%**
Income tax expense	305	165	84%
Underlying profit/(loss) for the period	**876**	**596**	**47%**
Special items	-271		
Reported profit/(loss) for the period	**605**	**596**	**1%**

Corporate Banking's **underlying net profit** increased by EUR 280 million to EUR 876 million in 2016. The key drivers for the improvement were a rise in operating income and a sharp decrease in impairment charges. This was partly offset by increased operating expenses including an execution costs provision for SME derivatives-related issues (gross amount of EUR 55 million).

Commercial Clients and International Clients contributed EUR 694 million and EUR 196 million respectively to the underlying profit of Corporate Banking. Capital Markets Solutions made an underlying loss of EUR 14 million.

Corporate Banking's **reported net profit** increased by EUR 9 million to EUR 605 million in 2016. In Q2 2016, the addition to the provision for SMEs with derivative-related issues of EUR 361 million gross (EUR 271 million net of tax) was classified as a **special item**. This provision was taken based on ABN AMRO's decision to adhere to the advice of the committee of independent experts on the reassessment of SME interest rate derivatives.

Net interest income increased by EUR 138 million to EUR 2,280 million. The improvement was recorded in all segments.

Commercial Clients posted a modest rise in net interest income of EUR 44 million to EUR 1,349 million. Margins on loans and deposits increased as well as average deposit volumes. Average loan volumes were lower compared with 2015 due to a reallocation of a portfolio to Group Functions in Q4 2015. Both years were impacted by the provision for SME derivatives-related issues.

Net interest income in International Clients increased by EUR 35 million to EUR 744 million, benefiting from growth in the ECT Clients loan portfolio (mainly international). This was partly offset by lower margins on deposits.

Net interest income in Capital Markets Solutions improved by EUR 59 million to EUR 186 million, mainly at Sales & Trading (partly due to favourable one-offs as a result of collateral management).

Net fee and commission income remained flat at EUR 751 million. Higher fees due to more cleared volumes at Capital Markets Solutions were offset by lower fees at International Clients.

Other operating income went down by EUR 52 million to EUR 175 million in 2016. The decrease was driven by lower tax-exempt results on the Equity Participations portfolio due to less favourable market conditions (including the ongoing low oil price). Moreover, the CVA/DVA/FVA results were EUR 51 million lower compared with 2015 (EUR 2 million negative in 2016 versus EUR 49 million positive in 2015). This was partly offset by lower additions to the provision for SME derivatives-related issues current year.

Personnel expenses amounted to EUR 680 million in 2016, up by EUR 4 million compared with 2015. Personnel expenses increased due to higher pension expenses and a growth in the number of FTEs, partly offset by lower restructuring provisions in 2016.

Other expenses grew by EUR 52 million compared with 2015 due to a provision at Capital Markets Solutions for SME derivatives-related issues (EUR 55 million) and higher project costs for continuous improvement of products, services and IT processes (including TOPS 2020). This was partly offset by EUR 27 million lower regulatory levies (EUR 96 million in 2016 versus EUR 122 million in 2015) and several smaller favourable one-offs in 2016.

The **operating result** went up by EUR 31 million to EUR 1,211 million in 2016. At 62.2%, the underlying cost/income ratio in 2016 remained flat compared to 2015.

Impairment charges on loans and other receivables amounted to EUR 31 million, down by EUR 388 million compared with 2015. The decrease in impairment charges is fully recognised in Commercial Clients due to the further broad recovery of the Dutch economy. Slightly higher impairment charges in International Clients were offset by lower additions in Capital Markets Solutions. In 2016 an IBNI release of EUR 136 million was recorded for Corporate Banking, compared with a EUR 125 million release in 2015.

Other indicators

	2016	2015
Underlying cost/income ratio	62.2%	62.2%
Underlying cost of risk (in bps)[1, 2]	3	47

1 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
2 For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

	31 December 2016	31 December 2015
Loan-to-Deposit ratio[1]	137%	121%
Total client loans (excluding netting adjustment, in billions)[1]	75.2	68.3
Due to customers (excluding netting adjustment, in billions)[1]	60.7	62.9
Risk-weighted assets (risk exposure amount; in billions)	54.9	55.1
FTEs	5,138	4,959

1 For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

Total client loans (excluding netting adjustment) increased by EUR 6.9 billion to EUR 75.2 billion at 31 December 2016, largely due to an increase in loans at International Clients (mainly ECT Clients). Growth over 2016, especially in the fourth quarter, was supported by an increase in oil prices, leading to higher utilisation of credit lines for commoditiy clients, and the strengthening of the US dollar (see also the Risk chapter).

Due to customers (excluding netting adjustment) decreased by EUR 2.2 billion to EUR 60.7 billion at 31 December 2016.

Commercial clients

Operating result

(in millions)	2016	2015	Change
Net interest income	1,349	1,305	3%
Net fee and commission income	202	205	-2%
Other operating income	57	13	
Operating income	**1,608**	**1,524**	**6%**
Operating expenses	**859**	**861**	**-0%**
Operating result	**749**	**663**	**13%**
Impairment charges on loans and other receivables	-179	213	
Operating profit/(loss) before taxation	**928**	**450**	**106%**
Income tax expense	234	121	94%
Underlying profit/(loss) for the period	**694**	**329**	**111%**
Special items	-8		
Reported profit/(loss) for the period	**686**	**329**	**109%**

Other indicators

	2016	2015
Underlying cost/income ratio	53.4%	56.5%
Underlying cost of risk (in bps)[1, 2]	-46	53

1 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
2 For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

	31 December 2016	31 December 2015
Total client loans (excluding netting adjustment, in billions)[1]	37.7	37.0
Due to customers (excluding netting adjustment, in billions)[1, 2]	34.0	34.8
Risk-weighted assets (risk exposure amount; in billions)	20.6	21.5

1 For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 Due to customers included an internal transfer of deposits from Commercial Clients to Capital Markets Solutions (mainly Q1 2016).

International clients

Operating results

(in millions)	2016	2015	Change
Net interest income	744	709	5%
Net fee and commission income	223	232	-4%
Other operating income	9	104	-92%
Operating income	**976**	**1,044**	**-7%**
Operating expenses	**516**	**522**	**-1%**
Operating result	**460**	**522**	**-12%**
Impairment charges on loans and other receivables	211	191	11%
Operating profit/(loss) before taxation	**249**	**331**	**-25%**
Income tax expense	53	40	34%
Underlying profit/(loss) for the period	**196**	**292**	**-33%**
Special items			
Reported profit/(loss) for the period	**196**	**292**	**-33%**

Other indicators

	2016	2015
Underlying cost/income ratio	52.8%	50.0%
Underlying cost of risk (in bps)[1, 2]	59	56

[1] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
[2] For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

	31 December 2016	31 December 2015
Total client loans (excluding netting adjustment, in billions)[1]	37.5	31.3
Due to customers (excluding netting adjustment, in billions)[1, 2]	14.9	19.0
Risk-weighted assets (risk exposure amount; in billions)	24.4	22.6

[1] For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
[2] Due to customers included an internal transfer of deposits from Commercial Clients to Capital Markets Solutions (mainly Q1 2016).

Capital markets solutions

Operating result

(in millions)	2016	2015	Change
Net interest income	186	127	46%
Net fee and commission income	326	314	4%
Other operating income	110	110	-0%
Operating income	**622**	**551**	**13%**
Operating expenses	**619**	**555**	**12%**
Operating result	**3**	**-3**	
Impairment charges on loans and other receivables	-2	15	
Operating profit/(loss) before taxation	**4**	**-18**	
Income tax expense	18	6	
Underlying profit/(loss) for the period	**-14**	**-24**	**42%**
Special items	-263		
Reported profit/(loss) for the period	**-277**	**-24**	

Other indicators

	2016	2015
Underlying cost/income ratio	99.6%	100.6%
Underlying cost of risk (in bps)[1]	-1	9

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

	31 December 2016	31 December 2015
Financial assets held for trading (in billions)	1.6	1.7
Loans and receivables - customers (in billions)	15.4	13.1
Financial liabilities held for trading (in billions)	0.8	0.5
Due to customers (in billions)[1]	11.7	9.1
Risk-weighted assets (risk exposure amount; in billions)	9.9	11.0

[1] Due to Customers included an internal transfer of both Commercial Clients and International Clients to Capital Markets Solutions (mainly Q1 2016).

Group Functions

Overview

Group Functions supports and controls all bank-wide business activities. Its main focus areas include realisation of the bank's long-term strategy by means of management control, compliance with regulations, and second and third line responsibilities.

Group Functions was organised into four main departments in 2016: Finance, Risk Management & Strategy (RM&S), People, Regulations & Identity (PR&I) and Technology, Operations & Property Services (TOPS). Group Audit and the Corporate Office are also part of Group Functions.

TOPS supports the Bank by providing services in the areas of IT (software and hardware), operations, facility management, information security, procurement, and programme and project management in the Netherlands and internationally. TOPS consists of the following main departments: IT, Operations, Facility Management and COO.

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

A strong, sustainable bank relies on sound risk management. Risk Management secures a sound risk/return ratio based on a moderate risk profile. The bank-wide risk appetite determines our moderate risk profile. All different events or risk types to which the bank is exposed are defined and categorised in the risk taxonomy. Risk Management identifies and manages all the risk types classified in the risk taxonomy. The Risk, funding & capital management section of this report elaborates on the bank's risk model, risk taxonomy and risk approach.

The primary responsibility of PR&I is to help the Bank's businesses put clients centre stage by managing human resources, ensuring compliance with regulations and managing the bank's corporate identity and reputation. PR&I aims to prevent financial losses arising from abuse of the financial system by the Bank's clients and/or employees and to prevent reputational damage arising from the unethical behaviour of clients, the Bank and/or its employees. PR&I consists of five departments: Human Resources, Compliance & Conduct, Legal, Security & Intelligence Management and Communications & Sustainability.

Financial review

Operating results

(in millions)	2016	2015	Change
Net interest income	-2	44	
Net fee and commission income	-52	-68	23%
Other operating income	163	197	-17%
Operating income	**108**	**172**	**-37%**
Personnel expenses	1,125	828	36%
Other expenses	-720	-695	-4%
Operating expenses	**405**	**133**	
Operating result	**-297**	**39**	
Impairment charges on loans and other receivables	-15	-8	-89%
Operating profit/(loss) before taxation	**-282**	**48**	
Income tax expense	-36	160	
Underlying profit/(loss) for the period	**-245**	**-112**	**-119%**
Special items			
Reported profit/(loss) for the period	**-245**	**-112**	**-119%**

Group Functions' **underlying result** was EUR 245 million negative in 2016 compared with a loss in 2015 as well (EUR 112 million). The loss in 2016 was due to EUR 348 million restructuring provisions related to the announced reorganisation of the control and support activities (Q3) and digitalisation and process optimisation (Q4 2016). In 2015 the loss was impacted by a tax-exempt provision related to the part of the securities financing activities discontinued in 2009.

Net interest income decreased by EUR 46 million compared with 2015 as the interest result came down, in line with the flattening of the yield curve (partly offset by ABN AMRO's duration strategy. More information is provided in the Market risk in the banking book paragraph). Moreover, interest paid on cash deposits with the European Central Bank increased due to higher average volumes and more unfavourable (negative) rates. Both were partly offset by lower funding costs on Dutch State funding (Dutch State Treasury Agency) following a partial redemption in 2016. Lastly, both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

Net fee and commission income increased by EUR 16 million, partly driven by lower fees paid to Capital Markets Solutions related to securities financing activities.

Other operating income decreased by EUR 34 million compared with 2015 primarily as lower hedge accounting-related results were recorded in 2016 (EUR 39 million in 2016 versus EUR 182 million in 2015). Moreover, no CVA/DVA results were recorded in 2016 compared with favourable CVA/DVA adjustments in 2015 (EUR 27 million positive). This was partly offset by profit/revaluation gains on stakes in Visa Europe (EUR 14 million) and Equens (EUR 52 million). Both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

Personnel expenses, at EUR 1,125 million in 2016, went up by EUR 297 million compared with 2015. The increase was due to EUR 321 million of restructuring provisions related to the announced reorganisation of the control and support activities (EUR 144 million in Q3 2016) and digitalisation and process optimisation (EUR 177 million in Q4 2016). This was partly offset by several smaller restructuring provisions recorded in 2015.

Other expenses decreased by EUR 25 million as more costs were allocated to the commercial segments compared with 2015. Expenses increased by EUR 82 million as 2015 included some favourable incidentals, including a EUR 35 million release related to DSB and a VAT return, partly offset by a final settlement (EUR 55 million) with Vestia (a Dutch housing corporation). The year 2016 includes a EUR 13 million restructuring provision for office space (plus EUR 14 million accelerated depreciation) and higher projects costs for continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes).

Income tax expense in both 2016 and 2015, the latter more severely, were negatively impacted by the reassessment of our tax position and the tax-exempt provision related to the part of the securities financing activities discontinued in 2009.

Other indicators

	31 December 2016	31 December 2015
Securities financing - assets	12.9	15.5
Loans and receivables - customers (in billions)	7.8	7.9
Securities financing - liabilities	10.5	10.2
Due to customers (in billions)	1.8	2.3
Risk-weighted assets (risk exposure amount; in billions)	9.8	9.9
FTEs	7,416	7,522

The number of **FTEs** decreased by 106 to 7,416 following the announced reorganisation of the control and support activities (Q3 2016) and digitalisation and process optimisation (Q4 2016).

Responsibility statement

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

- The Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in the consolidation;
- The Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2016 of ABN AMRO Bank N.V. and of its affiliated companies, of which data is included in its Annual Financial Statements;
- The Annual Report describes the material risks with which ABN AMRO Bank N.V. is faced.

Amsterdam, 14 March 2017

The Managing Board

Kees van Dijkhuizen, Chief Executive Officer
Johan van Hall, Vice-Chairman
Wietze Reehoorn, Chief Risk Officer

Risk, funding & capital

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

Risk, funding & capital management

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

Risk approach

ABN AMRO is committed to being a well-capitalised bank with sufficient liquidity that focuses on delivering sustainable value to its stakeholders. We are committed to a sound risk/reward and to maintaining a bank-wide moderate risk profile. We thoroughly evaluate the long-term risk and return implications of our operations on an ongoing basis. Based on ABN AMRO's long-term strategy, the bank has defined five key objectives with regard to risk management, which are presented below.

Clean and strong balance sheet

- Strong focus on collateralised lending
- Loan portfolio matches deposits, long-term debt and equity
- Strategic focus to limit LtD ratio
- Limited market risk and trading portfolios

Diversification and focus in portfolio

Our loan book is fully aligned to our strategic choices and focus areas:

- Loan book safeguarded against concentrations through Risk Appetite to sectors, single clients and countries
- Concentration developments monitored and reported monthly
- Focused growth in Corporate Banking in neighbouring countries and selected industries worldwide
- Diversification via digital challengers

Sound capital and liquidity management

- Capital and liquidity indicators exceed existing regulatory requirements
- Liquidity buffer steered to manage regulatory compliance and internal views
- Costs for liquidity buffer charged to business to ensure proper pricing incentives
- Stress testing used to steer capital & liquidity

Sustainability and transparency

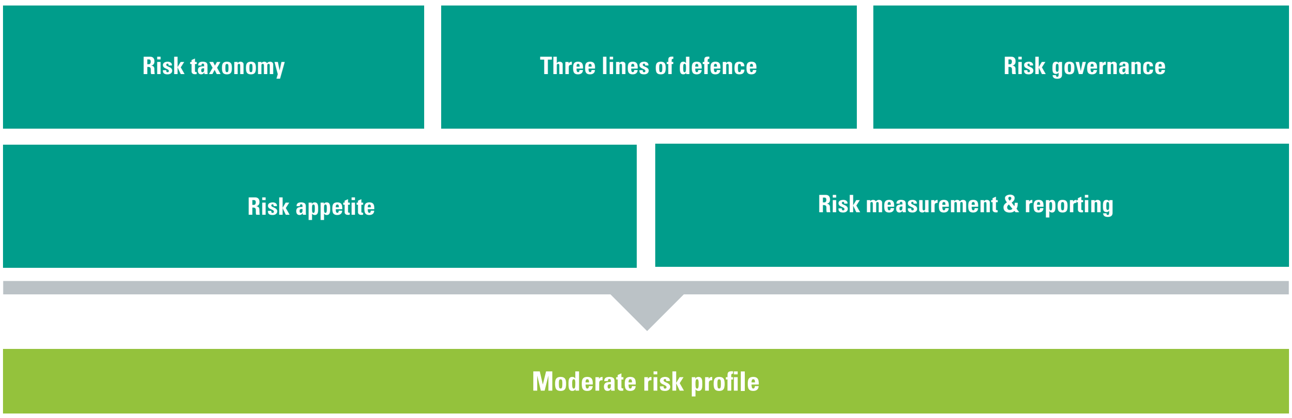
- Sustainable relationships with clients centre stage: long-term interest above short-term gains
- Sustainable business operations (sustainable products, risk management, ecological footprint and a vital organisation)
- Using our financial expertise for the benefit of society
- Sustainable and transparent finance and investment services

Structured approach on risk intake and monitoring

- Credit risk mainly in the Netherlands and diversified across the economy
- Operational risk monitored and controlled by setting limits on potential losses
- Market risk low in comparison to size of the bank
- Business risk continuously monitored; create a culture of innovation in a constantly changing banking landscape

Risk management strategy Pillar 3

Main building blocks of our moderate risk profile



Risk profile Pillar 3 EDTF 2 EDTF 7

As part of the bank's long-term strategy, we want to maintain a moderate risk profile. The risk profile is managed based on an integrated risk management framework. In this framework, all risk types, cross-risk types and overarching risks are identified to provide one integrated view on the bank's risk profile and on the risk profile of the businesses. This is a yearly process involving the relevant stakeholders and subject to the approval of the Managing Board. By looking at the overall, integrated risk profile, we strive to carefully balance actions to manage the risk profile within the moderate risk profile.

Senior management continuously monitors the bank's activities based on the risk appetite. The status and outlook are discussed on a monthly basis in the Managing Board and on a quarterly basis by the Supervisory board based on the Enterprise Risk Management section.

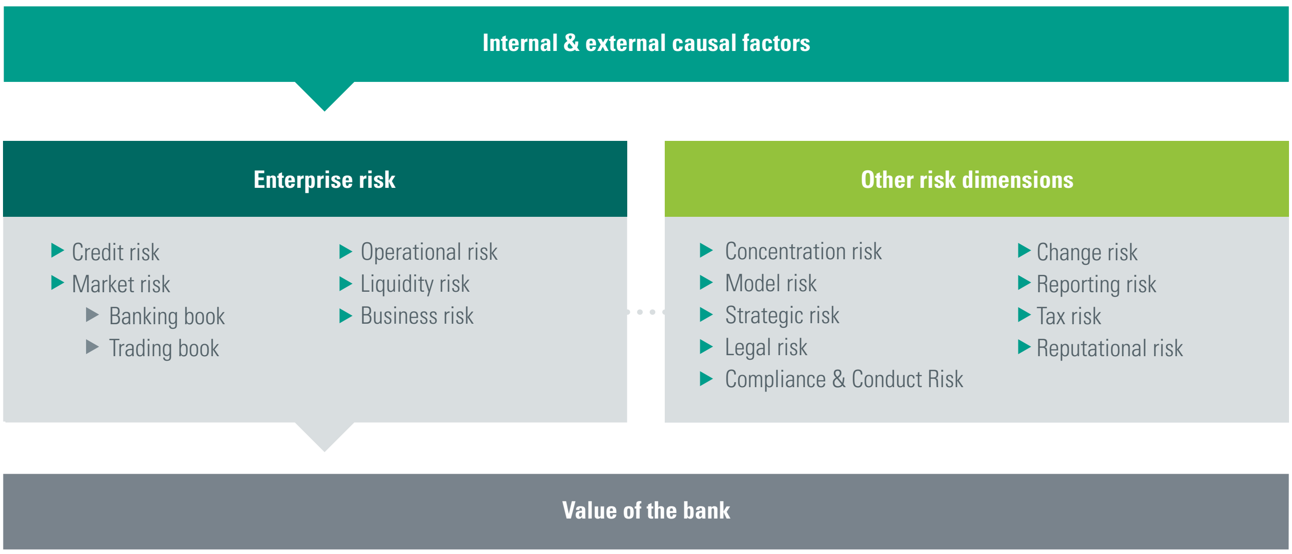
The following sections describe the five building blocks of our moderate risk profile. For more information with regard to the balance sheet composition, please refer to the Risk, funding & capital review section.

Risk taxonomy Audited

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

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

Risk taxonomy



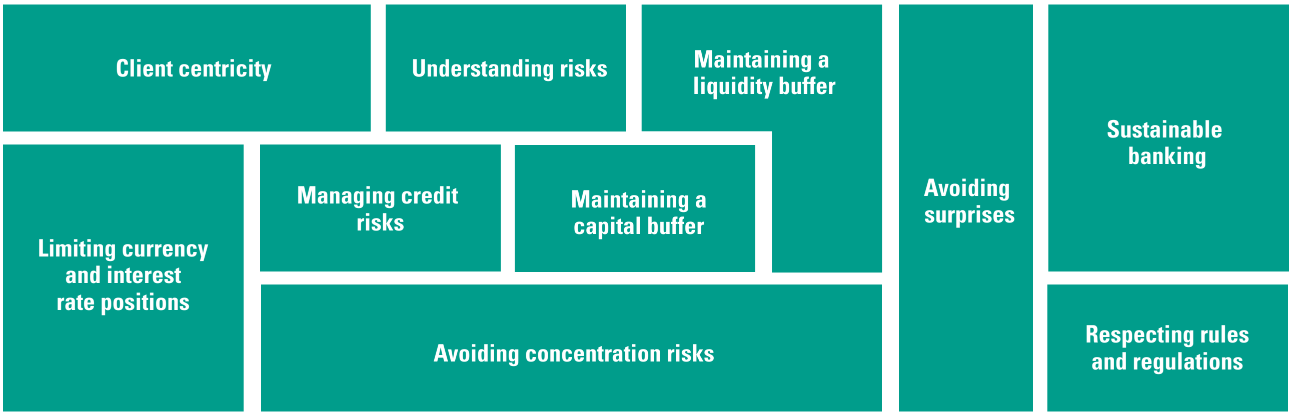
The main risk types are credit, market, operational, liquidity and business risk. These risks are discussed later in this section. Other risk dimensions such as reputational risk (including sustainability risk) and model risk, are risk types that emphasise specific aspects applicable to several risk types in the risk taxonomy.

Risk appetite Audited

The risk appetite determines the level and nature of risk that the bank is willing to take in order to pursue its strategy, taking all relevant risks and stakeholders into consideration. The risks covered in the risk taxonomy are included in the risk appetite.

The key guiding principles for risk appetite provide a translation of the moderate risk profile statement and contain guidelines that give a qualitative explanation of the boundaries of ABN AMRO's moderate risk profile. To ensure that ABN AMRO employees act in a risk-aware manner and in accordance with the ABN AMRO values and business principles[1], we included the guidelines as an overarching principle this year. The keywords of these guiding principles are shown in the following figure:

Keywords of the key guiding principles for the risk appetite



The keywords and key guiding principles are further detailed in risk appetite parameters, including:

- Minimum levels for capital ratios;
- Risk-adjusted return measures;
- Concentration limits for single counterparties;
- Concentration limits for countries and industry sectors;
- Liquidity ratios (Loan-to-Deposit ratio, LCR and NSFR);
- Market risk ratios;
- Operational risk ratios.

The bank-wide risk appetite is an integral part of our corporate strategy. Business-line specific risk appetite statements further specify the bank-wide risk appetite at business line level.

Risk culture EDTF 6

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

Employees are expected to be aware of the drivers of our risk profile and to feel accountable for the risks they take. Part of the training curriculum is the Integrated Risk Management course, which is mandatory for all Risk Management employees. The course emphasises the importance of taking a holistic view of risks. We also introduced the course to most employees of the International Clients segment in 2015, and it was rolled out to employees of Commercial Clients in 2016. Furthermore, employees are expected to adhere to the ABN AMRO business principles[1]. These principles are fundamental to everything we do and describe how we act as a bank, how we take decisions, and how we deal with various dilemmas.

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

Risk governance Audited Pillar 3 EDTF 5

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

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

Three lines of defence

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

Three lines of defence Audited Pillar 3

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

Executive committees

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

In the risk decision-making framework, the Managing Board is supported by three executive (risk) committees: Group Risk Committee, Central Credit Committee and Asset & Liability Committee, each of which is (jointly) chaired by a member of the Managing Board. The other executive committees also decide on risk-related issues, in the presence of Risk Management representatives. In addition, the Managing Board itself takes decisions that are of material significance to the risk profile, capital allocation and liquidity of ABN AMRO. Additional information is provided in the Governance section.

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

Group Risk Committee

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

Central Credit Committee

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

Asset & Liability Committee

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

Risk measurement Pillar 3 EDTF 2

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

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

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

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

Capital

Regulatory capital (CRD IV/CRR) Audited Pillar 3

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

Economic capital

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

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

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

EC Quality Assessment

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

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

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

Stress testing Audited EDTF 8

ABN AMRO uses stress testing as an important risk management instrument. Stress testing assists us in identifying our risks and vulnerabilities. It therefore helps to increase risk awareness throughout ABN AMRO. Moreover, it also aims to safeguard business continuity by means of proactive management and the review of potential future scenarios. Bank-wide stress testing, as applied by us, takes into account the effect of material plausible but unlikely events and developments on the bank. These events may be systemic (e.g. multi-year macroeconomic stress) or ABN AMRO-specific and cover capital as well as liquidity.

Stress testing purposes

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

- Risk-appetite monitoring: the outcome of stress testing is used for monitoring risk appetite limits and targets, including limits under stress. If the stress test outcome breaches a limit, mitigating actions will be considered to close the shortfall. The impact is taken into account in the capital and funding planning;
- Contingency planning: stress testing is used to assess and strengthen the contingency plans' triggers and measures. To this end, reverse stress testing is executed to gain insight into plausible events that could put the continuity of ABN AMRO under pressure.

The Scenario & Stress Test Committee (a sub-committee of the Group Risk Committee) and the Managing Board discuss and decide on scenario selection, the results and implications.

Scenario analysis

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

Credit risk management

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

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

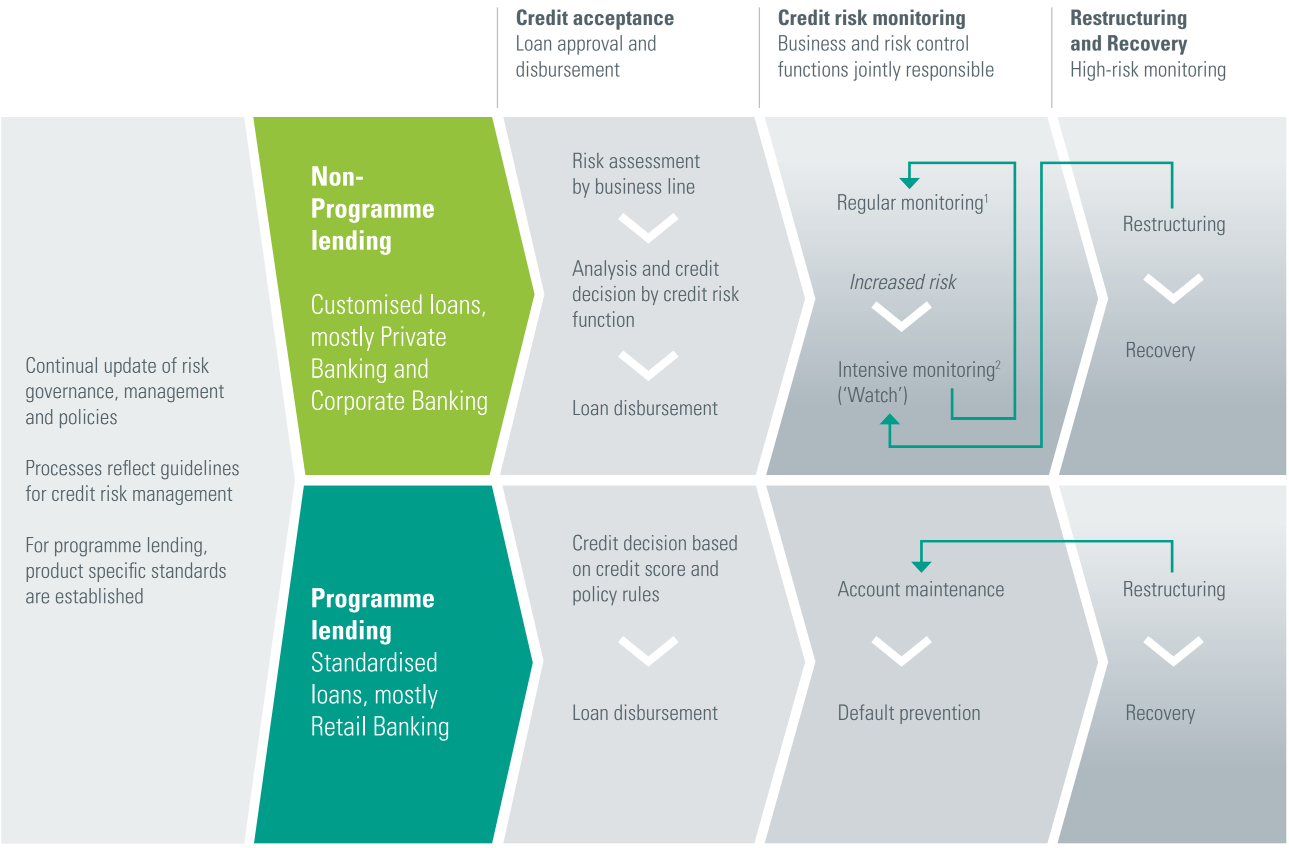
Credit risk management approach Audited Pillar 3

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

The credit risk life cycle

The process of credit risk management, the credit risk life cycle, is illustrated in the following figure.

Credit risk life cycle: differs by type of loan



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

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

Introduction
Business
Risk, funding & capital
Leadership and Governance
Annual Financial Statements
Other

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

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

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

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

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

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

When a default status is assigned to a Programme Lending contract because payments have been past due for more than 90 days or another default trigger applies, the client is transferred to restructuring and, ultimately, if this is not effective, to internal departments or external parties (such as Lindorff) for debt collection.

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

Credit risk measurement
Audited | Pillar 3 | EDTF 2

We use internal models to measure the credit risk in exposures to individual clients and portfolios. These models quantify their Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The models vary from purely statistical models to expert-based models and are based on quantitative as well as qualitative risk drivers. Using input values for the risk drivers, the models calculate PDs, LGDs and EADs. EAD is established on a monthly basis using actual limits and outstanding exposure data. PD and LGD are determined at least annually.

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

Exposure at Default
Exposure at Default models estimate the expected exposure at the time of a counterparty default. In the event that all or part of a facility is undrawn (the outstanding exposure is less than the limit) at the time of the calculation, a percentage of this undrawn amount is added to the exposure to reflect the possibility that a larger part of the facility is utilised when the event of a default materialises.

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Probability of Default

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

Within Program Lending, Retail Banking and smaller credits of Corporate Banking, products with the same characteristics are pooled and a PD is assigned to each pool.

We consider a default to have occurred when:

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

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

Internal rating scale mapped to external ratings Audited Pillar 3 EDTF 2

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

Loss Given Default

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

Capital for credit risk

Regulatory capital

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

Economic capital

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

Specific counterparty credit risk

Pillar 3 EDTF 2 EDTF 29

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

OTC derivative instruments

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

Securities financing transactions

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

Regulatory and economic exposure calculation for specific counterparty credit risk

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

The economic counterparty credit risk exposure calculation of OTC derivative instruments is based on the mark-to-market (MtM, i.e. current exposure) plus an add-on for potential future exposure. The add-on is calculated to cover 95% of the potential positive MtM movement in favour of the bank for the entire deal tenor. The add-on is determined by several parameters, such as type of derivative product (underlying), deal tenor, currency (pair) and the absence or presence of netting and collateral agreements.

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

Wrong-way risk

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

Credit concentration risk Audited Pillar 3

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

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

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

Counterparty concentration

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

Geographic concentration

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

Industry concentration

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

Credit risk mitigation

Pillar 3 | EDTF 30

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

Collateral management and guarantees

Collateral represents assets with material value and an attached security right, such as a mortgage, charge, pledge, lien on an asset, or other right securing obligations under a credit facility or other exposure which gives the bank priority rights on the proceeds of that asset. Requiring a security right for a clients' collateral is a way to mitigate or reduce credit risk associated with a credit facility or exposure. In addition, if certain predefined eligibility criteria are met, collateral can also help reduce the required level of regulatory capital and economic capital held by the bank.

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

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

Offsetting financial assets and liabilities

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

Enforceable master netting agreements or similar instruments

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

Forborne, past due and impaired loans

Audited | EDTF 27

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

Forbearance

The process of making concessions for clients, with the purpose of keeping them afloat, is referred to as 'forbearance'. We consider a forborne asset to be any contract under which the counterparty experiences, or is about to face, financial difficulty and for which the terms and conditions of the contract have been modified or the contract has been refinanced by the bank due to these financial difficulties on terms that we would not have accepted (concession) if the counterparty had been financially healthy.

Forbearance can take place at different stages during the client's financial difficulty. Forbearance measures can be applied to a contract that has defaulted on its obligations as well as to a contract that is still performing. A contract that is in the process of being recovered and for which the client relationship will be discontinued is not, or no longer, considered forborne.

A forborne asset will only cease to qualify as forborne once all of the following conditions have been met:

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

If the forborne contract is or becomes non-performing, a mandatory cure period for non-performing forborne exposures of at least one year is applicable before the contract may return to a performing status. This cure period starts when the contract becomes non-performing or from the moment the last forbearance measure was taken if the contract was already non-performing.

Past due credit exposures

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

Impaired credit exposures

In order to simplify our reporting and improve comparability with our peers, ABN AMRO aligned the definition of default and impaired in the third quarter of 2016. As a result, clients in default without an impairment allowance are now also considered to be impaired.

A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts due in accordance with the contractual terms (principal and interest) and/or one of the default triggers is applicable. An indication that a loan may be impaired is obtained through ABN AMRO's credit review processes.

Impairment

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

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

- **Specific impairment losses for individual, significant exposures:** If significant doubts arise regarding a client's ability to meet its contractual obligations, management of the relationship is transferred to the Financial Restructuring & Recovery department (FR&R). The amount of the specific impairment loss is based on the discounted value of the best estimate of future cash flow. Recognised specific impairment losses are partly or fully released when the debt is repaid or expected future cash flows of the customer improve due to positive changes in economic or financial circumstances;
- **Collective impairment losses for individual, not-significant exposures:** Assets with similar credit risk characteristics are clustered in portfolios. The assets in the portfolios are collectively assessed for impairment. In general, when payments (interest or principal) are 90 days past due, the loan is identified as impaired. The impairment assessment is based on historical loss experience adjusted for current economic conditions. Factors that are taken into account are average life, past loss experience and portfolio trends;

- **Incurred but not identified (IBNI):** IBNI impairment losses are recognised for impairment losses that have been incurred but still have to be identified at the balance sheet date. Specific or collective impairment assessment has therefore not yet taken place. All financial assets that are not yet assessed for impairment are included in the IBNI impairment loss calculation. All related off-balance items such as credit commitments are also included. The IBNI calculation combines the Basel II concept of expected loss on a one-year time horizon adjusted for IFRS elements by applying a loss emergence period (LEP) and a cycle adjustment factor (CAF), or is based on specific Point-in-Time models. The IBNI impairment loss is calculated for the entire non-impaired portfolio.

Write-off

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

Accounting policy on impairment of loans and receivables Audited

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

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

Where possible, ABN AMRO seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreeing on revised loan conditions. The loans continue to be subject to an individual or collective impairment assessment.

Market risk management

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

Market risk in the banking book Audited

Market risk in the banking book is the risk that the market value or the earnings of the bank decline because of unfavourable market movements. The market risk of the banking book consists predominantly of interest rate risk.

Market risk is the risk of losses in market value or the Bank's earnings. The following market risks are inherent in the banking book:

- Interest rate risk: arises from unfavourable yield curve developments;
- Credit spread risk: arises from adverse movements in the prices of bonds or credit derivatives. The principal source is from bonds held for liquidity purposes;
- Equity risk: arises from adverse movements in equity prices, dividends and volatilities. Equity positions can be taken in strategic partnerships and joint ventures, positions in private equity and positions where debt held by the bank has been converted to equity as part of a restructuring process;
- Property risk: arises from adverse movements in property prices;
- Foreign exchange risk: arises from adverse movements in FX spot and forward rates and/or FX volatility. It arises for operational reasons where it is inefficient to hedge exposures as they arise.

Interest rate risk in the banking book Pillar 3

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

- The maturity mismatch between assets and liabilities. ABN AMRO provides mortgages and commercial loans with long-term fixed interest terms. This is funded by liabilities that have shorter average interest maturity compared to the assets;
- Actual client behaviour, which determines the maturity of some of our client products. We use models to predict this behaviour. As such, we are exposed to model risk: a potential loss the Bank may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. The most important behavioural models include:
  - Client behaviour with respect to early redemption of residential mortgages;
  - Client acceptance of offered volume and the deviation for a residential mortgage between the offer rate and the prevailing market mortgage rate at the moment the loan is paid to the customer;
  - Client behaviour with respect to non-maturing deposits which are callable on demand.

Risk measurement for interest rate risk

Pillar 3 EDTF 2 EDTF 8 EDTF 17 EDTF 24 EDTF 25

The key metrics used are Net Interest Income (NII) at Risk, duration of equity, economic value of equity (EVE) and economic capital. These are complemented with stress testing and scenario analysis.

The metrics used for managing banking book risks are dependent upon the design and assumptions used in the financial models from which they are derived. Models must therefore be validated by the independent Model Validation Department and approved by duly authorised risk committees. Models are assessed as to whether they behave appropriately under the current market conditions and, if required, they are adjusted.

NII-at-Risk is the difference in NII between a base scenario and an alternative scenario. NII-at-Risk is defined as the worst outcome of two scenarios: a gradual increase in interest rates and a gradual decline in interest rates by 200bps, both over a 1-year period.

Duration measures value changes due to small parallel shifts of the yield curve. Computation of the duration is based on deriving the change in economic value of a portfolio due to an interest rate increase or decrease compared with a base scenario.

EVE-at-Risk is the loss in economic value of equity as a result of the worst outcome of various non-parallel yield curve scenarios.

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

ABN AMRO uses stress testing and scenario analysis to ensure a comprehensive approach to risk management and to identify potential weakness.

Market risk management for the banking book

The overall objective of interest rate risk management is to contribute to a stable long-term NII of the bank while protecting the EVE against adverse yield curve movements.

ABN AMRO has in place a detailed risk management framework to identify, measure and control market risk in the banking book. The framework provides assurance that the banking book activities remain consistent with the bank's moderate risk profile using different interest rate reference curves.

Interest rate risk is managed within the context of the Risk Appetite Statements as approved by the Managing Board. Funds Transfer Pricing shifts interest rate risk away from commercial business lines, enabling central monitoring and management. The Asset & Liability Committee (ALCO) is mandated to manage and steer the market risk in the banking book. The day-to-day management of positions is delegated to ALM, while Treasury performs the execution of interest rate risk steering.

The bank applies limits to the above mentioned interest rate risk measures in line with the approved risk appetite requirement. The risk appetite is based on the maximum interest loss the bank is willing to accept, both in terms of income for a 1-year period, and economic value.

ABN AMRO uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates to floating interest rate position. The resulting interest rate position, after application of interest rate hedges, is in line with the bank's strategy and risk appetite.

Credit spread risk in the banking book

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

Market risk in the trading book

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

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

Market risk management for the trading book

Audited | Pillar 3

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

Market risk measurement for the trading book

Audited | Pillar 3 | EDTF 2 | EDTF 17 | EDTF 24 | EDTF 25

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

The metrics used to manage the trading book risks are dependent upon the design and assumptions used in the financial models from which they are derived. New models are therefore validated by the independent Model Validation Department and approved by duly authorised risk committees. Furthermore, existing risk models are reviewed and approved annually. As part of the review, models are assessed as to whether they behave appropriately under current market conditions. If and when required, models are adjusted. Besides the formal validation and review of models, the daily explanation of risk reporting figures, periodic portfolio reviews and regular back testing are important tools to assure the adequacy of the models.

The VaR model measures a one-day 99% VaR using a historical simulation approach and 300 days of historical data. The daily VaR is back-tested against the calculated actual mark-to-market changes for each subsequent trading day and the number of outliers is used to assess the reliability of the VaR model. In 2016, the model's back-testing performance was satisfactory.

In addition to daily VaR, ABN AMRO also uses stressed VaR and incremental risk charge (IRC) metrics. Regulatory guidelines require the bank to calculate a stressed VaR measure calibrated to a continuous 12-month period of financial stress relevant to our trading portfolio.

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

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

Capital for market risk in the trading book

Regulatory capital

To calculate market risk capital for the trading book the bank has implemented the Internal Models Approach (IMA). We obtained formal approval from the regulator for the use of the IMA approach for calculating regulatory capital in February 2016.

Economic capital

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

Operational risk management

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

Framework for operational risk management Pillar 3

Management Control Statement

Strategic risk assessment

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

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

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

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

Operational risk management approach Pillar 3

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

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

Framework for operational risk management

Pillar 3 EDTF 2

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

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

Operational risk responses Pillar 3

The bank identifies four categories of risk response:

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

Specific operational risk areas Pillar 3

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

Information security

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

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

Business continuity management

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

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

More information on our approach to the stability and availability of our digital services is provided under in the Bank performance section of the Business section. Information on recovery and resolution planning is provided in the Capital management section of Risk, funding & capital management.

Operational risk measurement Pillar 3 EDTF 2

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

Capital for operational risk

Regulatory capital

ABN AMRO applied The Standardised Approach (TSA) to calculate regulatory capital for operational risk at year-end 2016. At the end of 2016, ABN AMRO received permission from the ECB to apply the Advanced Measurement Approach (AMA). As of Q1 2017, ABN AMRO will use its internal AMA model for calculating regulatory capital. The permission to apply the most advanced calculation method confirms ECB's satisfaction with the way ABN AMRO manages operational risks.

Economic capital

The AMA model is already being used to calculate economic capital for operational risks. The bank applies a 99.95% confidence level to calculate the operational risk economic capital, whereas a 99.9% confidence level will be applied to calculate regulatory operational risk capital. The bank is not using insurances or other risk transfer mechanisms for calculation of operational risk economic capital.

Funding & liquidity risk management

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

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

Strategy

EDTF 4 | EDTF 18 | EDTF 21

Liquidity

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

Funding

ABN AMRO Bank's main source of funding consists of deposits from Retail Banking, Private Banking and Corporate Banking clients. The remainder of our funding is raised largely through various long-term wholesale funding instruments.

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

The funding strategy is executed taking into account the following guidelines:

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

Risk management approach

Audited | Pillar 3 | EDTF 2 | EDTF 18

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

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

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

Going-concern management

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

- **Stress testing**: We conduct monthly and ad-hoc stress tests in which we evaluate the impact of cash in- and outflows under plausible stress scenarios. Both market-wide and bank-specific stress scenarios are defined and analysed. The goal of stress testing is twofold. First, it helps us to review our risk framework, i.e. the liquidity buffer size, risk appetite and limits. Second, it allows us to identify ways to reduce outflows in times of crisis;
- **Liquidity Coverage Ratio (LCR)**: The objective of the LCR is to promote the short-term resilience of banks by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days;
- **Regulatory liquidity**: The regulatory liquidity requirement measures the liquidity position in a one-month scenario of severe stress, as defined by the Dutch central bank. The central bank requires the one-month liquidity position to be in excess of the minimum required regulatory level at all times. As of 2017, this regulatory liquidity requirement is no longer mandatory;
- **Survival period**: The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and retail and commercial clients withdraw a proportion of their deposits;
- **Net Stable Funding Ratio (NSFR)**: The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with stable sources of funding on an ongoing basis;
- **Loan-to-Deposit ratio (LtD)**: The LtD ratio measures the relationship between the loan book (Loans and receivables - customers) and deposits from clients (Due to customers). The ratio includes all client-driven loans and deposits, but excludes loans to and deposits from governments. The LtD ratio gives an indication of our dependence on wholesale funding for financing client loans. Due to the Dutch mandatory and collective pension savings scheme, mortgage loans outweigh client savings balances in the Netherlands, driving the LtD ratio up above 100%.

Contingency risk management Pillar 3

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

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

Capital management

Capital management strategy Pillar 3 EDTF 4 EDTF 12

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and sufficient capital is available to support the bank's strategy. Capital is a necessary resource for doing business and defines the bank's commercial possibilities. The balance between available and required capital is managed centrally, optimising the use of available capital.

The basis of the capital management strategy is the bank's risk appetite and its business plans. Other important factors taken into account while managing the capital position are expectations and requirements of external stakeholders (such as regulators, investors, shareholders, equity analysts, rating agencies and clients), the bank's position in the market, market developments, contingent capital needs and the feasibility of capital management actions.

Although ABN AMRO Bank manages its capital centrally, the group companies are sufficiently capitalised to comply with all local regulatory solvency requirements and to meet any local business needs.

ABN AMRO Bank's banking activities are carried out by legal entities that are part of the Group's tax unit for corporate tax. Apart from prevailing legal and regulatory legislation, there are no specific material impediments to the prompt transfer of the bank's regulatory capital.

Dividend

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

Capital measurement and allocation

Capital adequacy is measured and monitored on an ongoing basis against target capital ratios, which are derived from the bank's overall risk appetite and strategy. Capital projections and stress test scenarios, both market-wide and bank-specific, are used to ensure that actual and future capital levels remain above the targets.

Capital is allocated to businesses in a way that optimises the long-term value of the bank while serving the bank's strategic objectives. In the capital allocation process both risk-based and non-risk-based return parameters are considered, taking into account economic and regulatory capital requirements. This process ensures that the bank meets its return targets while maintaining a moderate risk profile, in line with the bank's risk appetite.

Contingency capital management

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

Recovery and resolution planning

The Bank Recovery & Resolution Directive requires a recovery plan and a resolution plan to be in place for ABN AMRO Bank. ABN AMRO Bank has submitted a reviewed and updated version of its group recovery plan to the ECB in December 2016. The Single Resolution Board (SRB) has prepared a resolution plan for ABN AMRO Bank. The SRB has concluded that the preferred resolution strategy for ABN AMRO Bank is a Single-Point-of-Entry (SPE) strategy with ABN AMRO Bank N.V. as the resolution entity. ABN AMRO Bank will therefore continue to issue external MREL eligible instruments through ABN AMRO Bank N.V.

Business risk management

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

The key criteria for classifying a risk as a business risk are:

- An event that leads to uncertainty in present or future business earnings and/or franchise value;
- Changes of drivers of future business earnings such as uncertainty in volumes, margins, fee and commission rates and/or business expenses.

The bank mitigates sensitivity to business risk drivers by performing management practices that address developments in these drivers in an effective and timely manner. In addition, business risk is mitigated by a capital buffer.

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

Business risk measurement

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

Economic capital for business risk

Economic capital for business risk reflects the maximum downward deviation of actual versus expected net operating profit and franchise value. Based on the PPNR (Pre Provision Net Revenue) methodology, the determined volatility per business line is used to calculate the economic capital.

Sustainability risk management

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

Sustainability risk policy framework

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

Our sustainability risk policy framework is constantly evolving: we develop new policies or adjust existing ones based on, feedback and input from stakeholders if any gaps become evident or if new developments take place. Among other things, we updated our bank-wide Exclusion List in 2016, which lists activities and practices the bank does not want to engage in. In addition, we updated our sector policy for the financing of companies in the agricultural commodities industry and formulated a statement on animal welfare.

A focus area in our sustainability risk policy framework is management of human rights risks in line with the UN Guiding Principles on Business and Human Rights. In line with these principles, we have integrated human rights assessment criteria into our lending, investment and corporate procurement activities. In 2016, we signed the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights, which includes commitments to further improving our human rights due diligence in international finance transactions. We also published our first Human Rights Report, based on the UN Guiding Principles Reporting Framework, being the first bank to do so.

Client and investment management

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

In corporate lending, the bank performs a sustainability assessment for transactions with an increased sustainability risk level. This assessment is based on the ESE standards in our sustainability risk policy framework and focuses on the compliance, commitment, capacity and track record of our client in managing its sustainability risk. This means that we may decide to accept transactions with a high sustainability risk profile, as long as our client is capable of managing these risks and operates within the limits of our sustainability sector policies and procedures. In 2016 we continued to integrate this assessment into our credit application systems by further implementing our Global Sustainability Risk Indictor (GSRI). Our ambition is to further develop the GSRI tool and use of the results in our monitoring and reporting of our clients' sustainability performance. Other examples of our sustainability efforts are provided in the Business section.

If the sustainability assessment indicates that a client does not meet the bank's sustainability standards, we explore possibilities for improvement. We do this by conducting an open dialogue with our clients, by addressing and discussing these matters and, where necessary, promoting and negotiating for improvement. In general, we do not provide lending unless our conditions for improvement have been accepted by the client.

Management Control Statement

Under best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code, ABN AMRO Bank's Managing Board is requested:

- To describe the main risks related to the strategy of ABN AMRO Bank;
- To describe internal risk management and control systems for the main risks during the year;
- To describe any major shortcomings (if any);
- To substantiate the operation of internal risk management and control (related to financial reporting risks) during the year under review, and;
- To state its adequacy and effectiveness.

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

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

Different parts of the Risk, funding & capital section elaborate on ABN AMRO Bank's identified risks, such as credit risk, market risk, operational risk, liquidity risk and business risk.

Based on the process regarding internal risk management and control over financial reporting, the Managing Board of ABN AMRO Bank N.V. makes the following statement regarding the Bank's financial reporting risks:

- ABN AMRO Bank's internal risk management and control systems provide reasonable assurance that ABN AMRO Bank's consolidated financial statements do not contain any material inaccuracies;
- ABN AMRO Bank's internal risk management and control systems functioned properly in 2016;
- There are no indications to suggest that ABN AMRO Bank's internal controls will not continue to function properly in 2017.

The internal risk management and control systems provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of ABN AMRO Bank's published financial statements.

ABN AMRO Bank has implemented an Operational Risk Management Framework (ORMF) for sound operational risk management, worldwide, in line with the requirements for Advanced Measurement Approach (AMA) compliance. As from January 2017 the ECB gave ABN AMRO Bank permission to use the Advanced Measurement Approach (AMA), subject to certain conditions. The ORMF combines the various non-financial risk disciplines into a single converged approach and provides the businesses with a clear and fair view on their operational risks and the way these are managed. These insights allow senior management to form an opinion on the adequacy of internal and management controls regarding the risks they face while pursuing the bank's business objectives.

Based on risk assessments and monitoring and control activities, the Managing Board of ABN AMRO Bank N.V. makes the following statement with regard to risks that may jeopardise ABN AMRO Bank's business objectives (as a translation of ABN AMRO Bank's profile and strategy) for the short term:

- ABN AMRO Bank has internal risk management and control systems in place to provide reasonable assurance that ABN AMRO Bank will not be hindered in achieving its business objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen;
- Based on internal risk management and control systems in place and barring unforeseen adverse external conditions, the Managing Board is of the opinion that there are no material elements within ABN AMRO Bank that could significantly endanger the realisation of its business objectives;

- Regarding internal risk management and control systems, the Managing Board has identified dependencies:
  - The following external factors could have an impact on the current ABN AMRO Bank business model:
    - Limitations in the execution of the planned sustainable growth strategies due to adverse monetary conditions (i.e. low/negative interest rates) and potential geopolitical developments (impacting global trade, or increasing the risk to business already conducted), leading to reduced shareholder value.
    - Several (pending) laws and regulations and change of interpretation of existing European and local laws and regulations may significantly impact liquidity and capital adequacy and its capital raising capabilities. Specifically, Basel IV requirements could significantly affect ABN AMRO Bank's business model and may impact the level playing field in specific segments in which ABN AMRO Bank is active. Basel IV will also impact the ability of ABN AMRO Bank to free up resources to compete with new entrants and new intermediaries.
  - Regulatory pressure in the context of complexity, multiple interpretations, and volume of new laws/ regulations will impact ABN AMRO Bank's strategy. As regulatory bank-wide programmes such as MiFID II require significant attention and effort from commercial and other staff, this will impact the capacity for other essential strategic change initiatives.

- The following areas of improvement have been identified and agreed upon and are actively managed by senior management:
  - The high level of change in combination with the challenges regarding our agile and cultural transformation could potentially endanger the business objectives of the Group as a whole. These change initiatives are considered necessary in order to keep the bank competitive. However, they involve a heavy workload for the entire organisation. Change risk is managed at the highest level within the bank (Managing Board). Operational Risk Management and senior management of the businesses and functions are jointly working on identifying and mitigating the risks of each change initiative as well as across initiatives. The objective is to optimise the bank's ability to mitigate these risks effectively and achieve its overall strategic objectives.
  - Data quality issues remain an attention point, although data quality improvements have been realised. In order to further improve the accessibility, consistency, granularity and quality of risk & finance data, change initiatives such as PERDARR are in progress to mitigate this risk.
  - Non-compliance with (new or new views on) laws and regulations may lead to reputational damage, fines or warnings. Ensuring compliance with regulatory requirements may take up a substantial part of our resources. This risk is mitigated by raising staff awareness of regulatory programmes by means of ongoing training and presentations. Furthermore, a high number of employees and a large budget have been made available for regulatory change initiatives (such as MiFID II and Basel IV).
  - Important steps have been taken to improve the bank's ability in the future to respond to disruptive innovations and ensure we identify and respond swiftly and effectively to new developments (e.g. blockchain) which may threaten our business model. Due to the high number of change initiatives and the limited availability of staff and specific resources, the bank runs the risk of not responding quickly enough. ABN AMRO Bank's current strategy is to focus on innovation and growth and, in particular, on digitalisation and fast delivery. To this end, our employees' expertise must be strengthened and broadened.
  - Due to the continued increase and professionalisation of external cyber threats, there is a risk that the organisation will not be able to keep pace with new security threats. This could result in a major security incident with a large financial and/or reputational impact. Full situational awareness is being promoted and investments in information security (such as DDOS shield and cloud brokerage) are being made to manage this high risk.

- The bank's reputation is influenced by society's perception of banking in general and of ABN AMRO Bank in particular. This, combined with constant reorganisations in the financial industry, makes it more difficult to attract employees in areas that are critical to the bank. ABN AMRO Bank's current strategy and its focus on an agile way of working, with passion and expertise, should help us to sustain and improve our attractiveness as an employer. Culture programmes on our new principles are being carried out to support staff in acting in accordance with our new approach. And Human Resources will focus more on attracting scarce and highly specialised talented employees and less on attracting staff that are easier to attract or replace.

The evaluation of the adequacy of internal risk management and control systems was regularly discussed with the Audit Committee and the Risk & Capital Committee in 2016 and was subsequently submitted to the Supervisory Board. Due to their inherent limitations, ABN AMRO Bank's internal risk management and control systems do not provide complete assurance on the realisation of business objectives, and cannot at all times prevent inaccuracies, fraud and non-compliance with rules and regulations.

Risk, funding & capital review

The following section provides a comprehensive overview of the different risks across business segments and portfolios. Information on capital developments is also provided. More information on the ABN AMRO Bank's risk management strategy, framework, governance and policies is provided in the Risk, funding & capital management section. Additional mandatory disclosures are provided in the Additional risk, funding & capital information section.

Overview

The Dutch economy grew by around 2% in 2016, matching the growth recorded in 2015. Both years saw growth in all areas of spending. Although global trade did not grow spectacularly Dutch exports did well. Household consumption rose by around 1.5%, which is not surprising considering the significant improvement in purchasing power in 2016. The increase in the number of employed people also stimulated consumption. The housing market continued its powerful upward spiral.

The improvement of the economy and Dutch housing market is reflected in a decrease in loan impairments and an overall improvement of the credit quality indicators of our loan portfolio.

We received approval from the regulator to use the Internal Model Approach (IMA) for the calculation of regulatory capital for market risk as of January 2016. As a result, the market risk RWA (REA) was reported in 2016 on the basis of internal models instead of the standardised calculation. In addition, our VaR methodology was enhanced to cope better with low and negative interest rates and is pending approval from the regulator to be used for our VaR calculation.

At the end of 2016, we received permission from the ECB to apply the Basel II Advanced Measurement Approach. As of Q1 2017, we will use our internal AMA model for calculating regulatory capital for operational risk. Permission to apply the most advanced calculation method confirms the ECB's satisfaction with how we manage operational risks.

We participated in the 2016 EU-wide stress test conducted by the European Banking Authority (EBA). The stress test confirmed that ABN AMRO has a significant capital and liquidity buffer.

Key developments

Key figures

(in millions)	31 December 2016	31 December 2015
Total loans and receivables - customers, gross excluding Fair value adjustments[1, 2]	266,551	275,881
- of which Residential mortgages[1]	149,255	148,465
- of which Consumer loans	12,539	15,147
- of which Corporate loans[2]	90,920	100,387
- of which Other loans and receivables - customers	13,838	11,881
On-balance sheet maximum exposure to credit risk[1, 2]	383,122	400,578
Total Exposure at Default	383,118	369,169
Total risk weighted assets (REA)/total Exposure at Default	27.2%	29.3%
RWA (REA)		
Total RWA (REA)	104,215	108,001
- of which Credit risk[3]	83,140	86,063
- of which Operational risk	17,003	16,227
- of which Market risk	4,072	5,710
Fully-loaded CET1 ratio	17.0%	15.5%
Fully-loaded leverage ratio	3.9%	3.8%
Credit quality indicators[4]		
Forbearance ratio[2]	3.3%	3.8%
Past due ratio[2, 5]	1.4%	1.5%
Impaired ratio[2, 5]	3.3%	3.3%
Coverage ratio[2, 5]	38.4%	43.1%
Cost of risk (in bps) - underlying[2, 6]	4	17
Liquidity and funding indicators		
Loan-to-Deposit ratio	112.7%	108.6%
LCR	>100%	>100%
NSFR	>100%	>100%

1 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 RWA (REA) for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2016 CVA amounted to EUR 0.8 billion (2015: EUR 1.1 billion) and DFC amounted to EUR 0.6 billion (2015: EUR 0.3 billion).
4 Ratios calculated on Loans and receivables - customers only.
5 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.
6 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

Change in definition of default and impaired

In order to simplify our reporting and improve comparability with our peers, ABN AMRO aligned the definition of default and impaired in the third quarter of 2016. As a result, defaulted clients without an impairment allowance are now also considered to be impaired.

The alignment led to an increase of the total impaired exposure of EUR 1.8 billion at 31 December 2015. As a result, the impaired and coverage ratio also changed. Furthermore, the past due but not impaired exposure declined. Total impairment allowances remained unchanged.

As the definition of default has not changed, there is no impact on the figures relating to regulatory capital.

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The comparative figures for impaired and past due exposure have been adjusted accordingly. Due to alignment of the definition, an IBNI charge has been reclassified to additions for residential mortgages. This reclassification was not restated for the comparative figures.

Reconciliation table amended offsetting policy and aligned definition Default and Impaired

(in millions)	31 December 2015 after adjustment	31 December 2015 before adjustment
Total loans and receivables - customers		
Total loans and receivables - customers, gross excluding Fair value adjustments	275,881	258,824
Total carrying amount Loans and receivables - customers	276,375	259,319
Forborne Loans and receivables customers	10,504	9,065
Past due (but not impaired) Loans and receivables customers	4,203	4,858
Impaired Loans and receivables customers	9,037	6,973
Credit quality indicators		
Forbearance ratio	3.8%	3.5%
Past due ratio	1.5%	1.9%
Impaired ratio	3.3%	2.7%
Coverage ratio	43.1%	55.8%
Underlying cost of risk (year to date, in bps)	17	19
Corporate loans		
Corporate loans, gross excluding Fair value adjustments	100,387	84,864
Carrying amount Corporate loans	97,007	81,484
Forborne Corporate loans	7,715	6,276
Past due (but not impaired) Corporate loans	879	1,076
Impaired Corporate loans	6,179	4,872
Credit quality indicators - Corporate loans		
Forbearance ratio	7.7%	7.4%
Past due ratio	0.9%	1.3%
Impaired ratio	6.2%	5.7%
Coverage ratio	50.1%	63.6%
Underlying cost of risk (year to date in bps)	38	48

Portfolio review

The residential mortgages portfolio grew to EUR 149.3 billion at 31 December 2016 (31 December 2015: EUR 148.5 billion) due to a rise in new mortgage production, partly offset by redemptions. Consumer loans declined to EUR 12.5 billion at year-end 2016 (31 December 2015: EUR 15.1 billion) as a result of a lower volume of client lending and reclassification of the private banking activities in Asia and the Middle East from consumer loans to assets held for sale. Corporate loans decreased to EUR 90.9 billion at year-end 2016 (31 December 2015: EUR 100.4 billion). This decline was primarily due to the amendment made to the new offsetting policy on notional cash pooling implemented in Q2 2016. This amendment led to an increase in corporate loans and inflated the balance sheet. Following the adjustment to the policy, mitigating actions were taken to reduce the impact. As a result, the carrying amount has been reduced significantly (impact of EUR 1.7 billion at 31 December 2016 compared with EUR 15.5 billion at 31 December 2015). In addition, corporate loans decreased due to reclassification of the private banking activities in Asia and the Middle East, partly offset by increases due to ECT Clients.

Regulatory capital

EAD increased to EUR 383.1 billion at year-end 2016 (31 December 2015: EUR 369.2 billion) driven by higher business volume within Corporate Banking, mainly related to Large Corporates and ECT Clients within International Clients. Total RWA (REA) decreased to EUR 104.2 billion at 31 December 2016 (31 December 2015: EUR 108.0 billion), mainly driven by credit risk and, to a lesser extent, market risk. The decrease was partly offset by operational risk.

Credit risk RWA (REA) declined on the back of Retail Banking, due mainly to higher collateral values and, to a lesser extent, improved credit quality, partly offset by an increase due to model changes. Private Banking decreased as a result of lower business volume. The decrease in credit risk RWA (REA) was partly offset by an increase in Corporate Banking resulting from higher business volume mainly related to ECT Clients within International Clients.

The decrease in RWA (REA) for market risk was mainly the result of the use of the Internal Model Approach (IMA) as from 1 January 2016. The decrease was partly offset by the effect of negative interest rates on our regulatory capital models, reflecting the fact that the models for interest rate options were overly conservative. Improved valuation models have been developed and implemented, which will significantly lower the RWA figures for market risk.

Credit quality indicators

Overall, the credit quality indicators improved as a result of improved economic conditions.

Cost of risk

Total on-balance impairment charges decreased sharply to EUR 115 million in 2016 (2015: EUR 502 million). This decline was mainly the result of significantly lower additions and higher releases within Commercial Clients owing to the improvement of the Dutch economy, partly offset by additions within International Clients related to ECT Clients. As a result, the cost of risk was historically low at 4bps for full-year 2016 (2015: 17bps).

Liquidity and funding

The LtD ratio increased to 113% at 31 December 2016 (31 December 2015: 109%). Main drivers are the reclassification of the bank's Private Banking operations in Asia and the Middle East to assets held for sale and loan growth within Corporate Banking.

Key figures per business segment EDTF 7 EDTF 13

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
					31 December 2016
Total assets	158,580	24,618	119,880	91,403	394,482
On-balance sheet maximum exposure to credit risk	157,614	17,731	117,880	89,897	383,122
Total Exposure at Default[1]	175,879	22,752	115,167	69,320	383,118
RWA (REA)					
Credit risk[1]	25,563	6,280	47,289	4,007	83,140
Operational risk	6,249	1,446	3,552	5,756	17,003
Market risk			4,072		4,072
Total RWA (REA)	**31,813**	**7,726**	**54,913**	**9,763**	**104,215**
Total RWA (REA)/Total Exposure at Default	18.1%	34.0%	47.7%	14.1%	27.2%
					2016
Average RWA (REA)	33,861	8,096	54,536	10,197	106,691
Cost of risk (in bps) - underlying[2]	5	13	3		4

[1] RWA (REA) for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2016 CVA amounted to EUR 0.8 billion and DFC amounted to EUR 0.6 billion.
[2] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
					31 December 2015
Total assets[1,2]	157,330	24,171	132,878	92,994	407,373
On-balance sheet maximum exposure to credit risk[1,2]	156,815	20,834	131,326	91,603	400,578
Total Exposure at Default	174,229	22,105	103,443	69,392	369,169
RWA (REA)					
Credit risk[3]	28,896	6,852	45,867	4,447	86,063
Operational risk	5,875	1,373	3,537	5,441	16,227
Market risk			5,710		5,710
Total RWA (REA)	**34,771**	**8,226**	**55,115**	**9,888**	**108,001**
Total RWA (REA)/Total Exposure at Default	20.0%	37.2%	53.3%	14.3%	29.3%
					2015
Average Risk exposure amount	36,109	8,500	57,191	10,851	112,651
Cost of risk (in bps) - underlying[4]	6	-2	46		19

[1] Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
[2] For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
[3] RWA (REA) for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2015 CVA amounted to EUR 1.1 billion and DFC amounted to EUR 0.3 billion.
[4] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

Reporting scope risk

	31 December 2016			31 December 2015		
(in millions)	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount
Loans and receivables - banks	**13,488**	**3**	**13,485**	**15,682**	**2**	**15,680**
Residential mortgages[1]	152,328	258	152,069	151,866	324	151,543
Less: Fair value adjustment from hedge accounting on residential mortgages	3,073		3,073	3,401		3,401
Residential mortgages, excluding fair value adjustments[1]	**149,255**	**258**	**148,997**	**148,465**	**324**	**148,142**
Consumer loans	**12,539**	**433**	**12,106**	**15,147**	**561**	**14,587**
Corporate loans[2]	92,641	2,895	89,746	101,835	3,380	98,454
Less: Fair value adjustment from hedge accounting on corporate loans	1,722		1,722	1,448		1,448
Corporate loans, excluding fair value adjustments[2]	**90,920**	**2,895**	**88,025**	**100,387**	**3,380**	**97,007**
Other loans and receivables - customers[3]	13,838	81	13,757	11,882	90	11,792
Less: Fair value adjustment from hedge accounting on other loans and receivables - customers				1		1
Other loans and receivables - customers, excluding fair value adjustments[3]	**13,838**	**81**	**13,757**	**11,881**	**90**	**11,791**
Total loans and receivables - customers, excluding fair value adjustments[1,2]	**266,551**	**3,666**	**262,884**	**275,881**	**4,355**	**271,525**
Fair value adjustments on Loans and receivables - customers	4,794		4,794	4,850		4,850
Total loans and receivables - customers[1,2]	**271,345**	**3,666**	**267,679**	**280,730**	**4,355**	**276,375**
Total loans and receivables excluding fair value adjustments[1,2]	**280,039**	**3,669**	**276,369**	**291,563**	**4,357**	**287,205**
Total fair value adjustments on Loans and receivables	4,794		4,794	4,850		4,850
Total loans and receivables[1,2]	**284,833**	**3,669**	**281,164**	**296,412**	**4,357**	**292,055**
Other			113,318			115,318
Total assets[1,2]			**394,482**			**407,373**

1 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

The table above gives an overview of the figures reported in the consolidated balance sheet (net) and the figures reported in the Risk management section (gross) and excluding fair value adjustments.

Economic and regulatory capital EDTF 7 EDTF 13

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
31 December 2016					
Credit risk	2,045	502	3,783	321	6,651
Operational risk	500	116	284	460	1,360
Market risk			326		326
Regulatory capital[1]	**2,545**	**618**	**4,393**	**781**	**8,337**
Credit risk	2,166	463	4,301	1,170	8,100
Operational risk	385	197	460	171	1,213
Market risk			169		169
Business risk	304	265	632	6	1,207
Other risk types[2]	248	147	73	5,653	6,121
Economic capital	**3,103**	**1,072**	**5,635**	**7,000**	**16,810**
31 December 2015					
Credit risk	2,312	548	3,669	356	6,885
Operational risk	470	110	283	435	1,298
Market risk			457		457
Regulatory capital[1]	**2,782**	**658**	**4,409**	**791**	**8,640**
Credit risk	2,915	504	4,347	987	8,752
Operational risk	301	206	538	214	1,259
Market risk			145		145
Business risk	353	322	514	7	1,195
Other risk types[2]	275	156	97	4,117	4,643
Economic capital	**3,843**	**1,187**	**5,640**	**5,324**	**15,995**

1 Minimum regulatory capital (8% of total risk exposure amount), representing the absolute minimum amount of capital required by a bank to cover three major risk types a bank faces. However available total capital ratios are substantially higher, as explained in the capital section.
2 Other risk types include market risk banking book (including interest rate risk) and pension risk.

Economic capital (EC) increased to EUR 16.8 billion at 31 December 2016 (31 December 2015: EUR 16.0 billion). The rise was driven by the other risk types, related to interest rate risk EC (EUR 1.3 billion), partly offset by a decrease in credit risk EC (EUR 0.6 billion).

The increase in interest rate risk EC was mainly driven by the effect of the continued low interest rate environment for residential mortgages. The lower residential mortgage rates led to more consumers fixing their interest rate for a longer term, which increased the interest rate sensitivity of the bank.

Credit risk EC declined as a result of positive developments within the Retail Banking mortgage portfolio, driven by the upturn in the Dutch economy and the strong housing market. This resulted in improved collateral values and, to a lesser extent, improved credit quality.

Credit risk

Credit risk exposure

Credit risk overview Audited

(in millions)	31 December 2016		31 December 2015	
Total assets[1,2]		**394,482**		**407,373**
Less: items that are not subject to credit risk exposure[3]		11,360		6,795
On-balance sheet maximum exposure to credit risk[1,2]		**383,122**		**400,578**
Off-balance sheet				
Committed credit facilities	27,299		21,559	
Guarantees and other commitments	15,873		13,868	
Revocable credit facilities	82,338		82,865	
Total Off-balance sheet credit facilities and guarantees		125,511		118,292
Maximum exposure to credit risk		**508,633**		**518,870**
Adjustments on assets[4]		-1,430		-5,968
Valuation adjustments[5]		4,849		-7,615
Offsetting and netting		-31,974		-43,498
Off-balance sheet credit facilities and guarantees		-125,511		-118,292
Off-balance sheet exposure fraction expected to be drawn prior to default (Credit Conversion Factors)		28,551		25,672
Total Exposure at Default		**383,118**		**369,169**
Credit risk RWA (REA)/Total Exposure at Default		21.7%		23.3%

1 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 Items that are not subject to credit risk: more details are provided in additional Risk, funding & capital information section, table 'Maximum exposure to credit risk EU IFRS'.
4 Main adjustments on assets are equity instruments, selected financial assets held for trading and fair value adjustments from hedge accounting.
5 Adjustments on valuation include loan impairment allowances.

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

Overall credit risk EAD and RWA
Pillar 3 EDTF 14 EDTF 15

	31 December 2016					
(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	Average Exposure at Default	RWA (REA)	RWA (REA)/ Exposure at Default
Credit risk IRB						
Central governments and central banks	54,464	-5,589	60,054	56,986	1,001	1.7%
Institutions[1]	21,226	6,031	15,195	15,895	2,517	16.6%
Corporates	199,133	91,487	107,647	104,081	41,985	39.0%
Retail	179,546	5,702	173,844	173,310	23,366	13.4%
- of which secured by immovable property	157,957	-2,085	160,042	159,057	18,081	11.3%
- of which qualifying revolving exposures	12,357	6,363	5,994	6,377	2,534	42.3%
- of which other retail	9,232	1,424	7,808	7,876	2,750	35.2%
Credit valuation adjustment					804	
Securitisation positions	1,265		1,265	1,139	95	7.5%
Subtotal	**455,635**	**97,631**	**358,004**	**351,411**	**69,767**	**19.5%**
Equities not held for trading	1,299		1,299	1,263	5,293	407.5%
Other[2]	1,248		1,248	1,263	1,761	141.1%
Total IRB	**458,182**	**97,631**	**360,551**	**353,938**	**76,821**	**21.3%**
Credit risk SA						
Central governments and central banks	4,605	40	4,565	4,271	19	0.4%
Institutions[1]	5,465	43	5,422	5,855	280	5.2%
Corporates	5,441	2,063	3,378	3,598	2,599	76.9%
Retail	5,107	3,966	1,141	1,282	761	66.7%
Covered bonds						
Secured by mortgages on immovable property	5,189	33	5,156	4,182	1,009	19.6%
Exposures in default	688	637	51	54	58	114.5%
Subtotal	**26,495**	**6,781**	**19,714**	**19,241**	**4,726**	**24.0%**
Other[2]	4,178	1,325	2,853	2,903	1,593	55.8%
Total SA	**30,672**	**8,105**	**22,567**	**22,144**	**6,319**	**28.0%**
Total	**488,854**	**105,736**	**383,118**	**376,081**	**83,140**	**21.7%**

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

Overall credit risk EAD and RWA

Pillar 3 EDTF 14 EDTF 15

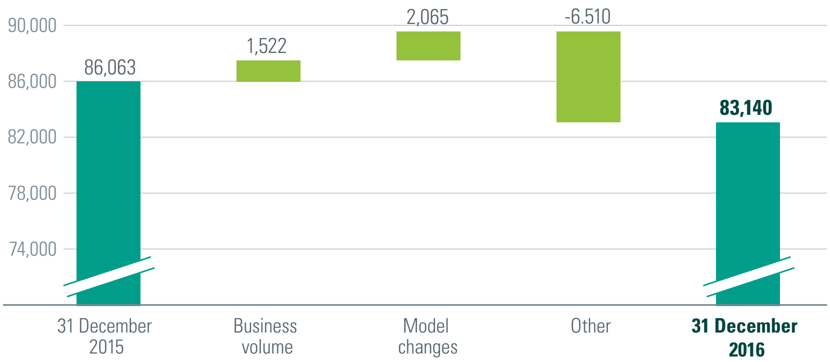
	31 December 2015					
(in millions)	Original Exposure at Default	Netting/ Exposure at Default mitigation[3]	Exposure at Default	Average Exposure at Default	RWA (REA)	RWA (REA)/ Exposure at Default
Credit risk IRB						
Central governments and central banks	55,459	-3,433	58,892	50,582	978	1.7%
Institutions[1]	19,099	4,922	14,177	19,438	2,887	20.4%
Corporates	196,468	97,340	99,128	99,765	40,592	40.9%
Retail	179,737	5,608	174,129	174,878	26,631	15.3%
- of which secured by immovable property	159,573		159,573	160,366	20,269	12.7%
- of which qualifying revolving exposures	6,796		6,796	6,905	3,005	44.2%
- of which other retail	13,368	5,608	7,760	7,608	3,357	43.3%
Credit valuation adjustment					1,105	
Securitisation positions	1,125		1,125	1,268	84	7.5%
Subtotal	**451,889**	**104,437**	**347,452**	**345,931**	**72,277**	**20.8%**
Equities not held for trading	1,208		1,208	1,229	5,185	429.2%
Other[2]	1,286		1,286	1,299	1,491	115.9%
Total IRB	**454,383**	**104,437**	**349,946**	**348,459**	**78,953**	**22.6%**
Credit risk SA						
Central governments and central banks	2,978	20	2,958	2,849	132	4.5%
Institutions[1]	4,485	92	4,393	7,416	153	3.5%
Corporates	6,953	2,991	3,962	4,733	3,535	89.2%
Retail	5,617	4,259	1,358	2,076	793	58.4%
Covered bonds						
Secured by mortgages on immovable property	2,858	26	2,832	3,033	510	18.0%
Exposures in default	668	603	65	78	88	134.9%
Subtotal	**23,558**	**7,990**	**15,568**	**20,185**	**5,211**	**33.5%**
Other[2]	4,654	999	3,655	3,475	1,900	52.0%
Total SA	**28,213**	**8,990**	**19,223**	**23,661**	**7,110**	**37.0%**
Total	**482,595**	**113,427**	**369,169**	**372,120**	**86,063**	**23.3%**

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

The main movements in credit risk EAD and RWA (REA) are discussed in the Key developments section.
In addition to these movements, the standardised EAD portfolio increased to EUR 22.6 billion at 31 December 2016 (31 December 2015: EUR 19.2 billion).

RWA (REA) flow statement credit risk EDTF 16

(in millions)



RWA (REA) decreased to EUR 83.1 billion at 31 December 2016 (31 December 2015: EUR 86.1 billion). The decrease, visible in the category other, was mainly the result of lower RWA (REA) within Retail Banking, as a result of higher collateral values and, to lesser extent, improved credit quality. This decrease was partly offset by an increase due to model changes. In addition, RWA (REA) decreased in Private Banking as a result of lower business volume. Corporate Banking recorded an increase in RWA mainly as a result of higher business volume, partly offset by improved credit quality.

Credit quality by exposure class Audited Pillar 3

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

				31 December 2015
	Investment grade	Sub-investment grade	Impaired	Total
Central governments and central banks	58,769	123		58,892
Institutions[1]	13,804	351	22	14,177
Corporates	37,131	56,787	5,211	99,128
Retail	140,275	31,295	2,559	174,129
- of which secured by immovable property	134,265	23,555	1,486	159,306
- of which qualifying revolving exposures	2,662	3,831	285	6,778
- of which other retail	3,348	3,909	788	8,045
Securitisation positions	1,125			1,125
Total IRB[2]	**251,105**	**88,556**	**7,791**	**347,452**
Total SA[3]				15,568
Total				**363,020**

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

The composition of the credit quality of our portfolio improved in 2016. The investment grade portfolio rose to 74% of the portfolio, and the total IRB portfolio increased as well. The sub-investment portfolio decreased to 24%. These improvements were the result of the continued recovery of the Dutch Economy, improved credit ratings of our clients, and new investment grade client lending (mainly ECT Clients).

Counterparty credit risk Pillar 3 EDTF 29

Counterparty risk by exposure class Pillar 3 EDTF 29

(in millions, Exposure at Default)	31 December 2016 Total	of which: Derivatives	Securities financing transactions	31 December 2015 Total	of which: Derivatives	Securities financing transactions
Credit risk						
Central governments and central banks	60,054	367	201	58,892	334	98
Institutions[1]	15,195	1,832	2,745	14,177	2,114	1,710
Corporates	107,647	2,902	1,335	99,128	3,148	1,756
Retail	173,844			174,129		
- of which secured by immovable property/retail mortgages	160,042			159,306		
- of which qualifying revolving exposures	5,994			6,778		
- of which other retail	7,808			8,045		
Securitisation positions	1,265			1,125		
Total IRB[2]	**358,004**	**5,101**	**4,281**	**347,452**	**5,596**	**3,564**
Total SA[3]	19,714	1,519	2,481	15,568	1,417	2,156
Total	**377,718**	**6,620**	**6,762**	**363,020**	**7,012**	**5,720**

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

Credit risk concentration Audited Pillar 3

Geographic concentration

The consolidated exposures in the table are allocated to the geographical regions where clients are domiciled.

The bank monitors and manages country risk based on the country of risk. The country of ultimate risk may be different from the country of domicile, e.g. when financing a project in another country than where the borrower is domiciled.

Geographic concentration by EAD Audited Pillar 3

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

	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2015
Central governments and central banks	31,530	19,894	4,160	2,822	486	58,892
Institutions[1]	1,897	7,035	2,041	2,604	600	14,177
Corporates	52,876	21,719	5,175	8,157	11,201	99,128
Retail	173,273	651	44	87	74	174,129
- of which secured by immovable property	158,756	395	37	71	47	159,306
- of which qualifying revolving exposures	6,689	73	3	4	9	6,778
- of which other retail	7,828	183	4	12	18	8,045
Securitisation positions	1,125					1,125
Total IRB[2]	**260,702**	**49,299**	**11,420**	**13,670**	**12,361**	**347,452**
Total SA[3]	5,490	8,511	1,077	95	395	15,568
Total	**266,192**	**57,810**	**12,497**	**13,765**	**12,756**	**363,020**
Percentage of total	73.3%	15.9%	3.4%	3.8%	3.5%	100.0%

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

The bank's portfolio is largely concentrated in the Netherlands (72.0%). Businesses outside the Netherlands are primarily located in neighbouring countries in Europe. Specialised activities, such as Energy, Commodities & Transportation Clients (ECT Clients), Clearing, Asset-Based Financing, Securities Financing and Private Banking International, are also located outside Europe.

The Exposure at Default increased in the Netherlands to EUR 271.8 billion at 31 December 2016 (31 December 2015: EUR 266.2 billion) and was mainly the result of an increase in the exposure classes corporates and institutions as a result of higher business volume. The increase in EaD in exposure class corporates was related to higher business volume in International Clients and was visible in all regions.

Industry concentration

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

Industry concentration is presented both in terms of original obligor and in terms of resultant obligor. Original obligor refers to the counterparty with whom ABN AMRO originally has the contractual relationship, often referred to as the borrower. The resultant obligor is the counterparty to which ABN AMRO has the ultimate credit risk, often referred to as the guarantor. The industry view, based on original obligor and resultant obligor, differs significantly for the real estate, healthcare and public administration industries. The government-guaranteed exposures are included in the original obligor view under the applicable industry sector. However, in the resultant obligor view these exposures are included in the public administration industry sector, as they concern government-related exposures.

The bank manages industry concentrations within the risk appetite by setting credit risk economic capital (EC) limits as a percentage of total credit risk EC per industry sector. The bank does not manage concentration based on EAD per industry sector.

Industry concentration by EAD Audited Pillar 3

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

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

Industry concentration by EAD Audited Pillar 3

(in millions, Exposure at Default)	Exposure at Default (original obligor) 31 December 2015	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	16,230	4.5%	15,101	4.2%
Financial services[1]	14,982	4.1%	13,326	3.7%
Industrial goods and services	22,148	6.1%	21,932	6.0%
Real estate	13,244	3.6%	12,021	3.3%
Oil and gas	12,119	3.3%	12,011	3.3%
Food and beverage	13,924	3.8%	13,810	3.8%
Retail	5,132	1.4%	5,059	1.4%
Basic resources	4,378	1.2%	4,347	1.2%
Healthcare	4,871	1.3%	4,725	1.3%
Construction and materials	3,559	1.0%	3,460	1.0%
Other[2]	16,927	4.7%	17,583	4.8%
Subtotal Industry Classification Benchmark	**127,514**	**35.1%**	**123,375**	**34.0%**
Private individuals (non-Industry Classification Benchmark)	178,105	49.1%	178,276	49.1%
Public administration (non-Industry Classification Benchmark)	57,401	15.8%	61,369	16.9%
Subtotal non-Industry Classification Benchmark	**235,506**	**64.9%**	**239,645**	**66.0%**
Exposure at Default[3]	**363,020**	**100.0%**	**363,020**	**100.0%**

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

Almost half of the credit risk exposures in EaD is related to private individuals (non-Industry Classification Benchmark), which is mainly related to residential mortgage loans and, to a lesser extent, consumer loans. Private individuals increased to EUR 182.7 billion at 31 December 2016 (31 December 2015: EUR 178.3 billion) in the resultant obligor view.

Banks, financial services, oil and gas, food and beverages, and industrial goods and services increased as a result of higher business volume related to International Clients (mainly ECT Clients and Large Corporates).

Credit risk mitigation Audited EDTF 30

Offsetting, netting, collateral and guarantees

Audited EDTF 30

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

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

31 December 2016

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[7]
	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[5]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[6]	
Financial assets held for trading	**1,572**		**1,572**							**1,572**
Derivatives	**14,384**		**14,384**	**11,390**			**5**	**11,396**		**2,989**
Securities financing	**20,463**	**2,873**	**17,589**	**234**	**20,634**			**20,868**	**3,443**	**164**
Interest-bearing deposits	5,789	749	5,041	36	1,134			1,170	1,134	5,005
Loans and advances	5,162		5,162	4,187				4,187		976
Other	3,282		3,282				146	146		3,137
Total loans and receivables - banks	**14,234**	**749**	**13,485**	**4,223**	**1,134**		**146**	**5,502**	**1,134**	**9,117**
Loans and receivables - customers										
Residential mortgages[1,2,3]	149,954	958	148,997		2,047	180,013	6,279	188,339	50,979	11,637
Consumer loans[1]	12,141	35	12,106		3,381	5,028	27	8,436	3,583	7,253
Corporate loans[1]	93,458	5,434	88,025	3,086	28,136	43,807	15,225	90,253	25,591	23,363
Other loans and receivables - customers[4]	13,777	20	13,757	684	3,430	3,232	1,108	8,454	1,144	6,447
Fair value adjustment from hedge accounting	4,794		4,794							4,794
Total Loans and receivables - customers[1]	**274,125**	**6,447**	**267,679**	**3,770**	**36,993**	**232,080**	**22,639**	**295,482**	**81,298**	**53,494**
Other assets	**2,299**		**2,299**				**55**	**55**		**2,244**
Total on-balance sheet subject to netting and pledged agreements[1]	**327,077**	**10,069**	**317,008**	**19,617**	**58,761**	**232,080**	**22,845**	**333,303**	**85,874**	**69,580**
Assets not subject to netting and pledged agreements	77,473		77,473							77,473
Total assets[1]	**404,550**	**10,069**	**394,482**	**19,617**	**58,761**	**232,080**	**22,845**	**333,303**	**85,874**	**147,053**
Total off-balance sheet	125,511		125,511		6,779	6,598	4,270	17,646	5,148	113,012
Total on- and off-balance sheet[1]	**530,061**	**10,069**	**519,993**	**19,617**	**65,540**	**238,678**	**27,115**	**350,949**	**91,022**	**260,066**

1 Carrying amount includes Loan impairment allowances.
2 In 2016 the bank concluded that partial derecognition should be applied for certain savings mortgages. The adjustment of the carrying amounts before balance sheet netting is EUR 6.3 billion negative in 2016 (2015: EUR 6.4 billion negative). This adjustment does not impact the reported carrying amounts after balance sheet netting.
3 The impact of the netting adjustment is included. More information is provided in note 1 Accounting policies in the Annual financial statements.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.
6 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
7 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

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

31 December 2015

	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure[10]
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[8]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[9]	
Financial assets held for trading	**1,687**		**1,687**							**1,687**
Derivatives	**19,138**		**19,138**	**14,907**				**14,907**		**4,231**
Securities financing	**23,405**	**3,343**	**20,062**	**361**	**21,859**			**22,219**	**2,358**	**201**
Interest-bearing deposits	5,283	453	4,831	7	1,668			1,675	1,332	4,488
Loans and advances	8,114		8,114	7,275	74			7,349		765
Other	2,735		2,735				4	4		2,732
Total loans and receivables - banks[1]	**16,133**	**453**	**15,680**	**7,282**	**1,742**		**4**	**9,027**	**1,332**	**7,984**
Loans and receivables - customers										
Residential mortgages[2,3,4,5]	148,712	570	148,142		1,693	170,418	7,887	179,999	45,877	14,020
Consumer loans[2]	14,902	316	14,587		6,474	5,419	53	11,946	4,540	7,181
Corporate loans[2,6]	98,690	1,683	97,007	3,920	45,243	42,594	13,006	104,763	24,891	17,135
Other loans and receivables - customers[7]	11,956	165	11,791	748	2,590	3,006	1,406	7,750	842	4,883
Fair value adjustment from hedge accounting	4,850		4,850							4,850
Total Loans and receivables - customers[1,2,3,6]	**279,110**	**2,734**	**276,375**	**4,668**	**56,001**	**221,437**	**22,352**	**304,458**	**76,151**	**48,068**
Other assets	**1,899**		**1,899**				**161**	**161**		**1,737**
Total on-balance sheet subject to netting and pledged agreements[2,3,6]	**341,371**	**6,530**	**334,841**	**27,217**	**79,601**	**221,437**	**22,517**	**350,772**	**79,841**	**63,909**
Assets not subject to netting and pledged agreements	72,533		72,533							72,533
Total assets[2,3,6]	**413,903**	**6,530**	**407,373**	**27,217**	**79,601**	**221,437**	**22,517**	**350,772**	**79,841**	**136,441**
Total off-balance sheet	118,292		118,292		5,226	5,710	1,643	12,578	5,435	111,149
Total on- and off-balance sheet[2,3,6]	**532,196**	**6,530**	**525,665**	**27,217**	**84,827**	**227,147**	**24,160**	**363,351**	**85,275**	**247,590**

1 As of year-end 2015 a refined methology for collateral reporting has been applied.
2 Carrying amount includes Loan impairment allowances.
3 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
4 In 2016 the bank concluded that partial derecognition should be applied for certain savings mortgages. The adjustment of the carrying amounts before balance sheet netting is EUR 6.3 billion negative in 2016 (2015: EUR 6.4 billion negative). This adjustment does not impact the reported carrying amounts after balance sheet netting.
5 The impact of the netting adjustment is included. More information is provided in note 1 Accounting policies in the Annual financial statements.
6 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
7 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
8 Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.
9 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
10 Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Total net exposure of total loans and receivables - customers increased to EUR 53.5 billion at 31 December 2016 (31 December 2015: EUR 48.1 billion). This was mainly due to increased net exposure in corporate loans and other loans and receivables-customers, partially offset by residential mortgages.

The net exposure of residential mortgages significantly decreased, arriving at EUR 11.6 billion at 31 December 2016 (31 December 2015: EUR 14.0 billion). This was the result of an increase in property and equipment resulting from a rise in housing prices.

The total risk mitigation for consumer loans decreased by EUR 3.5 billion, mainly due to the reclassification of the bank's Private Banking operations in Asia and the Middle East from consumer loans to assets held for sale. The reclassification had limited impact on the net exposure.

Corporate loans showed a strong decrease in financial instruments to EUR 28.1 billion at 31 December 2016 (31 December 2015: EUR 45.2 billion). The strong decline was mainly attributable to the adjustment of the offsetting policy in Q2 2016 (impact of EUR 1.7 billion at 31 December 2016, compared with EUR 15.5 billion at 31 December 2015). The net exposure increased to EUR 23.4 billion at 31 December 2016 (31 December 2015: EUR 17.1 billion). This was primarily due to higher exposure levels within International Clients relating to large corporate and investment grade Commodities Clients. These clients generally have a low risk profile, and it is common practice for them to have non-collateralised loans.

The net exposure of other loans and receivables – customers increased to EUR 6.4 billion (31 December 2015: EUR 4.9 billion), mainly due to clearing activities.

Financial liabilities: offsetting, netting and collateral & guarantees Audited

								31 December 2016
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
(in millions)	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Surplus collateral	Total risk mitigation	
Financial liabilities held for trading	**791**		**791**					**791**
Derivatives	**14,526**		**14,526**	**13,113**			**13,113**	**1,414**
Securities financing	**14,499**	**2,873**	**11,625**	**235**	**13,589**	**3,289**	**17,114**	**1,090**
Deposits	13,797	403	13,394	3,210			3,210	10,185
Other	25		25					25
Due to banks	**13,823**	**403**	**13,419**	**3,210**			**3,210**	**10,210**
Deposits	235,550	6,792	228,758	3,059			3,059	225,698
Other borrowings								
Due to customers	**235,550**	**6,792**	**228,758**	**3,059**			**3,059**	**225,698**
Other liabilities	**6,503**		**6,503**					**6,503**
Total liabilities subject to netting arrangements	**285,691**	**10,069**	**275,623**	**19,617**	**13,589**	**3,289**	**36,495**	**245,705**
Remaining liabilities not subject to netting	99,922		99,922					99,922
Total liabilities	**385,613**	**10,069**	**375,544**	**19,617**	**13,589**	**3,289**	**36,495**	**345,627**

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

Financial liabilities: offsetting, netting and collateral & guarantees Audited

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
								31 December 2015
	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[1]	Financial instruments collateral	Surplus collateral	Total risk mitigation	
Financial liabilities held for trading	**459**		**459**					**459**
Derivatives	**22,425**		**22,425**	**19,754**			**19,754**	**2,671**
Securities financing	**14,715**	**3,343**	**11,372**	**131**	**13,682**	**3,718**	**17,532**	**1,277**
Deposits	15,053	449	14,604	3,849			3,849	10,756
Other	26		26					26
Due to banks	**15,079**	**449**	**14,630**	**3,849**			**3,849**	**10,781**
Deposits	249,931	2,738	247,192	3,483			3,483	243,709
Other borrowings	160		160					160
Due to customers	**250,091**	**2,738**	**247,353**	**3,483**			**3,483**	**243,869**
Other liabilities	**5,729**		**5,729**					**5,729**
Total liabilities subject to netting arrangements	**308,498**	**6,530**	**301,968**	**27,217**	**13,682**	**3,718**	**44,617**	**264,786**
Remaining liabilities not subject to netting	87,821		87,821					87,821
Total liabilities	**396,319**	**6,530**	**389,789**	**27,217**	**13,682**	**3,718**	**44,617**	**352,607**

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

Management of forborne, past due and impaired loans

Forborne exposures Audited

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

Clients (potentially) in financial difficulty, for whom contract amendments have been made since 1 January 2012 that are considered concessions on the part of the bank, are accounted for as forborne assets. Contracts that were in a recovery phase at the reporting date are not considered forborne.

Overview of forborne assets Audited

31 December 2016

(in millions)	Gross carrying amount	Performing assets[3] Temporary modification	Performing assets[3] Permanent modification	Performing assets[3] Refinancing	Total performing forborne assets	Non-performing assets[3] Temporary modification	Non-performing assets[3] Permanent modification	Non-performing assets[3] Refinancing	Total non-performing forborne assets	Total forborne assets	Forbearance ratio
Loans and receivables - banks	**13,488**										**0.0%**
Loans and receivables - customers											
Residential mortgages[1]	149,255	817	12	107	936	208	7	23	237	1,173	0.8%
Consumer loans	12,539	127	35	122	283	91	11	134	237	519	4.1%
Corporate loans[1]	90,920	1,554	1,207	817	3,578	625	1,234	1,222	3,080	6,658	7.3%
Other loans and receivables - customers[2]	13,838	121	117	2	240	54	62	2	119	359	2.6%
Total Loans and receivables - customers	**266,551**	**2,618**	**1,370**	**1,048**	**5,037**	**978**	**1,314**	**1,381**	**3,673**	**8,710**	**3.3%**
Total	**280,039**	**2,618**	**1,370**	**1,048**	**5,037**	**978**	**1,314**	**1,381**	**3,673**	**8,710**	**3.1%**

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

Overview of forborne assets Audited

31 December 2015

(in millions)	Gross carrying amount	Performing assets[6] Temporary modification	Performing assets[6] Permanent modification	Performing assets[6] Refinancing	Total performing forborne assets	Non-performing assets[6,7] Temporary modification	Non-performing assets[6,7] Permanent modification	Non-performing assets[6,7] Refinancing	Total non-performing forborne assets	Total forborne assets	Forbearance ratio
Loans and receivables - banks	**15,682**										**0.0%**
Loans and receivables - customers											
Residential mortgages[1,2]	148,465	1,122	23	204	1,349	354	14	39	408	1,757	1.2%
Consumer loans[1,3]	15,147	174	77	42	293	105	72	179	355	648	4.3%
Corporate loans[1,4]	100,387	2,074	1,533	1,496	5,102	634	938	1,041	2,613	7,715	7.7%
Other loans and receivables - customers[1,5]	11,881	110	39		148	109	124	2	235	383	3.2%
Total Loans and receivables - customers[1,2,4,5]	**275,881**	**3,481**	**1,671**	**1,741**	**6,893**	**1,202**	**1,148**	**1,262**	**3,611**	**10,504**	**3.8%**
Total[1,4]	**291,563**	**3,481**	**1,671**	**1,741**	**6,893**	**1,202**	**1,148**	**1,262**	**3,611**	**10,504**	**3.6%**

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 Within consumer loans a reclassification was made from performing refinancing to non-performing refinancing. Comparative figures before 30 September 2016 have been adjusted (31 December 2015 EUR 132 million).
4 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
5 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
6 For reporting purposes, the classification of (non-) performing forborne assets is based on the impaired status of the client.
7 As of 31 March 2016, contracts can discontinue the forborne status as a result of passing the probation period (i.e. ceased to be forborne). Ceased to forborne contracts are still included in the year-end 2015 figures.

The total forborne portfolio decreased significantly to EUR 8.7 billion at year-end 2016 (31 December 2015: EUR 10.5 billion). This decline was mainly attributable to developments within the corporate loans and residential mortgages portfolio.

Total forborne assets within residential mortgages decreased to EUR 1.2 billion at year-end 2016 (31 December 2015: EUR 1.8 billion). The performing forborne portfolio declined by EUR 0.4 billion, mainly as a result of forborne contracts that passed the probation period (cease to be forborne). The non-performing forborne portfolio decreased to EUR 0.2 billion at 31 December 2016 (31 December 2015: EUR 0.4 billion). This decline was mainly due to the recovery strategy which was applied to these forborne contracts. Total inflow of new forborne exposure was very limited in 2016.

Forborne corporate loans decreased to EUR 6.7 billion at year-end 2016 (31 December 2015: EUR 7.7 billion). The decline related to developments within the performing forborne portfolio, which decreased mainly as a result of the outflow of forborne exposure due to forborne contracts that passed the probation period (cease to be forborne). To a lesser extent, the decline in performing forborne corporate loans related to new offsetting agreements. The non-performing forborne corporate loans increased by EUR 0.5 billion, mainly due to an inflow of new forborne clients, primarily related to the oil and gas industry and to a lesser extent to the industrial goods and services sector.

Past due exposures Audited

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

Ageing of past due not classified as impaired Audited

								31 December 2016
	Carrying amount		Days past due					
(in millions)	Gross	Assets not classified as impaired	<= 30	> 30 & <= 60	> 60 & <= 90	>90	Total past due but not impaired	Past due ratio
Securities financing	**17,590**	**17,589**						**0.0%**
Loans and receivables - banks	**13,488**	**13,488**						**0.0%**
Loans and receivables - customers								
Residential mortgage[1]	149,255	147,998	1,897	190	39	8	2,134	1.4%
Consumer loans	12,539	11,800	230	121	51	86	488	3.9%
Corporate loans[1]	90,920	84,225	343	106	52	93	594	0.7%
Other loans and receivables - customers[1,2]	13,838	13,616	242	75	50	19	386	2.8%
Total Loans and receivables - customers	**266,551**	**257,639**	**2,712**	**492**	**192**	**206**	**3,602**	**1.4%**
Other assets	**2,303**	**2,291**	**136**	**20**	**16**	**13**	**185**	**8.0%**
Total	**299,932**	**291,007**	**2,848**	**513**	**208**	**219**	**3,788**	**1.3%**

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

Ageing of past due not classified as impaired Audited

	Carrying amount		Days past due[5]						31 December 2015
(in millions)	Gross[5]	Assets not classified as impaired[5]	<= 30	> 30 & <= 60	> 60 & <= 90	>90	Total past due but not impaired[5]	Past due ratio[5]
Securities financing	**20,073**	**20,062**						**0.0%**
Loans and receivables - banks	**15,682**	**15,680**						**0.0%**
Loans and receivables - customers								
Residential mortgage[1,2]	148,465	146,954	2,164	239	51		2,455	1.7%
Consumer loans[1]	15,147	14,119	301	115	28	75	520	3.4%
Corporate loans[1,3]	100,387	94,208	610	117	6	146	879	0.9%
Other loans and receivables - customers[1,4]	11,881	11,563	185	27	15	124	350	2.9%
Total Loans and receivables - customers[1,2,3]	**275,881**	**266,844**	**3,260**	**498**	**100**	**345**	**4,203**	**1.5%**
Other assets	**1,903**	**1,892**	**180**	**33**	**20**	**9**	**242**	**12.7%**
Total[1,2]	**313,538**	**304,478**	**3,440**	**531**	**120**	**354**	**4,445**	**1.4%**

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification in allowances for impairments for residential mortgages.

The total past due exposure on loans and receivables decreased to EUR 3.6 billion at 31 December 2016 (31 December 2015: EUR 4.2 billion). The decline was attributable to the residential mortgages and the corporate loans portfolio.

Past due exposure on residential mortgages decreased to EUR 2.1 billion at 31 December 2016 (31 December 2015: EUR 2.5 billion), as a result of the continued upturn of the Dutch economy and active management of the portfolio in arrears.

The decrease in corporate loans past due was mainly attributable to the <= 30 days past due bucket and also related to the improved economic circumstances in the Netherlands.

Impaired exposures Audited

Coverage and impaired ratio Audited

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk[3]	Coverage ratio	Impaired ratio
					31 December 2016
Securities financing	**17,590**			**100.0%**	**0.0%**
Loans and receivables - banks	**13,488**				**0.0%**
Loans and receivables - customers					
Residential mortgages[1]	149,255	1,257	-209	16.7%	0.8%
Consumer loans	12,539	738	-387	52.4%	5.9%
Corporate loans[1]	90,920	6,695	-2,761	41.2%	7.4%
Other loans and receivables - customers[1,2]	13,838	222	-68	30.7%	1.6%
Total Loans and receivables - customers	**266,551**	**8,912**	**-3,425**	**38.4%**	**3.3%**
Other assets	**2,303**	**12**	**-5**	**37.5%**	**0.5%**
Total on-balance sheet	**299,932**	**8,925**	**-3,430**	**38.4%**	**3.0%**
Total off-balance sheet	125,518	134		0.1%	0.1%
Total	**425,449**	**9,059**	**-3,430**	**37.9%**	**2.1%**

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

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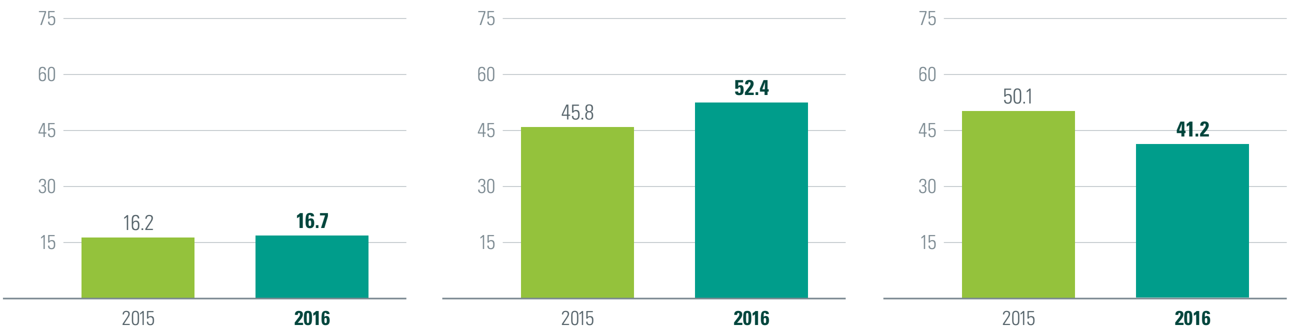
Coverage and impaired ratio Audited

(in millions)	Gross carrying amount	Impaired exposures[6]	Allowances for Impairments for identified credit risk[5, 6]	Coverage ratio[6]	Impaired ratio[6]
	31 December 2015				
Securities financing	**20,073**	**11**	**-11**	**100.0%**	**0.1%**
Loans and receivables - banks	**15,682**	**2**	**-2**	**100.0%**	**0.0%**
Loans and receivables - customers					
Residential mortgages[1, 2]	148,465	1,511	-245	16.2%	1.0%
Consumer loans[1]	15,147	1,028	-471	45.8%	6.8%
Corporate loans[1, 3]	100,387	6,179	-3,098	50.1%	6.2%
Other loans and receivables - customers[1, 4]	11,881	318	-78	24.7%	2.7%
Total Loans and receivables - customers[1, 2, 3]	**275,881**	**9,037**	**-3,892**	**43.1%**	**3.3%**
Other assets	**1,903**	**11**	**-4**	**36.9%**	**0.6%**
Total on-balance sheet[1, 2, 3]	**313,538**	**9,060**	**-3,908**	**43.1%**	**2.9%**
Total off-balance sheet	118,300	117		0.1%	0.1%
Total[1, 2, 3]	**431,838**	**9,177**	**-3,909**	**42.6%**	**2.1%**

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
4 Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.
5 Amounts excluding Incurred But Not Identified (IBNI).
6 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification in allowances for impairments for residential mortgages.

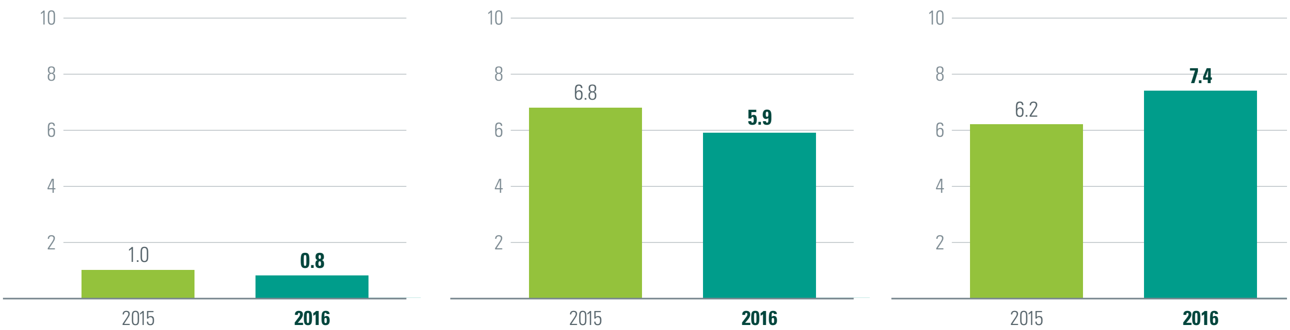
Coverage ratio[1] Audited

Residential mortgages (in %) | Consumer loans (in %) | Corporate loans (in %)[2]



Impaired ratio[1] Audited

Residential mortgages (in %)[3] | Consumer loans (in %) | Corporate loans (in %)[2]



[1] As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison reasons the historical periods before 30 September 2016 have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.
[2] ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly.
[3] Netting for bank saving mortgages is no longer applied, hence the bank saving mortgages are presented gross. Comparing figures have been adjusted accordingly.

As of 30 September 2016, ABN AMRO aligned its definitions of default and impaired in the third quarter of 2016. As a result, defaulted clients without an impairment allowance are now also considered impaired. The comparative figures for the impaired portfolio at 31 December 2015 have been restated accordingly. Due to this change, there has been a reclassification of allowances for impairments for residential mortgages. The IBNI allowances for exposures at default without an impairment allowance, totalling around EUR 32 million at 30 September 2016, were reclassified as allowances for impairment for identified credit risk. Please note that this impact on allowances for impairments has not been restated for the comparative figures.

Impaired exposures for total loans and receivables - customers at year-end 2016 were slightly lower than at year-end 2015. At portfolio level, the impaired residential mortgages and consumer loans decreased, offset by corporate loans. Allowances for impairments decreased to EUR 3.4 billion at 31 December 2016 (31 December 2015: EUR 3.9 billion), mainly in the Commercial Clients portfolio, reflecting the upturn of the Dutch economy.

The impaired residential mortgages decreased to EUR 1.3 billion at 31 December 2016 (31 December 2015: EUR 1.5 billion), driven by a continuously lower inflow and a high level of outflow from the impaired portfolio. The growing outflow of clients to the performing portfolio together with a higher demand for houses, enabling faster settlement of files in long-term arrears, resulted in the high outflow.

The decline of the impaired portfolio in combination with an increased mortgage portfolio resulted in the impaired ratio at year-end 2016 improving to 0.8% (31 December 2015: 1.0%). Allowances for impairments decreased by 15% due to the improvement of the Dutch housing market, resulting in a coverage ratio of 16.7% at 31 December 2016 (31 December 2016: 16.2%). Note that if the impact for default and impaired alignment had been adjusted historically, the coverage ratio for 31 December 2015 would have been 18.5%.

As a result of write-offs and files returning to the normal portfolio, impaired exposure as well as allowances for impairments for consumer loans declined in 2016. In combination with a smaller portfolio, this led to an improved impaired ratio of 5.9% and an increased coverage ratio of 52.4% at 31 December 2016 (31 December 2015: 6.8% and 45.8%).

Impaired corporate loans rose to EUR 6.7 billion (31 December 2015: EUR 6.2 billion), primarily due to impaired files in the ECT Clients portfolio related to the oil and gas industry, and a single large file in the Commercial Clients portfolio. The ECT Clients exposures have a relatively low coverage ratio as these exposures are largely collateralised. The additions were offset by several reversals noted in the Commercial Clients portfolio (with a higher coverage ratio). As a result, we noted a higher impaired ratio of 7.4% and a lower coverage ratio of 41.2% (31 December 2015: 6.2% and 50.1%).

The impaired ratio for other loans and receivables improved to 1.6% (31 December 2015: 2.7 %), mainly due to full repayments of impairment loans in combination with an increased portfolio. The coverage ratio increased to 30.7% at 31 December 2016 (31 December 2015: 24.7%).

Loan impairment charges and allowances

Audited | Pillar 3 | EDTF 28

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

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

Individual and collective loan impairment allowances Audited

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

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

Loan impairment charges and allowances Audited Pillar 3 EDTF 28

(in millions)	Securities financing	Banks	Corporate loans[1]	Residential mortgages[2]	Consumer loans	Other loans	Total
Balance at 1 January 2015	11		3,439	538	654	129	4,771
Impairment charges for the period		1	1,096	137	160		1,394
Reversal of impairment allowances no longer required			-643	-99	-76		-818
Recoveries of amounts previously written off			-7	-25	-42		-74
Total impairment charges on loans and other receivables			**446**	**14**	**43**		**502**
Amount recorded in interest income from unwinding of discounting			-45	-50	-10		-105
Currency translation differences	1		79			2	82
Amounts written off (net)			-629	-174	-150		-953
Reserve for unearned interest accrued on impaired loans			59		12		71
Other adjustments		2	123	-5	12	-131	
Balance at 31 December 2015	**11**	**2**	**3,470**	**324**	**561**	**1**	**4,368**

[1] Corporate loans includes Financial lease receivables and Factoring.
[2] As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification from IBNI to allowances for impairments for identified credit risk within residential mortgages.

Individual and collective loan impairment allowances Audited

	31 December 2015						
(in millions)	Securities financing	Banks	Corporate loans[1]	Residential mortgages	Consumer loans	Other loans	Total
Individual impairment	11	2	2,860	16	197		3,085
Collective impairment		1	610	307	364	1	1,283
Balance at 31 December 2015	**11**	**2**	**3,470**	**324**	**561**	**1**	**4,368**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	11	2	6,179	1,511	1,028	318	9,049

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

Loan impairment charges on- and off-balance sheet Audited

(in millions)	2016	2015
On-balance sheet	115	502
Off-balance sheet		3
Total impairment charges on loans and other receivables	**114**	**505**

Total on-balance impairment charges dropped sharply to EUR 115 million in 2016 (2015: EUR 502 million). This decrease was driven by corporate loans.

Impairment charges for corporate loans decreased sharply to EUR 42 million in 2016 (2015: EUR 446 million), mainly as a result of significantly lower additions and higher releases within Commercial Clients following from the improvement of the Dutch economy. The decline in Commercial Clients was slightly offset by International Clients, mainly due to additions related to the Energy and Transportation sectors within ECT Clients.

Impairment charges for residential mortgages increased to EUR 56 million in 2016 (2015: EUR 14 million), mainly impacted by lower IBNI releases and, to a lesser extent, higher additions.

Consumer loans declined to EUR 17 million in 2016 (2015:EUR 43 million), benefiting from the upturn of the Dutch economy.

Forborne, past due and impaired loans split by geography and industry Pillar 3

Forborne, past due and impaired loans split by geography Pillar 3

(in millions)	Forborne exposure	Exposures past due, but not impaired	Impaired exposures	Allowances for impairments[1]	Impairment charges for the period[1]
					31 December 2016
The Netherlands	6,460	3,248	6,254	-2,282	123
Rest of Europe	739	515	947	-334	84
USA	389		357	-97	60
Asia	309	20	187	-96	18
Rest of the world	812	5	1,179	-621	51
Total On-balance	**8,710**	**3,788**	**8,925**	**-3,430**	**335**
Off-balance			134		
Total	**8,710**	**3,788**	**9,059**	**-3,430**	**335**

	Forborne exposure	Exposures past due, but not impaired[2,3]	Impaired exposures[2,3]	Allowances for impairments[1]	Impairment charges for the period[1]
					31 December 2015
The Netherlands	9,280	3,980	7,315	-2,804	582
Rest of Europe	511	419	784	-377	61
USA	72		64	-49	5
Asia	189	1	111	-67	38
Rest of the world	452	44	787	-612	42
Total On-balance	**10,504**	**4,445**	**9,060**	**-3,908**	**728**
Off-balance			117		
Total	**10,504**	**4,445**	**9,177**	**-3,909**	**728**

1 Amounts excluding Incurred But not Identified (IBNI).
2 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification in allowances for impairments for residential mortgages.
3 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

The largest decline in forborne exposure was observed for the Netherlands, which amounted to EUR 6.5 billion at year-end 2016 (31 December 2015: EUR 9.3 billion). This decline was mainly the result of forborne contracts that passed the probation period (cease to be forborne) within corporate loans and residential mortgages and, to a lesser extent, to the application of a recovery strategy to forborne contracts within the corporate loans portfolio. Forborne exposure mainly increased within the US and the rest of the world, which was primarily the result of an inflow of new forborne corporate loans related to the industrial goods and services sector and the oil and gas sector.

The decline in past due but not impaired exposure was mainly visible in the Netherlands. This was driven by the decline in past due exposure for domestic Commercial Clients and residential mortgages.

Impaired exposures decreased mainly in the Netherlands, due to the decline in residential mortgages, consumer loans and the domestic commercial clients portfolio. The increases outside the Netherlands were mainly related to ECT Clients related files as well to FX currency impact (mainly USD).

Forborne, past due and impaired loans split by industry Pillar 3

	31 December 2016								
(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not impaired	Past due ratio (EAD)	Impaired exposures	Impaired ratio (EAD)	Allowances for impairments for identified credit risk[4]	Impairment charges for the period[4]
Industry sector									
Banks	19,405		0.0%		0.0%		0.0%		-4
Financial services[1]	17,141	90	0.5%	49	0.3%	782	4.6%	-655	-19
Industrial goods and services	23,203	2,271	9.8%	290	1.2%	1,786	7.7%	-602	190
Real estate	14,515	604	4.2%	137	0.9%	606	4.2%	-202	-37
Oil and gas	14,563	1,213	8.3%	3	0.0%	890	6.1%	-188	102
Food and beverage	15,154	1,049	6.9%	105	0.7%	676	4.5%	-170	-23
Retail	5,634	462	8.2%	157	2.8%	541	9.6%	-195	-22
Basic resources	4,561	222	4.9%	5	0.1%	489	10.7%	-197	14
Healthcare	4,653	171	3.7%	21	0.4%	204	4.4%	-139	-23
Construction and materials	3,606	459	12.7%	60	1.7%	483	13.4%	-238	21
Other[2]	17,599	534	3.0%	343	2.0%	625	3.6%	-254	-14
Subtotal Industry Classification Benchmark	**140,035**	**7,074**	**5.1%**	**1,169**	**0.8%**	**7,084**	**5.1%**	**-2,841**	**186**
Private individuals (non-Industry Classification Benchmark)	182,597	1,635	0.9%	2,618	1.4%	1,975	1.1%	-589	149
Public administration (non-Industry Classification Benchmark)	55,087			1					
Subtotal non-Industry Classification Benchmark	**237,683**	**1,635**	**0.7%**	**2,619**	**1.1%**	**1,975**	**0.8%**	**-589**	**149**
Total[3]	**377,718**	**8,710**	**2.3%**	**3,788**	**1.0%**	**9,059**	**2.4%**	**-3,430**	**335**

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

Forborne, past due and impaired loans split by industry Pillar 3

								31 December 2015	
(in millions)	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Exposures past due, but not impaired[5]	Past due ratio (EAD)[5]	Impaired exposures[5]	Impaired ratio (EAD)[5]	Allowances for impairments for identified credit risk[6]	Impairment charges for the year[6]
Industry sector									
Banks	16,230		0.0%		0.0%	12	0.1%	-12	
Financial services[1,2]	14,982	113	0.8%	79	0.5%	947	6.3%	-696	14
Industrial goods and services[2]	22,148	2,198	9.9%	338	1.5%	1,392	6.3%	-608	78
Real estate[2]	13,244	863	6.5%	250	1.9%	852	6.4%	-324	13
Oil and gas[2]	12,119	707	5.8%	6	0.0%	185	1.5%	-73	13
Food and beverage[2]	13,924	1,151	8.3%	179	1.3%	719	5.2%	-246	52
Retail[2]	5,132	1,374	26.8%	123	2.4%	695	13.5%	-282	93
Basic resources[2]	4,378	307	7.0%	40	0.9%	430	9.8%	-223	57
Healthcare[2]	4,871	316	6.5%	25	0.5%	234	4.8%	-167	102
Construction and materials[2]	3,559	474	13.3%	34	1.0%	591	16.6%	-285	80
Other[3]	16,927	677	4.0%	401	2.4%	672	4.0%	-295	71
Subtotal Industry Classification Benchmark	**127,514**	**8,179**	**6.4%**	**1,476**	**1.2%**	**6,730**	**5.3%**	**-3,210**	**574**
Private individuals (non-Industry Classification Benchmark)	178,105	2,325	1.3%	2,969	1.7%	2,447	1.4%	-698	154
Public administration (non-Industry Classification Benchmark)[2]	57,401					1			
Subtotal non-Industry Classification Benchmark	**235,506**	**2,325**	**1.0%**	**2,970**	**1.3%**	**2,448**	**1.0%**	**-698**	**154**
Total[4]	**363,020**	**10,504**	**2.9%**	**4,445**	**1.2%**	**9,177**	**2.5%**	**-3,909**	**728**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 Other includes, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
5 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification in allowances for impairments for residential mortgages.
6 Amounts excluding Incurred But Not Identified (IBNI).

The largest decrease in forborne assets was recorded in the retail sector, mainly as a result of new offsetting agreements. Within the private individuals sector, total forborne exposures decreased to EUR 1.6 billion at year-end 2016 (31 December 2015: EUR 2.3 billion), and was primarily related to forborne contracts that passed the probation period (cease to be forborne). The largest increase in forborne assets was observed within the oil and gas industry, as a result of an inflow of new forborne contracts.

The main contributors to the decline in exposures past due but not impaired were private individuals, real estate and food and beverage. The decrease was primarily related to the continued upturn of the Dutch economy.

Real estate benefited from the improved economic conditions as well as repayments, causing impaired exposures to decline. The releases in the allowances for impairments for real estate were mainly attributable to the improved underlying collateral values.

Impaired exposures and allowances for impairments for private individuals dropped significantly, mainly as a result of a continued high level of outflow from, and lower inflow into, the impaired portfolio for residential mortgages.

Increases in impaired exposure and allowances for impairments at industry level were recorded mainly in the oil and gas sector due to ECT Clients-related files. These new files are currently being restructured and mitigating actions are being taken. Industrial goods and services rose mainly due to a single file in the Commercial Clients portfolio.

Developments in specific portfolios

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

Residential mortgages The Dutch housing market continued its strong recovery in 2016. Housing transactions and house prices rose again, although these improvements were more visible in larger cities in the urban agglomeration. The continued improvement was mainly attributable to low mortgage interest rates, as well as insufficient residential construction activity combined with favourable Dutch economic conditions. The economic upturn also improved confidence among home buyers.

The number of transactions in the Dutch housing market went up by more than 20% compared with 2015, according to Statistics Netherlands (CBS). The CBS housing price index rose by an average of 5.1% year-on-year. A record total of 214,793 houses were sold in 2016, the highest number since CBS and the Land Registry (Kadaster) started joint publication in 1995.

The maximum amount for government-guaranteed loans (NHG) was set at EUR 245,000 at 1 July 2015 (and was slightly increased to EUR 247,450 as of 1 January 2017). The government is restricting home financing by reducing the maximum Loan-to-Market Value (LtMV) of a mortgage loan from 102% in 2016 and 101% in 2017, and ultimately to 100% in 2018. Since 2013, new mortgages must be fully redeemed during the term of the loan based on an annuity or linear scheme in order to be eligible for tax deductibility. Mortgage loans that already existed at 31 December 2012 are not affected by this new legislation.

For all mortgage loans, new and existing, tax deductibility will be gradually further reduced in the next 25 years from a maximum of 52% to 38%. In 2017, the maximum bracket for deduction of interest will be lowered to 50.0% (2016: 50.5%). In the improved economic circumstances, the housing market had no problem absorbing the restrictions.

ABN AMRO's market share in new mortgage production came to 21.9%[1] in 2016 (2015: 19.9%). The strength of the Dutch housing market is reflected in ABN AMRO's new mortgage production (28% higher than in 2015). The NHG proportion of new mortgage production decreased further to 20% in 2016, compared with 40% in 2015. The percentage of NHG in total new production declined considerably since the last reduction of the NHG limit on 1 July 2015.

Total redemptions in 2016 amounted to EUR 13.3 billion (2015: EUR 12.4 billion). Full redemptions increased as a result of clients refinancing mortgage loans at current historically low mortgage interest rates. Contractual repayments gradually grew, in accordance with current tax regulations. Extra repayments amounted to EUR 2.4 billion in 2016, which was fairly stable compared with 2015 after EUR 2.7 billion in the peak year 2014. Incentives for the current extra redemptions are still the very low interest rates on savings and an increased awareness among homeowners of the possibility of residual debt at the end of their loan term.

Residential mortgage indicators

(in millions)	31 December 2016	31 December 2015
Gross carrying amount excluding fair value adjustment from hedge accounting[1]	149,255	148,465
- of which Nationale Hypotheek Garantie (NHG)[1]	39,293	39,706
Fair value adjustment from hedge accounting[1]	3,073	3,401
Gross carrying amount[1]	152,328	151,866
Exposure at Default[2]	165,199	162,405
RWA (REA)[2]	19,090	20,779
RWA (REA)/Exposure at Default	11.6%	12.8%
Forbearance ratio	0.8%	1.2%
Past due ratio[1, 3]	1.4%	1.7%
Impaired ratio[1, 3]	0.8%	1.0%
Coverage ratio[3]	16.7%	16.2%
Cost of risk (year to date, in bps)[4]	4	1
Average LtMV (indexed)	76%	80%
Average LtMV - excluding NHG loans (indexed)	73%	76%
Total risk mitigation[5]	188,339	179,999
Total risk mitigation/gross carrying amount[6]	123.6%	118.5%

1 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 The RWA (REA) and Exposure at Default amounts are based on the exposure class Secured by immovable property. This scope is slightly broader than the residential mortgage portfolio.
3 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparing figures have been adjusted excluding the reclassification in allowances for impairments for residential mortgages.
4 Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
5 As of 31 March 2016, ABN AMRO revised the allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
6 Gross carrying amount including fair value adjustment

The gross carrying amount of the residential mortgage portfolio amounted to EUR 149.3 billion at 31 December 2016 (31 December 2015: EUR 148.5 billion). New mortgage production increased substantially, partly offset by repayments. NHG-guaranteed loans remained relatively stable at 26% of the residential mortgage portfolio compared with 2015.

The RWA (REA) for the residential mortgage portfolio decreased to EUR 19.1 billion at the end of 2016 (31 December 2015: EUR 20.8 billion) and was related to updated indexation factors leading to higher collateral values in combination with fewer clients in arrears, partly offset by model changes. Exposure at Default (EaD) increased to EUR 165.2 billion at 31 December 2016 (31 December 2015: EUR 162.4 billion) in line with the growing loan portfolio.

The forbearance ratio decreased from 1.2% at 31 December 2015 to 0.8% at 31 December 2016, mainly as a result of clients that passed the probation period combined with the recovery strategy, which was applied to non-performing forborne clients. The past due ratio improved to 1.4% at year-end 2016 (31 December 2015 1.7%) due to fewer clients going into arrears and more clients recovering from arrears.

As of 30 September 2016, ABN AMRO aligned the definitions of default and impaired. As a result, defaulting clients without an impairment allowance are now also considered impaired. The comparative figures for the impaired portfolio for 31 December 2015 have been restated accordingly. Due to this change, there has been a reclassification in allowances for impairments for residential mortgages. The IBNI allowances for exposures at default without an impairment allowance, totalling EUR 32 million, were reclassified as allowances for impairment for identified credit risk. This impact on allowances for impairments has not been restated for the comparative figures.

The impaired ratio improved to 0.8% at 31 December 2016 (31 December 2015: 1.0%). The coverage ratio came to 16.7% at 31 December 2016 (31 December 2015: 16.2%). Both the impaired portfolio and allowances for credit risk decreased as a result of the improvement of the Dutch economy. If the impact on allowances for impairments were to be adjusted historically, the coverage ratio would have been 18.5% at 31 December 2015.

Cost of risk remained low at 4bps at 31 December 2016, but was higher than at 31 December 2015 (1bps). The increased cost of risk can be explained by lower IBNI releases.

The risk profile of the residential mortgage portfolio proved to be low in the years of economic downturn and has improved since 2014.

Rising house prices and restrictions on the maximum Loan-to-Market Value (LtMV) for new residential mortgages resulted in a further improvement of the average LtMV of the mortgage portfolio to 76% at 31 December 2016 (31 December 2015: 80%). The same trend is seen for the LtMVs excluding NHG. Extra repayments on residential mortgage loans have a small impact on the highest LtMV categories. Approximately 14% of the extra repayments are related to mortgages with an LtMV>100%.

The long-term LtMV of the bank's portfolio is expected to decrease further, as a result of the regulatory reduction of the maximum LtMV on mortgage loans, increasing house prices and redemptions.

Residential mortgages to indexed market value

(in millions)	Gross carrying amount	Percentage of total	- of which guaranteed[4]	- of which unguaranteed
Loan-to-Market Value category[1,2,3]				
31 December 2016				
<50%	26,021	17.4%	1.9%	15.5%
50% - 80%	47,631	31.9%	6.4%	25.5%
80% - 90%	23,498	15.7%	5.5%	10.2%
90% - 100%	25,498	17.1%	7.0%	10.1%
100% - 110%	15,596	10.4%	3.6%	6.9%
110% - 120%	6,999	4.7%	1.4%	3.2%
>120%	2,110	1.4%	0.5%	1.0%
Unclassified	1,904	1.3%		
Total	**149,255**	**100.0%**		
31 December 2015				
<50%	24,907	16.8%	1.8%	15.0%
50% - 80%	40,192	27.1%	5.1%	22.0%
80% - 90%	18,471	12.4%	3.6%	8.8%
90% - 100%	25,236	17.0%	7.0%	10.0%
100% - 110%	19,173	12.9%	5.1%	7.8%
110% - 120%	12,775	8.6%	2.9%	5.7%
>120%	5,764	3.9%	1.3%	2.6%
Unclassified	1,947	1.3%		
Total	**148,465**	**100%**		

1 ABN AMRO calculates the Loan-to-Market Value using the indexation of the CBS (Statistics Netherlands).
2 As of 31 March 2016, we revised our allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
3 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
4 NHG guarantees.

The gross carrying amount of mortgages with an LtMV above 100% decreased to EUR 24.7 billion at 31 December 2016 (31 December 2015: EUR 37.7 million).

The number of mortgages in the higher LtMV bucket range is decreasing mainly due to indexation of the value of the underlying collateral in combination with no new inflow into these buckets as a result of current regulations for tax deductions. Note that LtMVs of more than 100% do not necessarily indicate that these clients are in financial difficulties. However, ABN AMRO advises clients not to maintain loans at high LtMV levels.

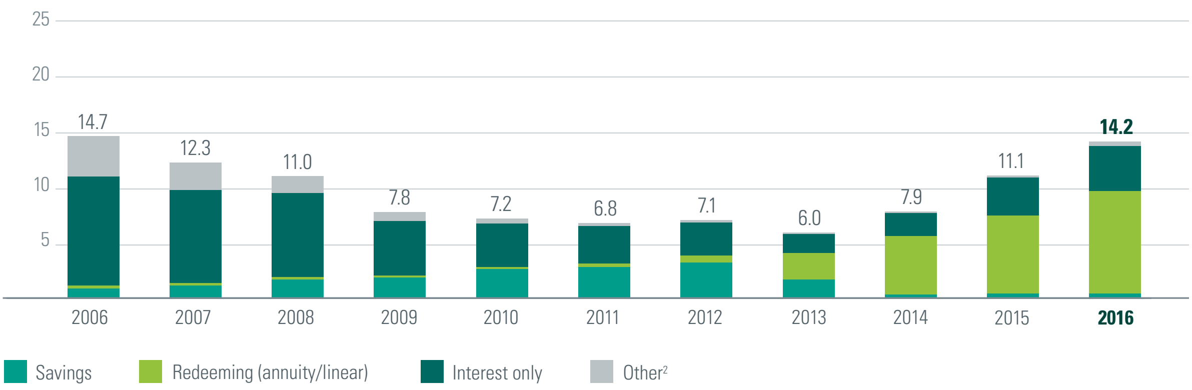
Breakdown of residential mortgage portfolio by loan type 2

	31 December 2016		31 December 2015	
(in millions)	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Interest only (partially)	47,798	32%	47,943	32%
Interest only (100%)	29,638	20%	32,076	22%
Redeeming mortgages (annuity/linear)	26,883	18%	18,569	13%
Savings	20,860	14%	23,272	16%
Life (investment)	15,451	10%	17,787	12%
Other[2]	8,625	6%	8,818	6%
Total	**149,255**	**100%**	**148,465**	**100%**

[1] Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
[2] Other includes hybrid, other and unclassified mortgage types. The hybrid portfolio consists of a combination of savings and investment mortgages.

The change in tax regulations is reflected in the composition of the mortgage portfolio. The proportion of redeeming mortgages increased to 18% of the residential mortgage portfolio at 31 December 2016 (31 December 2015: 13%). Redeeming mortgages is the only category that grew in volume.

Breakdown of residential mortgage portfolio by year of last modification[1]
(in millions)



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

The effects of the Dutch tax regulations implemented in 2013 are clearly visible in the breakdown by year of loan modification. Mortgage loan type originations that took place in 2016 (defined as new production and mortgages with a loan type modification) breaks down into 28.8% interest-only, 65.8% redeeming mortgages and 2.8% savings mortgages. Interest-only and savings mortgages can still be produced for clients who wish to refinance loans that originated before 2013.

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

	31 December 2016	31 December 2015
	Percentage of total	Percentage of total
Loan-to-Market Value category[1]		
<50%	9%	9%
50% - 70%	6%	6%
70% - 100%	4%	6%
>100%	0%	1%
Total[2]	**20%**	**22%**

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

The table above shows the breakdown of the LtMV for the 100% interest-only part of the mortgage portfolio. On 31 December 2016, 0.46% of the total mortgage portfolio had an LtMV above 100% and was 100% interest-only compared with 0.74% at year-end 2015. This is a very small part of the total mortgage portfolio. LtMV above 100% is decreasing as a result of higher house prices and limited inflow in this loan type category under the current mortgage acceptance rules.

Energy, Commodities & Transportation Clients (ECT)

ECT portfolio composition

	31 December 2016				31 December 2015			
(in billions)	Energy	Commodities	Transportation	Total ECT clients	Energy	Commodities	Transportation	Total ECT clients
On-balance sheet exposure loans and receivables customers	**6.0**	**14.5**	**10.2**	**30.8**	4.7	11.1	9.3	25.0
Guarantees and letters of credit	0.9	7.2	0.2	8.4	0.7	5.5	0.2	6.3
Subtotal	**6.9**	**21.8**	**10.4**	**39.1**	**5.3**	**16.5**	**9.5**	**31.4**
Undrawn committed credit facilities	2.8	2.5	1.1	6.5	2.3	2.4	1.9	6.7
Total	**9.8**	**24.3**	**11.5**	**45.6**	**7.6**	**19.0**	**11.4**	**38.0**
RWA (REA) (in billions)				14.4				12.2
RWA (REA) (in %)	21%	58%	21%	100%	19%	59%	22%	100%
Exposure at Default (in billions)				39.1				32.0
Exposure at Default (in %)	19%	53%	28%	100%	18%	51%	31%	100%

ABN AMRO provides financial solutions and support to clients across the entire value chain of the Energy, Commodities & Transportation (ECT) industry. ECT Clients finances and serves corporate clients that are internationally active in Energy (upstream, offshore, midstream, floating production (FPSO/FSO) and corporate lending), Commodities (energy, agricultural and metals) and Transportation (ocean-going vessels and containers).

ECT Clients operates in cyclical sectors. This cyclicality is reflected in our lending policies, financing structures, advance rates and risk management. As some clients in the ECT sectors currently face challenging market circumstances, such as low oil prices and weak dry bulk and container markets, they are continuously subject to stringent credit monitoring and close risk management attention. In addition, ABN AMRO periodically performs sensitivity analyses and stress testing exercises to gain insight into the credit performance under different price scenarios, economic scenarios and risk measures.

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

Prices for most commodities rose substantially over 2016. At the same time, price levels for a number of major commodities are still substantially below the historical 5-year average and investments are only gradually recovering. Moreover, circumstances in a number of shipping markets and offshore services remain challenging given structural overcapacity and decreased demand.

Despite these adverse market conditions, ECT Clients pursues its controlled growth strategy. Portfolio growth is driven by new client acquisitions and broadening and deepening of existing client relations in selectively chosen markets. ECT Clients has also expanded its scope to adjacent business sectors, such as utilities, renewables and natural resources.

On-balance sheet exposure

The ECT Clients total loan portfolio amounted to EUR 30.8 billion in on-balance sheet exposure at 31 December 2016 (31 December 2015: EUR 25.0 billion). The on-balance sheet exposure increased by 23.0% over 2016 driven by growth in all three ECT segments.

Growth in 2016, especially over the fourth quarter, was supported by an increase in oil prices, leading to higher utilisation of credit lines for Commodities Clients, and the strengthening of the US dollar. Including these effects, the ECT Clients on-balance portfolio grew by EUR 5.8 billion in 2016. Oil prices increased by 50% in 2016. This explains EUR 2.6 billion of the year's growth. The EUR-USD exchange rate was volatile over the year. The US dollar appreciated by 3.2% against the euro over 2016. FX effects accounted for a growth of EUR 0.8 billion over 2016. Excluding oil prices and FX effects, the ECT Clients portfolio grew by EUR 2.4 billion in 2016.

Commodities Clients remained the largest sector of ECT Clients, accounting for EUR 14.5 billion of the ECT Clients on balance sheet exposure, up 31%from EUR 11.1 billion at 31 December 2015. Loans (on-balance) to Transportation Clients accounted for EUR 10.2 billion at 31 December 2016 (31 December 2015: EUR 9.3 billion). Energy Clients' share in the on-balance sheet exposure was EUR 6.0 billion at 31 December 2016 (31 December 2015: EUR 4.7 billion).

Off-balance-sheet exposure

The off-balance-sheet exposure, consisting mainly of short-term letters of credit secured by commodities, guarantees and availability under committed credit lines, increased by 14.2%, arriving at EUR 14.9 billion at 31 December 2016, including EUR 9.7 billion in Commodities Clients, EUR 3.7 billion in Energy Clients and EUR 1.3 billion in Transportation Clients.

Impairment charges

Due to challenging markets in 2016, ECT Clients' impairment charges for the full year amounted to EUR 209 million (2015: EUR 128 million), with Energy accounting for EUR 104 million, Commodities for EUR 46 million and Transportation for EUR 59 million.

Oil price risk on ECT Clients exposure

ECT Clients is exposed to the oil and gas market, mainly through Energy clients and Commodity clients active in energy markets. Market circumstances were challenging in 2016 for companies operating in oil and gas-related sectors. We apply close risk monitoring to our clients in these markets as well as frequent price sensitivity analysis to assess the potential impact of oil price fluctuations.

The breakdown below shows the composition of our direct and indirect oil and gas-related exposure.

Energy Clients portfolio of EUR 6.9bn

Trade Finance Commodities Energy Clients	▶ Trade related exposure; majority is short-term and a substantial part is self-liquidating trade finance, generally for major trading companies ▶ Facilities are mostly secured and either pre-sold or price hedged, not exposing the bank to oil price risk	Roughly 34% of ECT Clients, in which Commodities Energy is the largest part	Not directly exposed to oil price risk
Floating Production Storage & Offloading Energy Clients	▶ Floating Production Storage & Offloading vessels are developed for exploitation of oil and gas fields ▶ Financing structures rely on long term contracts with investment grade major oil companies		
Corporate Lending Energy Clients	▶ Corporate Loans in oil & gas sector: predominantly loans to investment grade integrated oil companies		
Midstream Energy Clients	▶ E.g. pipelines, tank farms, LNG terminals, etc. ▶ These assets typically generate revenues from medium to long-term tariff based contracts, not directly affected by oil price movements		
Offshore Drilling Companies Energy Clients	▶ Loans to finance drilling rigs ▶ Generally backed by 3-7 year charter contracts and corporate guaranteed	Roughly 4.5% of ECT Clients	Exposed to oil price risk. In part mitigated by management, technology, low costs and contracts
Other Offshore Companies Energy Clients	▶ Diversified portfolio of companies active in pipe laying, heavy lifting, subsea services, wind park installation, etc. Corporate guaranteed		
Upstream (Reserve Base Lending) Energy Clients	▶ Financing based on borrower's oil & gas assets. Loans secured by proven developed reserves of oil & gas. Includes smaller independent oil & gas producers ▶ Majority of clients are active in both oil and gas. Loans are typically senior secured and have loss absorbing capital structures in place (junior debt, second lien, equity)	Roughly 3.5% of ECT Clients	Exposure to oil price risk. Risk mitigants may include protection, i.e. low advance rates and loss absorbing capital structures
Total Oil & Gas related exposures	▶ Total Oil & Gas exposure, of on-balance sheet exposure + issued LCs and Guarantees, has grown in line with the overall growth in ECT Clients' portfolio since the beginning of 2015	Roughly 42% of ECT Clients[2]	

[1] The allocation of clients into Energy Clients sub-segment has been based on management views for managerial purposes. Clients can have activities that could be mapped in other sectors.
[2] 42% of the subtotal of ECT clients (EUR 39.1 billion).

Real estate

Commercial real estate vs. industry

The Dutch commercial real estate market showed further signs of improvement in 2016, due mainly to high demand from investors. This demand resulted in a total investment volume of EUR 12.8 billion in Dutch commercial real estate in 2016. This is an increase in volume compared with 2015 (EUR 11.6 billion) and even exceeded the former record year of 2007 (EUR 12.0 billion). The increase was due largely to several large deals that have been closed, mainly in the fourth quarter of 2016. Investor demand is increasing for both prime as well as non-prime offices, driven mainly by the current low interest rate environment. The total investment volume in offices in 2016 was EUR 5.5 billion (2015: EUR 3.8 billion). Structural vacancy in the office market is gradually being absorbed, due to the large number of transformations to hotels and residential properties. The total vacancy rate decreased by 2.0% y-o-y (12.0% year-end 2016 and 14.0% year-end 2015).

The retail segment also showed signs of improvement in 2016. After a decline in Q1, consumer confidence recovered in Q2 – Q4 to its highest level in nine-and-a-half years. This optimism was translated into rising retail sales, which led to a decrease in the level of vacancy rates. Investment activity in logistical real estate remained robust in 2016, with a total volume of EUR 1.4 billion, equalling the figure for 2015. The Dutch housing market continued its remarkably strong recovery in 2016, mainly due to economic growth, low mortgage interest rates and the highest level of confidence since 2004. House prices grew by 5.1% in 2016. Investments in the residential segment increased from EUR 2.8 billion in 2015 to EUR 3.2 billion in 2016.

Real estate industry sector

The EAD of ABN AMRO's real estate financing as shown in the industry concentration table, according to the ICB Industry code real estate, amounted to EUR 14.5 billion at year-end 2016 (31 December 2015: EUR 13.2 billion).

Exposures to social housing corporations are included in this real estate exposure for an amount of EUR 2.8 billion, including EUR 1.7 billion guaranteed by the Waarborgfonds Sociale Woningbouw (WSW, a state agency).

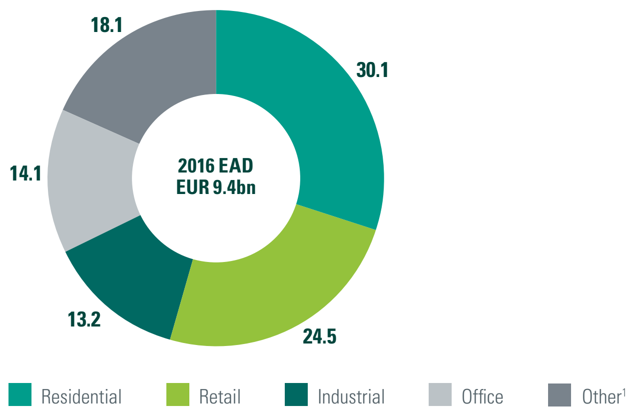
WSW provides guarantees to lenders granting loans to housing associations for social housing projects and other properties with a social or public function.

The impaired exposure in the sector real estate amounted to EUR 606 million at 31 December 2016 (31 December 2015: EUR 852 million). Specific loan impairment charges amounted to a release of EUR 37 million in 2016 compared with an addition of EUR 13 million in 2015. The coverage ratio was 33% at 31 December 2016 (31 December 2015: 38%).

ABN AMRO Commercial Real Estate

The commercial real estate portfolio amounted to EUR 9.4 billion EaD at year-end 2016, and is divided over the following asset types.

Asset type
(in %)



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

ABN AMRO Commercial Real Estate portfolio has relatively low Loan-to-Values (2016: 53.8%). Loans are largely based on Dutch property. The loan portfolio consists mainly of investment loans which are well diversified across different asset types. Real estate loans may include additional collateral, e.g. parent company guarantees.

Commercial real estate vs. industry real estate

Commercial real estate (CRE) is defined as 'land or property owned by project developers or investors with the purpose to develop, to trade or to rent the land or property'. The credit quality of the counterparty depends on the cash flows generated by the real estate.

Although largely overlapping, the real estate Industry Classification Benchmark (ICB) categorisation is not identical to that for commercial real estate. The main differences between real estate and CRE are:

- Social housing corporations are not included in CRE;
- Corporate unsecured real estate financing is not included in CRE;
- CRE Exposures < EUR 500,000 are excluded;
- Private individual exposures are not included in real estate.

CRE is mainly originated by the Corporate Banking business and, to a lesser extent, Retail Banking and Private Banking.

ABN AMRO Clearing

ABN AMRO Clearing provides 24-hour/5-day execution, clearing and settlement services across all assets classes. Coverage is global, with connections to over 150 liquidity centres across Europe, the US, Brazil and Asia Pacific. ABN AMRO Clearing's clients receive access to the market infrastructure as well as securities lending, settlement, custody and asset servicing. With this offering, the bank targets three types of client groups: Professional Trading Groups (market makers), Prime Clients (hedge funds) and Corporate Hedgers (corporates). ABN AMRO Clearing has market shares of 25% or higher on many of the major derivatives exchanges on which it operates, resulting in a global top three position based on turnover and market share.

Managing risks

ABN AMRO Clearing plays an important facilitating and processing role in the global capital markets, creating efficiency in the value chains of everyday products and making the financial system more efficient, transparent and robust. Sound risk management is a cornerstone of ABN AMRO Clearing's business model. ABN AMRO Clearing Bank's risk appetite is set with a view to maintaining a moderate risk profile, in line with ABN AMRO's corporate strategy. It takes into account all the risk types to which the bank is exposed in its daily operations, including credit, market, operational, liquidity and business risk. Accurate identification and control of these risks constitutes an important part of ABN AMRO Clearing's day-to-day operations. To cover the different time zones, local risk centres have been put in place, supported and governed by the various risk functions at headquarters. The risk appetite statement sets limits on its overall risk-taking capacity across these risk types. A designated committee, the Clearing Business Risk Committee, monitors the risk appetite by benchmarking actual and expected risk profiles every month, so that corrective actions can be defined if and when necessary.

ABN AMRO Clearing is part of ABN AMRO's risk governance. As such, ABN AMRO Clearing works according to the three lines of defence model (3LoD), the risk decision framework and the product approval process. The Clearing Business Risk Committee supports the governance of the three lines of defence. In this committee all three lines discuss the design, existence and operating effectiveness of the control framework and individual risks. Over the last years ABN AMRO Clearing has suffered very little operational or credit losses. In 2016, ABN AMRO Clearing did not suffer any credit losses on the total outstanding credit limits of EUR 35 billion (2015: EUR 30 billion).

Credit and market risk

Local risk management employees monitor client activity on a daily and intraday basis to ensure that all clients stay within the agreed market and credit risk parameters. ABN AMRO Clearing is not involved in any propriety trading activities and hence does not run direct market risk. It may encounter indirect market risk as a result of its clearing and financing activities:

1. As a third-party clearing member, ABN AMRO Clearing explicitly guarantees the fulfilment of obligations towards clearing houses and other third parties arising from clients' transactions. In the event of a client defaulting, it has the legal obligation to settle all of the client's positions with the relevant clearing houses, possibly at a loss.
2. ABN AMRO Clearing provides clients with credit lines to leverage business opportunities and to enable them to hedge their derivatives inventory with shares and bonds.

To manage the above, all client exposures are fully collateralised.

Operational and business risk
ABN AMRO Clearing is exposed to operational risk arising from business processes and the IT infrastructure. As the bank is a highly IT-intensive organisation, business continuity management, business information security and IT security are key topics on the operational risk agenda. A full operational risk control framework is implemented in order to identify, measure, manage and monitor operational and regulatory risks. Dedicated staff members continuously monitor the bank's operational risk profile. Staff proactively perform risk assessments, monitor controls, keep track of up-to-date operating policies and procedures, and ensure proper follow-up of the implementation of audit points. They also perform disaster recovery rehearsals to test business continuity and follow up on operational losses/ near misses.

Liquidity risk
Liquidity risk is the risk that a financial institution will not meet its financial obligations on time. It is the risk of having insufficient funds to meet margin calls with brokers or clearing houses or failing to settle other transaction types within agreed timeframes. In conjunction with ABN AMRO Bank, ABN AMRO Clearing continuously evaluates its liquidity needs on a global level and implements mitigating actions to avoid any temporary liquidity shortfall.

Market risk

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

Total market risk exposure

Market risk exposure traded and non-traded risk EDTF 22

(in millions)	31 December 2016 Carrying amount	31 December 2016 Market risk measure Traded risk	31 December 2016 Market risk measure Non-traded risk	31 December 2015 Carrying amount	31 December 2015 Market risk measure Traded risk	31 December 2015 Market risk measure Non-traded risk
Assets subject to market risk						
Cash and balances at central banks	21,861		21,861	26,195		26,195
Financial assets held for trading	1,607	1,607		1,706	1,706	
Derivatives	14,384	11,475	2,909	19,138	14,735	4,403
Financial investments	45,497		45,497	40,542		40,542
Securities financing	17,589		17,589	20,062		20,062
Loans and receivables - banks	13,485		13,485	15,680		15,680
Loans and receivables - customers	267,679		267,679	276,375		276,375
Other assets	12,380		12,380	7,676		7,676
Total assets	**394,482**	**13,082**	**381,400**	**407,373**	**16,440**	**390,933**
Liabilities subject to market risk						
Financial liabilities held for trading	791	791		459	459	
Derivatives	14,526	9,557	4,970	22,425	12,958	9,466
Securities financing	11,625		11,625	11,372		11,372
Due to banks	13,419		13,419	14,630		14,630
Due to customers	228,758		228,758	247,353		247,353
Issued debt	81,278		81,278	76,207		76,207
Subordinated liabilities	11,171		11,171	9,708		9,708
Other liabilities	13,976		13,976	7,635		7,635
Total liabilities	**375,544**	**10,347**	**365,197**	**389,789**	**13,418**	**376,371**
Equity	18,937		18,937	17,584		17,584
Total liabilities and equity	**394,482**	**10,347**	**384,134**	**407,373**	**13,418**	**393,956**

[1] Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
[2] For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

Activities in the trading book are sensitive to multiple risk factors. As stated in the paragraphs on market risk in the trading book, the overall sensitivity to these risk factors is carefully managed to remain within the bank's risk appetite. Most assets and liabilities in the banking book are to a large extent sensitive to interest rate risk. Some of the assets and liabilities are also sensitive to FX risk; however, ABN AMRO minimises this risk through hedging.

Market risk in the banking book

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

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

Market risk exposure

The table below shows the interest rate risk metrics at year-end 2016 and 2015.

Interest rate risk metrics

	31 December 2016	31 December 2015
NII-at-risk (in %)	-0.4	-1.3
Duration of equity (in years)	4.1	3.6

NII-at-Risk is defined as the worst outcome of two scenarios: a gradual increase in interest rates and a gradual decline in interest rates by 200bps, both over a 1-year period. In the falling rate scenario, a floor of -100bps on market rates is applied, as well as a floor of 0bps on retail deposits.

The NII-at-Risk in 2016 improved to -0.4% (approximately EUR -24 million) and reflects a reduction of NII in the falling rates scenario. During 2016 ABN AMRO implemented a number of refinements to the NII-at-Risk methodology. As part of these refinements we also lowered the floor applied to market rates from to -100bps in order to present a more prudent outcome in the falling rates scenario. In a scenario reflecting a rise in interest rates NII would increase by 0.6% (approximately EUR 32 million).

Please note that whereas in the previous year we reported NII-at-Risk as a positive number if this meant a loss in NII, in the current year we report a loss in NII as a negative number.

Market risk in the trading book

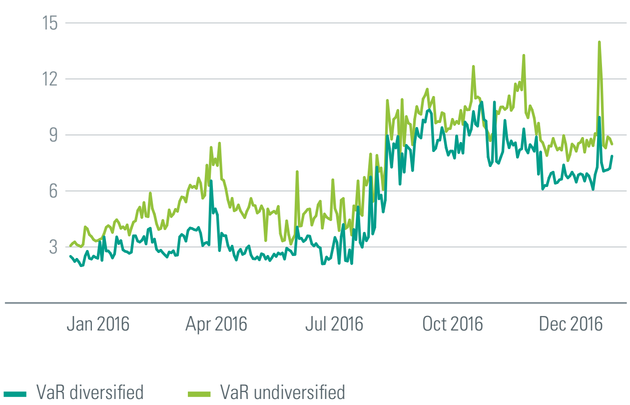
Market risk exposure EDTF 23

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

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

VaR diversified and undiversified EDTF 23

(in millions)



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

	2016		2015	
(in millions)	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	7.2	8.4	3.0	3.4
Highest VaR	10.8	14.0	12.7	14.8
Lowest VaR	1.9	3.0	1.1	2.1
Average VaR	5.2	6.9	4.9	6.3

During 2016, the average diversified 1-day VaR at a 99% confidence level increased by EUR 0.3 million to EUR 5.2 million, compared with EUR 4.9 million in 2015. The highest VaR in 2016 was EUR 10.8 million, compared with EUR 12.7 million in 2015. Average undiversified VaR, being the sum of VaR across the FX, Equity, Interest Rates and Commodity risk factors, decreased from EUR 14.8 million in 2015 to EUR 14.0 million in 2016. While the risk profile remained stable and moderate, this increase was driven by a low interest rate environment since the ECB introduced quantitative easing in Q1 2015, which was accentuated following the Brexit referendum in June 2016. Although the VaR methodology was enhanced to better cope with low and negative interest rates, the valuation model for interest rate derivatives did not perform well with negative interest rates and generated overstated VaR numbers. The valuation models for interest rates options were enhanced in Q4 2016 and are pending approval from the regulator to be used for VaR calculation.

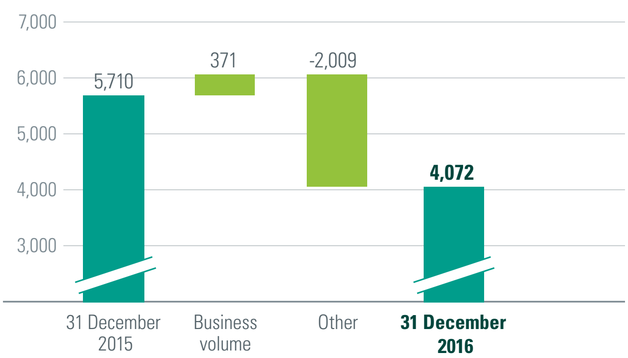
Regulatory capital market risk

Capital requirement and risk exposure amount

	31 December 2016		31 December 2015	
(in millions)	Capital requirement	RWA (REA)	Capital requirement	RWA (REA)
Position risk in traded debt instruments (SA)		5	128	1,600
Position risk in equities (SA)			2	23
Commodity risk (SA)			7	88
Add-on (SA)			320	4,000
Internal model approach	325	4,067		
Total	**326**	**4,072**	**457**	**5,710**

The above table shows the composition of ABN AMRO's trading books, broken down by risk factor and required regulatory capital/risk amount.

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

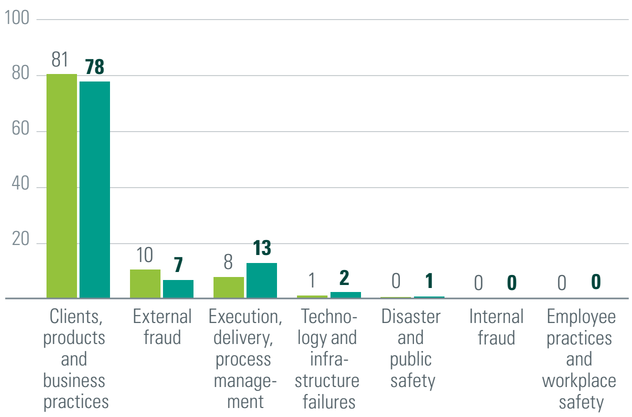


In 2016, RWA (REA) for market risk dropped significantly to EUR 4.1 billion at 31 December 2016 (31 December 2015: EUR 5.7 billion). This decline was mainly the result of the use of the Internal Model Approach (IMA) as from 1 January 2016.

Operational risk

Operational risk by risk type

Operational losses by event category[1]
Distribution (% of total loss amount)



[1] Operational losses are presented excluding provisioned claims.

A considerable amount of the bank's operational losses were related to settled claims. In adherence with the advice of the committee of independent experts established by the Dutch Minister of Finance on the reassessment of SME interest rate derivatives, the bank is in the process of settling claims related to these derivatives. The settled claims are classified as operational losses in the event category Clients, Products and Business Practices. Therefore, this is the category with the largest loss amount. Apart from settlement of claims, the largest loss amount is in the category Execution, Delivery and Process Management. Excluding the settlement of claims, the operational losses of the bank were limited in 2016 compared with 2015. ABN AMRO provisioned for litigation of historical claims against the bank. These claims are accounted for in the balance sheet under provisions (more information on provisions is included in note 28 to the Annual Financial Statements).

Cybercrime
ABN AMRO is faced with the constant threat of cybercrime by organised crime groups, activists and/or ill-intentioned employees. We therefore continuously monitor this threat and adjust the bank's defences where necessary. The volume of phishing, malware and card theft attacks remained stable in 2016 compared with 2015.

We continued to strengthen our security controls, resulting in very low losses despite the persistent volume of attacks. Operational losses as a result of external fraud through digital client channels decreased in 2016 compared with 2015. Compared with 2012 (baseline: 100), the level of fraud losses was 4 in 2016 (2014 and 2015: 7). Dutch banks work together through the Dutch Banking Association and the Dutch Payments Association to safeguard Dutch society's shared interest in secure payments. Dutch banks have agreed not to compete in matters of security. Individual banks do not report figures on losses due to fraud related to internet banking, skimming and debit cards; these figures are reported jointly.

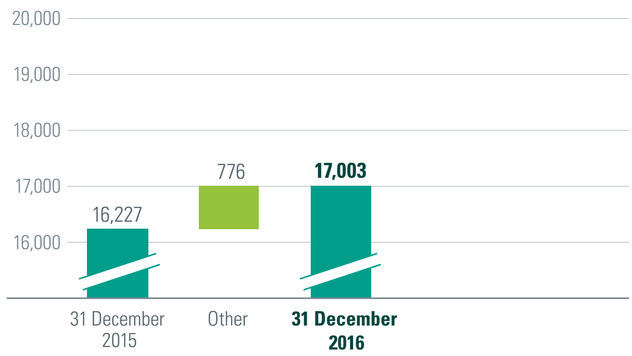
Business continuity
Business continuity mitigation controls are in place, such as crisis management, business relocation plans and IT disaster recovery plans, to address incidents and crises threatening the continuity of critical business processes. As in previous years, in 2016 ABN AMRO's crisis management organisation proved to be stable and able to respond to incidents and to assure recovery of these business processes within an acceptable timeframe.

Stability of digital services
Availability of the bank's internet banking services during peak hours was 99.87% on average in 2016.

Regulatory capital Pillar 3
At the end of 2016, ABN AMRO received permission from the ECB to apply the Basel II Advanced Measurement Approach. As of Q1 2017, we will use our internal AMA model for calculating regulatory capital. The permission to apply the most advanced calculation method indicates the ECB's satisfaction with the way we manage operational risks.

The bank's own funds for operational risks in 2016 were still calculated based on the Standardised Approach (TSA). Under the TSA, gross income figures are mapped to a set of prescribed Basel II business lines, such as Retail Banking, Payments and Trading & Sales. Depending on the business line, a percentage (predefined by the directives) is applied for calculating capital for that business line. The TSA capital for the bank is the sum of the TSA capital for each business line.

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



RWA (REA) for operational risk increased by EUR 0.8 billion compared with year-end 2015, arriving at EUR 17.0 billion at 31 December 2016, as a result of the annual revision of calculations.

Liquidity risk

Liquidity risk management

Liquidity risk indicators

	31 December 2016	31 December 2015
Survival period (moderate stress)	> 12 months	>12 months
Loan-to-Deposit ratio (in %)	112.7%	108.6%
Available liquidity buffer (in billions)	78.9	82.8
Basel III		
LCR ratio	>100%	>100%
NSFR ratio	>100%	>100%

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

The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internally developed (moderate) stress scenario in which wholesale funding markets deteriorate and retail and commercial clients withdraw a proportion of their deposits. The survival period was consistently >12 months during 2016.

Loan-to-Deposit ratio Audited EDTF 18

(in millions)		31 December 2016		31 December 2015
Loans and receivables - customers		**267,679**		276,375
Deductions				
Selected current accounts related to ABN AMRO Clearing Bank	6,003		4,799	
Fair value adjustment from hedge accounting	4,794		4,849	
Total deductions		-10,797		-9,648
Adjusted Loans and receivables - customers[1]		**256,881**		**266,727**
Due to customers[1]		**228,758**		247,353
Debt certificates issued through Groenbank BV		52		55
Deductions				
Deposits from Dutch State Treasury Agency (DSTA)		-800		-1,750
Adjusted Due to customers[1]		**228,009**		**245,658**
Loan-to-Deposit ratio (LtD)		**112.7%**		**108.6%**

[1] In 2016 the bank concluded that partial derecognition should be applied for certain savings mortgages. The adjustment of the carrying amounts before balance sheet netting is EUR 6.3 billion negative per 31 December 2016 (31 December 2015: EUR 6.4 billion negative). This adjustment does not impact the reported carrying amounts after balance sheet netting. The impact of the netting adjustment is also included. More information is provided in note 1 Accounting policies of the Consolidated Annual Financial Statements.

The accounting policies for notional cash pooling balances and bank saving mortgages were modified in 2016. Applying these changes retrospectively has led to an increase of EUR 3.5 billion in loans and receivables - customers and due to customers for 31 December 2016 (31 December 2015: EUR 17.1 billion).

Net of notional cash pooling and bank savings mortgages, adjusted loans and receivables - customers increased to EUR 253.4 billion at 31 December 2016 (31 December 2015: EUR 249.7 billion). Adjusted due to customers decreased to EUR 224.5 billion at 31 December 2016 (31 December 2015: EUR 228.6 billion).

The LtD ratio increased to 113% at 31 December 2016 (31 December 2015: 109%). This increase was driven mainly by Private Banking Asia being classified as held for sale (other assets/liabilities) and loan growth in Corporate Banking.

Liquidity buffer composition Audited EDTF 18

	31 December 2016			31 December 2015		
	Liquidity buffer	LCR eligible		Liquidity buffer	LCR eligible	
(in billions, liquidity value)		Level 1	Level 2		Level 1	Level 2
Cash & Central Bank deposits[1]	21.5	21.5		24.4	24.4	
Government bonds	33.5	33.9	0.6	26.0	26.9	
Covered bonds	2.2	1.7	0.4	1.4		1.3
RMBS retained	11.5			24.0		
Third party RMBS	1.5		1.3	0.7		0.6
Other	8.8	7.6	1.7	6.3	2.5	0.8
Total	**78.9**	**64.6**	**3.9**	**82.8**	**53.8**	**2.7**

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

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and retained RMBS. Most of the securities in the liquidity buffer, with the exception of retained RMBS, qualify for the LCR. Furthermore, both the liquidity buffer and the LCR buffer face haircuts based on their market value. These haircuts are used to determine the liquidity value. Haircuts may differ between the two buffers as the internal assessment of the liquidity buffer deviates from Basel III regulations. This explains the differences between the liquidity values. Government bonds, for example, will be subject to a higher internal haircut than the haircut based on Basel III regulations. As a result, the value of government bonds for the liquidity buffer is lower than the value that qualifies for the LCR.

The liquidity buffer decreased by EUR 3.9 billion to EUR 78.9 billion at 31 December 2016 compared with EUR 82.8 billion at 31 December 2015. This was driven mainly by a decrease in retained RMBS due to further optimisation of our liquidity position. Part of our cash position has been converted into financial investments, explaining the decrease in cash and increase in financial investments. In addition, government bonds increased due partly to the inclusion of off-balance sheet positions consisting of LCR eligible government bonds.

Liquidity buffer currency diversification Audited EDTF 18

(in billions, liquidity value)	31 December 2016	31 December 2015
EUR	71.3	77.9
USD	5.7	2.4
GBP	0.3	0.3
Other	1.7	2.2
Total	**78.9**	**82.8**

The table above shows the breakdown per currency of the liquidity buffer. The currency composition of our buffer reflects the composition of our balance sheet. This allows for optimal liquidity risk management. The USD position increased by USD 3.3 billion to USD 5.7 billion at 31 December 2016. This increase was driven by further alignment in scope of the liquidity buffer and the LCR buffer. Local USD investments qualifying for the the LCR are now also included in the liquidity buffer.

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

Liquidity buffer composition - monthly average Audited

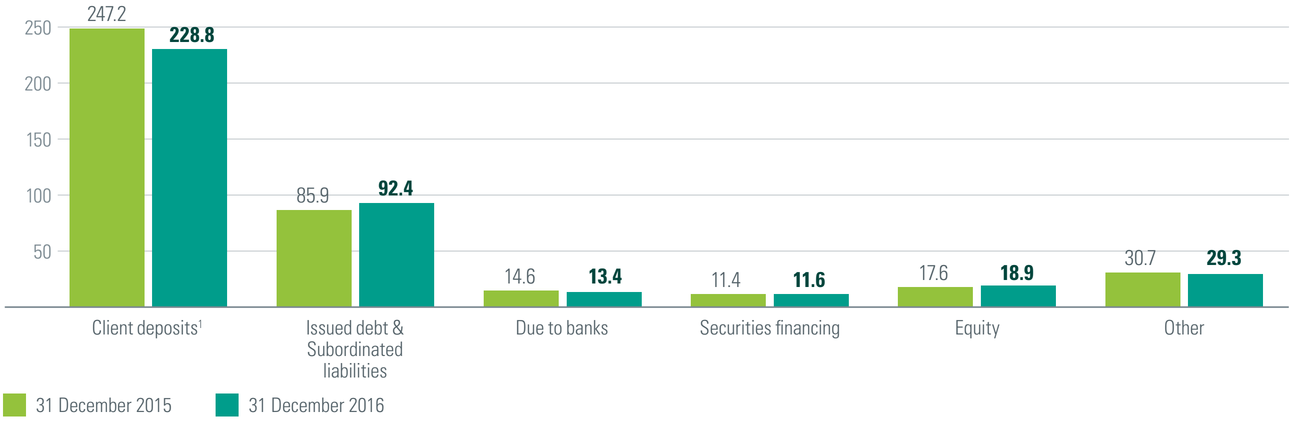
(in billions, liquidity value)	2016	2015
Cash & Central Bank deposits	19.3	11.1
Government bonds	31.2	26.8
Covered bonds	1.8	1.7
RMBS retained	21.1	29.8
Third party RMBS	1.5	0.8
Other	8.1	7.0
Total	**82.9**	**77.2**

Funding

Liability and equity breakdown Audited EDTF 21

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

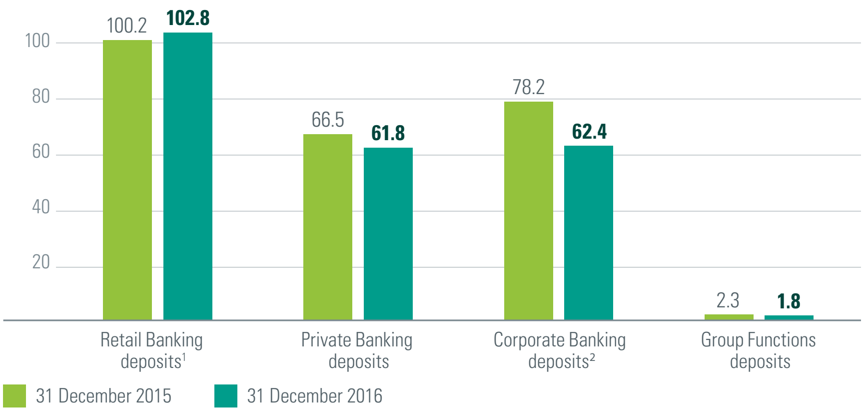
Liability and equity breakdown Audited EDTF 21
(in billions)



[1] The impact of the netting adjustments is included. More information is provided in note 1 Accounting policies of the Consolidated Annual Financial Statements.

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

Breakdown of client deposits Audited EDTF 21
(in billions)



[1] The impact of bank savings mortgages is included. More information is provided in note 1 Accounting policies of the Consolidated Annual Financial Statements.
[2] The impact of the offsetting changes on notional cash pooling is included. More information is provided in note 1 Accounting policies of the Consolidated Annual Financial Statements.

As previously explained, the decrease in Private Banking deposits was driven by the private banking activities in Asia and the Middle East being classified as held for sale (other liabilities) in December 2016. The decrease in client deposits at Corporate Banking was mainly due to the change in accounting policies for notional cash pooling balances.

The increase in issued debt is explained later in this chapter.

Available funding instruments Audited EDTF 21

A key goal of the funding strategy is to diversify funding sources. The available funding programmes allow us to issue various instruments in different currencies and markets. This enables us to diversify our investor base. A description of capital and funding instruments issued by ABN AMRO Bank is provided on our website, abnamro.com/en/investor-relations. We continuously assess our wholesale funding base in order to determine the optimal use of funding sources. Wholesale funding breaks down into the following categories:

Overview of funding types Audited EDTF 21

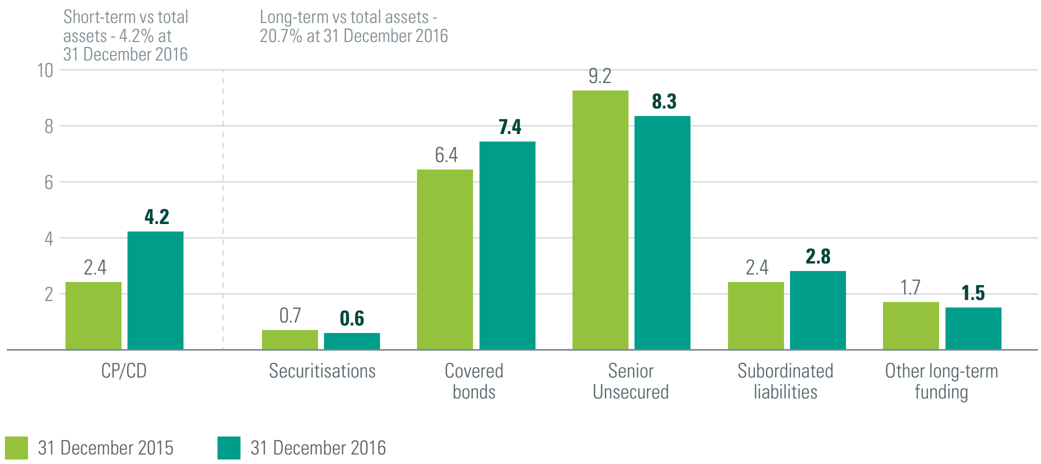
(in millions)	31 December 2016	31 December 2015
Euro Commercial Paper	2,501	1,326
London Certificates of Deposit	8,843	3,744
French Certificats de Dépôt	651	164
US Commercial Paper	4,710	4,585
Total Commercial Paper/Certificates of Deposit	**16,705**	**9,820**
Senior unsecured (medium-term notes)	32,815	37,404
Covered bonds	29,355	25,956
Securitisations	2,350	2,968
Saving certificates	52	59
Total issued debt	**81,278**	**76,207**
Subordinated liabilities	11,171	9,708
Total wholesale funding	**92,450**	**85,915**
Other long-term funding[1]	5,843	6,813
Total funding instruments[2]	**98,292**	**92,728**
- of which issued debt matures within one year	27,754	19,607

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

Total wholesale funding (issued debt and subordinated liabilities) increased to EUR 92.5 billion at 31 December 2016 (31 December 2015: EUR 85.9 billion). The rise was due mainly to an increase in commercial paper and certificates of deposit, within our targeted bandwidth for short-term funding, allowing us to steer our liquidity ratios more efficiently. The covered bonds issued are in line with the growing volume of mortgages with long-term fixed interest rate periods. Long-term covered bonds mitigate liquidity repricing risk resulting from mortgages with long-term fixed interest rate periods. The average maturity of the covered bonds issued in 2016 is 13 years. Furthermore, we voluntarily repaid TLTRO I and participated in TLTRO II, both for EUR 4.0 billion.

The following graph shows the development of wholesale funding types relative to the balance sheet total at 31 December 2016 and 31 December 2015.

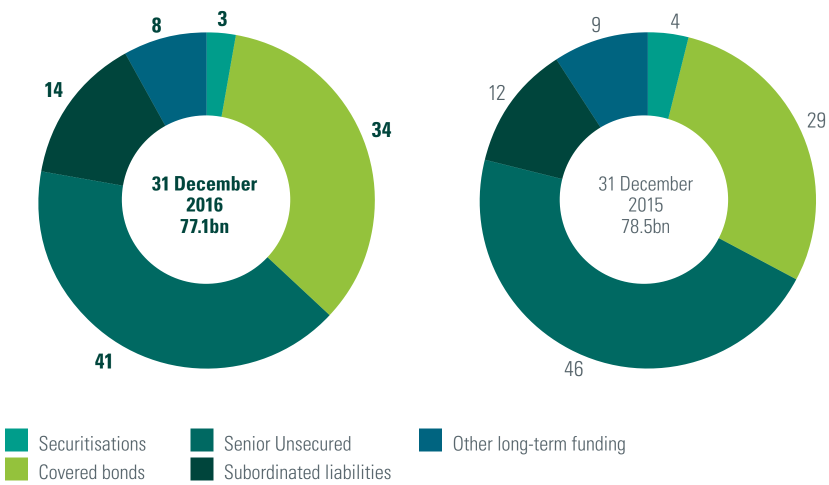
Funding vs balance sheet total Audited EDTF 21
(as % of total assets)



Long-term funding components Audited EDTF 21

The following graph shows an overview of the outstanding long-term funding at 31 December 2016 and 31 December 2015. The information presented is based on notional values and therefore differs from the information above due to discrepancies between notional value and issue price and fair value hedge accounting adjustments.

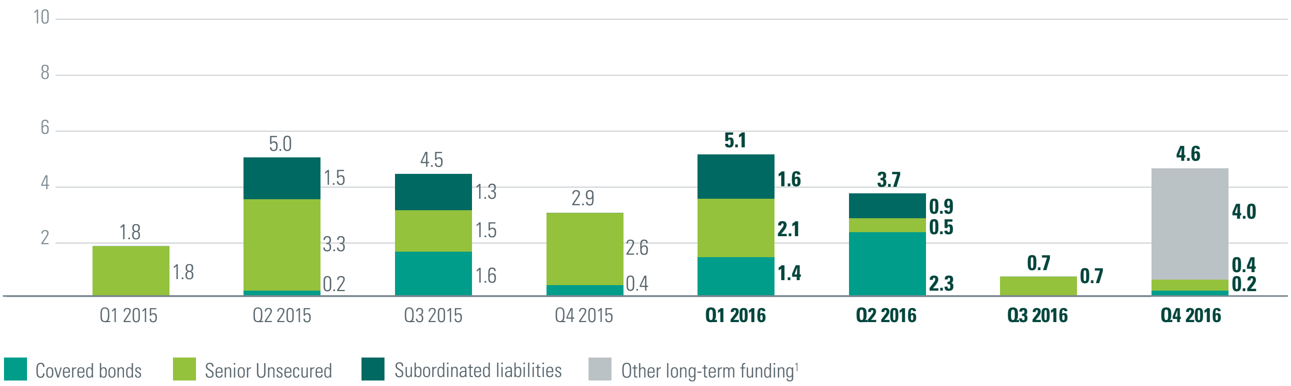
Long-term funding components Audited EDTF 21
(in %)



Funding issuance in 2016 Audited EDTF 21

ABN AMRO executed a successful funding strategy in 2016, reflected in issuance in different currencies and a presence in almost all markets. Total long-term funding raised in 2016 amounted to EUR 14.0 billion. This includes EUR 3.9 billion of covered bonds, EUR 2.4 billion of Tier 2 capital instruments, EUR 3.7 billion of senior unsecured funding, and EUR 4.0 billion TLTRO II. Senior unsecured funding includes the issuance of an EUR 0.5 billion green bond.

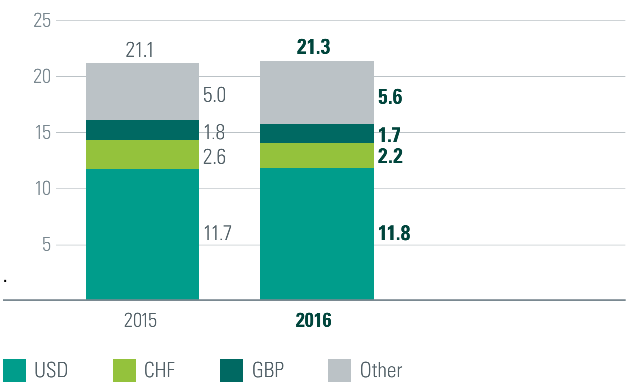
Long-term funding raised in 2015 and 2016 Audited EDTF 21
(notional amounts at issuance, in billions)



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

Long-term funding in non-euro currencies rose to 28% of total outstanding long-term funding compared with 27% at 31 December 2015. In 2016, the bank raised 77% of long-term funding in EUR and the remainder in USD, GBP, JPY, AUD, CHF, SGD and SEK. Diversification of the outstanding long-term funding in non-euro currencies is shown in the following graph.

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



Maturity calendar Audited EDTF 21

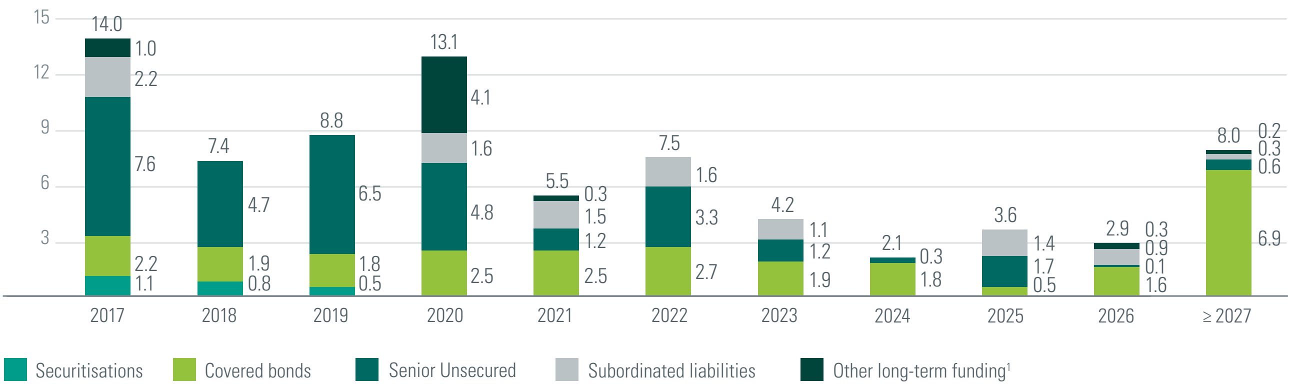
We enhanced the maturity profile of our long-term wholesale funding predominantly by spreading out redemptions of funding instruments over time. ABN AMRO Bank focuses continuously on optimising its wholesale maturity profile and on maintaining its diverse funding base.

The average maturity of newly issued funding increased to 8.4 years (up from 7.5 years in 2015), while the average maturity of outstanding long-term funding increased to 4.7 years at year-end 2016 (up from 4.6 years at year-end 2015). This was caused mainly by the issuance of long-term covered bonds, in line with the growing volume of mortgages with long-term fixed interest rate periods.

The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date. Early redemption of subordinated instruments is subject to the approval of the regulators. However, this does not mean that the instruments will be called at the earliest possible call date. TLTRO II is recorded at a maturity of four years, but has a voluntary repayment option after two years.

Maturity calendar at 31 December 2016 Audited EDTF 21

(notional amounts, in billions)



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

Maturity calendar

	31 December 2016											
(notional amounts, in billions)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	≥ 2027	Total
Senior unsecured	7.6	4.7	6.5	4.8	1.2	3.3	1.2	0.3	1.7	0.1	0.6	31.9
Covered bonds	2.2	1.9	1.8	2.5	2.5	2.7	1.9	1.8	0.5	1.6	6.9	26.4
Securitisations	1.1	0.8	0.5									2.4
Subordinated liabilities	2.2			1.6	1.5	1.6	1.1		1.4	0.9	0.3	10.6
Other long-term funding[1]	1.0			4.1	0.3					0.3	0.2	5.8
Total	**14.0**	**7.4**	**8.8**	**13.1**	**5.5**	**7.5**	**4.2**	**2.1**	**3.6**	**2.9**	**8.0**	**77.1**

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

Capital

Capital structure

ABN AMRO's solid capital position ensures that the bank is compliant with the fully-loaded capital requirements of the Capital Requirements Directive IV (CRD IV). The overall capital base increased over the year, primarily due to profit accumulation and capital issuances. The bank strives to optimise its capital structure in anticipation of pending regulatory requirements. The capital structure consists mainly of common equity and lossabsorbing capital to cover unexpected losses. The subordination of capital instruments provides further protection to senior creditors.

Regulatory capital structure

(in millions)	31 December 2016	31 December 2015
Total Equity - EU IFRS	**18,937**	**17,584**
Cash flow hedge reserve	843	1,056
Dividend reserve	-414	-414
Capital securities	-993	-993
Other regulatory adjustments	-598	-466
Common Equity Tier 1	**17,775**	**16,768**
Innovative hybrid capital instruments		700
Capital securities	993	993
Other regulatory adjustments	-164	-234
Tier 1 capital	**18,605**	**18,226**
Subordinated liabilities Tier 2	7,150	4,938
Excess Tier 1 instrument recognised as Tier 2 capital		300
Other regulatory adjustments	-118	-33
Total regulatory capital[1]	**25,637**	**23,431**

[1] DNB requires Dutch banks to disclose the Basel I floor in accordance with CRR article 500. In 2016 the Basel I floor was calculated by multiplying Basel I RWA (REA) of EUR 198.4 billion by 8% times 80% (31 December 2015: EUR 184.0 billion). After adjusting for IRB provision shortfall, this results in a minimum required amount of own funds of EUR 12.4 billion as per 31 December 2016 (31 December 2015: EUR 11.6 billion). ABN AMRO comfortably meets this requirement.

Regulatory capital flow statement

(in millions)	2016	2015
Common Equity Tier 1 capital		
Balance at 1 January	**16,768**	**15,426**
Addition of net profit attributable to shareholders	1,805	1,919
Reserved dividend	-414	-414
Interim dividend paid	-376	-350
Other, including regulatory adjustments	-8	186
Balance at end of period	**17,775**	**16,768**
Additional Tier 1 capital		
Balance at 1 January	**1,459**	**559**
New issued Tier 1 eligible capital instruments		993
Redeemed Tier 1 eligible capital instruments	-700	
Other, including regulatory adjustments	71	-93
Balance at end of period	**829**	**1,459**
Tier 1 capital	**18,605**	**18,226**
Tier 2 capital		
Balance at 1 January	**5,205**	**5,663**
New issued Tier 2 eligible capital instruments	2,508	2,859
Redeemed Tier 2 ineligible capital instruments	-203	-759
Other, including regulatory adjustments	-477	-2,559
Balance at end of period	**7,032**	**5,205**
Total regulatory capital	**25,637**	**23,431**

RWA (REA)

(in millions)	31 December 2016	31 December 2015
Credit risk	**83,140**	86,063
- of which standardised	6,319	7,110
- of which advanced	76,821	78,953
Operational risk	**17,003**	16,227
- of which standardised	17,003	16,227
- of which advanced		
Market risk	**4,072**	5,710
- of which standardised	5	5,710
- of which advanced	4,067	
Total RWA (REA)	**104,215**	**108,001**

Capital instruments

Capital instruments

(in millions)	ISIN/CUSIP	Maturity date	First possible call date	31 December 2016 Nominal amount	31 December 2016 Carrying amount	31 December 2015 Nominal amount	31 December 2015 Carrying amount
Tier 1							
EUR 1,000 million 4.31% per annum	XS0246487457	Perpetual	March 2016			1,000	1,042
EUR 1,000 million 5.75% per annum	XS1278718686	Perpetual	September 2020	1,000	993	1,000	993
Total Tier 1 capital instruments				**1,000**	**993**	**2,000**	**2,035**
Tier 2							
GBP 150 million (originally GBP 750 million) 5.00% per annum	XS0244754254	Perpetual				204	213
EUR 1,228 million 6.375% per annum	XS0619548216	April 2021		1,228	1,475	1,228	1,489
USD 595 million 6.250% per annum	XS0619547838	April 2022		563	615	546	606
USD 113 million 7.75% per annum	US00080QAD79/ USN0028HAP03	May 2023		107	110	93	101
EUR 1,000 million 7.125% per annum	XS0802995166	July 2022		1,000	1,146	1,000	1,121
USD 1,500 million 6.25% per annum	XS0827817650	September 2022	September 2017	1,421	1,438	1,377	1,392
SGD 1,000 million 4.7% per annum	XS0848055991	October 2022	October 2017	655	658	649	640
EUR 1,500 million 2.875% per annum	XS1253955469	June 2025	June 2020	1,500	1,552	1,500	1,537
USD 1,500 million 4.75% per annum	US00080QAF28/ XS1264600310	July 2025		1,421	1,459	1,204	1,250
EUR 1,000 million 2,875% per annum	XS1346254573	January 2028	January 2023	1,000	1,039		
SGD 450 million 4.7% per annum	XS1341466487	April 2026	April 2021	295	294		
USD 300 million 5.6% per annum	XS1385037558	April 2031		284	273		
USD 1,000 million 4.8% per annum	US0008DAL47/ XS1392917784	April 2026		947	898		
EUR various smaller instruments		2015 - 2020		212	214	313	316
Total Tier 2 capital instruments				**10,634**	**11,171**	**8,113**	**8,666**
Of which eligible for regulatory capital:							
Basel III, Tier 1				1,000			
Basel III, Tier 2				7,150		4,938	
Basel III, Excess Tier 1 instrument recognised as Tier 2 capital						2,000	

Movements in subordinated liabilities

(in millions)	2016 Carrying amount	2015 Carrying amount
Balance as at 1 January	9,708	8,328
Issuance	2,660	2,839
Redemption	-1,363	-1,740
Foreign exchange differences	194	271
Other	-29	11
Balance as at 31 December	**11,171**	**9,708**

Minimum capital requirement

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

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

Minimum capital requirements

	31 December 2016		31 December 2015	
(in millions)	Capital requirement	RWA (REA)	Capital requirement	RWA (REA)
Credit risk IRB				
Central governments and central banks	80	1,001	78	978
Institutions[1]	201	2,517	231	2,887
Corporates	3,359	41,985	3,247	40,592
Retail	1,869	23,366	2,130	26,631
- of which secured by immovable property/retail mortgages	1,446	18,081	1,622	20,269
- of which qualifying revolving exposures	203	2,534	240	3,005
-of which other retail	220	2,750	269	3,357
Equities not held for trading	423	5,293	415	5,185
Securitisation positions	8	95	7	84
Credit valuation adjustment	64	804	88	1,105
Other[2]	141	1,761	119	1,491
Total credit risk IRB	**6,146**	**76,821**	**6,316**	**78,953**
Credit risk SA				
Central governments and central banks	2	19	11	132
Institutions[1]	22	280	12	153
Corporates	208	2,599	283	3,535
Retail	61	761	63	793
Secured by mortgages on immovable property	81	1,009	41	510
Exposures in default	5	58	7	88
Other[2]	127	1,593	152	1,900
Total credit risk SA	**506**	**6,319**	**569**	**7,110**
Other risks				
Market risk	326	4,072	457	5,710
- of which Standardised Approach		5	457	5,710
- of which Internal Model Approach	325	4,067		
Operational risk	1,360	17,003	1,298	16,227
- of which Standardised Approach	1,360	17,003	1,298	16,227
Total other risks	**1,686**	**21,075**	**1,755**	**21,938**
Total	**8,337**	**104,215**	**8,640**	**108,001**

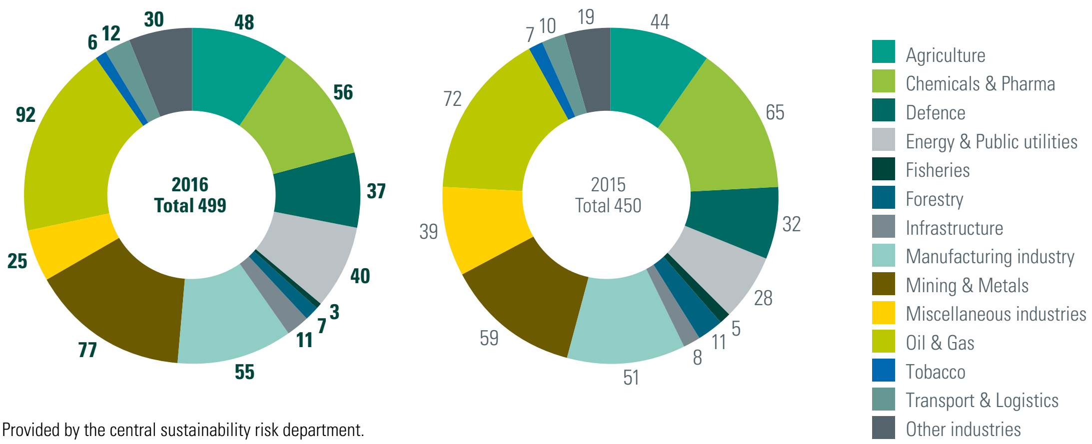
1 Institutions include exposures to banks and investment companies, regional and local governments and pension funds.
2 Other includes non-credit obligations.

Sustainability risk

Advice on increased sustainability risk

Certain industries face more sustainability risks than others and the nature of the risks they face vary as well. Our Sustainable Banking department provides advice regarding clients operating in industries with a higher sustainability risk. The following graphs present a breakdown of the advice given per industry, together with the type of advice and the conclusion.

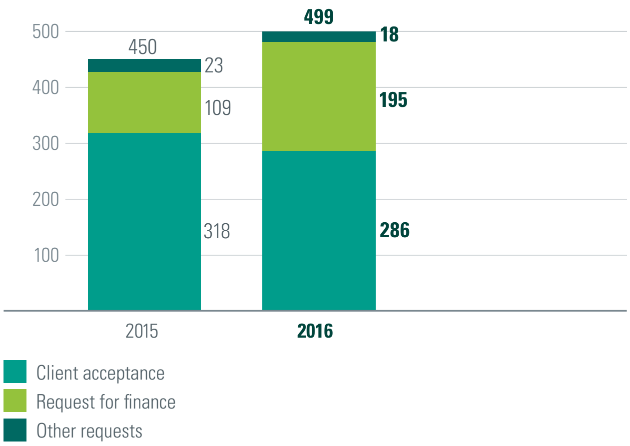
Global advice[1]



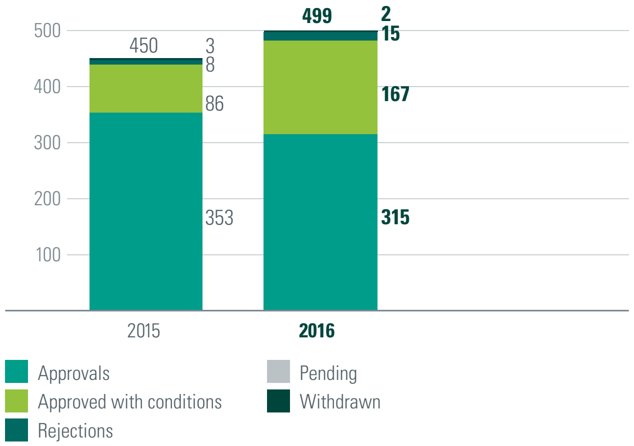
[1] Provided by the central sustainability risk department.

The number of cases for which the Central Sustainability Risk department provided advice, increased slightly from 450 in 2015 to a total of 499 in 2016. The types of advice and conclusion are presented below. Of the 499 cases for which advice was given in 2016, we rejected 15 cases and approved 315. In 167 cases, we approved the request subject to certain conditions. In these cases, we engaged with our clients and negotiated for improvement. A total of 179 clients were subject to specific human rights due diligence, compared with 160 clients in 2015 (Human Rights Report 2016).

Type of advice



Conclusion of advice



Effectiveness of sustainability risk management

We believe that we are in control of sustainability risk. The Sustainable Banking department advised negatively on around 3% of the total cases. First line relationship managers are aware of the bank's sustainability risk policies and predominantly file credit applications that comply with these policies. In addition, we further developed our framework and performed sustainability assessments for more than 3,470 transactions using the GSRI tool, 1,927 of which were assessed on our ESE standards due to an increased sustainability risk level. An area requiring further improvement is more stringent follow-up on conditions for improvement and transparency in engagement trajectories with clients.

Additional risk, funding & capital disclosures

Credit risk exposure Audited

The following table presents the EU IFRS view on maximum exposure to credit risk. The financial instruments subject to credit risk are presented in accordance with EU IFRS at carrying amounts, without cosideration of colleteral or other credit enhancements. As such, the table does not represent ABN AMRO Bank's risk management view.

Maximum exposure to credit risk EU IFRS Audited

(in millions)	31 December 2016		31 December 2015	
Cash and balances at central banks		**21,861**		**26,195**
Financial assets held for trading	1,607		1,706	
Less: equity securities	35		19	
Financial assets held for trading		**1,572**		**1,687**
Derivatives		**14,384**		**19,138**
Financial investments	45,497		40,542	
Less: equity instruments	468		367	
Less: private equities and venture capital	731		577	
Less: Equity securities	45		54	
Financial investments		**44,253**		**39,543**
Securities financing		**17,589**		**20,062**
Loans and receivables - banks		**13,485**		**15,680**
Loans and receivables - customers[1,2]		**267,679**		**276,375**
Other assets	6,050		4,893	
Less: Unit-linked investments	3,275		2,543	
Less: Other	476		452	
Other assets		**2,299**		**1,899**
On-balance sheet maximum exposure to credit risk[1,2]		**383,122**		**400,578**
Off-balance sheet				
Committed credit facilities	27,299		21,559	
Guarantees and other commitments	15,873		13,868	
Revocable credit facilities[3]	82,338		82,865	
Off-balance sheet credit facilities and guarantees		**125,511**		**118,292**
Maximum exposure to credit risk		**508,633**		**518,870**

1 Netting is no longer applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
3 Although not committed, ABN AMRO has the opinion that revocable credit facilities give rise to credit risk. These are not included as committed credit facilities in note 33.

European government and government-guaranteed exposures Audited

	31 December 2016			31 December 2015		
(in billions)	Government	Government guaranteed	Gross carrying amount	Government	Government guaranteed	Gross carrying amount
Netherlands	8.4		8.4	8.5		8.5
France	5.0		5.0	4.7		4.7
Germany	5.0		5.0	4.5		4.5
Austria	1.8		1.8	1.8		1.8
Belgium	3.9		3.9	3.2		3.2
European Union	2.0		2.0	1.6		1.6
Finland	2.4		2.4	2.1		2.1
Italy	0.7		0.7	0.4		0.4
Denmark	0.1		0.1	0.3		0.3
Poland	0.4		0.4	0.4		0.4
United Kingdom	0.3		0.3	0.3		0.3
Spain	0.5		0.5	0.6		0.6
Luxembourg	0.2		0.2	0.1		0.1
Sweden	0.3		0.3	0.4		0.4
Total	**30.9**		**30.9**	**29.0**		**29.0**

Forbearance credit quality Audited

	31 December 2016						
(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	1,173	722	214	237	3	21	24
Consumer loans	519	223	59	237	29	37	66
Corporate loans	6,658	3,474	104	3,080	679	70	749
Other loans and receivables - customers	359	223	17	119	27		27
Total Loans and receivables - customers	**8,710**	**4,643**	**394**	**3,673**	**738**	**128**	**866**
Total	**8,710**	**4,643**	**394**	**3,673**	**738**	**128**	**866**

Forbearance credit quality Audited

(in millions)	Total forborne assets[1]	Forborne assets not past due and not impaired[1,2]	Forborne assets past due but not impaired[1,2]	Impaired forborne assets[1,2]	Specific allowance	Collective allowance	Total allowance
							31 December 2015
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	1,757	1,067	282	408	27	36	63
Other consumer loans	648	240	53	355	31	27	57
Corporate loans	7,715	4,872	230	2,613	764	73	837
Other loans and receivables - customers	383	135	13	235	36		36
Total Loans and receivables - customers	**10,504**	**6,314**	**578**	**3,611**	**857**	**136**	**993**
Total	**10,504**	**6,314**	**578**	**3,611**	**857**	**136**	**993**

1 For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.
2 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparative figures have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.

Forborne assets by geography Audited

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						31 December 2016
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	1,152	19	1		2	1,173
Consumer loans	491	27		1		519
Corporate loans	4,509	642	389	309	810	6,658
Other loans and receivables - customers	307	51				359
Total Loans and receivables - customers	**6,460**	**739**	**389**	**309**	**812**	**8,710**
Total	**6,460**	**739**	**389**	**309**	**812**	**8,710**

Forborne assets by geography Audited

	31 December 2015					
(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	1,722	32			2	1,757
Other consumer loans	603	43		1	1	648
Corporate loans[1]	6,594	413	72	188	448	7,715
Other loans and receivables - customers	361	23				383
Total Loans and receivables - customers[1]	**9,280**	**511**	**72**	**189**	**452**	**10,504**
Total[1]	**9,280**	**511**	**72**	**189**	**452**	**10,504**

[1] For comparison purposes the 2015 figures have been adjusted for the accounting policy change regarding the Notional cash pooling. For further details please refer to note 1 in the Consolidated Annual Financial Statements.

Forborne assets by business segment Audited

(in millions)	31 December 2016	31 December 2015
Retail Banking	1,552	2,157
Private Banking	227	375
Corporate Banking	6,931	7,972
Total	**8,710**	**10,504**

Maturity overview of assets and liabilities

Audited

The following table shows the financial assets and liabilities arranged by the earliest possible contractual maturity.

Contractual maturity of assets and liabilites Audited

									31 December 2016
(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	21,861								21,861
Financial assets held for trading[1]	1,607							-0	1,607
Derivatives	571	937	510	442	766	3,440	7,718		14,384
Financial investments	1,866	2,697	1,450	2,564	2,840	10,534	22,318	1,227	45,497
Securities financing	14,106	2,681	162				641		17,589
Loans and receivables - banks[2]	7,020	1,549	563	211	300	472	3,370		13,485
Loans and receivables - customers[2]	24,871	10,047	2,715	6,627	25,109	25,490	172,819		267,679
Other assets[1]	4,887	997	279	753	258	230	418	4,558	12,380
Total assets	**76,789**	**18,908**	**5,679**	**10,596**	**29,272**	**40,167**	**207,285**	**5,785**	**394,482**
Liabilities									
Financial liabilities held for trading[1]	791							-0	791
Derivatives	949	870	536	484	604	2,199	8,884	-0	14,526
Securities financing	9,657	942		10	1,017				11,625
Due to banks[2]	4,106	760	424	196	59	5,105	2,770	-0	13,419
Due to customers[2]	205,314	10,785	2,188	1,950	606	2,143	5,772		228,758
Issued debt	5,721	9,057	6,694	6,282	7,563	21,031	24,929	-0	81,278
- of which senior secured		1,751	260	236	2,050	7,660	17,397		29,354
- of which senior unsecured	1,125	1,680	308	4,543	4,763	12,870	7,528		32,817
- of which securitisation			500	600	750	500			2,350
- of which other	4,596	5,626	5,626	903	-0	1	4	-0	16,757
Subordinated liabilities			82	2,096		3,435	5,558		11,171
Other liabilities[1]	6,808	1,843	194	139	1,307	6	52	3,627	13,976
Total liabilities	**233,344**	**24,256**	**10,117**	**11,157**	**11,157**	**33,920**	**47,965**	**3,627**	**375,544**
Total equity								**18,937**	**18,937**
Total liablities	**233,344**	**24,256**	**10,117**	**11,157**	**11,157**	**33,920**	**47,965**	**22,565**	**394,482**
Off-balance sheet liabilities									
Committed credit facilities	27,299								27,299
Guarantees	2,659								2,659
Irrevocable facilities	6,178								6,178
Recourse risks arising from discounted bills	7,037								7,037
Total off-balance sheet liablities	**43,173**								**43,173**

1 Excluding Derivatives.
2 Excluding Securities financing.

Contractual maturity of assets and liabilites Audited

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
									31 December 2015
Assets									
Cash and balances at central banks	26,195								26,195
Financial assets held for trading[1]	1,706								1,706
Derivatives	720	845	349	409	1,192	3,847	11,777		19,138
Financial investments	980	3,898	1,924	1,028	3,050	9,039	19,641	981	40,542
Securities financing	17,006	2,335	96			625			20,062
Loans and receivables - banks[2]	5,192	2,151	198	205	413	291	7,229		15,680
Loans and receivables - customers[2,3,4]	42,829	6,645	2,623	7,362	29,267	21,090	166,560		276,375
Other assets[1]	3,463	44	6	33	350	211	1,116	2,454	7,676
Total assets	**98,090**	**15,918**	**5,195**	**9,037**	**34,272**	**35,104**	**206,322**	**3,435**	**407,373**
Liabilities									
Financial liabilities held for trading[1]	459								459
Derivatives	743	793	423	387	1,175	3,291	15,613		22,425
Securities financing	10,252	79	1		1,028	11			11,372
Due to banks[2]	4,342	1,077	541	401	32	4,446	3,790		14,630
Due to customers[2,3,4]	219,184	16,514	1,751	2,240	924	1,495	5,244		247,353
Issued debt	4,745	6,045	4,340	4,472	11,015	21,570	24,020		76,207
- of which senior secured			135	439	2,282	6,664	16,436		25,956
- of which senior unsecured	1,325	649	3,331	3,301	7,628	13,607	7,563		37,404
- of which securitisation				600	1,100	1,250	18		2,968
- of which other	3,420	5,396	874	132	5	49	3		9,879
Subordinated liabilities			5		82	114	9,507		9,708
Other liabilities[1]	2,581	681	287	525	663	7	181	2,710	7,635
Total liabilities	**242,307**	**25,190**	**7,348**	**8,025**	**14,919**	**30,934**	**58,355**	**2,710**	**389,789**
Total equity								**17,584**	**17,584**
Total liabilities	**242,307**	**25,190**	**7,348**	**8,025**	**14,919**	**30,934**	**58,355**	**20,295**	**407,373**
Off-balance sheet liabilities									
Committed credit facilities	21,559								21,559
Guarantees	2,440								2,440
Irrevocable facilities	5,737								5,737
Recourse risks arising from discounted bills	5,691								5,691
Total off-balance sheet liablities	**35,427**								**35,427**

1 Excluding Derivatives.
2 Excluding Securities financing.
3 Netting is no longer be applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. The impact on the comparative 31 December 2015 loans and receivables – customers balances and due to customers balances is EUR 1.5 billion.
4 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly. Further details are provided in note 1 Accounting policies. The impact on the comparative 31 December 2015 loans and receivables – customers balances and due to customers balances is EUR 15.5 billion.

Maturity based on contractual undiscounted cash flows Audited

31 December 2016

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets											
Cash and balances at central banks	21,861										21,861
Financial assets held for trading[1]	1,607										1,607
Derivatives		508	219	238	357	530	1,229	3,119	2,395		8,596
Financial investments	384		1,510	2,804	1,700	3,006	3,602	12,205	23,552	1,227	49,991
Securities financing	9,412		4,697	2,685	164	4	8	20	661		17,652
Loans and receivables - banks[2]	2,655		4,371	1,563	590	256	380	654	3,537		14,006
Loans and receivables - customers[2]	11,160		14,067	11,382	5,928	12,557	35,092	48,090	193,456		331,731
Other assets	3,771		1,118	1,001	285	760	266	248	431	4,558	12,438
Total undiscounted assets	**50,850**	**508**	**25,982**	**19,673**	**9,024**	**17,114**	**40,578**	**64,334**	**224,032**	**5,785**	**457,881**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	6	13	27	51	48	21		175
Contractual amounts payable			6	4	10	19	37	63	31		170
Total undiscounted gross settled derivatives not held for trading			**1**	**2**	**4**	**8**	**14**	**-15**	**-9**		**5**
Net settled derivatives not held for trading			217	236	352	522	1,216	3,129	2,332		8,004
Liabilities:											
Financial liabilities held for trading[1]	791										791
Derivatives		833	249	232	384	756	1,410	3,239	7,337		14,440
Securities financing	7,959		1,699	944	3	16	1,018				11,639
Due to banks[2]	1,634		2,476	775	459	261	179	5,354	2,872		14,011
Due to customers[2]	130,220		75,116	10,803	2,212	1,987	667	2,278	5,877		229,160
Issued debt	2,330		3,457	9,302	7,219	7,150	8,949	23,977	26,711		89,095
Subordinated liabilities			22	88	302	2,450	639	4,825	6,503		14,830
Other liabilities	1,024		5,785	1,845	197	143	1,308	7	53	3,627	13,989
Total liabilities	**143,958**	**833**	**88,805**	**23,988**	**10,777**	**12,762**	**14,170**	**39,681**	**49,354**	**3,627**	**387,955**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	24	32	63	84	103	12		326
Contractual amounts payable			16	10	27	53	63	96	8		274
Total undiscounted gross settled derivatives not held for trading			**8**	**-13**	**-5**	**-10**	**-21**	**-7**	**-4**		**-52**
Net settled derivatives not held for trading			240	209	389	725	1,401	3,130	6,023		12,115
Net liquidity gap	**-93,108**	**-324**	**-62,823**	**-4,315**	**-1,753**	**4,352**	**26,407**	**24,653**	**174,679**	**2,158**	**69,926**
Off balance sheet liabilities											
Committed credit facilities	27,299										27,299
Guarantees	2,659										2,659
Irrevocable facilities	6,178										6,178
Recourse risks arising from discounted bills	7,037										7,037
Total off-balance sheet liabilities	**43,173**										**43,173**

1 Excluding Derivatives.
2 Excluding Securities financing.

Maturity based on contractual undiscounted cash flows Audited

31 December 2015

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets											
Cash and balances at central banks	26,195									-0	26,195
Financial assets held for trading[1]	1,706									-0	1,706
Derivatives[2]		223	173	287	412	497	1,278	3,225	3,487		9,582
Financial investments	50		957	4,003	2,157	1,448	3,769	10,613	20,810	981	44,789
Securities financing	12,781		4,227	2,339	98	4	8	639			20,097
Loans and receivables - banks[3]	2,859		2,340	2,174	246	294	571	657	7,591		16,731
Loans and receivables - customers[3,4,5]	29,408		13,800	8,071	6,090	13,742	39,741	44,835	188,579		344,266
Other assets	2,570		894	46	11	43	365	245	1,147	2,454	7,775
Total undiscounted assets	**75,569**	**223**	**22,392**	**16,919**	**9,015**	**16,029**	**45,733**	**60,214**	**221,613**	**3,435**	**471,140**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			15	5	20	55	76	128	137		436
Contractual amounts payable			11	3	14	27	41	68	9		174
Total undiscounted gross settled derivatives not held for trading			**4**	**2**	**6**	**28**	**35**	**60**	**128**		**262**
Net settled derivatives not held for trading			169	285	406	469	1,241	3,164	3,286		9,020
Liabilities											
Financial liabilities held for trading[1]	459									-0	459
Derivatives[2]		249	250	194	472	694	1,440	3,213	7,979	-0	14,491
Securities financing	9,521		732	81	5	6	1,029	11		-0	11,385
Due to banks[2]	1,979		2,371	1,100	590	490	197	4,795	3,972		15,494
Due to customers[3,4,5]	163,251		55,963	16,548	1,790	2,295	1,011	1,689	5,404		247,952
Issued debt	2,082		2,726	6,284	4,879	5,403	12,430	24,553	25,775	-0	84,132
Subordinated liabilities			20	79	201	374	784	1,749	11,165	-0	14,372
Other liabilities	1,218		1,364	682	288	527	664	8	182	2,710	7,642
Total liabilities	**178,509**	**249**	**63,426**	**24,967**	**8,225**	**9,788**	**17,557**	**36,017**	**54,478**	**2,710**	**395,927**
Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			13	24	23	61	109	133	53		416
Contractual amounts payable			16	3	19	38	64	57	38		235
Total undiscounted gross settled derivatives not held for trading			**3**	**-21**	**-5**	**-23**	**-45**	**-76**	**-15**		**-182**
Net settled derivatives not held for trading			248	215	461	676	1,422	3,227	6,864		13,111
Net liquidity gap	**-102,941**	**-26**	**-41,033**	**-8,048**	**789**	**6,240**	**28,176**	**24,196**	**167,135**	**725**	**75,213**
Off balance sheet liabilities											
Committed credit facilities	21,559										21,559
Guarantees	2,440										2,440
Irrevocable facilities	5,737										5,737
Recourse risks arising from discounted bills	5,691										5,691
Total off-balance sheet liabilities	**35,427**										**35,427**

1 Excluding Derivatives.
2 As of year-end 2016, a redefined methodology for contractual amount of Gross settled derivatives not held for trading has been applied. The 2015 figures have been adjusted.
3 Excluding Securities financing.
4 Netting is no longer be applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. The impact on the comparative 31 December 2015 loans and receivables – customers balances and due to customers balances is EUR 1.5 billion.
5 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly. Further details are provided in note 1 Accounting policies. The impact on the comparative 31 December 2015 loans and receivables – customers balances and due to customers balances is EUR 15.5 billion.

Leadership and Governance

This section presents an overview of the corporate governance framework of ABN AMRO Bank, including the Report of the Supervisory Board and the Remuneration chapter.

Leadership

Managing Board

This section provides brief background information on the members of the Managing Board. Further details are provided in the 2016 Annual Report of ABN AMRO Group and on our website, abnamro.com. The curricula vitae of the members of the Managing Board who left ABN AMRO in 2016 (based on information available at the time of resignation) are also available on our website.

Curriculum Vitae Managing Board

Kees van Dijkhuizen (Dutch, male, 1955)
Chief Executive Officer
Kees van Dijkhuizen was appointed to the Managing Board of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 1 May 2013. Kees van Dijkhuizen was Chief Financial Officer from 1 June 2013 to 31 December 2016. He was appointed as CEO and Chairman of the Managing Board on 1 January 2017. His current term expires in 2021.
Other positions: Chairman, Government Committee on Export, Import and Investment Guarantees; Member, AFM Capital Market Committee; Board Member, Dutch Banking Association.

Johan van Hall (Dutch, male, 1960)
Chief Operating Officer/Vice-Chairman
Johan van Hall was appointed to the Managing Board of ABN AMRO Bank N.V. on 9 April 2009, to the Managing Board of ABN AMRO Group N.V. on 18 December 2009 and to the Managing Board of Fortis Bank (Nederland) N.V. (as of 1 July 2010 merged with ABN AMRO Bank N.V.) on 1 April 2010. Johan van Hall is the Chief Operating Officer responsible for Technology, Operations, and Property Services (TOPS). As of 1 June 2013, he is the Vice-Chairman of the Managing Board. His current term expires in 2018.
Supervisory position: Member Supervisory Board, equensWorldline (pan-European Payment Processor); Vice-chairman, Advisory Committee of Centraal Bureau voor de Statistiek CBS (Statistics Netherlands); Member Supervisory Council, Christelijk Voortgezet Onderwijs Baarn/Soest.
Other positions: Board Member, Nyenrode International Advisory Board; Member, NBA Signaleringsraad (Dutch professional organisation for Accountants); Chairman, Stichting "ABN AMRO Support for India".

Wietze Reehoorn (Dutch, male, 1962)
Chief Risk Officer
Wietze Reehoorn was appointed to the Managing Boards of ABN AMRO Group N.V., ABN AMRO Bank N.V. and Fortis Bank Nederland N.V. (as of 1 July 2010, merged with ABN AMRO Bank N.V.) on 1 April 2010. As Chief Risk Officer he is responsible for Risk Management, Legal, Compliance & Conduct and Security & Intelligence Management. His current term expires in 2018.
Supervisory position: Member Supervisory Council, Rijksuniversiteit Groningen; Member Supervisory Board, Stichting Amsterdam Institute of Finance (AIF); Member Supervisory Council, Stichting Topsport Community; Member Supervisory Council, Frans Halsmuseum.
Other position: Board Member, Abe Bonnema Stichting.

Report of the Supervisory Board

A description of the duties, responsibilities and current composition of the Supervisory Board including its committees is provided in the Corporate Governance section of this Annual Report. That section also includes relevant details, such as other positions held by members of the Supervisory Board. More information on remuneration is provided in the Remuneration section of this Annual Report. These subjects are considered to be incorporated by reference into this Supervisory Board section.

Developments in 2016

Ms Olga Zoutendijk was appointed by the Supervisory Board as of the General Meeting of 18 May 2016 as Chairman of the Supervisory Board.

During 2016, four new members joined the Supervisory Board: Mr Arjen Dorland, Ms Frederieke Leeflang, Mr Jurgen Stegmann and Mr Tjalling Tiemstra. The following members stepped down: Mr Rik van Slingelandt, Mr Hans de Haan and Mr Bert Meerstadt.

The new Supervisory Board members were carefully selected based on both their individual track records and on the complementarity of their experience, capabilities and interpersonal styles within the overall Supervisory Board team. The Supervisory Board granted the General Meeting the opportunity to recommend candidates for these positions. The General Meeting did not recommend candidates for these vacancies.

Furthermore, the Supervisory Board invited the Employee Council to recommend candidates for nomination for the relevant positions. The Employee Council decided not to recommend candidates for nomination for these positions and confirmed its support for all proposed candidates. All appointments are for a term which ends at the close of the annual General Meeting in 2020. The Supervisory Board has adopted a retirement and reappointment schedule, which is published on abnamro.com.

The Supervisory Board members have expertise relating to banking, strategy, change management, P&L management, accounting, innovation, IT, digitalisation, economics, risk management, remuneration and human resources management, sustainability and corporate social responsibility, legal and compliance issues, the development of products and services, and experience in the key markets in which the bank is active. The Supervisory Board has at least one financial expert.

All members of the Supervisory Board passed the fit and proper test under the Dutch Financial Supervision Act. The Supervisory Board confirms that all members of the Supervisory Board are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code (2008).

The Audit Committee is chaired by Mr Tiemstra. Ms Zoutendijk, Mr Dorland and Mr Stegmann were members on 31 December 2016.

Mr Stegmann succeeded Ms Zoutendijk as the Chairman of the Risk & Capital Committee as per 12 August 2016. Ms Zoutendijk, Mr Dorland, Ms Roobeek and Mr Tiemstra were members on 31 December 2016.

Mr ten Have is the Chairman of the Remuneration, Selection & Nomination Committee. Ms Zoutendijk, Mr Dorland, Ms Leeflang and Ms Roobeek were members on 31 December 2016.

Focus areas of the Supervisory Board in 2016

During the course of the year under review, the Supervisory Board held five meetings according to the pre-set schedule, four informal team meetings, three conference calls, six Permanent Education sessions and seventeen additional meetings. The additional meetings focused on specific subjects, such as joint strategy discussions with the Managing Board, as well as the Supervisory Board's evaluation of internal and external candidates as part of the CEO succession process.

Plenary Supervisory Board meetings are usually spread over two days, starting on the first day with the meetings of the Risk & Capital Committee in the morning and the Audit Committee in the afternoon. The Remuneration, Selection & Nomination Committee generally meets a few weeks prior. The Supervisory Board meeting of the second day takes into account the outcome and recommendations of the committee meetings which already took place. The Company Secretary attends all meetings and is the secretary of the Supervisory Board and its committees.

The Managing Board attends the formal meetings of the Supervisory Board and prepares detailed supporting documents. The regular meetings on average last four hours. Management Group members and the external accountant were frequently invited to present on specific topics.

The attendance record of the Supervisory Board members was as follows:

2016	Formal meetings (5)[5]	Team meetings (4)[5]	Additional meetings (17)	Total meetings (26)
O.L. Zoutendijk	5/5	4/4	15	24
D.J.M.G. van Slingelandt[1]	3/3	2/2	3	8
S. ten Have	3/5	4/4	15	22
J.M. Roobeek	5/5	4/4	16	25
J.S.T. Tiemstra[2]	2/2	2/4	11	15
A.C. Dorland[2]	2/2	2/2	12	16
F.J. Leeflang[2]	2/2	2/2	13	17
J.B.J. Stegmann[3]	2/2	1/2	8	11
A. Meerstadt[4]	2/2	1/1	1	4
H.P. de Haan[1]	3/3	2/2	3	8

1 Until 18 May 2016.
2 As of 18 May 2016.
3 As of 12 August 2016.
4 Until 7 April 2016.
5 The total number of meetings attended per member may differ because some members of the Supervisory Board were appointed at a later date than others. The number between brackets reflects the number of meetings the member attended from the time of their appointment or until the time of their resignation.

In addition to the Supervisory Board's focus on strategy, culture and the CEO succession process, other key areas of focus for the Supervisory Board during the year were the bank's compliance with regulations, specifically preparation for the Market Abuse Regulations, Anti-money laundering/ Sanctions and MiFID II. Furthermore the Supervisory Board was regularly updated on ABN AMRO's strategic risks and the design of the internal risk management and control systems. During these updates the Managing Board's assessment of the adequacy and effectiveness of the risk management and control systems was monitored and discussed. Other important topics were the bank's risk management and risk appetite, including deep dives on the bank's Energy, Commodities and Transportation (ECT) client sector to analyse the potential impact of various oil price scenarios, as well as lessons learned from specific credit files.

The Supervisory Board focused on innovation and the digitalisation of products and services, data quality and data integration, reliability and availability of information, the bank's compliance with laws, codes and regulations and simplification of the IT landscape and processes. The Supervisory Board also focused on the resolution of legacy legal and tax matters, the European Central Bank initiated stress tests and the related stress test scenarios and the recommendations by the ECB following their internal risk governance review (RIGA).

The Supervisory Board actively engaged its key stakeholders in 2016, visiting various parts of the organisation in the Netherlands and internationally to obtain client and staff feedback regarding the bank's duty of care, integrity, client focus, culture and competitive differentiation. We also met regularly with the bank's Employee Council to obtain their thoughts and input on various issues, including their thoughts on the need to move away from an overly top-heavy management structure toward a more dynamic culture of high performance and accountability for our clients. The Supervisory Board highly values the constructive relationship with the Employee Council.

At the same time, the Supervisory Board maintained active engagement throughout the year with the Dutch central bank, the European Central Bank, STAK AAG and NLFI. Our aim throughout was to ensure that the bank is well positioned to create long-term value for its shareholders and for society, while focusing firmly on clients' interests and balancing the interests of all stakeholders.

Please note that a description of the duties, responsibilities and current composition of the Supervisory Board including its committees is provided in the Supervisory Board section of Corporate Governance. That section also includes relevant details, such as other positions held by members of the Supervisory Board. More information on remuneration is provided under Remuneration in the Leadership and Governance section. These subjects are considered to be incorporated by reference into this Report of the Supervisory Board.

Performance Evaluation of the Supervisory Board

The Supervisory Board entrusts the annual performance evaluation of the Supervisory Board as a whole and of its individual members to a specialised external advisory firm. This process consists of a full performance evaluation every three years, including face-to-face interviews with the Chairman and each Board member. In the intervening years, this process consists of an online questionnaire, conducted by the same external advisory firm.

The most recent full performance evaluation took place in 2015 and the resulting report listed a number of recommendations. This report and the recommendations were discussed amongst the members of the Supervisory Board in mid 2016. The recommendations and conclusions of the report which were relevant to the Managing Board were shared with the Managing Board.

Consistent with the three year schedule, the Supervisory Board assessed its performance over 2016 on the basis of a questionnaire conducted by the same external consultant in February 2017, and will follow-up on the conclusions of this Effectiveness Review during its upcoming Supervisory Board team meetings.

The Supervisory Board also discussed the performance of the Managing Board and its individual members, the outcome of their individual leadership assessments conducted in Q3 of 2016, and the resulting conclusions.

Curriculum Vitae Supervisory Board

Olga Zoutendijk (Dutch, female, 1961)

Chairman

Olga Zoutendijk was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. effective 1 July 2014. As of 20 August 2015 Olga Zoutendijk was appointed Vice Chairman. As of 18 May 2016 Olga Zoutendijk was appointed Chairman. Her present term expires in 2018.

Last executive position held: Member of the Wholesale Banking global executive committee, Senior Managing Director and Group Head of Wholesale Banking, Asia at Standard Chartered Bank.

Supervisory positions: Member Supervisory Council, University of Leiden.

Steven ten Have (Dutch, male, 1967)

Vice-Chairman

Steven ten Have was appointed to the Supervisory Board of ABN AMRO Group N.V. on 30 March 2010 and as of 1 April 2010, to the Supervisory Boards of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. (as of 1 July 2010, merged with ABN AMRO Bank N.V.). As of 18 May 2016 Steven ten Have was appointed Vice-chairman. His present term expires in 2018.

Current positions: Partner with Ten Have Change Management; Full professor of Strategy and Change Management/Director of the Msc.-programme Change Management at Vrije Universiteit Amsterdam.

Supervisory position: Chairman Supervisory Board, Software Improvement Group (SIG) B.V.

Other positions: Member of the Education Council of the Netherlands (Onderwijsraad); Chairman, Stichting "Center for Evidence-Based Management"; Deputy expert member Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal).

Arjen Dorland (Dutch, male, 1955)

Member

Arjen Dorland was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 18 May 2016. His present term expires in 2020.

Last executive position held: Executive Vice President of Technical and Competitive IT, Royal Dutch Shell.

Supervisory position: Member Supervisory Council, Stichting Naturalis Biodiversity Center.

Frederieke Leeflang (Dutch, female, 1969)

Member

Frederieke Leeflang was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 18 May 2016. Her present term expires in 2020.

Current positions: Lawyer, Competition and European law at Boekel N.V.

Supervisory positions: Member (vice chairperson) Supervisory Council, Onderwijsstichting Zelfstandige Gymnasia (Educational Foundation of Independent Gymnasia); Member Supervisory Council, Stichting KWF Kankerbestrijding (Dutch Cancer Society); Member Audit Advisory Committee of the Dutch Court of Audit (Algemene Rekenkamer).

Other positions: Chairperson, Advisory Council, Centrum Indicatiestelling Zorg (CIZ, Care Assessment Centre); Board member, De Amsterdamse Kring; Board member (vice chairperson), Amsterdam Diner Foundation; Various lectureships at the Nederlandse Orde van Advocaten (Dutch Bar Association), Elsevier, Kluwer and OSR; Board member, Vereniging voor Mededingingsrecht (Association for Competition law).

Annemieke Roobeek (Dutch, female, 1958)
Member
Annemieke Roobeek was appointed to the Supervisory Board of ABN AMRO Group N.V. on 30 March 2010 and as of 1 April 2010, to the Supervisory Boards of ABN AMRO Bank N.V. and Fortis Bank (Nederland) N.V. (as of 1 July 2010, merged with ABN AMRO Bank N.V.). Her present term expires in 2017.
Current position: Professor of Strategy and Transformation Management at Nyenrode Business Universiteit; Director and owner of MeetingMoreMinds B.V.; Owner of Open Dialogue B.V.; Co-owner of XL Labs B.V.
Supervisory Positions: Member Supervisory Board, Abbott Healthcare Products B.V.; Member Supervisory Board, KLM N.V.
Other positions: Chairperson, PGGM Advisory Board for Responsible Investment; Chairperson, Stichting INSID, Institute for sustainable innovation & development directed by His Royal Highness Prince Carlos de Bourbon Parme; Member, "Raad van Eigen Wijzen" (Advisory Board), CPI Governance; Member, International Advisory Board of Howaldt & Co, Hamburg, Germany.

Jurgen Stegmann (Dutch, male, 1960)
Member
Jurgen Stegmann was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 12 August 2016. His present term expires in 2020.
Current position: Director and owner Stegmanagment B.V.
Last executive position held: Chief Financial Officer at Robeco Groep N.V.
Supervisory positions: Member Supervisory Board, Stichting Woonstad Rotterdam; Member Supervisory Board, Janssen de Jong Groep B.V.

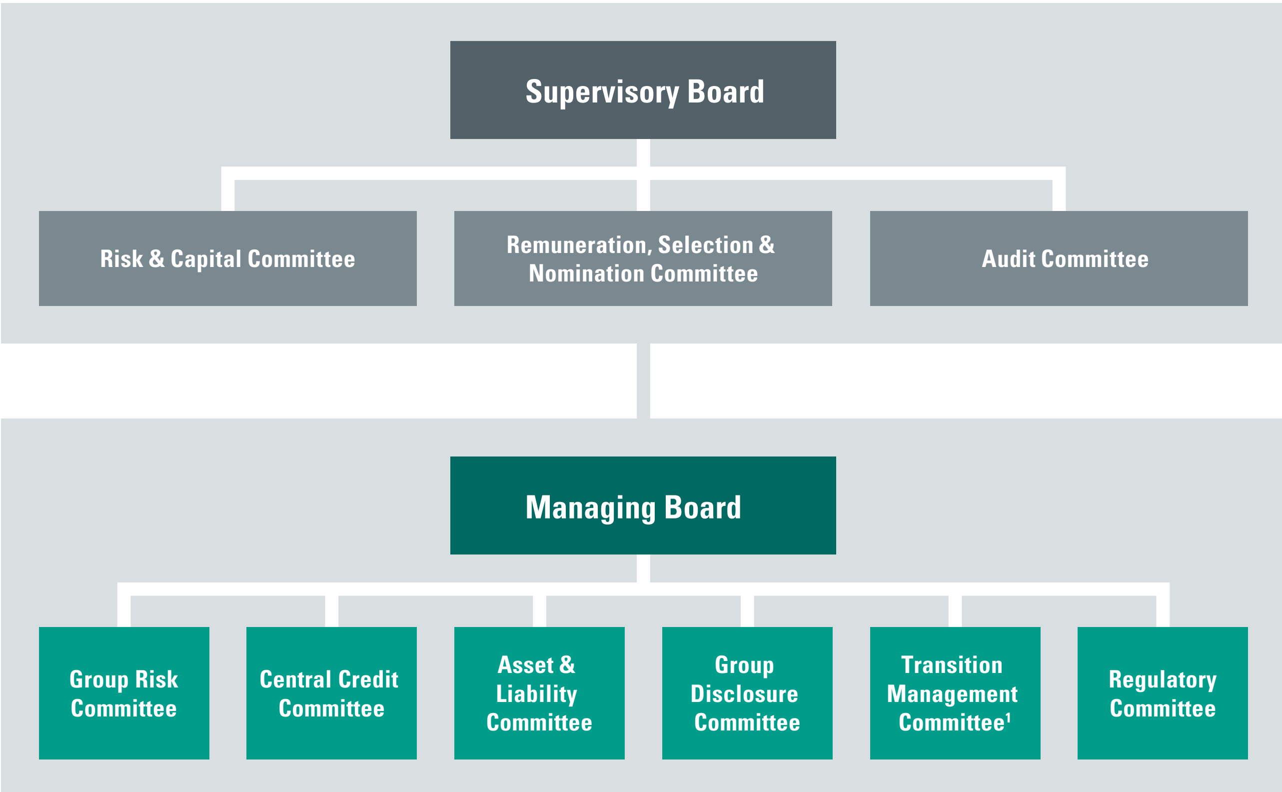
Tjalling Tiemstra (Dutch, male, 1952)
Member
Tjalling Tiemstra was appointed to the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank N.V. on 18 May 2016. His present term expires in 2020.
Last executive position held: Chief Financial Officer of Hagemeyer N.V.
Current positions: Director and owner, Drs J.S.T. Tiemstra Management Services B.V.
Supervisory positions: Member Supervisory Board, DKG Holding B.V.; Member Supervisory Board, Stichting Reinier de Graaf HAGA Groep; Member Supervisory Board, Batenburg Techniek N.V.; Member Supervisory Board, Royal Haskoning DHV B.V.
Other positions: Board member, Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster); Board member, Stichting Preferente Aandelen (Preference Shares) Wolters Kluwer; Board member, Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares); Member Advisory Board, Dienst Uitvoering Onderwijs (DUO) (Education Executive Agency of the Dutch Ministry of Education, Culture and Science); Member Monitoringcommissie Code Pensioenfondsen (Monitoring Committee Dutch Pension Funds Code); Member Advisory Board, Court of Justice of Rotterdam; Deputy expert member, Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal); Chairman, Governance, Risk & Compliance Committee of Nederlandse Beroepsorganisatie van Accountants (NBA) (Dutch Institute of Chartered Accountants).

Further details on the backgrounds and curricula vitae of the members of the Supervisory Board who left ABN AMRO in 2016 (based on information available at the time of resignation) are available on our website.

Corporate Governance

Corporate structure

ABN AMRO Bank is a public company with limited liability incorporated on 9 April 2009 under Dutch law. The company has a two-tier board consisting of a Managing Board[1] and a Supervisory Board. The compositions of the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank are identical, as is the composition of the Managing Boards of ABN AMRO Group and ABN AMRO Bank and the committees of these boards.



[1] The Transition Management Committee was discontinued as a Managing Board Committee as from 8 November 2016.

[1] The current text refers to the management structure that was effective throughout the year 2016. The new management structure as announced on 6 February 2017 will become effective upon receipt of the required regulatory approvals.

Managing Board

Composition

The Supervisory Board determines the number of members of the Managing Board, the minimum being two people. On 31 December 2016, the Managing Board consisted of seven members.

The year 2016 marked the beginning of a renewal of the Managing Board. Mr Kees van Dijkhuizen, formerly Chief Financial Officer of ABN AMRO, was appointed CEO and Chairman of the Managing Board with effect from 1 January 2017. The process of appointing a new CFO to succeed Mr van Dijkhuizen is under way.

With the exception of Mr van Dijkhuizen, who was appointed in 2013 for a period of four years, the current members of the Managing Board were reappointed at the General Meeting held on 10 April 2014. Each reappointment was for a term which ends at the close of the first General Meeting held after four years have passed since his or her last appointment. This is the maximum period for appointments and reappointments according to the best practice provision II.1.1 of the Dutch Corporate Governance Code (2008). Since Mr van Dijkhuizen was appointed CEO as per 1 January 2017, and his mandate as a Managing Board member is proposed to be extended on the occasion of the General Meeting in May 2017, his extended mandate as a Managing Board member will be aligned with his term as CEO of ABN AMRO.

Furthermore, the Supervisory Board reached agreement with Ms Caroline Princen and Mr Chris Vogelzang regarding their resignation in 2017. Mr Joop Wijn resigned to pursue a new career opportunity.

A new management structure was announced on 6 February 2017 which will become effective after the required regulatory approvals[1] have been obtained.

An overview of the composition of the Managing Board, including key information on the backgrounds and terms of office of each Managing Board member, is provided in the Managing Board section of this report and on abnamro.com.

In line with the group's diversity policy, ABN AMRO strives to meet the gender target of 30% for both the Supervisory Board and the Managing Board. ABN AMRO Bank currently meets this target for the Supervisory Board. For the Managing Board, where 14% (1 out of 7) of its members were female in 2016, the diversity target was not met. With the departure of Ms Princen in 2017, there are currently no women on the Managing Board. All current Managing Board members were either appointed in 2013 or reappointed in 2014 for a four-year period. ABN AMRO Bank will give due consideration to any applicable gender requirements in its search to find suitable new members for vacancies who meet the fit and proper requirements under the Dutch Financial Markets Supervision Act. The Supervisory Board is committed to appoint at least a woman to the Managing Board, subject to the relevant profile of the open position, the availability of suitable candidates and approval by the ECB. In addition, ABN AMRO continues to encourage greater diversity at other levels of the group.

Responsibilities

The members of the Managing Board are collectively responsible for the strategy, structure and performance of ABN AMRO. In carrying out their duties, the members of the Managing Board are guided by the interest and continuity of ABN AMRO. The Managing Board is accountable to the Supervisory Board and to the General Meeting. The Rules of Procedure of the Managing Board are available on abnamro.com.

Appointment, suspension and dismissal

Managing Board members are appointed by the Supervisory Board, which notifies the General Meeting of the intended appointment of a member of the Managing Board. Only candidates who meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The Supervisory Board may appoint one of the members of the Managing Board as Chairman and may at all times suspend a member of the

[1] This Annual Report describes the management structure that was effective throughout the year 2016 only.

Managing Board. Further information on the suspension and dismissal procedure is provided in ABN AMRO's Bank Articles of Association.

Managing Board committees

The Managing Board has established a number of committees that are responsible for decision-making on certain subjects and for advising the Managing Board on certain matters. This includes three risk-related committees: the Group Risk Committee, the Group Asset & Liability Committee and the Central Credit Committee. More information on the delegated authority of these committees is provided in the Risk, funding & capital section. In addition, the Managing Board has installed a Group Disclosure Committee and a Group Regulatory Committee.

The Group Disclosure Committee is responsible for, among other things, advising and supporting the Managing Board in relation to (i) supervision on the accuracy and timeliness of public disclosures by the group, and (ii) integrity with regard to the financial statements and other public disclosures.

The Group Regulatory Committee is responsible for, among other things, (i) ensuring a good understanding and an adequate overview of, (ii) regularly informing and consulting the Managing Board about, and (iii) making strategic choices and taking decisions on matters relating to changing national and international laws and regulations affecting the Group.

The Group Transition Management Committee, which was responsible for, among other things, tactical management of the Group-wide transition programmes, was discontinued in November 2016. A transformation committee will be installed to take on responsibility for safeguarding Group-wide transition programmes.

Supervisory Board

Composition

The Supervisory Board determines the minimum number of its members, which must in any case be at least three people. The Supervisory Board has drawn up a profile for its composition and the desired expertise and background of its members. This profile was discussed in the 2015 General Meeting and with ABN AMRO Group's Employee Council in 2015. The full profile of the Supervisory Board is available on abnamro.com, as an annex to the Rules of Procedure of the Report of the Supervisory Board.

The Supervisory Board evaluates its own functioning and that of its individual members on an annual basis. For more information see the Report of the Supervisory Board (Performance Evaluation).

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members are appointed for a maximum of three 4-year terms (which end at the close of the first General Meeting that is held after four years have passed since his or her last appointment).

Responsibilities

The Supervisory Board supervises the Managing Board as well as ABN AMRO Bank's general course of affairs and its business. In addition, it supports the Managing Board by providing advice. In performing their duties, the members of the Supervisory Board are guided by the interests of ABN AMRO Bank. Specific powers are vested in the Supervisory Board, including the approval of certain decisions taken by the Managing Board.

More information on the activities of the Supervisory Board in 2016 is provided in the Report of the Supervisory Board included in this Annual Report.

The Rules of Procedure of the Supervisory Board are available on abnamro.com.

Appointment, suspension and dismissal

The members of the Supervisory Board are appointed by the General Meeting. Only candidates who have passed the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. Such appointment is based on a nomination by the Supervisory Board. The Supervisory Board must notify the General Meeting and the Employee Council simultaneously of its nomination. The General Meeting may reject the nomination with an absolute majority of the votes cast, representing at least one-third of the issued share capital. If an absolute majority has rejected the nomination, but the majority did not represent at least one-third of the issued share capital, a new meeting can be convened to vote on the nomination. In that case, the nomination can be rejected by an absolute majority of the votes cast (irrespective of the issued share capital present or represented at the meeting and irrespective of the percentage of the issued share capital which that majority represents). If the General Meeting does not appoint the nominee and does not resolve to reject the nomination, the Supervisory Board will appoint the nominee.

The General Meeting and the Employee Council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board. The Supervisory Board is required to nominate a candidate recommended by the Employee Council in respect of one-third of the members of the Supervisory Board. The Supervisory Board must accept the recommendation of the Employee Council, unless it believes that the candidate recommended is unsuitable to fulfil the duties of a member of the Supervisory Board or that the Supervisory Board would not be properly composed if the appointment were made as recommended.

The Supervisory Board may suspend any of its members at any time. The General Meeting can dismiss the Supervisory Board in its entirety due to lack of confidence in the Board, by an absolute majority of the votes cast, representing a quorum of at least one-third of the issued share capital. If this quorum is not met, there is no possibility of holding a second General Meeting in which no quorum applies. Further information on the suspension and dismissal procedure is provided in ABN AMRO's Bank Articles of Association.

Supervisory Board committees

Composition

The Supervisory Board has established three regular committees to prepare its decision-making and to advise the

Supervisory Board on certain matters: the Audit Committee, the Risk & Capital Committee and the Remuneration, Selection & Nomination Committee. The Rules of Procedure of the Supervisory Board include the terms of reference of these committees and are available on abnamro.com.

Audit Committee

The Audit Committee is tasked with the direct supervision of all matters relating to financial reporting and controlling. In doing so, it is responsible for supervising and advising the entire Supervisory Board with regard to, among other things, (i) the assessment of the principles of valuation and determination of results for the financial statements, (ii) internal control and financial reporting functions, (iii) internal and external audit, (iv) risk assessment of issues that could impact the financial reporting, (v) compliance with relevant laws and regulations, (vi) mediation between internal or external auditors and/or management, and (vii) reporting to the Supervisory Board. The committee is composed of Mr Tjalling Tiemstra (Chairman), Mr Arjen Dorland, Mr Jurgen Stegmann and Ms Olga Zoutendijk.

Risk & Capital Committee

The Risk & Capital Committee is responsible for supervising and advising the entire Supervisory Board with regard to, among other things, (i) risk management and risk control, including pricing policies, (ii) compliance, (iii) the allocation of capital and liquidity, (iv) the bank's risk appetite, (v) compliance with applicable laws and regulations (including codes of conduct and internal procedures), (vi) risk awareness within the bank, (vii) sound remuneration policies and practices in light of risk, capital, liquidity and expected earnings, (viii) proposing corrective and/or disciplinary measures against members of the Managing Board in the event of a breach of applicable laws and regulations, and (ix) periodic reviews of the Group's actual risk profile. The committee is composed of Mr Jurgen Stegmann (Chairman), Mr Arjen Dorland, Ms Annemieke Roobeek, Mr Tjalling Tiemstra and Ms Olga Zoutendijk.

Remuneration, Selection & Nomination Committee

The Remuneration, Selection & Nomination Committee is responsible for supervising and advising the entire Supervisory Board with regard to, among other things, (i) remuneration policies and execution of these policies for members of the Managing Board, the Supervisory Board and selected members of senior management, (ii) the selection, appointments and reappointments of members of the Supervisory Board and the Managing Board, (iii) succession plans for the Supervisory Board and the Managing Board, (iv) the knowledge, skills, experience, performance, size, composition and profile of both boards, (v) the performance of the members of both boards, and (vi) reporting on the execution of the remuneration policies in a remuneration section. The committee is composed of Mr Steven ten Have (Chairman), Mr Arjen Dorland, Ms Frederieke Leeflang, Ms Annemieke Roobeek and Ms Olga Zoutendijk.

Introductory programme and lifelong learning programme

Introductory programme

Upon their appointment, all members of the Supervisory Board follow an introductory programme designed to ensure that they have the relevant knowledge to fulfil their duties, including thorough knowledge of ABN AMRO. The programme provides the information needed for participation in the lifelong learning programme. As the knowledge, background and experience of newly appointed members of the Supervisory Board differ, the curriculum of the introductory programme is tailor-made.

Lifelong learning programme

ABN AMRO has a lifelong learning programme for the Supervisory Board and the Managing Board which is designed to keep the members' expertise up to date and to broaden and deepen their knowledge where necessary. In most cases, members of the Supervisory Board and Managing Board participate in the same courses to foster knowledge-sharing between the boards. The curriculum is developed and updated continuously to ensure a balanced programme covering all relevant aspects of the bank's performance and takes into account current developments in the financial industry. Topics covered in 2016 included an interactive workshop on the EU Data Protection Regulation, Corporate Culture and Stress Testing & Scenario Analysis. Additionally, the Supervisory Board followed a separate workshop on Operational Risk Management and visited International Card Services and the ABN AMRO Digital House. The Managing Board had a separate workshop on Regulatory Expectations and the Market Abuse Regulation.

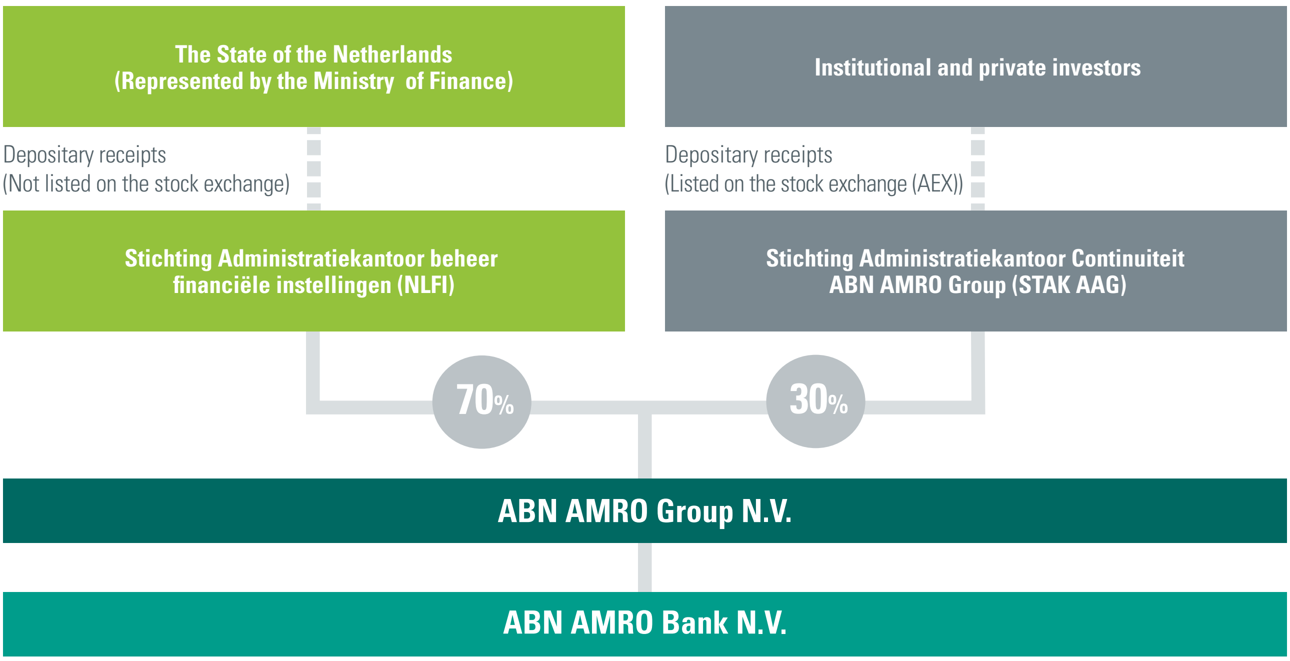
General Meeting and shareholder structure

General meeting

The annual General Meeting is held each year, on 30 June at the latest. The agenda for the annual General Meeting must contain certain matters as specified in ABN AMRO Bank's Articles of Association and under Dutch law, for example the adoption of the Annual Financial Statements. The General Meeting is also entitled to approve important decisions regarding the identity or character of ABN AMRO Bank, such as major acquisitions and divestments. The Supervisory Board, the Managing Board or a shareholder may convene additional extraordinary General Meetings at any time subject to a 15-day notice period.

ABN AMRO Bank held two General Meetings in 2016: the annual General Meeting on 17 May 2016 and the extraordinary General Meeting on 11 August 2016. The agenda items of the annual General Meeting of ABN AMRO Bank included adoption of the 2015 Annual Financial Statements, approval of the proposed dividend for the year 2015, discharge of each member of the Managing and Supervisory Boards in office during the financial year 2015, as well as the appointment of Mr Arjen Dorland, Ms Frederieke Leeflang and Mr Tjalling Tiemstra as members of the Supervisory Board. The extraordinary General Meeting of 11 August 2016 had only one agenda item: the appointment of Mr Jurgen Stegmann as a new member of the Supervisory Board.

Shareholder structure



ABN AMRO Bank is a wholly-owned subsidiary of ABN AMRO Group. At 31 December 2016, all shares in the capital of ABN AMRO Bank were held by ABN AMRO Group.

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Risk, funding & capital
Leadership and Governance
Annual Financial Statements
Other

Corporate governance codes and regulations

ABN AMRO Bank is required to comply with a wide variety of governance codes and regulations. This includes the Banking Code and CRD IV. This section explains how ABN AMRO Bank complies with these codes and regulations. More comprehensive overviews of ABN AMRO Bank's compliance with such codes and regulations are published under the Corporate Governance section of abnamro.com

Dutch Banking Code

The Dutch Banking Code was introduced in 2010 to ensure that banks commit to and account for treating their customers with care while balancing the interests of various stakeholders. An updated Dutch Banking Code came into effect on 1 January 2015, along with the Social Charter (*Maatschappelijk Statuut*) which is complementary to the Dutch Banking Code. The Dutch Banking Code, along with the Social Charter, which includes the Banker's Oath and the associated rules of conduct and disciplinary rules, applies to all employees of financial institutions in the Netherlands and emphasises the social role of banks and their commitment to meeting the expectations of society at large. The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands should observe in terms of corporate governance, risk management, audit and remuneration.

We are committed to complying with the Dutch Banking Code and devote a great deal of effort to ensuring that the spirit of the code is reflected in the behaviour of employees and in the culture of the bank. As such, we are pleased to confirm that ABN AMRO Bank complies with the principles of the Dutch Banking Code 2015.

A principle-by-principle overview of the manner in which ABN AMRO Bank complies with the Dutch Banking Code 2015 is published on abnamro.com. Throughout 2016, we continued to improve the manner in which we apply the principles of the Dutch Banking Code, taking into account the focus areas indicated by the Dutch Banking Code Monitoring Committee

All members of the Supervisory Board and Managing Board of ABN AMRO Bank have taken the Banker's Oath. Taking the oath is required by Dutch law. The oath is a confirmation of ABN AMRO's existing policy, which is fully in line with the bank's business principles and core values. Along with the introduction of a Social Charter and the Dutch Banking Code, the Dutch banking industry has taken the initiative to have all employees take the Banker's Oath. Employees take the oath so that they will be personally responsible for complying with these rules of conduct and may be held accountable for non-compliance in the near future.

Subsidiaries of ABN AMRO Bank and the Dutch Banking Code

On 31 December 2016, ABN AMRO Bank had four Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all of these Dutch subsidiaries on a consolidated basis. An explanation of the manner in which these subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

CRD IV

Article 96 of CRD IV requires financial institutions to explain on their website how they comply with the requirements of Articles 88 through 95 of CRD IV. These Articles set out governance, disclosure, remuneration and nomination requirements for financial institutions. The obligation to publish such an overview was implemented into Dutch law by Article 134b of the Decree on prudential measures FMSA *(Besluit prudentiële regels Wft)*. ABN AMRO has published on abnamro.com an overview of how ABN AMRO Group and ABN AMRO Bank comply with Article 134b of the Prudential Measures Decree and Article 96 of CRD IV.

Under CRD IV, all members of the management body of a bank (including non-executive members or supervisory board members acting in their role of overseeing and monitoring management decision-making) must commit sufficient time to allow them to perform their duties and to be able to understand the bank's business. In respect of significant banks, such as ABN AMRO Bank, Article 91 of CRD IV contains a specific regulation for the limitation of the number of executive and non-executive directorships such members may hold (which rules have been implemented in Dutch law through Section 3:8(3) Dutch Financial Markets Supervision Act). The rules in the Dutch Corporate Governance Code are also applicable to ABN AMRO Group, but are not as strict as the rules under CRD IV.

All members of the Managing Board and Supervisory Board currently comply with the aforementioned rules under CRD IV and the Dutch Corporate Governance Code. With respect to Supervisory Board members Ms Annemieke Roobeek and Mr Tjalling Tiemstra, requests for authorisation of one additional non-executive directorship that each of them currently holds have been approved by the European Central Bank.

Legal structure

Global structure of ABN AMRO Bank

The full list of subsidiaries and participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Retail Banking

The Retail Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Hypotheken Groep B.V. offers all ABN AMRO labelled residential mortgage products, including Direktbank, Florius and MoneYou brands; ALFAM Holding N.V. provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans. International card Services B.V. (ICS) issues, promotes, manages and processes more than 25 different credit cards in partnership with companies, including credit card transactions and offers other financial services, such as revolving credit facilities;MoneYou B.V. operates as an internet bank offering savings accounts and mortgages and is active in the Netherlands, Belgium, Germany and Austria. Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen) is an associate of ABN AMRO Bank N.V (49%). Delta Lloyd N.V. holds a 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO brand.APG--ABN AMRO Pensioeninstelling N.V. (ABN AMRO Pensions) is a joint venture of ABN AMRO (70%) and APG (30%), the largest pension institution in the Netherlands. ABN AMRO Pensions is a premium pension institution ('PPI') which offers pension schemes without insurance based on long life or death.

Private Banking

The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive): Banque Neuflize OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth articulated around dedicated advisory and product offers. Bethmann Bank AG is a private bank and enjoys a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany and offers all Private Banking and Private Wealth Management related services; Neuflize Vie S.A. is a joint venture of Banque Neuflize OBC (60%) and AXA (40%). Neuflize Vie is a life insurance company and was created to offer life insurance products for (ultra) high net-worth individuals and has developed customised solutions with a focus on unit-linked contracts.

Corporate Banking

The Corporate Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe. ABN AMRO Commercial Finance Holding B.V. is active via subsidiaries in the Netherlands, France, Germany and the United Kingdom, providing working capital funding on debtors and inventory. ABN AMRO Lease N.V. delivers asset-based solutions (equipment lease and finance) and is active in the Netherlands, Belgium, Germany and the United Kingdom.

Group Functions

The Functions business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive): ABN AMRO Funding USA LLC is active in the US market, issuing ABN AMRO's US Dollar Commercial Paper funding for clients operating in the US and for clients with US dollar loans.Stater N.V. offers administrative services related to mortgage loans. Stater works for ABN AMRO and other parties supplying mortgage loans.

Subsidiaries and international governance

ABN AMRO has designed group-wide policies and standards to ensure that all relevant parts of the organisation adhere to governance principles and requirements. Considering the varying business activities, local regulatory requirements, organisations and risk frameworks of subsidiaries and branches, actual implementation of the group-wide policies and standards may differ between the subsidiaries and branches. All entities in the international network adhere to ABN AMRO's principles of risk governance and a moderate risk profile.

International governance is in place which meets the requirements of our international organisation and both the home and host regulators. A review was performed in 2016 to ensure alignment with the international growth plans and changes in the regulatory environment. Furthermore, we implemented changes to the governance model for certain parts of Group Functions (Compliance, Legal, Risk, Central Information and Security Office, SIM, Finance and HR) in the international network and subsidiaries in order to strengthen our governance and to better connect our international locations and subsidiaries within the bank at large.

Functions in the bank's international network:

Direct hierarchical reporting lines have been implemented between the Heads of Group Functions and those responsible for local Functions, i.e. Compliance, Legal, Central Information Security Office (CISO), Risk, SIM, Finance and Human Resources. Those responsible for local Functions section directly to head office instead of through a regional reporting line. Commercially there are no changes. The hierarchical reporting lines to the relevant Country Executive/CEO have remained the same.

Subsidiary Heads and Functions in subsidiaries in the international network:

Local Heads of Functions of international subsidiaries (part of the specialised business) have direct hierarchical reporting lines to the CEO of the subsidiary locally and the Head of Functions of the subsidiary globally. There is also a reporting line with the country Head of Functions that is - depending on the function - hierarchical or an obligation to cooperate. The changes to hierarchical reporting lines also impact the decision-making process and alignment requirement related to hiring, firing, managing, performance management & reward and the Functions budget.

Functions in Dutch subsidiaries:

Direct hierarchical reporting lines between Heads of Group Functions and those responsible for Functions in the bank's Dutch subsidiaries have been introduced. The hierarchical reporting line to the Head of the relevant subsidiary has remained in place.

Remuneration

This section sets out ABN AMRO Bank's remuneration philosophy and principles for all our employees. The remuneration policy and practices for the Supervisory Board, Managing Board and so-called Identified Staff are discussed in greater detail in the subsequent parts of this section.

Overview

Financial institutions are subject to many guidelines with respect to remuneration. The last major changes became effective in 2014 and 2015 and specified more limitations to variable remuneration for all employees in the Dutch financial industry and an extension of the bonus prohibition for a specific group of senior employees. All relevant guidelines have been timely incorporated into ABN AMRO Bank's own policies and practices. We have also announced our updated strategy towards 2020, designed to create a more agile and future-fit bank. We aim to combine the pillars of our strategy with the applicable remuneration restrictions.

Remuneration philosophy

ABN AMRO Bank's long-term corporate strategy is based on four long-term strategic priorities. Our reward philosophy and principles centre around these priorities and they will be further reflected in our remuneration policy and performance management system from 2017 onwards.

Remuneration philosophy

Strategic priorities...	...reflected in remuneration philosophy
Client-driven	1. ABN AMRO Bank looks closely at what kind of performance is being rewarded and uses a balanced set of KPIs to assess employee performance. Our clients increasingly want more flexible and agile services. We will take this into account in our remuneration philosophy, as we believe that the team's interests outweigh those of the individual, and that flexibility and agility are vital in order to stay ahead of our competition.
Invest in the future	2. We need a more flexible workforce and want our employees to be able to work any place, any time and in any way. We offer our staff the tools they need to do their job and to focus on their physical and mental well-being, so that they are well equipped to deal with the ever-changing environment.
Moderate risk profile	3. ABN AMRO Bank adheres to all applicable rules and regulations on compensation. We pay our employees in line with the relevant market. Our total pay package is at the median of the market, but we have the possibility to differentiate to reward specific skills or talents. Our pay levels are positioned at internal and external equity via job grading and benchmarking.
Sustainable growth	4. Our performance management is strength-based as we emphasise the employee's ambition and expertise. Moreover, we aim to promote cost awareness and balance a healthy payroll versus revenues.

Remuneration policy

Responsible remuneration policy

Financial institutions are subject to many guidelines with respect to remuneration. We aim to pursue a responsible remuneration policy that remains within the regulatory boundaries, such as limitations to variable remuneration and the bonus prohibition for a specific group of senior employees, while taking into account the interests of all our stakeholders.

Our remuneration principles are embedded in ABN AMRO Bank's Global Reward Policy. This policy is designed to support ABN AMRO Bank's business strategy, objectives, values and long-term interests. It provides a framework for effectively managing reward and performance across the bank and is periodically updated and aligned with ABN AMRO Bank's goals and the applicable guidelines and regulations. The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy and assesses the general principles and exceptions that relate to the applicable governance and/or internationally applicable guidelines and regulations within the financial sector. The Supervisory Board therefore reviews the policy regularly, considering the company's strategy and culture, risk awareness, targets and corporate values as well as relevant market practice. It also takes into account external requirements with respect to governance, the international context and relevant market data.

The Global Reward Policy applies within ABN AMRO Bank at all levels and in all countries in the bank's international network (including branch offices). Different starting points apply to the different layers of the bank's workforce, but remuneration packages are structured in accordance with the applicable regulations and restrictions for the financial sector. We position remuneration levels in principle around the median of the relevant labour market and focus on keeping labour costs under control. A typical remuneration package for ABN AMRO Bank employees consists of an annual base salary, annual variable remuneration and benefits and other entitlements. The Global Reward Policy also specifies rules with respect to those staff whose professional activities could have a material impact on the bank's risk profile. Within ABN AMRO Bank this group is referred to as Identified Staff.

A separate Reward Policy, adopted in 2010, applies to members of the Managing Board. This policy is aligned with all relevant and applicable guidelines and regulations and reflects developments and recommendations of the EBA, the ECB, DNB, the AFM, the Banking Code and the Corporate Governance Code as they apply.

Our annual performance management cycle aims to create a link between performance (realistic, sustainable results) and reward in such a way that costs change in line with employees' and the bank's performance. We use a set of balanced financial and non-financial KPIs as well as qualitative and quantitative KPIs. For 2016 our Group non-financial KPIs consisted of client centricity, Net Promoter Score and the Employee Engagement Survey. Financial KPIs used are RARORAC, the cost/income ratio and the CET1 ratio. There is also ample room to set individual and business-related KPIs. The table 'Performance indicators Identified Staff' provides more insight into the 2016 KPI methodology used for Identified Staff.

In line with the general trend towards less hierarchy and more teamwork, we want to subject employees to fewer checks and give them more empowerment. We aim to pursue a responsible remuneration policy, enabling our employees to further develop their expertise, help us create a simpler, more agile organisation and give our staff more autonomy and responsibility, making their work more meaningful. Our employee performance management system will help keep us aligned with the bank's financial and non-financial priorities towards 2020. We expect to make a further change to the KPIs in order to promote alignment with our goal and to create long-term value for all our stakeholders.

Changes in 2016

The EBA Guidelines on sound remuneration policies that became effective as from 2017 have been incorporated into the Global Reward Policy 2017. Among other changes, this has led to a more detailed description on the implementation of the EBA RTS 2013/11 regarding Identified Staff within ABN AMRO Bank.

In alignment with the remuneration guidelines, ABN AMRO Bank's Variable Compensation Plan for Identified Staff provides for a non-cash instrument portion. As from the 2016 performance year and as a result of ABN AMRO Bank being a listed company again, the Variable Compensation Plan will provide for depositary receipts (DRs) instead of performance certificates in order to achieve shareholder alignment. The use of the non-cash instrument portion in the form of performance certificates will be continued until 2016. All outstanding performance certificates will be phased out over time.

Expected changes in 2017

As from 2018, new guidelines and directives will enter into force, such as:

- EBA Guidelines on remuneration of sales staff with effect from 2018;
- Markets in Financial Instruments Directive (MiFID II);
- Capital Requirements Directive (CRD V).
- The consequences of these guidelines and directives will be implemented in the relevant remuneration principles during 2017.

The new management structure of ABN AMRO Bank will become effective in 2017. As a consequence of the introduction of the Executive Board and Executive Committee structure, the management layer below the Executive Committee will also be subject to change. The new management structure is expected to lead to adjustments in various fields such as remuneration, governance and performance management.

Remuneration principles for the Supervisory Board, Managing Board and other Identified Staff

Supervisory Board remuneration

The remuneration of members of the Supervisory Board is set by the General Meeting of Shareholders based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is proportional to the time required to perform their duties linked to the membership of the Supervisory Board and the relevant Board committees and is independent of ABN AMRO Bank's financial results. ABN AMRO Bank does not grant any variable remuneration or shares or options to Supervisory Board members in lieu of remuneration. The level of remuneration has not changed since 2010. Since 10 April 2014, remuneration for Supervisory Board committee memberships is limited to two such memberships. Details on the remuneration of members of the Supervisory Board in 2016 are provided in note 35 to the Annual Financial Statements.

Managing Board remuneration

The Global Reward Policy principles apply to all employees of the bank worldwide. A different governance applies to the Managing Board. The Supervisory Board is responsible for proposing the policy and principles, which are subject to shareholder approval. In addition to setting policy, the Supervisory Board executes the remuneration policy for the Managing Board members.

For the Managing Board, ABN AMRO Bank has always aimed for a level of total compensation slightly below the median of the relevant markets. ABN AMRO Bank used to define a peer group of companies, i.e. both financial and non-financial companies in the Netherlands and Europe, against which remuneration proposals for the Managing Board were assessed. Developments in previous years, however, make it difficult to properly assess the Managing Board's remuneration packages considering the many changes that have occurred in the banking industry in the Netherlands. These changes have not necessarily impacted companies operating in the general industry or the financial industry outside the Netherlands. This currently makes benchmark comparisons difficult, if not impossible. In 2016, as in 2015, benchmark comparisons were not taken into consideration.

Details on the remuneration of the individual Managing Board members are provided in note 35 to the Annual Financial Statements.

Annual fixed remuneration for 2016

The annual base salary for the Managing Board follows the developments in the collective labour agreement for the banking industry (*CAO Banken*). This resulted in a 1% increase for 2016. The annual base salary in 2016 amounted to EUR 619,711 for the members of the Managing Board and EUR 774,639 for the Chairman of the Managing Board. The annual salary of Mr van Dijkhuizen, following his appointment as CEO effective 1 January 2017, amounts to EUR 712,668 in 2017.

Variable remuneration

Although the remuneration package for the members of the Managing Board provides for a variable compensation component, the Bonus Prohibition Act, which became effective in 2011, does not allow such compensation for board members of financial institutions that fall under the scope of this Act during the period of state support through shareholding by the Dutch State. The members of the Managing Board are therefore not entitled to receive variable remuneration during the period of government ownership. This also applied for the 2016 performance year. As a consequence, Board members do not participate in the Variable Compensation Plan that applies to all Identified Staff within ABN AMRO Bank.

Benefits

The Chairman and members of the Managing Board participate in the ABN AMRO Bank pension schemes as applicable to all Dutch employees. The changes made to the pension arrangement as agreed between the collective labour agreement partners in 2014 therefore also apply to all seven Managing Board members. The pensionable salary includes frozen compensation for pension contribution for all employees that were employed before 2011. For pensionable salary up to EUR 101,519 (the applicable threshold for 2016), a collective defined contribution (CDC) pension scheme applies. The standard retirement age is 67 years, the average income accrual is 1.875% and the employee pension contribution is 5.5%. For pensionable salary in excess of EUR 101,519, employees will receive an allowance which can be used to build up a net pension in a defined contribution (DC) plan. The allowance in 2016 amounted to 33% and will be set annually using the year-end interest of the preceding calendar year.

In addition to pension benefits, Managing Board members are eligible for benefits such as the use of a company car and a chauffeur.

Severance

The current Managing Board members hold a contractual right to a severance payment equal to one gross annual salary, that applies in the event that their employment agreement is terminated at ABN AMRO's initiative. With Mr van Dijkhuizen, the following was agreed upon his appointment as CEO on 1 January 2017: a contractual right to a severance payment in the aforesaid event that is equal to three months gross fixed salary. This supersedes Mr. van Dijkhuizen's previous severance arrangement. Ms Princen has been awarded a severance payment equal to three months gross fixed salary on the occasion of her departure as announced in October 2016. The other Managing Board members that have announced their resignation since 2016 have not received a severance payment. The Supervisory Board intends to apply a severance payment equal to three months gross fixed salary also for new members to be appointed to the Managing Board (to be renamed 'Executive Board' in the new management structure).

Appointment period

The appointment term for Managing Board Members is in principle set at four years. Six of the seven Managing Board Members acting in 2016 were appointed with effect from 10 April 2014, except for Mr Kees van Dijkhuizen, who was appointed on 1 May 2013.

Managing Board 2016 performance

The Supervisory Board assessed the Managing Board's performance and concluded that the Managing Board and its members satisfied the performance targets for 2016.

As a consequence of the Bonus Prohibition Act, the members of the Managing Board are not eligible to receive a variable remuneration linked to their 2016 performance.

Identified Staff remuneration

Remuneration restrictions apply not only to the Managing Board, but also to those staff whose professional activities could have a material impact on the bank's risk profile (Identified Staff). Within ABN AMRO Bank the group of Identified Staff consists of:

- Members of the Managing and Supervisory Boards;
- Members of the Management Group;
- Staff responsible for independent control functions;
- Other risk takers. The definition of the group of other risk takers follows from credit, market and liquidity risk analyses as undertaken annually by the Group Risk Management Team on the basis of RWA thresholds, membership of certain Risk Committees, the level of P&L budget and responsibilities;
- Other employees whose total remuneration takes them into the same remuneration bracket as senior managers and risk takers;
- Employees who qualify on the basis of the additional qualitative and quantitative criteria as laid down in the EBA Guidelines.

Composition of remuneration package

In general, the remuneration packages for Identified Staff have been structured in accordance with the various regulations and restrictions for the financial sector. A typical remuneration package for Identified Staff consists of the following components:

- Annual base salary;
- Annual variable remuneration (with deferred payout);
- Benefits and other entitlements.

ABN AMRO Bank strives to position the level of total direct compensation for Management Group members just below market median levels. With effect from 2014, the variable compensation for Management Group members was capped at 20% of base salary in anticipation of the Act on the Remuneration Policy for

Financial Undertakings (Wbfo), which came into force in 2015. With effect from 2015, the remuneration restrictions under the Bonus Prohibition Act were extended to senior management as defined in the Wbfo. Accordingly, these senior managers, being people who have leading positions immediately below the echelon of the day-to-day policymakers and who are responsible for natural persons whose work may have a material impact on the bank's risk profile in the period in which support is or was received, may also not be granted any variable compensation. For the Managing Board members and the senior management described above, the prohibition on payment of variable remuneration will apply until the Dutch State no longer has an interest in ABN AMRO Bank.

ABN AMRO Bank's collective labour agreement governs the remuneration packages for Identified Staff based in the Netherlands who are not Management Group members. For Identified Staff based outside the Netherlands, ABN AMRO Bank takes the relevant business dynamics (e.g. market conditions, local labour and tax legislation) into account when deciding on the composition of the reward packages. For the last two categories of employees, the total direct compensation is aimed to be positioned around market median levels.

Performance is measured during a one-year performance period at three levels: group, business unit and individual level, and by means of (partly) risk-adjusted financial and non-financial performance indicators.

Performance indicators Identified Staff

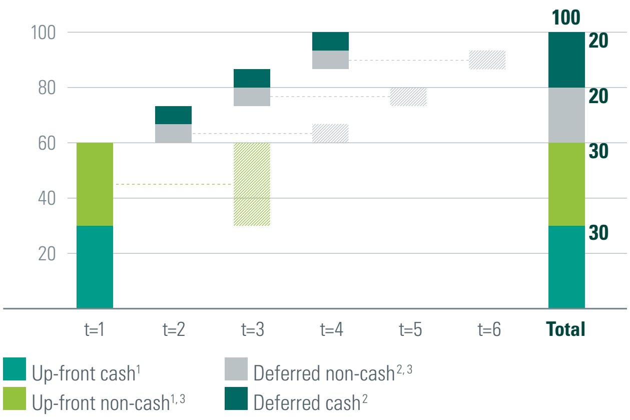
	Weighting Managing Board	Weighting Management Group (Commercial businesslines[4])	Weighting Management Group (Group Functions)	Weighting non-Management Group (Commercial businesslines[4])	Weighting non-Management Group (Group Functions)
Group Financial: RARORAC, C/I ratio, Common Equity Tier 1 ratio[1]	40.0%	10.0%	10.0%	10.0%	10.0%
Group non-financial: Net Promoter Score, Enhance Client Centricity, Employee engagement	40.0%	10.0%	10.0%	10.0%	10.0%
Business line financial: RARORAC, cost ceiling[2]	10.0%	10.0%	10.0%	10.0%	10.0%
Business line non-financial: No specific KPIs prescribed		10.0%	10.0%	10.0%	10.0%
Individual: No specific KPIs prescribed, individual leadership[3]	10.0%	60.0%	60.0%	60.0%	60.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 There is only one Group Financial KPI for MG and non-MG Group Functions: the CET1 ratio (10% weighting).
2 For R&PB and CB the financial KPI is divided into two KPIs. For other departments the weighting is 10% cost ceiling.
3 For all Management Group members the minimum weighting of individual leadership is 30%.
4 Commercial business lines are comprised of Retail Banking, Private Banking and Corporate Banking.

Deferred payment

All variable remuneration awards for Identified Staff are subject to, and structured in accordance with, the Variable Compensation Plan. Before any variable remuneration is granted, ABN AMRO Bank applies an ex-ante risk assessment consisting of collective quantitative risk adjustment mechanisms (such as the solvency check) and a qualitative individual check (the gatekeeper). The gatekeeper procedure forms part of the performance management framework and provides for an assessment of each individual Identified Staff member by the Control Functions (Risk, Compliance and Audit) on the basis of several behavioural elements. This assessment results in advice to the Managing Board, which ultimately decides on whether variable compensation can indeed be granted to the Identified Staff member concerned. The Managing Board's decision must be formally approved by the Supervisory Board based on the advice of the Remuneration, Selection & Nomination Committee. Furthermore, the variable remuneration is awarded over time and split between an up-front portion (60%) and a deferred portion (40%), with all portions equally divided between a cash and a non-cash instrument as shown in the following chart.

Variable remuneration
(in %)



[1] The up-front payment (60% in total) is awarded in March following the relevant performance year.
[2] The deferred award (40% in total) vests in three separate tranches respectively 1, 2 and 3 years after the end of the relevant performance year.
[3] All non-cash awards are subject to a two year retention period.

Up-front variable remuneration is awarded in the first quarter of the year following the relevant performance year, while deferred variable remuneration vests in equal instalments in the three years following the first payment. Furthermore, this remuneration will only vest after an explicit ex-post risk assessment: the 'malus assessment' (see the Ex-post risk adjustment tools paragraph).

With effect from the awards reflecting the 2016 performance year, to be made in 2017, the instrument underlying the non-cash award will be replaced with an award in the form of Restricted Share Units (RSUs) that entitles the participant to a number of depositary receipts, reflecting the initial value of the award. One depositary receipt represents one share in ABN AMRO Bank.
The value of the non-cash instrument fluctuates with the market price of the depositary receipts and its use will result in an increased alignment between remuneration and shareholder value for all participants in the Variable Compensation Plan.

Variable income awards with respect to the performance years up to and including 2015 will continue to use performance certificates as the underlying non-cash instrument. The value of the performance certificates fluctuates in line with the net asset value of ABN AMRO Bank.

A two-year retention period applies to both the depositary receipts and the performance certificates, so that any unconditional instrument will need to be retained for an additional two years.

Ex-post risk adjustment tools
ABN AMRO Bank also makes use of several ex-post risk adjustment tools: the malus, clawback and personal hedging or insurance.

The malus assessment is conducted by the control functions Risk, Compliance, HR, Finance and Audit and any outcome is subject to the approval of the Managing Board and Supervisory Board. During the malus assessment, it is determined whether any new information is available which should prevent the vesting of deferred parts, e.g. relating to:
- Evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules, especially concerning risks);
- The institution and/or the business unit subsequently suffers a significant downturn in its financial performance (specific indicators are to be used);
- The institution and/or the business unit in which the staff member works suffers a significant failure of risk management;
- Significant changes in the institution's economic or regulatory capital base.

The Supervisory Board decided that on the basis of the reassessment as performed by the Control Functions there was no reason to apply a collective malus with respect to the vesting of:
- The third tranche of deferrred variable compensation with respect to the 2013 performance period;
- The second tranche of the deferred variable compensation with respect to the 2014 performance period;
- The first tranche of the deferred variable compensation with respect to the 2015 performance period.

The Supervisory Board decided to apply one individual malus with respect to the vesting of the remaining deferred variable compensation with respect to the 2014 performance period.

This means that one-third of each of the deferred variable compensation awards with respect to the three performance years mentioned above will now be granted to the relevant Identified Staff members and that the two-year retention period will start.

The Supervisory Board has discretionary power to adjust any variable compensation downwards to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board is also authorised to reclaim any variable remuneration over any performance period if the award, calculation or payment was based on incorrect data or if the performance conditions were not achieved in hindsight. The recipient will then be obliged to repay the amount to the bank.

Lastly, personal hedging or insurance linked to remuneration and liability in order to circumvent the risk control effects that have been embedded in the variable compensation plan are not permitted.

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Consolidated Annual Financial Statements 2016

Certain IFRS disclosures in the Risk, funding & capital information section are labelled as 'Audited' in the respective headings. These disclosures are an integral part of these Annual Financial Statements and are covered by the Audit opinion.

Consolidated income statement

(in millions)	Note	2016	2015
Income			
Interest income		12,651	13,207
Interest expense		6,383	7,130
Net interest income	4	**6,267**	**6,076**
Fee and commission income		3,082	3,061
Fee and commission expense		1,340	1,233
Net fee and commission income	5	**1,743**	**1,829**
Net trading income	6	-211	99
Share of result in equity accounted investments		55	1
Other operating income	7	373	450
Operating income		**8,227**	**8,455**
Expenses			
Personnel expenses	8	2,777	2,492
General and administrative expenses	9	2,682	2,559
Depreciation and amortisation of tangible and intangible assets	22	198	177
Operating expenses		**5,657**	**5,228**
Impairment charges on loans and other receivables		114	505
Total expenses		**5,771**	**5,734**
Operating profit/(loss) before taxation		**2,456**	**2,722**
Income tax expense	10	650	798
Profit/(loss) for the year		**1,806**	**1,924**
Attributable to:			
Owners of the company		1,805	1,919
Non-controlling interests		1	5

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Consolidated statement of comprehensive income

(in millions)	2016	2015
Profit/(loss) for the year	**1,806**	**1,924**
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement gains/(losses) on defined benefit plans	38	-6
Items that will not be reclassified to the income statement before taxation	**38**	**-6**
Income tax relating to items that will not be reclassified to the income statement	10	-4
Items that will not be reclassified to the income statement after taxation	**28**	**-2**
Items that may be reclassified to the income statement		
(Un)realised gains/(losses) currency translation	31	101
(Un)realised gains/(losses) available-for-sale	112	189
(Un)realised gains/(losses) cash flow hedge	284	222
Share of other comprehensive income of associates	31	11
Other changes		-4
Other comprehensive income for the period before taxation	**457**	**519**
Income tax relating to items that may be reclassified to the income statement	100	101
Other comprehensive income for the period after taxation	**357**	**418**
Total comprehensive income/(expense) for the period after taxation[1]	**2,191**	**2,340**
Total comprehensive income attributable to:		
Owners of the company	2,190	2,335
Non-controlling interests	1	5

[1] Including EUR -4 million related to Other reserves in 2015.

Consolidated statement of financial position

(in millions)	Note	31 December 2016	31 December 2015
Assets			
Cash and balances at central banks	11	21,861	26,195
Financial assets held for trading	12	1,607	1,706
Derivatives	13	14,384	19,138
Financial investments	15	45,497	40,542
Securities financing	16	17,589	20,062
Loans and receivables - banks	18	13,485	15,680
Residential mortgages	19	152,069	151,543
Consumer loans	19	12,106	14,587
Corporate loans	19	96,058	103,889
Other loans and receivables - customers	19	7,445	6,357
Equity accounted investments	21	765	778
Property and equipment	22	1,418	1,366
Goodwill and other intangible assets	22	251	263
Assets held for sale	23	3,481	32
Tax assets	10	415	345
Other assets	24	6,050	4,893
Total assets		**394,482**	**407,373**
Liabilities			
Financial liabilities held for trading	12	791	459
Derivatives	13	14,526	22,425
Securities financing	16	11,625	11,372
Due to banks	25	13,419	14,630
Demand deposits	26	119,848	134,632
Saving deposits	26	92,740	94,005
Time deposits	26	16,169	18,555
Other due to customers	26	-0	160
Issued debt	27	81,278	76,207
Subordinated liabilities	27	11,171	9,708
Provisions	28	1,672	1,256
Liabilities held for sale	23	5,667	
Tax liabilities	10	134	650
Other liabilities	30	6,503	5,729
Total liabilities		**375,545**	**389,789**
Equity			
Share capital		800	800
Share premium		4,041	4,041
Other reserves (incl. retained earnings/profit for the period)		13,106	12,128
Other comprehensive income		-9	-394
Equity attributable to shareholders of the parent company	31	**17,939**	**16,575**
Capital securities		993	993
Equity attributable to non-controlling interests		5	17
Total equity		**18,937**	**17,584**
Total liabilities and equity		**394,482**	**407,373**

Consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Other comprehensive income	Net profit/(loss) attributable to shareholders	Total	Capital securities	Non-controlling interests	Total equity
Balance at 1 January 2015	**800**	**4,041**	**9,704**	**-814**	**1,134**	**14,865**		**12**	**14,877**
Total comprehensive income[1]			-4	420	1,919	2,335		5	2,340
Transfer			1,134		-1,134				
Dividend			-625			-625			-625
Increase/(decrease) of capital							993		993
Other changes in equity								-1	-1
Balance at 31 December 2015	**800**	**4,041**	**10,209**	**-394**	**1,919**	**16,575**	**993**	**17**	**17,584**
Total comprehensive income				385	1,805	2,190		1	2,191
Transfer			1,919		-1,919				
Dividend			-790			-790		-12	-802
Interest AT 1 capital securities			-41			-41			-41
Other changes in equity[1]			5			5			5
Balance at 31 December 2016	**800**	**4,041**	**11,302**	**-9**	**1,805**	**17,939**	**993**	**5**	**18,937**

[1] Correction related to previous years.

Other comprehensive income is specified as follows:

(in millions)	Remeasurement gains/(losses) on post-retirement benefit plans	Currency translation reserve	Available-for-sale reserve	Cash flow hedge reserve	Share of OCI of associates and joint ventures	Total
Balance at 1 January 2015	**-38**	**36**	**329**	**-1,223**	**82**	**-814**
Net gains/(losses) arising during the period	-6	101	206	190	11	502
Less: Net realised gains/(losses) included in income statement			17	-32		-15
Net gains/(losses) in equity	-6	101	189	222	11	517
Related income tax	-4		45	55		97
Balance at 31 December 2015	**-41**	**137**	**473**	**-1,056**	**93**	**-394**
Net gains/(losses) arising during the period	38	31	234	297	31	630
Less: Net realised gains/(losses) included in income statement			122	13		136
Net gains/(losses) in equity	**38**	**31**	**112**	**284**	**31**	**495**
Related income tax	10	1	28	71		110
Balance at 31 December 2016	**-13**	**166**	**557**	**-843**	**124**	**-9**

Total comprehensive income amounted to EUR 2,191 million in 2016 (2015: EUR 2,340 million).

The total amount contains EUR 1,805 million realised profit (2015: EUR 1,919 million), EUR 385 million unrealised profit (2015: EUR 420 million) and EUR 1 million from non-controlling interests (2015: EUR 5 million).

The total dividend paid to ordinary shareholders in 2016 was EUR 790 million (2015: EUR 625 million). This contains the final dividend 2015 of EUR 414 million (2014: EUR 350 million) and the interim dividend 2016 of EUR 376 million (2015: EUR 275 million).

Share of other comprehensive income of associates and joint ventures is related to the movement in other comprehensive income of the associates and joint ventures of ABN AMRO.

Consolidated statement of cash flows

(in millions)	2016	2015
Profit/(loss) for the period	**1,806**	**1,924**
Adjustments on non-cash items included in profit:		
(Un)realised gains/(losses)	-402	-101
Share of profits in associates and joint ventures	-59	-29
Depreciation, amortisation and accretion	452	314
Provisions and impairment losses	1,103	993
Income tax expense	650	798
Changes in operating assets and liabilities:		
Assets held for trading	99	7,409
Derivatives-assets	4,754	6,053
Securities financing-assets	2,791	-159
Loans and receivables-banks	997	6,880
Residential mortgages	-637	1,698
Consumer loans	2,381	926
Corporate loans	8,063	10,352
Other loans and receivables-customers	-982	664
Other assets	-817	15
Liabilities held for trading	331	-3,490
Derivatives-liabilities	-7,725	-8,014
Securities financing-liabilities	54	-3,359
Due to banks	-1,195	-1,220
Demand deposits	-14,404	-1,677
Saving deposits	-1,226	4,099
Time deposits	-2,230	806
Other due to customers	-160	17
Liabilities arising from insurance and investment contracts	-402	-142
Net changes in all other operational assets and liabilities	1,417	850
Dividend received from associates	101	56
Income tax paid	-1,324	-268
Cash flow from operating activities	**-6,564**	**25,395**

continued >

(in millions)	2016	2015
Investing activities:		
Purchases of financial investments	-19,123	-17,123
Proceeds from sales and redemptions of financial investments	15,114	18,446
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	-28	-25
Divestments of subsidiaries (net of cash sold), associates and joint ventures	56	132
Purchases of property and equipment	-405	-282
Proceeds from sales of property and equipment	100	127
Purchases of intangible assets	-37	-42
Cash flow from investing activities	**-4,323**	**1,233**
Financing activities:		
Proceeds from the issuance of debt	32,635	35,244
Repayment of issued debt	-27,872	-37,126
Proceeds from subordinated liabilities issued	2,660	2,839
Repayment of subordinated liabilities issued	-1,363	-1,740
Proceeds from capital securities	1	993
Dividends paid to the owners of the parent company	-790	-625
Dividends paid to non-controlling interests	-12	
Repayment of capital (including non-controlling interests)		-1
Cash flow from financing activities	**5,260**	**-416**
Net increase/(decrease) of cash and cash equivalents	-5,626	26,212
Cash and cash equivalents as at 1 January	30,551	4,212
Effect of exchange rate differences on cash and cash equivalents	29	127
Cash and cash equivalents as at 31 December	**24,954**	**30,551**
Supplementary disclosure of operating cash flow information		
Interest paid	7,303	6,904
Interest received	13,248	14,024
Dividend received excluding associates	22	55

(in millions)	31 December 2016	31 December 2015
Cash and balances at central banks	21,861	26,195
Loans and receivables banks (less than 3 months)[1]	3,093	4,357
Total cash and cash equivalents	**24,954**	**30,551**

1 Loans and receivables banks with an original maturity less than 3 months is included in loans and receivables-banks.

Notes to the Consolidated Annual financial statements

1 Accounting policies

The notes to the Consolidated annual financial statements including the audited information in the Risk, funding & capital section are an integral part of these Annual financial statements.

This section describes ABN AMRO Bank's significant accounting policies and critical accounting estimates or judgements relating to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note, it is included within the relevant note.

Corporate information

ABN AMRO Bank N.V. (referred to as 'ABN AMRO Bank') provides financial services in the Netherlands and abroad, together with its consolidated group of entities. 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 (Chamber of Commerce number 34334259).

All ordinary shares in ABN AMRO Bank N.V., representing 100% of the voting rights, have been held by ABN AMRO Group N.V. since 9 April 2009. As at 31 December 2016, all shares in the capital of ABN AMRO Group are held by two foundations: NLFI and STAK AAG. On that date, NLFI held 70% and STAK AAG held 30% of the shares in the issued capital of ABN AMRO Group. Both foundations have issued depositary receipts for shares in ABN AMRO Group. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group and traded on Euronext Amsterdam.

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

The Consolidated Annual Financial Statements of ABN AMRO Bank for the annual period ended 31 December 2016 incorporates financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 14 March 2017.

Statement of compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Basis of preparation

The Consolidated Annual Financial Statements are prepared on the basis of a mixed valuation model as follows:

- Derivative financial instruments measured at fair value through profit or loss;
- Financial assets and liabilities held for trading or designated as measured at fair value through profit or loss;
- Available-for-sale financial assets and investments in associates of a private equity nature are valued at fair value;
- Other financial assets (including loans and receivables) and liabilities are valued at amortised cost less any impairment, if applicable;
- The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- Non-financial assets and liabilities are generally stated at historical cost;
- Associates and joint ventures are accounted for using the equity method.

The Annual Financial Statements are prepared under the going concern assumption. The Annual Financial Statements are presented in euros, which is the reporting currency of ABN AMRO Bank, rounded to the nearest million (unless otherwise stated).

Disclosures

To combine disclosures where possible and to reduce duplication, we have integrated some IFRS disclosures into our Managing Board section. These are:

- IFRS 7 Risk disclosures of financial instruments. These are disclosed in the Risk, funding and capital section;
- IAS 1 Risk and financial instrument disclosures. These are part of the Risk, funding and capital section.

IFRS disclosures in the Risk, funding and capital section on pages 36 to 132 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in acccounting policies

During 2016 ABN AMRO adopted the following amendments and interpretations:

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

Implementation of these amendments has no, or no material, effect on the Annual financial statements of ABN AMRO Bank.

New standards, amendments and interpretations not yet effective

The following amendments to IFRSs are issued by the IASB and endorsed by the EU, but are not yet effective. The amendments are required to be applied as from 1 January 2018. Note that only the amendments to IFRSs that are relevant for ABN AMRO Bank are discussed below.

In June 2016 the IASB issued amendments to IFRS 2 Share-based Payments: Classification and Measurement of Share-based Payment Transactions. The issuance consists of three amendments that clarify how to account for certain types of share-based payment transactions. Based on our initial analysis performed the amendments will not have any impact.

IFRS 9 Financial Instruments was endorsed by the EU in November 2016. This endorsement means that IFRS 9 will apply to ABN AMRO Bank from 1 January 2018 onwards.

IFRS 9 will replace the current standard for recognition and measurement of financial instruments (IAS 39). ABN AMRO Bank is well on its way in implementing IFRS 9. IFRS 9 will have an impact in two areas: classification and measurement of financial instruments and impairment. ABN AMRO Bank has thus far chosen not to apply the IFRS 9 guidance on hedge accounting as this does not cover the majority of the bank's hedging programmes (the so-called macro-hedge).

The impact on the financial statements is expected to be largest for the changes to the impairment model. IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model' which is designed to be more forward-looking. The result of this forward-looking approach will be higher loan loss impairments and corresponding lower equity. In 2016 ABN AMRO Bank developed the key elements of the IFRS 9 expected loss calculation. Separate IFRS 9 expected loss models have been developed (mainly an expected loss model for instruments valued at amortised cost and an expected loss model for instruments valued at fair value through OCI). The IFRS 9 expected loss model is developed alongside the stress testing methodology and incorporates forward-looking information based on the concepts of this methodology. In general, three different scenarios of future economic developments will be incorporated in a probability weighted manner into the IFRS 9 expected loss calculation. These scenarios will be approved by the Scenario and Stress Testing Committee. ABN AMRO Bank has aligned its forward-looking scenarios with those used in the budgeting process. The bank also made key choices in determining when credit risk of financial assets has increased significantly. The probability of default and certain qualitative triggers will be used to determine if credit risk has increased significantly. Furthermore, in general the bank will apply the backstop of 30 days overdue as a trigger of significantly increased credit risk. Further calibration of these triggers is still needed and ABN AMRO Bank is using an IFRS 9 impact assessment tool to carry out this calibration.

The state of the economy and the related uncertainty at 1 January 2018 is relevant to the impact of IFRS 9 on the CET 1 ratio. With the implementation of IFRS 9, the currently expected loss shortfall of EUR 298 million as reported in fully-loaded CET1 is expected to dampen the impact of IFRS 9. With a fully-loaded CET1 ratio of 17.0%, ABN AMRO Bank feels confident the bank is sufficiently capitalised for the implementation of IFRS 9. The bank is in favour of the debate to neutralise the impact of IFRS 9 on CET1 capital and supports the discussions on the development of the regulatory expected loss concept.

In 2016 ABN AMRO Bank finalised its analysis for classification and measurement. Reclassifications of financial instruments are limited and mainly result in a transfer of specific assets from amortised cost measurement to fair value through profit or loss measurement. The impact of these revised classifications on the CET1 ratio is expected to be limited. ABN AMRO Bank has thus far chosen to continue to measure its current available-for-sale bonds portfolio at fair value through equity (other comprehensive income). The reported available-for-sale reserve of EUR 557 million will therefore continue to be reported as part of equity under IFRS 9 and hence will not impact CET1 ratios.

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Other

In 2017 ABN AMRO Bank will focus on finalising the interaction of the IFRS 9 impairment model components, finalising the appropriate governance structure going forward, transferring the IFRS 9 implementation from the IFRS 9 project to business as usual and perform a parallel run.

IFRS 15 Revenue from contracts with customers. This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. It is effective for annual periods beginning on or after 1 January 2018. ABN AMRO Bank is currently assessing the impact of the new standard.

New standards, amendments and interpretations not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRSs that are relevant for ABN AMRO Bank are discussed below.

IFRS 16 Leases. The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'Operational' and 'Financial' lease for lessees. The requirements for lessor accounting remain largely unchanged. ABN AMRO Bank is currently assessing the impact of the new standard.

IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. ABN AMRO Bank will start its impact assessment in 2017.

Offsetting

As a result of an IFRIC rejection notice of 6 April 2016, ABN AMRO Bank adjusted its accounting policy for offsetting. The bank offsets balances if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

The IFRIC rejection notice provides additional offsetting guidance for cash pooling agreements. The adjusted offsetting policy is applied consistently to all assets and liabilities, if applicable.

The IFRIC rejection notice provides additional offsetting guidance for cash pooling agreements. The adjusted offsetting policy is applied consistently to all assets and liabilities, if applicable. In order to meet the revised offsetting requirements ABN AMRO adjusted the offsetting procedures for most notional cash pooling agreements throughout 2016. Historic figures have been adjusted accordingly. Some agreements were replaced with alternative arrangements. As a result, notional cash pooling balances that cannot be supported with a settlement of those balances closely after the reporting date are presented gross. At year-end 2016 this resulted in an increase of EUR 1.7 billion in the loans and receivables - customers balance and the due to customers balance (2015: EUR 15.5 billion). The majority of the EUR 13.8 billion decrease in loans and receivables - customers and due to customers over 2016 can be explained by adjusted offsetting procedures.

In addition to the offsetting changes on notional cash pooling, ABN AMRO concluded that offsetting is no longer applied to bank saving mortgages. As a result, bank saving mortgages are presented gross. Historic figures have been adjusted accordingly. This resulted in an increase in the loans and receivables - customers balance and the due to customers balance of EUR 1.8 billion at 31 December 2016 (2015: EUR 1.5 billion).

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise its judgement in the process of applying ABN AMRO Bank's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those estimates and assumptions. Accounting policies for most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are made in the following sections:

Impairment losses on loans and receivables	Risk, funding & capital section
Fair value of financial instruments	note 17
Income taxes	note 10
Impairment of available-for-sale instruments	note 15
Provisions	note 28

Assessment of risk and rewards

Whenever ABN AMRO Bank is required to assess risks and rewards, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, ABN AMRO Bank may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks and rewards may ultimately differ.

Significant accounting policies

Basis of consolidation

The Consolidated Financial Statements of ABN AMRO Bank N.V. include the financial statements of the parent company and its controlled entities. It incorporates the assets, liabilities, revenues and expenses of ABN AMRO Bank N.V. and its subsidiaries. Non-controlling interests (held by third parties) in both equity and results of group companies are presented separately in the Consolidated Financial Statements.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO Bank's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of ABN AMRO Bank.

Foreign currency differences

ABN AMRO Bank applies IAS 21 The effect of changes in foreign exchange rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at the period end exchange rates. Exchange gains and losses on such balances are recognised in the income statement. The bank's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated at the closing rate and items of the income statement and other comprehensive income are translated into euros at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when the Bank loses control, joint control or significant influence over the foreign operation.

Financial assets and liabilities

ABN AMRO Bank classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Classification of financial assets

Financial assets are classified as assets held for trading, financial investments or loans and receivables and are based on the criteria in IAS 39 Financial Instruments: Recognition and measurement.

Their measurement and income recognition depends on the classification of the financial assets. The following four groups are identified:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a customer with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement;
- Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement;
- Financial assets at fair value through profit or loss include:
  - financial assets held for trading;
  - financial assets that ABN AMRO Bank irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments or financial assets designated at fair value through profit or loss. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

If ABN AMRO Bank reclassifies a financial asset out of held for trading, the financial asset is reclassified at its fair value and this fair value becomes the new amortised cost. On the same date a new effective interest is calculated.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities.

- Financial liabilities at fair value through profit or loss include:
  - financial liabilities held for trading;
  - financial liabilities that ABN AMRO Bank has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Other financial liabilities are measured at amortised cost using the effective interest rate method with the periodic amortisation recorded in the income statement. The initial measurement of other financial liabilities is at fair value, including transaction costs.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- a trading derivative (except for a derivative that is a designated and effective hedging instrument).

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which ABN AMRO Bank commits to purchase or sell the underlying instrument. In the event that settlement terms are non-standard, the commitment is accounted for as a derivative between trade and settlement date. Loans and receivables are recognised when they are acquired or funded by ABN AMRO Bank and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with ABN AMRO Bank. Other financial assets and liabilities, including derivatives, are recognised in the Statement of financial position when ABN AMRO Bank becomes a party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when ABN AMRO Bank loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Financial assets are also derecognised in the case that the bank has neither transferred nor retained substantially all risks and rewards of ownership but control has passed to the transferee.

Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and rewards and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

ABN AMRO Bank has protected assets through synthetic securitisations. Through a synthetic securitisation a substantial part of the credit risk related to these assets is transferred, while actual ownership of the assets remains with ABN AMRO Bank.

A restructuring of a financial asset with the same borrower on substantially different terms, qualitative and quantitative - generally a 10% difference in the present value of the cash flows - is accounted for as an expiration of the financial asset and recognition of a new financial asset. The difference between the former carrying amount and the carrying amount of the new financial asset is recognised in the income statement.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitative and quantitative - generally a 10% difference in the present value of the cash flows - is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former carrying amount and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

Client clearing

As a general clearing member, ABN AMRO Bank provides clearing and settlement services to its clients for, among other things, exchange traded derivatives.

In its capacity as a clearing member, ABN AMRO Bank guarantees the fulfilment of obligations towards CCPs of clients' transactions. ABN AMRO Bank is not liable to clients for the non-performance of the CCP. In the event of a client defaulting, ABN AMRO Bank has the legal obligation to settle all the clients' positions with the relevant CCPs, possibly at a loss. Possible losses arising from this guarantee might relate not only to the clients' current positions but also to future trades of the client. Unlike a financial guarantee contract as defined in IAS 39 Financial Instruments, the guarantee provided by ABN AMRO Bank does not relate to specific debt instruments. Therefore, we consider this guarantee to be in the scope of IAS 37 Provisions since the possible outflow of resources stem from the clearing arrangement with the CCP. ABN AMRO Bank receives and collects (cash) margins from clients, and remits these margins to the relevant CCP in whole or in part. Given the stringent margin requirements set by the CCPs, possible future outflows of resources for new clearing transactions are considered close to zero.

As a consequence, ABN AMRO Bank does not reflect the exchange traded derivatives cleared on behalf of clients in its financial statements. Under normal circumstances, the guarantee has no fair value and is not recognised in the financial statements. The loss recognition in the event of non-performance of a client will be in the scope of IAS 37 including disclosures.

Offsetting
The bank offsets financial assets and liabilities and the net amount reported on the Statement of financial position if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

Statement of cash flows
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net balances on current accounts with other banks with less than three months maturity from the date of acquisition. The Statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arising from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

2 Segment reporting

Accounting policy for segment reporting
The segment reporting is in accordance with IFRS 8 Operating Segments. The segments are reported in a manner consistent with the internal reporting provided to the Managing Board, which is responsible for allocating resources and assessing performance and has been identified as chief operating decision-maker. All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions.

Geographical data is presented according to management view.

Segment assets, liabilities, income and results are measured based on our accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Interest income is reported as net interest income as management primarily relies on net interest income as a performance measure, not gross income and expense.

There was no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2016 or 2015.

Retail Banking

Retail Banking provides banking products and services to individuals and small businesses (with turnover up to EUR 1 million). In addition a wide variety of banking and insurance products and services are provided through our branch network, online, via contact centres and through subsidiaries. ABN AMRO Hypotheken Groep, Alfam, ICS and MoneYou are part of Retail Banking.

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 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 International Clients). Our Lease and Commercial Finance activities are also included in Commercial Clients;
- 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. Capital Markets Solutions 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 and the securities financing activities.

Segment income statement for the year 2016

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	2016 Total
Net interest income	3,355	645	2,270	-2	6,267
Net fee and commission income	463	580	751	-52	1,743
Net trading income	4	45	-207	-53	-211
Share of result in equity accounted investments	43	17	-10	4	55
Other operating income	93	27	42	211	373
Operating income	**3,959**	**1,315**	**2,846**	**108**	**8,227**
Personnel expenses	470	501	680	1,125	2,777
General and administrative expenses	513	240	426	1,502	2,682
Depreciation and amortisation of tangible and intangible assets	6	32	17	144	198
Intersegment revenues/expenses	1,222	272	872	-2,366	
Operating expenses	**2,211**	**1,045**	**1,995**	**405**	**5,657**
Impairment charges on loans and other receivables	79	20	31	-15	114
Total expenses	**2,290**	**1,065**	**2,026**	**390**	**5,771**
Operating profit/(loss) before taxation	**1,669**	**249**	**820**	**-282**	**2,456**
Income tax expense	422	50	214	-36	650
Profit/(loss) for the year	**1,247**	**199**	**605**	**-245**	**1,806**
Attributable to:					
Owners of the company	1,247	199	604	-246	1,805
Non-controlling interests			1		1

Retail Banking

Net interest income, at EUR 3,355 million, increased by EUR 53 million compared with 2015. This improvement can largely be attributed to a provision for inconsistencies in interest calculations between the bank and its business partners regarding one of the mortgage products which was booked in 2015 (EUR 29 million) and partly released in 2016. Net interest income in 2016 was negatively impacted by a provision for ICS (EUR 47 million) while 2015 included a provision for Euribor mortgages (EUR 41 million).

Margins on residential mortgages continued to improve in 2016 as the impact of repricing of the mortgage book in recent years continued to benefit net interest income. Net interest income on consumer loans decreased due to lower average loan volumes and decreased margins. Net interest income on deposits increased compared with 2015 due to higher margins and higher average deposit volumes.

Net fee and commission income decreased by EUR 64 million compared with 2015, amongst others due to a reduction of fees charged for payment packages. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact as well. Other operating income increased by EUR 96 million due to a profit (EUR 101 million) related to the gain on the sale of Visa Europe.

Personnel expenses decreased to EUR 470 million (2015: EUR 487 million). The number of FTEs in Retail Banking decreased in 2016 due to a further reduction in the number of branches and a transfer of employees to Private Banking related to the lower threshold for private banking clients.

General and administrative expenses increased to EUR 513 million compared with EUR 445 million in 2015. This was largely due to an increase in regulatory levies (EUR 136 million in 2016 versus EUR 87 million in 2015). The execution costs provision for ICS in 2016 (EUR 16 million) was offset by stricter cost control.

Higher intersegment revenues/expenses resulted from a higher allocation of project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme).

Impairment charges on loans and other receivables were limited in 2016 and EUR 20 million below the 2015 level. Both years included significant IBNI releases, although these were higher in 2015. An IBNI release of EUR 81 million was recorded in 2016 (2015: EUR 85 million). The Dutch economy recovered further and confidence in the housing market improved in 2016. Both contributed to lower impairment charges for mortgages (excluding IBNI releases). Consumer loans also benefited from further improved economic conditions and active risk management of the portfolio of clients in arrears, leading to lower loan impairments with higher IBNI releases.

Private Banking

Net interest income increased by EUR 56 million to EUR 645 million in 2016. This was mainly the result of higher margins on deposits, partly offset by lower average lending volumes. Net fee and commission income decreased by EUR 39 million. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact on the stock markets. This led to lower average client assets and a decline in transaction volumes. Net trading income decreased compared with 2015.

Personnel expenses remained stable compared with 2015, while general and administrative expenses showed a decrease of EUR 47 million. This mainly resulted from the favourable settlement of an insurance claim in 2016 (EUR 24 million), several smaller provision releases and strict cost control. This was partly offset by higher regulatory levies (EUR 18 million in 2016 versus EUR 11 million in 2015). The increase in intersegment revenues/expenses was related to higher allocated project costs for the continuous improvement of products, services and IT processes.

Impairment charges on loans and other receivables amounted to EUR 20 million compared with a EUR 4 million release in 2015. This was mainly the result of lower IBNI releases (EUR 3 million in 2016 versus EUR 12 million in 2015) and specific additions in 2016 compared with a specific release in 2015.

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Corporate Banking

Net interest income increased by EUR 128 million to EUR 2,270 million.

Commercial Clients posted a modest rise in net interest income of EUR 34 million to EUR 1,339 million. Margins on loans and deposits increased as did average deposit volumes. Average loan volumes decreased partly due to the reallocation of a portfolio to Group Functions in Q4 2015. Both years are impacted by the provision for SME derivatives-related issues.

Net interest income in International Clients increased by EUR 35 million to EUR 744 million, benefiting from growth in the ECT Clients loan portfolio (mainly international). This was partly offset by lower margins on deposits.

Net interest income in Capital Markets Solutions improved by EUR 59 million to EUR 186 million, mainly at Sales & Trading (partly due to favourable one-offs as a result of collateral management).

Net fee and commission remained flat at EUR 751 million. Higher fees due to more cleared volumes at Capital Markets Solutions were offset by lower fees at International Clients.

Net trading income went down by EUR 334 million. This decrease was driven by additions to the provision for SME derivatives-related issues in 2016. This was partially offset by EUR 51 million lower CVA/DVA/FVA results compared with 2015 (EUR 2 million negative in 2016 versus EUR 49 million positive in 2015).

Other operating income went down by EUR 99 million, largely due to lower tax-exempt results on the Equity Participations portfolio due to less favourable market conditions (including the ongoing low oil price).

Personnel expenses amounted to EUR 680 million in 2016, up by EUR 4 million compared with 2015. Personnel expenses increased due to higher pension expenses and a growth in the number of FTEs, partly offset by lower restructuring provisions in 2016.

General and administrative expenses were up EUR 18 million due to a provision at Capital Markets Solutions for SME derivatives-related issues (EUR 55 million) and higher project costs. This was partly offset by EUR 27 million lower regulatory levies and several smaller favourable one-offs in 2016. Intersegment revenues/expenses grew by EUR 35 million mainly due to higher project costs for continuous improvement of products, services and IT processes (including TOPS 2020).

Impairment charges amounted to EUR 31 million, down by EUR 388 million compared with 2015. The decrease of impairment charges is fully recognised in Commercial Clients due to the further broad recovery of the Dutch economy. Slightly higher impairment charges at International Clients were offset by lower additions at Capital Markets Solutions.

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

Group Functions

Net interest income decreased by EUR 46 million compared with 2015 as the interest result came down, in line with the flattening of the yield curve (partly offset by ABN AMRO's duration strategy. More information is provided in the Market risk in the banking book section). Moreover, interest paid on cash deposits with the European Central Bank increased due to higher average volumes and more unfavourable (negative) rates. Both were partly offset by lower funding costs on Dutch State funding (Dutch State Treasury Agency) following a partial redemption in 2016. Lastly, both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

Net fee and commission income increased by EUR 16 million, partly driven by lower fees paid to Capital Markets Solutions related to securities financing activities.

Other operating income decreased by EUR 75 million compared with 2015 primarily as lower hedge accounting-related results were recorded in 2016 (EUR 39 million in 2016 versus EUR 182 million in 2015). Moreover, no CVA/DVA results were recorded in 2016 compared with favourable CVA/DVA adjustments in 2015 (EUR 27 million positive). This was partly offset by profits/revaluation gains on stakes in Visa Europe (EUR 14 million) and Equens (EUR 52 million). Both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

Personnel expenses, at EUR 1,125 million in 2016, went up by EUR 297 million compared with 2015. The increase was due to EUR 321 million of restructuring provisions related to the announced reorganisation of the control and support activities (EUR 144 million in Q3 2016) and digitalisation and process optimisation (EUR 177 million in Q4 2016). This was partly offset by several smaller restructuring provisions recorded in 2015. General and administrative expenses increased by EUR 82 million as last year included some favourable incidentals including a EUR 35 million release related to DSB and a VAT return, partly offset by a final settlement (EUR 55 million) with Vestia (a Dutch housing corporation). The year 2016 includes a EUR 13 million restructuring provision for office space (plus EUR 14 million accelerated depreciation) and higher projects costs for continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes).

Segment income statement for the year 2015

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
					2015
Net interest income	3,302	589	2,142	44	6,076
Net fee and commission income	527	619	751	-68	1,829
Net trading income	7	58	127	-92	99
Share of result in equity accounted investments	21	17	-40	3	1
Other operating income	-3	27	141	286	450
Operating income	**3,853**	**1,310**	**3,120**	**172**	**8,455**
Personnel expenses	487	501	676	828	2,492
General and administrative expenses	445	287	408	1,420	2,559
Depreciation and amortisation of tangible and intangible assets	7	24	19	127	177
Intersegment revenues/expenses	1,167	238	837	-2,242	
Operating expenses	**2,106**	**1,050**	**1,940**	**133**	**5,228**
Impairment charges on loans and other receivables	99	-4	419	-8	505
Total expenses	**2,205**	**1,046**	**2,358**	**125**	**5,734**
Operating profit/(loss) before taxation	**1,649**	**264**	**762**	**48**	**2,722**
Income tax expense	423	49	165	160	798
Profit/(loss) for the year	**1,226**	**214**	**596**	**-112**	**1,924**
Attributable to:					
Owners of the company	1,226	214	592	-113	1,919
Non-controlling interests			5		5

Selected assets and liabilities by segment

					31 December 2016
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Assets					
Financial assets held for trading			1,607		1,607
Derivatives		54	12,038	2,293	14,384
Securities financing		14	4,634	12,941	17,589
Residential mortgages	146,065	2,924	8	3,073	152,069
Consumer loans	7,684	3,752	670		12,106
Corporate loans	2,518	5,449	83,657	4,433	96,058
Other loans and receivables-Customers			7,157	288	7,445
Other	2,313	12,426	10,109	68,375	93,223
Total assets	**158,580**	**24,618**	**119,880**	**91,403**	**394,482**
Liabilities					
Financial liabilities held for trading			791		791
Derivatives		30	10,087	4,409	14,526
Securities financing		3	1,101	10,522	11,625
Demand deposits	25,514	39,490	54,440	404	119,848
Saving deposits	72,019	17,345	3,376		92,740
Time deposits	5,217	4,990	4,558	1,404	16,169
Other due to customers				-0	-0
Other	55,831	-37,240	45,527	55,727	119,845
Total liabilities	**158,580**	**24,618**	**119,880**	**72,466**	**375,544**

					31 December 2015
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Assets					
Financial assets held for trading			1,706		1,706
Derivatives		94	15,340	3,704	19,138
Securities financing		20	4,591	15,451	20,062
Residential mortgages	145,058	3,072	12	3,401	151,543
Consumer loans	8,105	5,858	624		14,587
Corporate loans	2,615	7,671	89,338	4,265	103,889
Other loans and receivables-Customers	-1		6,143	215	6,357
Other	1,553	7,457	15,125	65,958	90,092
Total assets	**157,330**	**24,171**	**132,878**	**92,994**	**407,373**
Liabilities					
Financial liabilities held for trading			459		459
Derivatives		85	13,560	8,780	22,425
Securities financing		8	1,155	10,209	11,372
Demand deposits	23,579	41,435	69,307	311	134,632
Saving deposits	71,486	18,498	4,022		94,005
Time deposits	5,142	6,533	4,884	1,996	18,555
Other due to customers			160		160
Other	57,123	-42,387	39,331	54,112	108,180
Total liabilities	**157,330**	**24,171**	**132,878**	**75,410**	**389,789**

Geographical segments

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						2016
Net interest income	5,259	569	199	175	65	6,267
Net fee and commission income	1,104	350	111	165	13	1,743
Net trading income	-261	26	11	16	-3	-211
Share of result in equity accounted investments	38	17				55
Other operating income	346	18	1	7		373
Operating income	**6,486**	**980**	**322**	**364**	**76**	**8,227**
Personnel expenses	2,160	360	94	139	25	2,777
General and administrative expenses	2,336	230	43	56	16	2,682
Depreciation and amortisation of tangible and intangible assets	153	34	4	5	2	198
Intercountry revenues/expenses	-37	14	7	27	-11	
Operating expenses	**4,612**	**638**	**147**	**227**	**32**	**5,657**
Impairment charges on loans and other receivables	-42	72	58	17	9	114
Total expenses	**4,570**	**710**	**206**	**244**	**41**	**5,771**
Operating profit/(loss) before taxation	1,915	270	117	119	35	2,456
Income tax expense	537	71	15	16	10	650
Profit/(loss) for the year	**1,378**	**200**	**101**	**103**	**24**	**1,806**
Attributable to:						
Owners of the company	1,377	200	101	103	24	1,805
Non-controlling interests	1					1

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
						2015
Net interest income	5,109	577	156	178	57	6,076
Net fee and commission income	1,186	363	104	163	13	1,829
Net trading income	105	-30	5	20	-1	99
Share of result in equity accounted investments	-16	17				1
Other operating income	417	26		6		450
Operating income	**6,801**	**953**	**265**	**367**	**69**	**8,455**
Personnel expenses	1,905	354	85	129	19	2,492
General and administrative expenses	2,195	248	41	61	14	2,559
Depreciation and amortisation of tangible and intangible assets	138	27	5	5	2	177
Intercountry revenues/expenses	-20	-3	8	21	-6	
Operating expenses	**4,217**	**626**	**139**	**217**	**29**	**5,228**
Impairment charges on loans and other receivables	383	29	11	47	35	505
Total expenses	**4,600**	**656**	**150**	**264**	**64**	**5,734**
Operating profit/(loss) before taxation	2,201	298	115	102	5	2,722
Income tax expense	665	88	34	11	-1	798
Profit/(loss) for the year	**1,536**	**210**	**81**	**91**	**7**	**1,924**
Attributable to:						
Owners of the company	1,531	210	81	91	7	1,919
Non-controlling interests	5					5

3 Overview of financial assets and liabilities by measurement base

(in millions)	Amortised cost	Fair value through profit or loss-Trading	Fair value through profit or loss-Other	Available for sale financial assets	Total
					31 December 2016
Financial assets					
Cash and balances at central banks	21,861				21,861
Financial assets held for trading		1,607			1,607
Derivatives		12,211	2,173		14,384
Financial investments			778	44,719	45,497
Securities financing	17,589				17,589
Loans and receivables-banks	13,485				13,485
Loans and receivables-customers	267,679				267,679
Other assets			3,275		3,275
Total financial assets	**320,614**	**13,818**	**6,226**	**44,719**	**385,377**
Financial Liabilities					
Financial liabilities held for trading		791			791
Derivatives		10,401	4,126		14,526
Securities financing	11,625				11,625
Due to banks	13,419				13,419
Due to customers	228,758				228,758
Issued debt	79,639		1,639		81,278
Subordinated liabilities	11,171				11,171
Other liabilities			3,275		3,275
Total financial liabilities	**344,613**	**11,191**	**9,040**		**364,844**

(in millions)	Amortised cost	Fair value through profit or loss-Trading	Fair value through profit or loss-Other	Available for sale financial assets	Total
					31 December 2015
Financial assets					
Cash and balances at central banks	26,195				26,195
Financial assets held for trading		1,706			1,706
Derivatives		15,495	3,644		19,138
Financial investments			770	39,772	40,542
Securities financing	20,062				20,062
Loans and receivables-banks	15,680				15,680
Loans and receivables-customers	276,375				276,375
Other assets			2,543		2,543
Total financial assets	**338,311**	**17,200**	**6,956**	**39,772**	**402,240**
Financial Liabilities					
Financial liabilities held for trading		459			459
Derivatives		13,725	8,700		22,425
Securities financing	11,372				11,372
Due to banks	14,630				14,630
Due to customers	247,353				247,353
Issued debt	74,492		1,715		76,207
Subordinated liabilities	9,708				9,708
Other liabilities			2,543		2,543
Total financial liabilities	**357,555**	**14,184**	**12,958**		**384,697**

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4 Net interest income

Accounting policy for net interest income and expense

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method except for those financial instruments held for trading. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities. The effective interest rate method requires the Bank to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as expected lives of the assets and liabilities. Due to the large number of products, there are no individual estimates that are material to the bank's results or financial position. Interest income and expenses of trading balances are included in net trading income.

(in millions)	2016	2015
Interest income[1]	12,651	13,207
Interest expense[1]	6,383	7,130
Net interest income	**6,267**	**6,076**

[1] ABN AMRO accounts for negative interest in compliance with EBA guidance. In 2016 an amount of EUR 140 million negative interest yield on liabilities was reported as interest income and an amount of EUR 159 million negative interest yield on assets was reported as interest expense.

Net interest income

Net interest income for full-year 2016 amounted to EUR 6,267 million, an increase of EUR 191 million compared with EUR 6,076 million in 2015.

The increase originates from the commercial segments and was primarily due to improved margins on residential mortgages, corporate loans and deposits.

Interest income

The breakdown of interest income by type of product for the years ended 31 December is shown in the following table.

(in millions)	2016	2015
Interest income from:		
Financial investments available-for-sale	690	692
Securities financing	290	295
Loans and receivables-banks	218	263
Loans and receivables-customers	9,187	9,770
Other	2,265	2,186
Total interest income	**12,651**	**13,207**

Interest income amounted to EUR 12,651 million in 2016, a decrease of EUR 556 million compared with EUR 13,207 million in 2015. Interest income from items designated at fair value through profit or loss amounted to EUR 2,265 million (2015: EUR 2,186 million).

The decrease in interest income from loans and receivables-customers was mainly related to residential mortgages (decrease of EUR 456 million) due to lower interest rates.

ABN AMRO applies fair value hedge accounting on hedged items. These hedged items are based on gross amounts. Other includes interest income on hedging instruments for an amount of EUR 1,864 million (2015: EUR 1,855 million).

Interest expense

The breakdown of interest expenses by type of product for the years ended 31 December is shown in the following table.

(in millions)	2016	2015
Interest expenses from:		
Securities financing	179	187
Due to banks	155	242
Due to customers	1,250	1,940
Issued debt	1,563	1,646
Subordinated liabilities	520	451
Other	2,716	2,664
Total interest expense	**6,383**	**7,130**

Interest expense for the full year 2016 amounted to EUR 6,383 million, a decrease of EUR 747 million compared with EUR 7,130 million in 2015. Interest expense from items designated at fair value through profit or loss amounted to EUR 2,730 million (2015: EUR 2,680 million).

The decrease in interest expenses from due to customers was caused by the lower interest expense (EUR 690 million) for client savings.

ABN AMRO applies fair value hedge accounting on hedged items. These hedged items are based on gross amounts. Other includes interest expense on hedging instruments for an amount of EUR 2,097 million (2015: EUR 2,120 million).

5 Net fee and commission income

Accounting policy for net fee and commission income

ABN AMRO applies IAS 18 Revenue. Fees and commissions are recognised as the services are provided. The following fee types are identified:

- Service fees are recognised on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts;
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the following criteria have been met:

- The fees are realised, or realisable and earned;
- The earnings process is completed by performing according to the terms of the arrangements, not simply by originating a revenue-generating arrangement;
- If services are rendered or rights to use assets extend continuously over time (for example, interest or rent), and when reliable measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

(in millions)	2016	2015
Fee and commission income	3,082	3,061
Fee and commission expense	1,340	1,233
Net fee and commission income	**1,743**	**1,829**

Net fee and commission income decreased by EUR 86 million in 2016 compared with 2015. This was mainly related to uncertainty and volatility in the financial markets, which has a negative impact on Private Banking. For Retail Banking the decrease was mainly due to a reduction of client rates for payment packages in 2016.

Fee and commission income

Fee and commission income for the years ended 31 December is specified in the following table.

(in millions)	2016	2015
Fee and commission income from:		
Securities and custodian services	1,438	1,344
Payment services	676	691
Portfolio management and trust fees	545	586
Guarantees and commitment fees	167	179
Insurance and investment fees	86	86
Other service fees	171	174
Total fee and commission income	**3,082**	**3,061**

Income from securities and custodian services was higher in 2016 as market volatility resulted in more cleared volumes at Capital Markets Solutions.

Payment service fees decreased due to a reduction of client rates for payment packages in 2016.

Portfolio management and trust fees were lower within Private Banking. The decrease was mainly related to more uncertainty and volatility in the financial markets, resulting in lower average client assets.

Fee and commission expense

The components of fee and commission expenses for the years ended 31 December are as follows:

(in millions)	2016	2015
Fee and commission expenses from:		
Securities and custodian services	1,046	953
Payment services	162	150
Portfolio management and trust fees	76	74
Guarantees and commitment fees	8	8
Insurance and investment fees	30	28
Other service fees	19	20
Total fee and commission expense	**1,340**	**1,233**

Securities and custodian services fee expenses were higher due to market volatility in 2016.

6 Net trading income

Accounting policy for net trading income

In accordance with IAS 39, trading positions are held at fair value and net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities which are trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in own credit spreads where these impact the value of our trading liabilities. The funding value adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives.

(in millions)	2016	2015
Interest instruments trading	-364	-99
Equity trading	-38	-84
Foreign exchange transaction results[1]	183	319
Other	8	-37
Total net trading income	**-211**	**99**

[1] Includes foreign exchange results for balances not being “fair value to profit or loss” EUR 31 million (2015: EUR 30 million).

Total net trading income amounted to a loss of EUR 211 million (2015: gain EUR 99 million). This was mainly caused by lower CVA/DVA/FVA results (EUR 2 million negative for the year 2016 versus a positive EUR 76 million for the year 2015), Both years include provisions related to discontinued securities financing activities (Group Functions) and provisions for SME derivatives-related issues (Corporate Banking). For more details please refer to note 28 Provisions.

Interest instruments trading income decreased by EUR 265 million in 2016 compared with 2015. The decrease was driven by higher provisions in Corporate Banking for SME derivatives-related issues. The effect of CVA and DVA results (EUR 0 million in 2016 versus EUR 42 million in the previous year) was offset by higher gains related to the IRS portfolio which was used to hedge the interest component of the cross currency swap positions.

Equity trading income was less negative in 2016 compared with the previous year mainly due to tax-exempt provisions related to discontinued securities financing activities.

Foreign exchange transaction results decreased to EUR 183 million in 2016, down by EUR 136 million compared with 2015. This decrease was mainly the result of the valuation of cross currency swaps at the beginning of 2015 between the euro versus the US dollar.

7 Other income

Accounting policy for other income

Other income includes all other banking activities such as leasing activities and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IAS 39 for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in own credit spreads. Dividend income from non-trading equity investments is recognised when entitlement is established.

(in millions)	2016	2015
Leasing activities	23	22
Disposal of operating activities and equity accounted investments	81	28
Result from financial transactions	163	286
Other	106	114
Total other income	**373**	**450**

Other income decreased with EUR 77 million from EUR 450 million in 2015 to EUR 373 million in 2016, due mainly to a decline in result from financial transactions.

Result from financial transactions decreased by EUR 123 million in 2016 compared with 2015 mainly due to hedge accounting-related results at Group Functions.

Results of the revaluation and divestments at equity accounted participations decreased in 2016 compared to 2015. These decreases were mainly offset by a profit of EUR 116 million related to ABN AMRO's equity stake in Visa Europe.

Disposal of operating activities and equity accounted investments increased mainly due to the profits/revaluation gains of ABN AMRO's equity stake in Equens SE (EUR 52 million).

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8 Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate. The accounting policies for pensions and other post-retirement benefits are included in note 29.

(in millions)	2016	2015
Salaries and wages	1,716	1,717
Social security charges	235	244
Pension expenses relating to defined benefit plans	6	3
Defined contribution plan expenses	343	322
Other	477	206
Total personnel expenses	**2,777**	**2,492**

Total personnel expenses for 2016 amounted to EUR 2,777 million, an increase of EUR 285 million, or 11.4%, compared with EUR 2,492 million in 2015.

The increase in the line other was due to EUR 321 million restructuring provisions related to the announced reorganisation of the control and support activities recorded in Q3 and further digitalisation and process optimisation in Q4 2016.

9 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period in which services have been provided and to which the payment relates.

(in millions)	2016	2015
Agency staff, contractors and consultancy costs	777	764
Staff related costs	87	90
Information technology costs	1,002	950
Housing	195	199
Post, telephone and transport	57	66
Marketing and public relations costs	109	127
Regulatory levies	275	241
Other	179	123
Total general and administrative expenses	**2,682**	**2,559**

Total general and administrative expenses increased by EUR 123 million to EUR 2,682 million in 2016, up 4.8% compared with EUR 2,559 million in 2015.

Information technology costs increased by EUR 52 million due to several ongoing IT-related projects with multiple external contractors.

Marketing and public relations costs decreased by EUR 18 million due to the fact that fewer campaigns were mounted in 2016 compared with 2015.

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Regulatory levies increased by EUR 34 million, whereby the Deposit Guarantee Scheme (DGS) increased by EUR 87 million and the Single Resolution Fund charges decreased by EUR 53 million partly due to a EUR 32 million refund on the 2015 payment.

Other increased by EUR 56 million due to provisions for SME derivatives-related issues and the ICS redress scheme. This was partly offset by the favourable settlement of an insurance claim.

A specification of the regulatory charges is as follows:

(in millions)	2016	2015
Bank tax	98	98
Deposit Guarantee Scheme	90	3
Single resolution fund	66	119
Other regulatory levies	22	20
Total regulatory levies	**275**	**241**

Auditor’s fees are recognised on an accrual basis. Fees paid to EY (2015: KPMG) are included under agency staff, contractors and consultancy costs. These fees are specified in the following table.

(in millions)	2016	2015
Financial statements audit fees	7	7
Audit related fees	3	4
Total auditor's fee	**10**	**11**

Financial statements audit fees relating to the audit of activities in the Netherlands amounted to EUR 6 million in 2016 (2015: EUR 6 million). Audit related fees for activities in the Netherlands amounted to EUR 1 million in 2016 (2015: EUR 2 million).

10 Income tax expense, tax assets and tax liabilities

Accounting policy for income tax expense, tax assets and tax liabilities

ABN AMRO applies IAS 12 Income Taxes in accounting for taxes on income.

ABN AMRO is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise. Withholding taxes are included in trading income. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior period. Current tax is measured using tax rates enacted at the balance sheet date.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are only offset when there is both a legal right to offset and an intention to settle on a net basis.

(in millions)	2016	2015
Recognised in income statement:		
Current tax expenses for the current period	791	737
Adjustments recognised in the period for current tax of prior periods	-20	-7
Previously unrecognised tax losses, tax credits and temporary differences increasing (reducing) current tax expenses	-3	-5
Total current tax expense	**768**	**725**
Deferred tax arising from the current period	-158	49
Impact of changes in tax rates on deferred taxes	4	-4
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	7	-16
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	30	45
Total deferred tax expense	**-118**	**73**
Total income tax expense	**650**	**798**

Reconciliation of the total tax charge

The effective rate based on the Consolidated statement of income was 26.5% in 2016 (2015: 29.3%) and differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained as follows:

(in millions)	2016	2015
Profit/(loss) before taxation	2,456	2,722
Applicable tax rate	25.0%	25.0%
Expected income tax expense	614	680
Increase/(decrease) in taxes resulting from:		
Tax exempt income	-19	26
Share in result of associates and joint ventures	-9	-24
Non deductable Dutch bank tax	24	25
Other non deductable expenses	3	4
Previously unrecognised tax losses and temporary differences	26	95
Write-down and reversal of write-down of deferred tax assets	7	-12
Impact of changes in tax rates on temporary differences	4	-4
Foreign tax rate differential	13	9
Adjustments for current tax of prior years	-17	-7
Other	4	6
Actual income tax expense	**650**	**798**

The effective tax rate in 2016 was affected by non-taxable gains and income which was almost offset by non-deductible expenses and bank tax, the reassessment of our tax position due to the fact that we continued to settle open issues with the tax authorities, several adjustments to prior years related to tax assessments and the geographical mix of profits subject to higher or lower tax rates.

Tax assets and liabilities

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, allowances for loan impairment and investments (Available-for-sale).

The following table summarises the tax position at 31 December.

(in millions)	31 December 2016 Assets	31 December 2016 Liabilities	31 December 2015 Assets	31 December 2015 Liabilities
Current tax	107	123	36	627
Deferred tax	307	11	309	23
Total tax assets and liabilities	**415**	**134**	**345**	**650**

The significant components and annual movements of deferred tax assets and deferred tax liabilities at 31 December are shown in the following tables.

(in millions)	As at 1 January 2016	Income statement	Equity	Other	As at 31 December 2016
Deferred tax assets:					
Assets held for trading and derivatives	356	1	-71		286
Investments (Available-for-sale)	16	10			26
Property and equipment	22	-13			9
Intangible assets (excluding goodwill)	2				2
Insurance policy and claim reserves	-2			1	-1
Loans and receivables-customers	3				3
Impairments on loans	33	23		1	57
Provisions for pensions and post-retirement benefits	24	11	-10	-1	24
Accrued expenses and deferred income	68	-14			53
Unused tax losses and unused tax credits	11	8		2	22
Other	50	-12	-1		37
Total deferred tax assets before offsetting	**581**	**14**	**-82**	**4**	**517**
Offsetting DTA	272				209
Total deferred tax assets	**309**				**307**
Deferred tax liabilities related to:					
Investments (Available-for-sale)	261	-99	28		189
Property and equipment	2			1	3
Intangible assets (excluding goodwill)	2				2
Loans and receivables-customers	8	-2			6
Deferred policy acquisition costs	1				1
Other	20	-1			19
Total deferred tax liabilities before offsetting	**295**	**-104**	**28**	**1**	**220**
Offsetting DTL	272				209
Total deferred tax liabilities	**23**				**11**
Net deferred tax	**286**				**297**
Deferred tax through income statement and equity		**-118**	**110**		

(in millions)	As at 1 January 2015	Income statement	Equity	Other	As at 31 December 2015
Deferred tax assets:					
Assets held for trading and derivatives	410		-55		356
Investments (Available-for-sale)	14	1	1	-1	16
Property and equipment	20	1		1	22
Intangible assets (excluding goodwill)	2				2
Insurance policy and claim reserves	-2	-1			-2
Loans and receivables-customers	4	-1			3
Impairments on loans	22	10			33
Provisions for pensions and post-retirement benefits	34	-15	5		24
Accrued expenses and deferred income	54	12		1	68
Unused tax losses and unused tax credits	11	1	-1		11
Other	36	16		-1	50
Total deferred tax assets before offsetting	**605**	**26**	**-50**	**1**	**581**
Offsetting DTA	132				272
Total deferred tax assets	**473**				**309**
Deferred tax liabilities related to:					
Assets held for trading and derivatives	3			-3	
Investments (Available-for-sale)	121	92	47	1	261
Property and equipment	1	-1		2	2
Intangible assets (excluding goodwill)	2				2
Loans and receivables-customers	10	-2			8
Deferred policy acquisition costs	1				1
Other	13	8		-1	20
Total deferred tax liabilities before offsetting	**151**	**98**	**46**		**295**
Offsetting DTL	132				272
Total deferred tax liabilities	**19**				**23**
Net deferred tax	**454**				**286**
Deferred tax through income statement and equity		**73**	**97**		

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Recognition is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO operates, available tax planning opportunities, and the period over which deferred tax assets are recoverable. Management considers this more likely than not. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that ABN AMRO may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

Tax losses

The total accumulated losses available for carry-forward at 31 December 2016 amounted to EUR 1,554 million (2015: EUR 1,542 million), of which EUR 60 million (2015: EUR 32 million) could be recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 22 million (2015: EUR 11 million).

Unrecognised tax assets

Deferred tax assets of EUR 24 million (2015: EUR 6 million) have not been recognised in respect of gross deductible temporary differences of EUR 74 million (2015: EUR19 million) and EUR 266 million (2015: EUR 278 million) have not been recognised in respect of gross tax losses of EUR 1,494 million (2015: EUR 1,510 million) because future taxable profits are not considered probable. These deferred tax assets are mainly related to positions outside the Netherlands.

Tax credits and unrecognised tax credits

ABN AMRO had carry-forward tax credits of EUR 3 million at 31 December 2016 (2015: EUR 3 million) which are not recognised because offset to future tax benefits is not expected.

The following tables show when the operating losses and tax credits as at 31 December 2016 will expire.

Loss carry-forward 2016:

(in millions)	2017	2018	2019	2020	2021	Between six and twenty years	No expiration	Total
Loss carry-forward recognised					4	15	41	60
Loss carry-forward not recognised	4	4	4	10	5	8	1,460	1,494
Total tax losses carry forward (gross)	**4**	**4**	**4**	**10**	**9**	**23**	**1,501**	**1,554**

Tax credits 2016:

(in millions)	2017	2018	2019	2020	2021	Between six and twenty years	No expiration	Total
Tax credits recognised								
Tax credits not recognised							3	3
Total tax credits carry forward (gross)							**3**	**3**

ABN AMRO does not recognise deferred tax in respect of ABN AMRO investments in subsidiaries, branches, associates and interest in joint arrangements when ABN AMRO is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. It is not practicable to determine the amount of income tax payable were such temporary differences reverse.

As at 31 December 2016, ABN AMRO recognised net deferred tax assets of EUR 16 million (2015: EUR 13 million) that exceed deferred tax liabilities in entities which have suffered a loss in either 2016 or 2015.

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and in the Consolidated statements of changes in equity.

Income tax consequences of dividend

The Managing Board proposes, subject to the approval of the Supervisory Board, a final dividend of EUR 414 million for the ordinary shares. The dividend will in principle be subject to 15% withholding tax.

Country-by-country reporting

The following table provides an overview of total assets, total operating income, average number of FTEs, operating profit/(loss) before taxation and income tax expense. In addition, the following table shows the principal subsidiary and main activity for each country. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

							31 December 2016
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	338,869	6,586	17,708	1,968	551
- *of which international activities*			4,238	1	26	-4	
France	Banque Neuflize OBC S.A.	Private Banking	5,399	331	988	73	20
Germany	Bethmann Bank AG	Private Banking	3,726	262	769	72	18
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	1,375	98	238	21	10
Great Britain	ABN AMRO Commercial Finance Plc	Corporate Banking	1,565	72	371	27	5
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	2,984	49	171	-1	-2
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate Banking	3,310	77	29	42	11
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	-8	5	40	-5	
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	599	39	117	14	1
United States	ABN AMRO Clearing Chicago LLC	Corporate Banking	21,348	322	420	117	15
Brazil	ABN AMRO Brasil Participações	Corporate Banking	259	58	82	9	5
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate Banking	10,973	186	507	74	5
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	4,167	111	272	25	3
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate Banking	38	22	14	11	4
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	587	43	96	3	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate Banking	200	17	53	8	2
Other			-911	-50	2	-2	
Total			**394,482**	**8,227**	**21,877**	**2,456**	**650**

							31 December 2015
	Principal subsidiary	Main activity	Total assets	Total operating income (in millions)	Average number of FTEs	Net profit/ (loss) for the year (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	356,881	6,896	18,112	2,227	671
- *of which international activities*			3,130	95	23	25	6
France	Banque Neuflize OBC S.A.	Private Banking	4,439	332	966	77	27
Germany	Bethmann Bank AG	Private Banking	2,999	293	730	100	15
Belgium	ABN AMRO Bank N.V. Branch Belgium ID&JG	Private Banking	1,382	90	230	17	11
Great Britain	ABN AMRO Commercial Finance Plc	Corporate Banking	1,366	76	373	44	10
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	3,221	47	166	6	1
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate Banking	2,796	59	28	41	12
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	616	43	61	30	2
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	381	34	93	13	1
United States	ABN AMRO Clearing Chicago LLC	Corporate Banking	19,295	265	381	115	34
Brazil	ABN AMRO Brasil Participações	Corporate Banking	138	24	80	-12	-6
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate Banking	9,646	178	465	87	12
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	3,916	127	295	31	4
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate Banking	60	17	14	10	2
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	666	29	92	3	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate Banking	369	16	54	6	2
Other			-798	-72	2	-72	
Total			**407,373**	**8,455**	**22,142**	**2,722**	**798**

No material government grants were received in 2015 and 2016.

11 Cash and balances at central banks

This item includes cash on hand and available demand balances with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in note 18 Loans and receivables-banks.

(in millions)	31 December 2016	31 December 2015
Cash on hand and other cash equivalents	444	535
Balances with central banks readily convertible in cash other than mandatory reserve deposits	21,417	25,660
Total cash and balances at central banks	**21,861**	**26,195**

Cash and balances at central banks decreased by EUR 4.3 billion to EUR 21.9 billion in 2016 compared with EUR 26.2 billion in 2015 due to lower outstanding of overnight positions placed at DNB.

12 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IAS 39, all assets and liabilities held for trading are held at fair value with gains and losses in the changes of the fair value taken to net trading income in the income statement.

Financial assets held for trading

The following table shows the composition of assets held for trading.

(in millions)	31 December 2016	31 December 2015
Trading securities:		
Government bonds	1,152	1,333
Corporate debt securities	400	335
Equity securities	35	19
Total trading securities	**1,586**	**1,686**
Trading book loans	21	19
Total assets held for trading	**1,607**	**1,706**

Financial assets held for trading decreased by EUR 0.1 billion to EUR 1.6 billion at 31 December 2016. This decrease was due to a combination of lower government bonds (EUR 0.2 billion) and higher corporate debt securities (EUR 0.1 billion).

The decrease in government bonds was mainly related to changes in Dutch, French and German positions. These portfolios are mainly a result of the primary dealership in these countries and for the purpose of client facilitation. Most of these contracts are hedged with short positions in corporate debt securities, government bonds and futures.

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(in millions)	31 December 2016	31 December 2015
Bonds	690	417
Equity securities	33	19
Total short security positions	**723**	**435**
Other liabilities held for trading	67	24
Total liabilities held for trading	**791**	**459**

Financial liabilities held for trading increased by EUR 0.3 billion to EUR 0.8 billion at 31 December 2016. The increase resulted from higher short positions in bonds, mainly related to French government bonds and corporate debt securities.

The fair value of assets pledged as security is shown in note 32.

13 Derivatives

Accounting policy for Derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes.

Derivatives held for trading are closely related to facilitating the needs of our clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. Furthermore, ABN AMRO offers products that are traded on the financial markets to institutional and individual clients and governments.

Derivatives held for risk management purposes include the fair value of all derivatives qualifying as hedging instruments in fair value hedges and in cash flow hedges, hedge accounting derivatives, as well as the fair value of derivatives related to assets and liabilities designated as at fair value through profit or loss, economic hedges. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

From a risk perspective, the gross amount of trading assets must be associated together with the gross amount of trading liabilities, which are presented separately on the statement of financial position. However, IFRS does not allow netting of these positions in the statement of financial position.

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Derivatives comprise the following:

									31 December 2016
	Derivatives held for trading			Economic hedges			Hedge accounting		Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	
Exchange traded									
Fair value assets	2		9			33			44
Fair value liabilities	6		17						22
Notionals	110		258			1,062			1,431
Over-the-counter									
Central counterparties									
Fair value assets									
Fair value liabilities									
Notionals	695,879			5,436			134,496		835,811
Other bilateral									
Fair value assets	8,967	2,367	131	173	507	23	2,173		14,341
Fair value liabilities	6,883	2,555	96	96	660	88	4,126		14,504
Notionals	157,676	156,402	1,350	2,923	25,936	1,263	29,051		374,601
Total									
Fair value assets	8,969	2,367	140	173	507	56	2,173		14,384
Fair value liabilities	6,889	2,555	113	96	660	88	4,126		14,526
Notionals	853,666	156,402	1,608	8,359	25,936	2,325	163,547		1,211,843

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

Over-the-counter derivatives cleared with a CCP are not presented in our Statement of financial position.

The notional amount of the interest derivatives held for trading as at 31 December 2016 amounted to EUR 853.7 billion, a decrease of EUR 31.5 billion compared with EUR 885.2 billion at 31 December 2015. This decrease was mainly due to lower client activity within Financial Institutions. As at 31 December 2016 the fair value of interest rate derivatives decreased mainly due to the conversion of (a large number of) bilateral trades to triparty clearing trades/CCPs.

The notional amount of the currency derivatives held for trading at 31 December 2016 amounted to EUR 156.4 billion, a decrease of EUR 25.1 billion compared with EUR 181.5 billion at 31 December 2015. This decrease was mainly due to lower client activity caused by increased volatility of the foreign exchange market compared with 2015.

The notional amount of the other derivatives held for trading at 31 December 2016 amounted to EUR 1.6 billion, a decrease of EUR 0.6 billion compared with EUR 2.2 billion at 31 December 2015.

The hedging strategies are explained in greater detail in note 14.

14 Hedge accounting

Accounting policy for hedge accounting

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities, forecasted cash flows and net investments. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting.

Qualifying hedges may be designated as either fair value hedges, cash flow hedges or hedges of net investments. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates.

The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risks being hedged (the hedged risks) are typically changes in interest rates or foreign currency rates. ABN AMRO may also enter into credit risk derivatives (sometimes referred to as credit default swaps) for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item, by assessing and measuring whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in results from financial transactions as part of other income. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Adoption of EU carved out version IAS 39

Micro fair value hedges is hedging of separate hedged items which can be assets and liabilities. For micro fair value hedging, ABN AMRO uses the 'carved out' version of IAS 39 as adopted by the European Union, which means that negative credit spreads are excluded in the hedge relationship for micro fair value hedging.

Macro fair value hedging implies that a group of financial assets is reviewed in combination and jointly designated as the hedged item. However, the portfolio may, for risk management purposes, include assets and liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at the designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro fair value hedging, ABN AMRO uses the carved out version of IAS 39 as adopted by the European Union, which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. In this context, the impact of changes in the estimates of the re-pricing dates is only considered ineffective if it leads to over-hedging.

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the income statement within results from financial transactions as part of other income. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to profit or loss over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. Hedge effectiveness for cash flow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cash flow in the cash flow hedge. Any ineffective part of the cash flow hedge is recognised in other income immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gains or losses recognised in equity are transferred to the income statement at the time when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recognised in the income statement immediately.

Forecasted transactions

When the hedging instrument effectively hedges a forecasted transaction or firm commitment, the changes in fair value of the hedging instrument are recognised in equity. Amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur, hedge accounting is discontinued prospectively.

Hedging of net investments in foreign operations

ABN AMRO may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in equity, for the extent they are effective. The cumulative gain or loss recognised in equity is transferred to the income statement on the disposal of the foreign operation.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly in profit or loss.

Derivatives designated and accounted for as hedging instruments

The following results from ineffectiveness are recognised in other income:

(in millions)	2016	2015
Fair value hedges	-4	63
Cash flow hedges	-1	6
Net investment hedging	1	1
Total hedging results	**-4**	**71**

The total hedge ineffectiveness results decreased by EUR 75 million compared to 2015. The hedge ineffectiveness recognised in 2015 included a one-off gain resulting from the refinement of (in)effectiveness measurement in the fair value hedge models.

Overview of the fair value and notionals of hedging instruments

	Fair value hedges			Cash flow hedges			Economic hedges		
	Notional amount	Fair value		Notional amount	Fair value		Notional amount	Fair value	
(in millions)		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
31 December 2016									
Derivatives for risk management purposes									
Interest rate	127,265	1,581	4,126	36,282	592		8,359	173	96
Currency							25,936	507	660
Other							2,325	56	88
Total	**127,265**	**1,581**	**4,126**	**36,282**	**592**		**36,620**	**736**	**844**
31 December 2015									
Derivatives for risk management purposes									
Interest rate	94,377	2,265	7,234	53,712	1,074	1,440	4,014	242	136
Currency	560	304	26				26,356	499	604
Other							2,749	19	27
Total	**94,937**	**2,569**	**7,260**	**53,712**	**1,074**	**1,440**	**33,118**	**760**	**767**

[1] Note that the fair values represented in this table are the fair values as recognised in the statement of financial position. Because all over-the-counter derivatives are cleared with a CCP, these instruments have a fair value of zero and are represented by their notional amounts only.

The fair value hedges increased to EUR 127.3 billion at 31 December 2016, up by EUR 32.3 billion compared with 2015 due to a transfer between cash flow hedging and fair value of EUR 25.3 billion with a negative fair value of EUR 1.25 billion. The decision to transfer is based on an analysis of market developments with respect to interest rates on liabilities due to customers. The analysis shows that looking forward, applying fair value hedging instead of cash flow hedging would result in hedge relationships with a higher effectiveness. The transfer is performed by revoking macro cash flow hedging relationships on a selection of liabilities due to customers and interest rate payer swaps and designating these swaps in new macro fair value hedging relationships to mortgages.

During 2016, ABN AMRO faced an increased duration profile on mortgages. In order to hedge the interest rate risk on mortgages, ABN AMRO has entered into long dated interest rate swaps. To correctly reflect its interest rate risk management strategy in its financial statements, these new interest rate swaps have been designated as hedging instruments in the macro fair value hedge model.

In 2016 several cross currency swaps were restructured into separate interest rate swaps and foreign exchange basis swaps. This restructuring was necessary because of a future risk of ineffectiveness for the foreign exchange part. The result of this restructure is that the position of currency fair value hedges is decreased to zero.

In 2016 ABN AMRO reduced exposure on a large counterparty by entering into two opposing interest rate swaps, in effect transferring part of the original exposure to a different counterparty. As a result of these transactions, the notional amount included in interest rate economic hedges increased by EUR 4.3 billion to EUR 8.3 billion in 2016 compared to 2015.

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Fair value hedge accounting

ABN AMRO applies fair value hedge accounting to individual hedged items (micro fair value hedging) as well as to a portfolio of hedged items (macro fair value hedging).

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relationships principally consist of interest rate swaps, interest rate options and cross currency interest rate swaps that are used to protect against changes in the fair value of fixed rate assets and fixed rate liabilities due to changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Net effect of gains/(losses) arising from fair value hedge accounting:

(in millions)	2016	2015
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	490	-704
Gains/(losses) on hedging instruments used for the hedged assets	-500	726
Gains/(losses) on the hedged liabilities attributable to the fair value hedged risk	-42	691
Gains/(losses) on hedging instruments used for the hedged liabilities	22	-728
Net effect micro fair value hedge	**-31**	**-15**

Due to a decrease in interest rate curves, the gains and losses on hedged items and hedging instruments in 2016 were opposite to those reported in 2015. Because hedged liabilities on average have shorter maturities and the short tenors on the interest curves showed a smaller decrease, the gains and losses on hedged liabilities are smaller than those for hedged assets.

Macro fair value hedge accounting

ABN AMRO hedges interest rate exposures of fixed-rate mortgages on a portfolio basis using interest rate swaps. ABN AMRO applies a portfolio fair value hedge ('macro fair value hedge accounting') in which it designates interest rate swaps as hedging instruments and fixed-rate mortgages as hedged items. The hedge accounting relationship is reviewed and redesignated on a monthly basis.

As a result of the hedge, changes in the hedged item's fair value due to changes in the appropriate benchmark interest rate will be booked to the income statement and will be offset by changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are fixed-rate mortgages with the following features:

- denominated in local currency (euro);
- fixed term to maturity or repricing;
- pre-payable amortising or fixed principal amounts;
- fixed interest payment dates;
- no interest rate options;
- accounted for on an amortised cost basis.

Mortgages with these features form a portfolio of which the hedged item is designated in a fair value hedge accounting relationship. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. Hedged items are designated on a monthly basis to maintain an effective hedge accounting relationship.

Mortgage cash flows are allocated to monthly time buckets based on expected maturity dates. ABN AMRO models the maturity dates of mortgages taking into account a prepayment rate applied to the contractual cash flows and maturity dates of the mortgage portfolio. If the swap notional exceeds 95% of the expected mortgage notional in any given month, then mortgages that mature one month earlier or one month later are designated to the swaps.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value attributable to the hedged interest rate risk and the carrying value of the hedged mortgages at de-designation of the hedge relationship is amortised over the remaining life of the hedged item.

(in millions)	2016	2015
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-80	-408
Gains/(losses) on hedging instruments used for the hedged assets	106	487
Net effect macro fair value hedge	**27**	**79**

In 2016 the total gain/(losses) on cash flow hedges decreased by EUR 52 million mainly due to a transfer between cash flow hedging and fair value hedging. The absolute gains and losses on the hedged risk and hedging instruments in 2016 are smaller than in 2015 due to smaller changes in interest rate curves.

Cash flow hedge accounting

ABN AMRO applies macro cash flow hedge accounting by which it designates interest rate swaps as hedging instruments and future cash flows on non-trading assets and liabilities as hedged items. The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated if necessary to maintain an effective hedge accounting relationship.

Future cash flows are derived from the projected balance sheet. This projected balance sheet is produced by asset and liability management models and forms the basis for the management of interest rate risk. The model behind the projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, growth rates and interest scenarios, based on statistical market and client data and an economic outlook. The primary interest-sensitive positions in the balance sheet stemming from the non-trading book are loans and receivables, liabilities due to banks and customers, and issued debt securities.

Within the projected balance sheet, new assets and liabilities and the future re-pricing of existing assets and liabilities are grouped based on their specific interest rate index on which they reprice (i.e. one month, three months, six months, one year). Per repricing index all assets and liabilities are allocated to monthly clusters in which they reprice up until their maturity. Interest rate swaps are designated to these clusters based on their repricing index and maturity.

The notional amounts of pay- or receive-floating swaps are designated to repricing all or a portion of current and forecasted assets and liabilities, respectively, in the clusters described above. These swap transactions are designated for hedge accounting purposes as a hedge of a gross position of a cluster of projected cash flows. In addition, the swap will only hedge the applicable floating swap rate portion of the interest repricing and reinvestment risk of the cluster. The availability of projected cash flows in the clusters is not constant over time and therefore evaluated on a monthly basis. Changes in cash flow projections could lead to revision of the designation. Furthermore, back testing is performed on the interest rate risk sensitivity models. Historical data are used to review the assumptions applied.

Hedge accounting ineffectiveness recognised in the income statement related to cash flow hedging amounted to a loss of EUR 1 million in 2016 (2015: profit of EUR 6 million).

The maturity profile of forecast principal balances designated in the cash flow hedge is as follows:

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
31 December 2016					
Assets	23,930	23,930	20,430		
Liabilities	3,962	3,962	3,962	3,962	1,695
Net assets/liabilities	**19,968**	**19,968**	**16,468**	**-3,962**	**-1,695**
31 December 2015					
Assets	21,155	21,155	21,155		
Liabilities	24,382	18,965	9,135	9,135	2,500
Net assets/liabilities	**-3,227**	**2,190**	**12,020**	**-9,135**	**-2,500**

The principal balances divided over several time buckets decreased by EUR 25 billion at 31 December 2016 compared with 2015 due to a transfer between cash flow hedging and fair value hedging.

Net gains/(losses) on cash flow hedges transferred from equity to the income statement is as follows:

(in millions)	2016	2015
Interest income	395	493
Interest expense	382	525
Subtotal	**13**	**-32**
Tax expense	3	-8
Total gains/(losses) on cash flow hedges	**10**	**-24**

In 2016 the total gain/(losses) on cash flow hedges increased by EUR 34 million mainly due to a transfer between cash flow hedging and fair value hedging.

15 Financial investments

Financial investments are classified as available-for-sale or as held at fair value through profit or loss.

Accounting policy for available for sale investments

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest earning available-for-sale assets are amortised to income on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired, the cumulative gain or loss recognised in other comprehensive income is transferred to other income in the income statement.

Accounting policy for assets designated at fair value through profit and loss

Financial investments managed on a fair value through profit or loss basis are designated at fair value through profit or loss when the instruments:

- are held to reduce an accounting mismatch;
- include terms that have substantive derivative characteristics in nature; or
- are managed on the basis of its fair value.

The composition of financial investments is as follows:

(in millions)	31 December 2016	31 December 2015
Financial investments:		
Available-for-sale	44,719	39,772
Held at fair value through profit or loss	778	770
Total financial investments	**45,497**	**40,542**

Financial investments amounted to EUR 45.5 billion, an increase of EUR 5.0 billion (2015: EUR 40.5 billion). This increase was mainly caused by purchases in other- and non-OECD government bonds (EUR 1.3 billion), mortgage-backed securities (EUR 1.0 billion) and securities issued by Financial Institutions (EUR 2.4 billion).

Investments available for sale

The fair value of the available-for-sale investments (including gross unrealised gains and losses) is specified as follows:

(in millions)	31 December 2016	31 December 2015
Interest-earning securities:		
Dutch government	6,592	6,540
US Treasury and US government	3,497	3,481
Other OECD government	20,987	20,265
Non OECD government	913	348
European Union	1,756	1,637
Mortgage- and other asset-backed securities	3,244	2,318
Financial institutions	7,220	4,805
Non-financial institutions	59	28
Subtotal	**44,267**	**39,422**
Equity instruments	473	373
Total investments available-for-sale	**44,740**	**39,795**

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. More information on the liquidity buffer composition can be found in the Risk, funding & capital section.

In 2016 an amount of EUR 82 million in equity accounted investments was reclassified to equity instruments in financial investments available for sale.

Government bonds by country of origin

	31 December 2016			31 December 2015		
(in millions)	Gross unrealised gains/(losses) and fair value hedges gains/(losses)[1]	Impairments	Fair value	Gross unrealised gains/(losses) and fair value hedges gains/(losses)[1]	Impairments	Fair value
Dutch national government	869		6,592	760		6,540
French national government	348		4,881	334		4,273
German national government	629		4,774	468		4,246
Belgian national government	367		3,387	326		3,077
Finnish national government	252		2,395	212		2,170
Austrian national government	331		1,764	340		1,771
USA national government	-1		3,497	-3		3,481
Japanese national government			1,104			1,968
European Union bonds	180		1,756	180		1,637
Italian national government	39		653	43		408
Spanish national government			500			503
Polish national government	130		421	118		442
Swedish national government	5		260	5		356
Great Britain national government	96		272	72		276
Danish national government	1		101			269
Hong Kong			370			60
Luxembourg national government	20		151	17		148
Brazil national government			156			109
Singapore national government			386			178
Canadian national government	16		324	2		356
Total government bonds	**3,281**		**33,745**	**2,875**		**32,271**

[1] Of the total gross unrealised gains/(losses), fair value hedge accounting was applied for an amount of EUR 2.7 billion (2015: EUR 2.5 billion) and recognised in profit or loss. In 2016 net gains of EUR 546 million (2015: gains EUR 342 million) were recognised in Equity.

No impairment charges were recorded on these government bonds.

More information on country risk positions is provided in the Risk, funding & capital section.

Critical accounting estimates and judgements

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities this review considers factors such as the credit standing and prospects of the issuer, any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, triggers used for a significant or prolonged decline in the fair value below cost are 20% and 9 months respectively.

An interest-bearing security is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.

If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the income statement.

Impairment losses recognised on equity instruments can never be reversed through the income statement.

Investments designated at fair value through profit or loss

The following table provides information at 31 December about the investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

(in millions)	31 December 2016	31 December 2015
Government bonds		134
Corporate debt securities	2	4
Private equities and venture capital	731	577
Equity securities	45	54
Total investments held at fair value through profit or loss	**778**	**770**

The decrease in government bonds is mainly related to Dutch government bonds, as a result of primary dealership in the Netherlands and client facilitation.

In Corporate Banking, some private equity investments are measured at fair value through profit or loss, reflecting the business of investing in financial assets to benefit from their total return in the form of interest or dividend and changes in fair value.

16 Securities financing

Accounting policy for securities financing

Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and receivables) or received (due to banks or customers). The market value of the securities borrowed or lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the statement of financial position. Proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest rate method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

	31 December 2016		31 December 2015	
(in millions)	Banks	Customers	Banks	Customers
Assets				
Reverse repurchase agreements	954	8,725	2,415	8,185
Securities borrowing transactions	3,731	3,252	4,445	3,970
Unsettled securities transactions	297	632	131	916
Total	**4,981**	**12,608**	**6,991**	**13,071**
Liabilities				
Repurchase agreements	2,007	6,059	1,877	6,153
Securities lending transactions	616	1,891	1,138	1,536
Unsettled securities transactions	44	1,008	117	552
Total	**2,667**	**8,958**	**3,132**	**8,240**

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

The movements of securities financing assets and liabilities with banks and customers are a result of the cyclicality of the business.

Items of securities financing transactions which ABN AMRO can repledge or resell are included in note 32 Transferred, pledged, encumbered and restricted assets.

17 Fair value of financial instruments carried at fair value

Accounting policy for fair value of financial instruments

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

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, the fair value is determined in a highly objective manner. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculation or option pricing models (e.g. Black Scholes).

When portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, then any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty) are taken into account.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to profit or loss at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Where inputs to the valuation of a new transaction cannot be reliably determined, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:

- Credit and debit valuation adjustments. In addition to credit valuation for loans valued as at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and own credit quality respectively;
- Funding valuation adjustment. The funding valuation adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partially collateralised derivatives;
- Own credit adjustment. An own credit adjustment is applied to positions where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing trades;
- Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of the fair value are adequate. However, the use of different models or assumptions could result in changes to our reported results.

Internal controls over fair value

ABN AMRO has designated controls and processes for determining the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls over the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed, and if necessary amended, in the independent price verification process. This process involves a team independent of those trading the financial instruments performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments the process is performed daily. Reviews for both trading positions and non-trading positions are performed at least once a month. The independent price verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of our exposure to the model.

Valuation techniques

A number of methodologies are used to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available. Values between and beyond available data points are obtained by interpolation and/or extrapolation. When using valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk.

Interest rate derivatives

This category includes interest rate swaps, cross currency swaps, options and forward rate agreements. These products are valued by estimating future cash flows and discounting those cash flows using appropriate interest rate curves. Except for interest option contracts which are valued using market standard option pricing models. The inputs for the discounting cash flow models are principally observable benchmark interest rates in active markets such as the interbank rates and quoted interest rates in the swap, bond and futures markets. The inputs for credit spreads – where available – are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services. The additional inputs for the option pricing models are price volatilities and correlations which are obtained from broker quotations, pricing services or derived from option prices. Because of the observability of the inputs used in the valuation models, the majority of the interest rate derivative contracts are classified as level 2. If adjustments to interest rate curves, credit spreads, correlations or volatilities are based on significant unobservable inputs, the contracts are classified as level 3. Exchange traded options and futures are valued using quoted market prices and hence classified as level 1.

Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward contracts, foreign exchange options and foreign exchange swaps. The majority of the foreign exchange contracts at ABN AMRO are traded as over-the-counter derivatives. These instruments are valued using foreign currency exchange rates. There are observable markets both for spot and forward contracts and futures in the world's major currencies. Therefore the over-the-counter foreign exchange contracts are classified as level 2.

Government debt securities

Government debt securities consist of government bonds and bills with both fixed or floating rate interest payments issued by sovereign governments. These instruments are generally traded in active markets and prices can be derived directly from those markets. Therefore the instruments are classified as level 1. Highly liquid bonds are valued using exchange traded prices. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. For a minority of the government debt securities active market prices are not available. In these cases ABN AMRO uses discounted cash flow valuation techniques that incorporate observable market data for similar government instruments. The main inputs are interest rate curves, liquidity spreads and credit spreads. The instruments for which this method applies are classified as level 2. If adjustments to any of the main inputs are made based on significant unobservable inputs the instrument is classified as level 3.

Corporate debt securities

Corporate debt securities primarily consist of corporate bonds and other debt securities issued by corporate entities. Most of these instruments are standard fixed or floating rate securities. Corporate debt securities are generally valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. These instruments are classified as level 1. If observable market prices are not available, ABN AMRO uses discounted cash flow valuation techniques based on inputs derived from comparable instruments and credit default swap data of the issuer to estimate credit spreads. These instruments are classified as level 2.

Equity instruments

The equity instruments that are actively traded on public stock exchanges are valued using the readily available quoted prices and therefore classified as level 1. Investments in private equity funds are initially recognised at their transaction price and re-measured to the extent reliable information is available on a case-by-case basis and are classified as level 3.

Unit-linked investments
Unit-linked investments allow life insurance policyholders to invest indirectly, through a life insurance contract, in a pool of assets. The policyholders are exposed to all risks and rewards associated with the underlying asset pool. The amounts due to policyholders equal the fair value of the underlying asset pool and are represented by the financial liability. The fair values of life insurance contract liabilities are determined by reference to the fair value of the underlying assets. Actively traded unit-linked investments are valued using publicly and daily quoted prices and hence classified as level 1. The unit-linked investments for which there are no observable market prices are classified as level 2. Their value is determined by adjusting quoted prices for credit and/or liquidity risk.

Issued debt
Issued debt securities are valued using discounted cash flow models based on current interest rate curves which incorporate observable inputs. These instruments are classified as level 2.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.

Fair value hierarchy
ABN AMRO analyses financial instruments held at fair value in the three categories described below.

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

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

Level 3 financial instruments are those valued using a valuation technique where at least one input, which has a significant effect on the instrument’s valuation, is not based on observable market data. The effect of fair value adjustments on the instrument’s valuation is included in the assessment.

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

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

(in millions)	31 December 2016				31 December 2015			
	Quoted market prices in active markets	Valuation techniques-observable inputs	Valuation techniques-significant unobservable inputs	Total fair value	Quoted market prices in active markets	Valuation techniques-observable inputs	Valuation techniques-significant unobservable inputs	Total fair value
Assets								
Government debt securities	1,152			1,152	1,333			1,333
Corporate debt securities	389	11		400	335			335
Equity securities	35			35	19			19
Other financial assets held for trading		21		21		19		19
Financial assets held for trading	**1,576**	**31**		**1,607**	**1,686**	**19**		**1,706**
Interest rate derivatives	2	11,064	76	11,141	1	15,734	18	15,753
Foreign exchange contracts		2,350	17	2,367		2,377		2,377
Other derivatives	42	820	14	876	8	960	39	1,007
Derivatives	**44**	**14,233**	**107**	**14,384**	**9**	**19,071**	**58**	**19,138**
Government debt securities					134			134
Equity instruments	45		730	775	54		577	631
Other	2			3	4			4
Financial investments designated at fair value through profit or loss	**47**		**731**	**778**	**192**		**577**	**770**
Government debt securities	33,324		421	33,745	31,801	60	409	32,271
Corporate debt securities	6,013	1,227	38	7,279	3,771	1,026	36	4,833
Equity instruments	218	59	174	451	110	160	79	350
Other debt securities	2,519		724	3,244	1,489		829	2,318
Financial assets available for sale	**42,075**	**1,286**	**1,358**	**44,719**	**37,172**	**1,247**	**1,354**	**39,772**
Unit-linked investments	2,219	1,056		3,275	1,639	904		2,543
Total financial assets	**45,961**	**16,606**	**2,196**	**64,763**	**40,698**	**21,241**	**1,989**	**63,928**
Liabilities								
Short positions in Government debt securities	390			390	281			281
Corporate debt securities	294	6		300	136			136
Equity securities	33			33	19			19
Other financial liabilities held for trading		67		67		24		24
Financial liabilities held for trading	**717**	**73**		**791**	**435**	**24**		**459**
Interest rate derivatives	6	11,009		11,015		19,244		19,244
Foreign exchange contracts		2,555		2,555		2,122		2,122
Other derivatives	17	926	14	957	27	993	39	1,059
Derivatives	**22**	**14,490**	**14**	**14,526**	**27**	**22,359**	**39**	**22,425**
Issued debt		1,398	241	1,639		1,715		1,715
Unit-linked for policyholders	2,219	1,056		3,275	1,639	904		2,543
Total financial liabilities	**2,959**	**17,017**	**255**	**20,231**	**2,101**	**25,002**	**39**	**27,142**

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into 3

In 2016 there was a transfer of EUR 241 million of issued debt from level 2 to level 3. The transfer was carried out because there were no or only limited publicly quoted prices available for these specific instruments.

Other transfers

In 2016 there were no other material transfers between levels. In 2015, EUR 781 million of loans originally classified as held for trading were reclassified to loans and receivables. As a result of this reclassification these loans are no longer measured at fair value but at amortised cost.

Movements in level 3 financial instruments measured at fair value

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

	Assets				Liabilities	
(in millions)	Financial investments available for sale	Financial investments designated at fair value through profit or loss	Derivatives held for trading	Derivatives not held for trading	Derivatives not held for trading	Issued debt
Balance at 1 January 2015	**1,668**	**271**		**66**	**64**	
Purchases	1	68				
Sales	-104	-119	-9			
Redemptions	-204	-28				
Gains/(losses) recorded in profit and loss[1]		24				
Unrealised gains/(losses)	-13	59	-12	-26	-26	
Transfer between levels	5		40			
Other movements[2]	1	302				
Balance at 31 December 2015	**1,354**	**577**	**18**	**39**	**39**	
Purchases	2	122				
Sales	-2	-55				
Redemptions	-101	-30				
Gains/(losses) recorded in profit and loss[1]	2	28				
Unrealised gains/(losses)	4	16	2	-25	-25	-4
Transfer between levels			72			245
Other movements[3]	99	74				
Balance at 31 December 2016	**1,358**	**731**	**93**	**14**	**14**	**241**

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

Level 3 sensitivity information

Equities designated at fair value through profit or loss

Government bonds-Corporate debt securities

ABN AMRO has a position in a Polish bond, denominated in euros (in note 15 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

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

Equity shares-preferred shares

Equities designated at fair value through profit and loss 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 listed and unlisted companies. The fair value calculation of an investment is strongly linked with movements on the public markets and share markets;
- Net Asset Value (NAV) for fund investments and asset backed investments. This is determined by using audited and unaudited company financial statements and any other information available, public or otherwise. 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 initially valued at fair value and subsequently at cost for the first year of investment. Thereafter, the fair value technique, either EVCA technique or NAV calculation, will be applied for direct investments.

The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based upon the quarterly performance cannot be applied.

Derivatives

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

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

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

(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
31 December 2016								
Equity shares	Private equity-valuation	EBITDA multiples	186	4.0	6.0	5.1	14	-14
Equity shares	Private equity-valuation	Net asset value	719				25	-27
Interest earning securities-Government bonds	Discounted cash flow	Liquidity and credit spread	421	85	102	95	5	-7
Interest earning securities-other	Discounted cash flow	Prepayment rate	763	7.8%	15.0%	10.4%	3	-5
Derivatives held for trading	Discounted cash flow	Probability of default	93	0.3%	100.0%	71.6%	9	-8
Derivatives not held for trading-assets/liabilities (net)	Discounted cash flow	Prepayment rate		7.8%	15.0%	10.4%		
Issued debt	Discounted cash flow	Credit spread	241	97	130	110	7	-3
31 December 2015								
Equity shares	Private equity-valuation	EBITDA multiples	47	5.0	6.5	5.9	12	-12
Equity shares	Private equity-valuation	Net asset value	609				32	-32
Interest earning securities-Government bonds	Discounted cash flow	Liquidity and credit spread	409	59 bps	90 bps	80 bps	13	-4
Interest earning securities-other	Discounted cash flow	Prepayment rate	865	7.3%	10.1%	9.1%	7	-3
Derivatives held for trading	Discounted cash flow	Probability of default	18	0.6%	100.0%	52.1%		-4
Derivatives not held for trading-assets/liabilities (net)	Discounted cash flow	Prepayment rate	1	7.3%	10.1%	9.1%		

18 Loans and receivables-banks

Accounting policy for loans and receivables from banks and customers

According to IAS 39 Financial Instruments, loans and receivables from banks and customers are held at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset.

(in millions)	31 December 2016	31 December 2015
Interest-bearing deposits	5,041	4,841
Loans and advances	5,162	8,114
Mandatory reserve deposits with central banks	306	313
Other	2,978	2,414
Subtotal	**13,488**	**15,682**
Less: loan impairment allowance	3	2
Loans and receivables-banks	**13,485**	**15,680**

Loans and receivables-banks decreased by EUR 2.2 billion to EUR 13.5 billion at 31 December 2016, mainly as a result of a decrease in the loans and advances.

Loans and advances decreased by EUR 3.0 billion to EUR 5.2 billion at 31 December 2016. The decrease was caused as certain bilateral contracts with other banks were changed to contracts that are settled daily at a Central Counter Party (CCP). As a consequence, the related collateral under the old contracts was released. This decrease was partly offset by more pledged cash collateral by other collateralised counterparties. This higher cash collateral was driven by the increase in the held for trading financial liabilities of these counterparties.

Other loans and receivables-banks increased by EUR 0.6 billion to EUR 3.0 billion at 31 December 2016 mainly due to an increase in the purchase of trade bills.

19 Loans and receivables-customers

The accounting policy for loans and receivables is included in note 18.

(in millions)	31 December 2016	31 December 2015
Residential mortgages (excluding fair value adjustment)	149,255	148,465
Fair value adjustment from hedge accounting on residential mortgages	3,073	3,401
Residential mortgages, gross	**152,328**	**151,866**
Less: loan impairment allowances-residential mortgage loans	258	324
Residential mortgages	**152,069**	**151,543**
Consumer loans, gross	12,539	15,147
Less: loan impairment allowances-consumer loans	433	561
Consumer loans	**12,106**	**14,587**
Corporate loans	90,920	100,387
Fair value adjustment from hedge accounting on corporate loans	1,722	1,448
Financial lease receivables	4,069	3,659
Factoring	2,321	1,866
Corporate loans, gross	**99,031**	**107,359**
Less: loan impairment allowances-corporate loans	2,973	3,470
Corporate loans	**96,058**	**103,889**
Government and official institutions	1,445	1,558
Other loans	6,003	4,799
Other loans and receivables customers, gross	**7,448**	**6,357**
Less: loan impairment allowances-other	2	1
Other loans and receivables customers	**7,445**	**6,357**
Loans and receivables-customers	**267,679**	**276,375**

Loans and receivables-customers decreased by EUR 8.7 billion to EUR 267.7 billion at 31 December 2016.

Residential mortgages (excluding fair value adjustments) increased by EUR 0.8 billion to EUR 149.3 billion at 31 December 2016. Inflow of new residential mortgages reflecting the improvement of the housing market in the Netherlands is partly offset by mortgage redemptions and voluntary repayments. In addition, ABN AMRO adjusted its treatment of the bank savings mortgages. More information is provided in note 1 Accounting policies: Offsetting.

Consumer loans, gross decreased by EUR 2.6 billion to EUR 12.5 billion, mainly in Private Banking (EUR 2.1 billion) due to the planned sale of activities in Asia and the Middle East. More information is provided in note 23 Non-current assets and disposal groups held for sale.

Corporate loans, gross decreased by EUR 8.3 billion to EUR 99.0 billion. ABN AMRO adjusted the implementation of its offsetting treatment of notional cash pooling agreements, more information is provided in note 1 Accounting policies: Offsetting. Corporate loans decreased in connection with the planned sales within Private Banking. More information is provided in note 23 Non-current assets and disposal groups held for sale.

Other loans and receivable customers increased by EUR 1.1 billion to EUR 7.4 billion, due mainly to higher outstandings at CCPs for the purpose of margin requirements and default fund contributions.

Details of loan impairments are provided in the Risk, funding and capital section.

20 Fair value of financial instruments not carried at fair value

The categorisation and valuation of financial instruments is determined in accordance with the accounting policies set out in note 17.

The following methods and significant assumptions have been applied to estimate the fair values for the disclosure of financial instruments carried at amortised cost:

- The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within six months of the reporting date are assumed to be a reasonable approximation of their carrying amounts, which are net of impairment;
- The fair value of demand deposits and savings accounts (both included under due to customers) with no specific maturity is assumed to be the amount payable on demand at the reporting date;
- The fair value of the other loans to customers and loans to banks that are repriced frequently and have had no significant changes in credit risk is estimated using carrying amounts that are assumed to be a reasonable representation of the fair value. The fair value of other loans is estimated by discounted cash flow models based on interest rates that apply to similar instruments;
- The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, the fair value is based on independent quotes from market participants for the debt issuance spreads above average interbank offered rates (at a range of tenors) which the market would demand when purchasing new senior or sub-debt issuances from ABN AMRO. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices.

The following table presents the type of valuation techniques used in determining the fair value of financial instruments carried at amortised cost. In addition, the carrying amount of these financial assets and liabilities recorded at amortised cost is compared with their estimated fair value based on the assumptions mentioned above.

						31 December 2016
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques-observable inputs	Valuation techniques-significant unobservable inputs		
Assets						
Cash and balances at central banks	21,861		21,861		21,861	
Securities financing	17,589		17,589		17,589	
Loans and receivables-banks	13,485		4,503	8,982	13,485	
Loans and receivables-customers	267,679		6,645	270,216	276,861	9,182
Total	**320,614**		**50,598**	**279,198**	**329,796**	**9,182**
Liabilities						
Securities financing	11,625		11,625		11,625	
Due to banks	13,419		3,209	10,210	13,419	
Due to customers	228,758		612	228,146	228,758	
Issued debt	79,639	31,615	48,942		80,557	-918
Subordinated liabilities	11,171	5,762	5,998		11,759	-588
Total	**344,613**	**37,377**	**70,386**	**238,356**	**346,119**	**-1,506**

						31 December 2015
	Carrying value				Total fair value	Difference
(in millions)		Quoted market prices in active markets	Valuation techniques-observable inputs	Valuation techniques-significant unobservable inputs		
Assets						
Cash and balances at central banks	26,195		26,195		26,195	
Securities financing	20,062		20,062		20,062	
Loans and receivables-banks	15,680		7,304	8,375	15,679	
Loans and receivables-customers	276,375		7,321	278,409	285,730	9,355
Total	**338,312**		**60,882**	**286,785**	**347,667**	**9,355**
Liabilities						
Securities financing	11,372		11,372		11,372	
Due to banks	14,630		3,842	10,788	14,630	
Due to customers	247,353		226	247,127	247,353	
Issued debt	74,492	31,638	43,810		75,448	-957
Subordinated liabilities	9,708	5,285	4,789		10,074	-366
Total	**357,555**	**36,923**	**64,040**	**257,915**	**358,877**	**-1,322**

During the first half of 2016 the Bank reclassified cash collateral received from or paid to counterparties in relation to Credit Support Annexes (CSA) from level 3 to level 2 due to a refinement in measurement. This impacts loans and receivables-banks and loans and receivables-customers as well as due to banks and due to customers in the table above. The comparative amounts have been reclassified accordingly.

21 Bank structure

Accounting policy for business combinations

ABN AMRO Bank accounts for business combinations using the acquisition method when control is transferred to the Bank. All items of consideration, including contingent consideration, transferred by ABN AMRO Bank are measured and recognised at fair value as of the acquisition date. Transaction costs incurred by ABN AMRO Bank in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO Bank's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill. ABN AMRO Bank measures the identifiable assets acquired and the liabilities assumed at the fair value at the date of acquisition.

In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Assets and liabilities of acquisitions and divestments

The following table provides details on the assets and liabilities resulting from the acquisitions or disposals of subsidiaries and equity-accounted investments at the date of acquisition or disposal.

	31 December 2016		31 December 2015	
(in millions)	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Loans and receivables - banks	3			
Equity accounted investments	29	26	25	-103
Goodwill and other intangible assets	1			
Other assets	354			
Other liabilities	-354			
Non-controlling interests	-1			
Net assets acquired/Net assets divested	**31**	**26**	**25**	**-103**
Result on divestments, gross		81		28
Cash used for acquisitions/received from divestments:				
Total purchase consideration/Proceeds from sale	-31	56	-25	132
Cash and cash equivalents acquired/divested	3			
Cash used for acquisitions/received from divestments	**-28**	**56**	**-25**	**132**

Acquisitions and divestments include increases and decreases in the investments in several equity accounted investments for 2016 and 2015.

Acquisitions in 2016
ABN AMRO Bank obtained the remaining 30% of the shares in ABN AMRO Pensioeninstelling N.V. As a result, ABN AMRO Bank has control and ABN AMRO Pensioeninstelling N.V. is consolidated as of the first quarter of 2016. An amount of EUR 2 million in goodwill was recognised. ABN AMRO Pensioeninstelling N.V. is a private pension company.

Divestments in 2016
As a result of the merger of Equens SE and Worldline SA on 30 September 2016 the interest of ABN AMRO Bank in Equens SE has been deluted from 18,4% to 7,0% and is therefore reclassified from equity accounted investment to financial investment available for sale at fair value.

Acquisitions in 2015
In 2015 no major assets and liabilities were acquired.

Divestments in 2015
ABN AMRO Bank no longer has an associate interest in RFS Holdings B.V., as the underlying assets and liabilities have been sold.

Composition of ABN AMRO Bank
Accounting policy for subsidiaries
ABN AMRO Bank's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by ABN AMRO Bank ability to exercise its power in order to affect the variable returns that ABN AMRO Bank is exposed to through its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on the consideration of all facts and circumstances. ABN AMRO Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns and a link between the two).

ABN AMRO Bank sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well defined objectives. Particularly in the case of securitisations, these entities may acquire assets from ABN AMRO Bank companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO Bank or its subsidiaries. These entities are consolidated in ABN AMRO Bank's financial statements when the substance of the relationship between ABN AMRO Bank and the entity indicates that control is held by ABN AMRO Bank.

ABN AMRO Bank is mainly involved in securitisations of own originated assets such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO Bank's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interest. In many cases, these retained interests convey control such that the SPE is consolidated and the securitised assets continue to be recognised in the Consolidated Statement of Financial Position.

The financial statements of subsidiaries and special purpose entities are included in the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which ABN AMRO Bank has significant influence, but no control or joint control, over the operating and financial policies. Significant influence is generally presumed when ABN AMRO Bank holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether ABN AMRO Bank has significant influence. Among other factors that are considered to determine significant influence representation on the board of directors, participation in the policy-making process and material transactions between the entity and the investee are considered.

A joint venture is an investment in which two or more parties have contractually agreed to share the control over the investment. Joint control only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities conducted through joint ventures include cash transfer, insurance, finance and leasing.

Investments in associates and joint ventures, including strategic investments, are accounted for using the equity method. Under this method the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. ABN AMRO Bank's share of the profit or loss of the investee is recognised in other income in the income statement. When ABN AMRO Bank's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO Bank has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence which are not held for trading or not designated at fair value through profit or loss are classified as available-for-sale.

The following table provides an overview of the most significant investments in associates and joint ventures at 31 December.

Introduction
Business
Risk, funding & capital
Leadership and Governance
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Other

(in millions)	Principle place of business	Business line	31 December 2016 Carrying amount	31 December 2016 Equity interest (in %)	31 December 2015 Carrying amount	31 December 2015 Equity interest (in %)
Joint ventures:						
Neuflize Vie S.A.	France	Private Banking	217	60%	215	60%
Richmond Preferente Aandelen C. B.V.	The Netherlands	Corporate Banking	25	50%	25	50%
Associates:						
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	197	49%	221	49%
Equens S.E.[1]	The Netherlands	Group Functions			60	18%
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	The Netherlands	Group Functions	100	20%	60	20%
European Merchant Services B.V.	The Netherlands	Corporate Banking	23	49%	20	49%
Compagnie Maritime Monegasque OSV B.V.	The Netherlands	Corporate Banking	24	75%		
Private Equity Investments			122		116	
Other			58		61	
Total equity accounted investments			**765**		**778**	

[1] Reclassification to financial investments.

Neuflize Vie is a joint venture whereby the power to govern the financial and operating policies of the economic activity is subject to joint control.

The total amount of the investments in equity associates and joint ventures amounted to EUR 765 million at 31 December 2016, a decrease of EUR 13 million compared with EUR 778 million at 31 December 2015. This decrease was mainly the result of the change in the carrying value of Delta Lloyd ABN AMRO Verzekeringen Holding B.V. and reclassification of Equens SE.

As a result of the merger of Equens SE and Worline SA on 30 September 2016 the interest of ABN AMRO Bank in Equens has been deluted from 18,4% to 7,0% and is therefore reclassified from equity accounted investment to financial investment available for sale at fair value.

Other investments in associates and joint ventures represent a large number of associates and joint ventures with an individual carrying amount of less than EUR 15 million.

The combined financial information of the associates and joint ventures include the following assets and liabilities, income and expenses, and represent the proportionate share:

(in millions)	31 December 2016 Associates	Joint ventures	Total	31 December 2015 Associates	Joint ventures	Total
Assets						
Financial assets held for trading	2,487		2,487	2,528		2,528
Financial investments	443	7,250	7,693	342	6,771	7,113
Loans and receivables-banks and customers	1,713	196	1,910	1,473	235	1,708
Property and equipment	71	204	275	90	165	255
Other assets	334	71	405	420	326	745
Total assets	**5,048**	**7,722**	**12,770**	**4,852**	**7,497**	**12,349**
Liabilities						
Due to banks and customers	1,320	145	1,464	1,290	51	1,341
Provisions	2,548	3,955	6,503	2,424	3,624	6,048
Other Liabilities	246	3,380	3,626	258	3,575	3,833
Total liabilities	**4,115**	**7,479**	**11,594**	**3,973**	**7,250**	**11,223**
Total operating income	522	46	569	562	51	613
Operating expenses	408	24	432	503	26	529
Operating profit/(loss)	**114**	**23**	**137**	**60**	**25**	**85**
Income tax expense	26	8	34	19	9	28
Profit/(loss) for the period	**88**	**15**	**103**	**41**	**16**	**57**

Assets related to associates are mainly held by Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (EUR 2,839 million compared with EUR 2,737 million in 2015) and by Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (EUR 1,652 million compared with EUR 1,418 million in 2015).

Neuflize Vie holds the majority of assets under joint ventures (EUR 7,696 million compared with EUR 7,208 million in 2015).

The profit for the period regarding the associates increased, mainly due to the better results of abovementioned associates.

Impairments on equity accounted investments

The following table shows the changes in impairments on equity-accounted investments.

(in millions)	2016	2015
Balance as at 1 January	**4**	16
Increase in impairments	5	28
Reversal of impairments	-1	
Other	-4	-41
Balance as at 31 December	**4**	**4**

Impairments on equity accounted investments remained at EUR 4 million at 31 December 2016, equal to the amount at 31 December 2015. The increase and decrease in impaired assets were mainly related to the variance of the carrying value of the primary assets of some of ABN AMRO Bank's associates compared with its fair value.

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity has some or all of the following features or attributes:

- restricted activities;
- a narrow and well defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinatedfinancial support;
- financing in the form of multiple contractually linked instruments to investors that createconcentrations of credit or other risks;
- relevant activities are directed by contractual arrangements.

ABN AMRO Bank is mainly involved in one type of structured entities: securitisations of its own originated assets. ABN AMRO Bank uses securitisation transactions primarily to diversify its funding sources and to manage its liquidity profile. Financial assets included in these transactions are residential mortgages and loans to small and medium-sized enterprises (SME). All securitised assets were originated in the Netherlands by ABN AMRO Bank (or one of its predecessors).

Consolidated structured entities

The total amount of notes sold to external parties amounted to EUR 2.4 billion at 31 December 2016, a decrease of EUR 0.6 billion compared with EUR 3.0 billion at year-end 2015. The decrease was primarily due to the calling of several securitisation transactions including Beluga and Fishbowl (mortgage loans).

The securitisation transactions are primarily used for funding and liquidity purposes. There was no RWA (REA) relief at year-end 2016 (year-end 2015: no relief).

ABN AMRO Bank had only true sale (traditional) securitisation transactions outstanding in 2016. In a true sale securitisation transaction a foundation (stichting) incorporates a structured entity resulting in a bankruptcy remote structure. ABN AMRO Bank sells a portfolio of receivables to the structured entity. The structured entity funds the purchase by issuing notes. In all securitisation transactions, ABN AMRO Bank provides key ancillary roles such as swap counterparty.

Risks associated with the roles in the securitisation process

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO Bank retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable regulation.

Liquidity risk
Liquidity risk relates to the risk that ABN AMRO Bank might incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios where required. This includes the potential impact of the liquidity facilities or swap agreements which are part of a number of securitisation transactions, most of which relate to transactions for which ABN AMRO Bank is the originator of the underlying assets.

Approaches to calculating risk exposure amount
ABN AMRO Bank does not achieve significant risk transfers for any of the mortgage securitisations. Therefore, the look-through approach is used and REA reduction is not applied.

Monitoring process
ABN AMRO Bank periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test. For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which downgrade and default risk under stressed market conditions is assessed.

Overview of securitisation positions and securitised assets
The total amount of assets securitised in true sale securitisations decreased to EUR 39.7 billion as at 31 December 2016 (2015: EUR 52.2 billion). Securitisation transactions for the purpose of capital relief were not originated in 2016.

Securitisation overview of own originated assets (overall pool size)

	31 December 2016			31 December 2015		
	True sale securitisations		Total	True sale securitisations		Total
(in millions)	Mortgage loans	SME loans		Mortgage loans	SME loans	
Total assets securitised reported under the CRD framework						
Total assets securitised not reported under the CRD framework	39,687		39,687	52,177		52,177
Total assets securitised	**39,687**		**39,687**	**52,177**		**52,177**

Details on retained and purchased securitisation positions
The tables in the following sections contain data of securitisation positions in which ABN AMRO Bank acts as originator and/or investor. Amounts reported are based on the regulatory exposure values calculated in accordance with the regulatory guidelines. Note that this not only includes the notes issued under the securitisation, but also the credit equivalent of interest rate swaps and first loss positions. The following table outlines the total amount of ABN AMRO Bank exposure value on securitisation positions in which ABN AMRO Bank acts as originator and/or investor. The total securitisation position increased to EUR 1.3 billion at 31 December 2016 (31 December 2015: EUR 1.1 billion).

Overview of retained, transferred and purchased securitisation positions

(in millions, Exposure at Default)	31 December 2016 True sale securitisations Mortgage loans	SME loans	Total	31 December 2015 True sale securitisations Mortgage loans	SME loans	Total
Securitisation position in purchased securitisations	1,265		1,265	1,125		1,125

Of the EUR 1.3 billion purchased securitisation positions as per 31 December 2016, the full position is risk-weighted at 7%. Of the EUR 1.1 billion purchased securitisation positions as per 31 December 2015, the full position is risk-weighted at 7%.

Details on total notes outstanding per structured entity

The following table provides details on the outstanding notes issued by consolidated structured entities which were established by ABN AMRO Bank for securitisation purposes, exceeding 0.1% of the bank's total assets.

(in millions)	31 December 2016 Total notes issued	% of total assets	31 December 2015 Total notes issued	% of total assets
Category				
Dolphin Master Issuer B.V.	30,472	7.7%	30,472	7.5%
Goldfish Master Issuer B.V.	9,656	2.4%	12,407	3.0%
SMILE Securitisation Company 2007 B.V.[1]	15	0.0%	18	0.0%
Fishbowl Master Issuer B.V.			7,139	1.8%
Beluga Master Issuer B.V.			3,136	0.8%
Total	**40,143**		**53,172**	

[1] Securitisation structured entity in the CRD securitisation framework.

At present, there are no material, consolidated structured entities – not related to securitisation activities – exceeding 0.1% of the bank's total assets.

Support to consolidated structured entities

ABN AMRO Bank did not provide support, financial or otherwise, to a consolidated structured entity including when ABN AMRO Bank was not contractually obligated to do so, nor does ABN AMRO Bank intend to do so in the future.

Unconsolidated structured entities

ABN AMRO Bank has invested EUR 0.7 billion in securitisations which were not set up by ABN AMRO Bank in 2016 (2015: EUR 0.8 billion). These securitisation notes are part of the liquidity buffer. ABN AMRO Bank does not consolidate the structured entities as the bank does not have control over these entities. As ABN AMRO Bank has not engaged in any additional contractual obligations with these entities, the maximum exposure to these structured entities is the same as the invested amount.

To raise funding, ABN AMRO has interests in two structured entities: Simba Finance B.V. (Simba) and Pumbaa Finance B.V. (Pumbaa). Simba and Pumbaa are unconsolidated structured entities as ABN AMRO does not have the power over these entities and does not have the ability to affect the amount of their returns.

Sponsoring of unconsolidated structured entities.
An entity is considered a sponsor of an unconsolidated structured entity if it had a key role in establishing that entity so that the transaction, which is the purpose of the entity, could occur. No material sponsoring occurred in 2016.

22 Property and equipment, goodwill and other intangible assets

Accounting policy for property and equipment

In accordance with IAS 16, property and equipment is stated at cost less accumulated depreciation and any amount for impairment. At each balance sheet date an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO generally uses the following useful lives in calculating depreciation:

- Land: not depreciated;
- Buildings: 30 years;
- Leasehold improvements: 5 years;
- Equipment: 5 years;
- Computer installations: 2 to 5 years.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Depreciation rates and residual values are reviewed at least periodically to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Assets for which the bank acts as a lessor in an operational lease contract are included in property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value.

Accounting policy for intangible assets

Goodwill

Goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairments of Assets. Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is not amortised, but is reviewed annually for impairment or more frequently if there are indications that impairment may have occurred. In the test the carrying amount of goodwill is compared with the highest of the fair value less costs to sell and the value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense and are irreversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years unless the software is classified as core application software, which is depreciated over its estimated useful lifetime set at a maximum of seven years. Only the development phase is capitalised for own developed software.

Other intangible assets include separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general, the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

The following table shows the carrying amount for each category of property and equipment at 31 December.

(in millions)	31 December 2016	31 December 2015
Land and buildings held for own use	706	781
Leasehold improvements	47	43
Equipment	664	539
Other	1	3
Total property and equipment	**1,418**	**1,366**

Total property and equipment increased by EUR 52 million to EUR 1,418 million at 31 December 2016.

The decrease in land and buildings relates to sales in the Netherlands and depreciation of buildings. The increase in equipment is due to leasing.

The following table shows the carrying amount for goodwill and other intangible assets at 31 December.

(in millions)	31 December 2016	31 December 2015
Goodwill	144	149
Purchased software	56	54
Internally developed software	11	6
Other	40	54
Total goodwill and other intangible assets	**251**	**263**

No material movements in goodwill and other intangible assets occured during 2016.

The book value of property, equipment, intangible assets and goodwill changed as follows for the years 2016 and 2015.

								2016
(in millions)	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
Acquisition costs as at 1 January	**1,683**	**218**	**1,464**	**3**	**3,368**	**202**	**1,202**	**1,403**
Acquisitions/divestments of subsidiaries						2		2
Additions	52	12	340		405		37	37
Reversal of cost due to disposals	-137	-7	-225		-369		-299	-299
Foreign exchange differences	-2		-13		-14	-11	-1	-12
Other	6	10	12	-2	26	-2	1	-1
Acquisition costs as at 31 December	**1,602**	**235**	**1,579**	**1**	**3,416**	**190**	**939**	**1,129**
Accumulated depreciation/ amortisation as at 1 January	**-891**	**-176**	**-924**		**-1,991**		**-1,066**	**-1,066**
Depreciation/amortisation	-44	-18	-173		-236		-46	-46
Reversal of depreciation/amortisation due to disposals	89	7	173		268		300	300
Foreign exchange differences	1						1	1
Other	-41		11		-30		1	1
Accumulated depreciation/ amortisation as at 31 December	**-888**	**-188**	**-913**		**-1,989**		**-810**	**-810**
Impairments as at 1 January	**-10**		**-1**		**-11**	**-53**	**-22**	**-75**
Increase of impairments charged to the income statement	-13			-2	-14			
Reversal of impairments due to disposals	13				13			
Foreign exchange differences						7		7
Other	1			2	3			
Impairments as at 31 December	**-8**		**-1**		**-9**	**-46**	**-22**	**-68**
Total as at 31 December	**706**	**47**	**664**	**1**	**1,418**	**144**	**107**	**251**

(in millions)	Land and Buildings held for own use	Leasehold improve-ments	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
								2015
Acquisition costs as at 1 January	1,742	203	1,451	36	3,432	198	1,162	1,360
Additions	56	17	210		282		41	42
Reversal of cost due to disposals	-86	-3	-198	-38	-324		-3	-3
Foreign exchange differences	3	2	7	3	14	4	2	7
Other	-32		-6	2	-36		-1	-2
Acquisition costs as at 31 December	**1,683**	**218**	**1,464**	**3**	**3,368**	**202**	**1,202**	**1,403**
Accumulated depreciation/ amortisation as at 1 January	-911	-165	-927	-4	-2,007		-1,034	-1,034
Depreciation/amortisation	-51	-12	-154		-217		-34	-34
Reversal of depreciation/amortisation due to disposals	41	3	161	5	209		4	4
Foreign exchange differences	-1	-1	-4		-6		-2	-2
Other	30				29			
Accumulated depreciation/ amortisation as at 31 December	**-891**	**-176**	**-924**		**-1,991**		**-1,066**	**-1,066**
Impairments as at 1 January	-11		-2		-13	-51	-21	-71
Increase of impairments charged to the income statement	-4				-4		-1	-1
Reversal of impairments due to disposals	6		1		7			
Foreign exchange differences						-3		-3
Other	-1				-1	1		1
Impairments as at 31 December	**-10**		**-1**		**-11**	**-53**	**-22**	**-75**
Total as at 31 December	**781**	**43**	**539**	**3**	**1,366**	**149**	**114**	**263**

The fair value of land and buildings held for own use is estimated at EUR 621 million at 31 December 2016 (2015: EUR 694 million). Of this fair value 97% is based on external valuations performed in 2016 or 2015 and 3% is based on Dutch local government property tax valuations with a discount of 0% to reflect the current market situation. There are some properties that have a lower fair value than the recorded carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Group is sufficient to cover the total value of all these assets.

Lessor

In its capacity as lessor, ABN AMRO leases out various assets, included in equipment, under operating leases. Future minimum lease receipts under non-cancellable operating lease are EUR 486 million (2015: EUR 380 million), of which EUR 336 million (2015: EUR 338 million) matures within five years.

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Impairment of goodwill

Impairment testing on goodwill is performed at least annually by comparing the recoverable amount of the cash-generating units (CGU) to their carrying amount. The CGU is the smallest identifiable group of assets that:

- generate cash inflows from continuing use; and
- are largely independent of the cash inflows from other assets or groups of assets.

Identification of an asset's cash-generating unit involves judgement. If the recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows. The recoverable amount is determined by the highest of the value in use or fair value less costs to sell. The type of the acquired entity determines the definition of the type of CGU.

The value in use of a CGU is assessed through a discounted cash flow model of the anticipated future cash flows of the CGU. The discounted cash flow model uses assumptions which depend on various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated. The values assigned to each key assumption reflect past experience that was modified based on management's expectation for the future and are consistent with external sources of information.

Besides the discount rates stated in the following table, calculation of the value in use was also based on cash flows, projected based on past experience, actual operating results and the 5-year budget plan. Cash flows for a further 5-year period were extrapolated using the long-term growth rate stated for the CGU.

	31 December 2016						31 December 2015
(in millions)	Segment	Method used for recoverable amount	Discount rate	Long term growth rate	Impairment charges	Goodwill	Goodwill
Entity							
Bethmann Bank	Private Banking	Value in use	10.0%	1.0%		99	99
ABN AMRO (Guernsey)	Private Banking	Fair value	10.0%	1.0%		23	27
ABN AMRO Commercial Finance Holding	Corporate Banking	Value in use	10.0%	2.0%		10	11
Banque Neuflize	Private Banking	Value in use	10.0%	0.0%		6	6
Banco ABN AMRO S.A.	Corporate Banking	Value in use	10.0%	2.0%		4	3
Other						2	2
Total goodwill and impairment charges						**144**	**149**

(in millions)	2016	2015
Depreciation on tangible assets		
Land and buildings held for own use	44	51
Leasehold improvements	18	12
Equipment	75	74
Amortisation on intangible assets		
Purchased software	28	23
Internally developed software	3	3
Other intangible assets	16	8
Impairment losses on tangible assets		
Land and buildings held for own use (incl. held for sale)	13	4
Other	2	
Impairment losses on intangible assets		
Goodwill		
Purchased software		1
Total depreciation and amortisation	**198**	**177**

Impairment losses on land and buildings held for own use include an impairment amount of EUR 6 million at 31 December 2016 (2015: EUR 4 million) for assets held for sale.

23 Non-current assets and disposal groups held for sale

Accounting policy for non-current assets and disposal groups held for sale

In accordance with IFRS 5, non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held-for-sale assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held for sale are presented separately.

(in millions)	31 December 2016	31 December 2015
Assets		
Financial assets held for trading	28	
Consumer Loans	1,634	
Corporate Loans	1,785	
Property and equipment	32	32
Other assets	2	
Assets of businesses held for sale	**3,481**	**32**
Liabilities		
Financial liabilities held for trading	7	
Demand Deposits	3,283	
Saving Deposits	233	
Time Deposits	2,143	
Liabilities of businesses held for sale	**5,667**	

At 31 December 2016, total assets of businesses held for sale amounted to EUR 3,481 million (2015: EUR 32 million) the liabilities of businesses held for sale amounted to EUR 5,667 million.

In line with the strategic update announced on 16 November 2016, ABN AMRO decided to sell its private banking operations in Asia and the Middle East. A total amount of EUR 3,449 million in assets and EUR 5,667 million in liabilities relate to this transfer.

24 Other assets

The following table shows the components of other assets at 31 December.

(in millions)	31 December 2016	31 December 2015
Accrued other income	514	490
Prepaid expenses	27	24
Unit-linked investments	3,275	2,543
Reinsurers share, trade and other receivables	1,758	1,385
Other	476	452
Total other assets	**6,050**	**4,893**

In the 2015 Annual Financial Statements, assets held for sale were included in other assets. For 2016 a separate note, Non-current assets and disposal groups held for sale (note 10), is provided.

Unit-linked investments are investments on behalf of insurance contract policyholders who bear the investment risk. Minimum guaranteed rates are agreed for certain contracts.

Reinsurers share, trade and other receivables include the amount of the receivables purchased by ABN AMRO (the factor) from its clients under contract of non-recourse factoring.

Other assets in 2016 and 2015 include a net receivable of EUR 204 million mainly related to the bankruptcy of DSB Bank.

25 Due to banks

Accounting policy for due to banks and due to customers

According to IAS 39 Financial Instruments, amounts due to banks and customers are held at amortised cost. That is, fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the instrument.

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

(in millions)	31 December 2016	31 December 2015
Deposits from banks:		
Demand deposits	2,591	2,728
Time deposits	1,475	1,332
Other deposits	9,329	10,544
Total deposits	**13,394**	**14,604**
Other Due to banks	25	26
Total due to banks	**13,419**	**14,630**

Due to banks decreased in total by EUR 1.2 billion to EUR 13.4 billion at 31 December 2016 (31 December 2015: EUR 14.6 billion). This decrease was mainly due to a decline in other deposits of EUR 1.2 billion. Other deposits decreased mainly as a result of a decrease in deposits from several central banks by EUR 0.5 billion and credit institutions by EUR 0.7 billion. ABN AMRO repaid EUR 4.0 billion TLTRO I in June 2016 and participated in TLTRO II in December 2016 for the same amount. The maturity of TLTRO II is four years and interest payments will be settled in arrears. The interest rate, which is fixed for the entire maturity of TLTRO II, will be set in June 2018.

26 Due to customers

The accounting policy for due to customers is included in note 25.

(in millions)	31 December 2016	31 December 2015
Demand deposits	119,848	134,632
Saving deposits	92,740	94,005
Time deposits	16,169	18,555
Total deposits	**228,758**	**247,192**
Other due to customers		160
Total due to customers	**228,758**	**247,353**

Due to customers decreased by EUR 18.6 billion to EUR 228.8 billion at 31 December 2016, mainly as a result of the decline in demand deposits (EUR 14.8 billion), saving deposits (EUR 1.3 billion) and time deposits (EUR 2.4 billion), reflecting lower client demand for these types of investments.

Demand deposits decreased by EUR 14.8 billion to EUR 119.8 billion at 31 December 2016 mainly due to lower outstanding positions held by large corporates (EUR 14.8 billion) and a decrease in Private Banking (EUR 1.9 billion) due to the planned sale of activities in Asia and the Middle East. More information is provided in note 10 Non-current assets and disposal groups held for sale. This is partly offset by higher positions held by retail clients (EUR 1.9 billion). In Q2 2016 ABN AMRO adjusted the implementation of its offsetting treatment of notional cash pooling agreements. More information is provided in note 1 Accounting policies: Offsetting.

Saving deposits decreased by EUR 1.3 billion to EUR 92.7 billion mainly due to a decrease in Private Banking. In Q4 2016 ABN AMRO adjusted its treatment of bank savings mortgages. More information is provided in note 1 Accounting policies: Offsetting.

Time deposits decreased by EUR 2.4 billion to EUR 16.2 billion, due to the planned sale of activities in Asia and the Middle East. More information is provided in note 10 Non-current assets and disposal groups held for sale.

27 Issued debt and subordinated liabilities

Accounting policy for issued debt and subordinated liabilities

Issued debt securities and subordinated liabilities are recorded at amortised cost using the effective interest rate method, unless they are of a hybrid or structured nature and irrevocably designated at initial recognition to be held at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

ABN AMRO applies IAS 32 Financial Instruments: Presentation to determine whether funding is either a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or at the option of the holder are classified as liabilities. Dividends and fees on preference shares classified as a liability are recognised as interest expense.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO and its subsidiaries.

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where own credit risk would be considered by market participants. Exchange-traded own debt at fair value through profit or loss is valued against market prices.

Fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

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

(in millions)	31 December 2016	31 December 2015
Bonds and notes issued	62,882	64,613
Certificates of deposit and commercial paper	16,705	9,820
Saving certificates	52	59
Total at amortised cost	**79,639**	**74,492**
Designated at fair value through profit or loss	1,639	1,715
Total issued debt	**81,278**	**76,207**
- of which matures within one year	27,754	19,607

Total issued debt increased by EUR 5.1 billion to EUR 81.3 billion at 31 December 2016. This increase was mainly caused by the issuance of EUR 6.9 billion in certificates of deposits and commercial paper. Movements in these debt instruments are a continuous process of redemption and issuance of long-term and short-term funding.

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

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

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2016	31 December 2015
Cumulative change in fair value of the structured notes attributable to changes in credit risk	13	7
Change during the year in fair value of the structured notes attributable to changes in credit risk	6	-6

The cumulative change of the fair value of the structured notes attributable to change in credit risk amounted to a loss of EUR 13 million (2015: EUR 7 million).

For all financial liabilities designated at fair value through profit or loss, the amount that ABN AMRO would contractually be required to pay at maturity was EUR 1.5 billion (2015: EUR 1.7 billion).

The following table specifies the issued and outstanding subordinated liabilities at 31 December.

(in millions)	31 December 2016	31 December 2015
Perpetual loans		1,255
Other subordinated liabilities	11,171	8,453
Total subordinated liabilities	**11,171**	**9,708**

Subordinated liabilities increased by EUR 1.5 billion to EUR 11.2 billion at 31 December 2016. This increase was driven mainly by a newly issued EUR 1.0 billion 2.875% subordinated loan, the settlement date of which is January 2023. In addition, several new subordinated loans in SGD and USD were issued. Perpetual loans were redeemed for a total of EUR 1.3 billion in 2016, these are therefore no longer included in Additional Tier 1 and Tier 2 capital.

The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

28 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement costs expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is responsible to pay upon default of payment.

The following table shows the breakdown of provisions at 31 December.

(in millions)	31 December 2016	31 December 2015
Insurance fund liabilities	127	154
Provision for pension commitments	86	85
Restructuring provision	417	200
Other staff provision	117	144
Legal provisions	731	292
Other provisions	193	381
Total provisions	**1,672**	**1,256**

Insurance fund liabilities

Insurance fund liabilities include the insurance companies' actuarial reserves, premium and claims reserves. The expected cash outflow for 2017 is approximately EUR 64 million and approximately EUR 10 million for the 2018-2021 period.

Provision for pension commitments

Provision for pension commitments includes early retirement benefits payable to non-active employees. In 2014 the pension scheme was changed from a defined benefit plan to a defined contribution plan. Further details are provided in note 29.

Restructuring

Restructuring provisions cover the costs of restructuring plans for which implementation has been formally announced. Restructuring provisions are related to the integration and to further streamlining of the organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses. The pre-2014 restructuring programme is almost completed. The remaining balance relates to ongoing costs that are still payable based on the ABN AMRO Social Plan. In 2014 ABN AMRO announced a new restructuring plan for Retail Banking which is scheduled to be completed by the end of 2019. The financial settlement may take up to five years after completion. The increase in the restructuring provision was mainly due to the announced reorganisation of the control and support activities recorded in Q3 2016 and further digitalisation and process optimisation in Q4 2016.

Other staff provisions

Other staff provisions relate mainly to disability and other post-employee benefits.

Legal provisions

Legal provisions are based on best estimates available at year-end and take into account the opinion of legal specialists. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

Interest rate derivatives to SME clients

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

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

On 5 July 2016 the Committee presented the Uniform Recovery Framework. On that same date ABN AMRO announced it would adhere to it. As a result, ABN AMRO increased its provision. In the months since 5 July 2016, the Committee, the AFM, the banks and the external file reviewers have worked together to monitor how the Uniform Recovery Framework works in practice. The Committee has now added the findings to the Uniform Recovery Framework, which was finalised on 19 December 2016.

ABN AMRO has set up its own client reassessment process and the related checks and balances. In the first quarter of 2017 ABN AMRO will begin reassessments of around 6,800 clients with some 9,000 interest rate derivatives. ABN AMRO aims to propose a solution under the Uniform Recovery Framework for each of these clients before the end of 2017. At various points in the process, the reassessments will be checked by an independent external file reviewer, in ABN AMRO's case audit firm PwC and supervised by the AFM. The total provision for SME derivatives-related issues taken in 2015 and 2016 amounts to EUR 530 million.

Euribor-based mortgages

ABN AMRO has sold mortgage loans with floating, often Euribor-based, interest rates (close to 1% of the total mortgage portfolio) to consumers. An important element of the pricing model of these mortgage loans is the ability for ABN AMRO to charge costs, allocated and unallocated, on to its clients by adjusting the margin charge on top of the prevailing floating interest rate. In many of these products, ABN AMRO has structured its ability to do so in provisions in its terms and conditions that allow it to unilaterally adjust pricing or contract terms. ABN AMRO's external funding costs (spread on top of Euribor) have gone up and ABN AMRO has adjusted the margin charge upward in many cases. As a result, clients are contesting the ability of ABN AMRO to do so. The complaints are based on a number of specific and general legal principles. In 2012, on top of multiple individual cases, class actions were brought by Stichting Stop de Banken and Stichting Euribor in relation to mortgage agreements with a floating interest rate based on Euribor, alleging that ABN AMRO was contractually not allowed to unilaterally increase the level of the applicable margin and violated its duty of care. ABN AMRO lost the class action cases in the lower court in November 2015. In its judgement, the Amsterdam court took a rather principled view of unconditional (pricing) amendment provisions. ABN AMRO has filed for an appeal against this judgement. The Appeal Court judgement is expected in 2017. For this matter ABN AMRO has recognised a provision.

ICS Redress scheme

International Card Services B.V. (ICS), the credit card business of ABN AMRO, has identified certain issues from its past in respect of the granting of credit to consumers, as a result of which certain customers have been provided with loans above their lending capacity. This has been reported to the AFM. ICS has drafted a redress scheme that addresses remedial measures for customers that have been affected, which will inter alia include financial compensation for certain customers. ICS expects to roll out the redress scheme in Q2 2017 and expects to finalise the process by the end of 2018. ABN AMRO has recognised a provision in respect of this redress scheme.

Other duty of care matters

Stichting Belangenbehartiging Gedupeerde Beleggers van den Berg represents victims of a large Ponzi scheme fraud set up by Mr René van den Berg through his Fortis Bank Nederland accounts. Fortis Bank Nederland is one of the predecessors of ABN AMRO. The victims of this fraud are claiming damages from ABN AMRO by reason of breaching a public duty of care. ABN AMRO has recognised a provision for partial compensation of the victims.

Other provisions

Other provisions include provisions for tax purposes. The tax provisions are based on best estimates available at year-end and taking into account the opinion of tax specialists. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved.

Discussions with tax authorities in Switzerland and Germany

The tax treatment of certain transactions relating to discontinued securities financing activities are currently the subject of discussions with the Swiss and German tax authorities. In Switzerland, the discussion regards the beneficial ownership of shares held by subsidiaries of former Fortis Bank Nederland (FBN). Those subsidiaries reclaimed dividend withholding tax, while according to the Swiss tax authorities they were not entitled to reclaim this tax. In 2016 ABN AMRO repaid some outstanding amounts, while retaining its legal position.

The German tax authorities have issued tax assessments against a former German subsidiary of FBN and against a German branch to reclaim dividend withholding tax amounts previously reclaimed by that German company and that branch. The German tax authorities dispute these reclaims. ABN AMRO has also received liability notices related to these reclaims.

ABN AMRO has recognised provisions which are currently considered sufficient to cover potential claims made by the Swiss and German tax authorities.

Changes in provisions during the year are as follows:

(in millions)	Insurance fund liabilities	Provision for pension commit-ments	Restruc-turing provision	Other staff provision	Legal provisions	Other	Total
At 1 January 2015	**183**	**91**	**233**	**182**	**112**	**202**	**1,003**
Increase of provisions	3		75	1	178	163	420
Reversal of unused provisions	-1		-22	-1	-3	-20	-48
Utilised during the year			-86		-8	-50	-144
Accretion of interest			1		16	34	50
Foreign exchange differences						4	5
Other	-32	-7		-38	-1	48	-30
At 31 December 2015	**154**	**85**	**200**	**144**	**292**	**381**	**1,256**
Increase of provisions	3		369	1	513	83	969
Reversal of unused provisions	-4		-20	-2	-30	-44	-100
Utilised during the year			-132		-70	-201	-402
Accretion of interest					26	5	31
Foreign exchange differences					-1		-1
Other	-26	1		-25	1	-31	-81
At 31 December 2016	**127**	**86**	**417**	**117**	**731**	**193**	**1,672**

Total provisions increased by EUR 416 million to EUR 1,672 million at 31 December 2016 compared with EUR 1,256 million at 31 December 2015. This was mainly due to increases in legal provisions and restructuring provisions. The increase in legal provisions was mainly due to interest rate derivatives to SME clients, Euribor-based mortgages and the ICS Redress scheme.

29 Pension and other post-retirement benefits

Accounting policy for pension and other post-retirement benefits

ABN AMRO sponsors a number of pension schemes in the Netherlands and abroad and IAS 19 applies to the accounting of these schemes. These schemes are mainly defined contribution plans. The majority of the beneficiaries of the plans are located in the Netherlands.

Defined contribution plans

For defined contribution plans, ABN AMRO pays yearly contributions determined by a fixed method and has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants in the plan.

Defined benefit plans

For defined benefit schemes, the net obligation of each plan is determined as the difference between the present value of the defined benefit obligations and the fair value of plan assets.

The actuarial assumptions used in calculating the present value of the defined benefit obligation include discount rates based on high-quality corporate bonds, inflation rate, future salary increases, employee contributions, mortality assumptions and rates of employee turnover. The assumptions are based on available market data and management expectations at the end of the reporting period.

Plan assets are measured at fair value at the balance sheet date and are netted against the defined benefit obligation.

Pension costs recognised in the income statement for defined benefit plans consist of:

- service costs;
- net interest costs determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments; and
- curtailments or plan amendments.

Differences between the pension costs and the contributions payable are accounted for as provisions or prepayments.

Remeasurement

Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover) and are recognised in other comprehensive income and will not be recycled to profit or loss in later periods. In determining the actual return on plan assets, the costs of managing the plan assets and any tax payable by the plan itself are deducted.

Other post-retirement benefits

Some group companies provide post-retirement benefits to their retirees such as long-term service benefits, and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are calculated annually.

Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Pension and other post-retirement benefits

Amounts recognised in the income statement for pensions and other post-retirement benefits

(in millions)	2016	2015
Current service cost	5	6
Interest cost	3	4
Interest income	-1	-2
Past service cost		-5
Losses/(gains) on settlements and curtailment	-1	-1
Other	1	1
Pension expenses relating to defined benefit plans	**6**	**3**
Defined contribution plans	343	322
Total Pension expenses	**349**	**324**

The increase in the total pension expenses of EUR 25 million in 2016 was mainly due to a decrease in the interest rate related to the defined contribution plans. The pension expenses for defined contribution plans consist mainly of the cash contributions to the Dutch Collective Defined Contribution plan.

Dutch defined contribution plan

The Dutch defined contribution plan is based on an average salary plan. The normal retirement age is set at 67 years. The contribution payable by pension fund participants is 5.5% (5.5% in 2015).

Reconciliation to the statement of financial position and other comprehensive income

(in millions)	2016	2015
Present value of defined benefit obligations-funded	132	134
Fair value of plan assets	87	94
	45	**40**
Present value of unfunded obligations	40	45
Net recognised liabilities/(assets) at 31 December	**86**	**85**
Remeasurements arising from changes in demographic assumptions DBO	1	3
Remeasurements arising from changes in financial assumptions DBO	-6	-1
Remeasurements arising from changes in financial assumptions Plan assets	2	1
Remeasurements in Other comprehensive income	**-3**	**3**

Change in defined benefit obligation

(in millions)	2016	2015
Defined benefit obligation as at 1 January	179	187
Current service cost	5	6
Interest cost	3	4
Past service cost		-5
Losses/(gains) on settlements and curtailment	-11	-4
Participants' contributions	-3	-3
Benefits paid	-2	-3
Remeasurements arising from changes in demographic assumptions defined benefit obligation	-1	-3
Remeasurements arising from changes in financial assumptions defined benefit obligation	6	1
Acquisitions and disposals of subsidiaries	4	
Foreign exchange differences	-2	1
Other	-5	-1
Defined benefit obligation as at 31 December	**173**	**179**

The net defined benefit liabilities/(asset) balance as per 31 December 2016 consist of pensioners with a profit share, the indexation of benefits insured at an insurance company and several small defined benefit plans outside the Netherlands.

Change in fair value of plan assets

(in millions)	2016	2015
Fair value of plan assets as at 1 January	94	91
Interest Income	1	2
Remeasurements arising from changes in financial assumptions plan assets	2	1
Employer's contributions	3	6
Benefits paid	-2	-3
Asset distributed on settlements	-9	-3
Foreign exchange differences	-2	1
Other	-1	
Fair value of plan assets as at 31 December	**87**	**94**

Principal actuarial assumptions

	2016	2015
Discount rate	1.8%	2.2%
Indexation rate	1.7%	1.8%
Expected return on plan assets as at 31 December	1.8%	2.2%
Future salary increases	2.5%	2.4%

The assumptions above are weighted by defined benefit obligations. The discount rate consists of a risk-free rate and a credit spread on AA-rated corporate bonds.

30 Other liabilities

The following table shows the components of accrued expenses and other liabilities at 31 December 2016.

(in millions)	31 December 2016	31 December 2015
Accrued other expenses	1,287	1,204
Liability to unit-linked policyholders	3,275	2,543
Sundry liabilities and other payables	1,941	1,982
Total other liabilities	**6,503**	**5,729**

Obligations to policyholders whose return is dependent on the return of unit-linked investments recognised in the balance sheet are measured at fair value with changes through income. The increase is mainly the result of full consolidation of ABN AMRO Pensioeninstelling N.V. in 2016 (see note 21 Bank structure).

31 Equity attributable to shareholders of the parent company

Share capital and other components of equity

Ordinary shares

As at 31 December 2016, all shares in the capital of ABN AMRO Bank are held by ABN AMRO Group N.V. Each ordinary share has one voting right.

Preference shares

Preference shares which are non-redeemable and upon which dividends are declared at the discretion of ABN AMRO Bank are classified as equity.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective areas of the statement of financial position.

Other reserves

The other reserves mainly comprise retained earnings, the profit for the period and legal reserves.

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Available-for-sale reserve

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes, excluding impairment losses recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

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Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that will be recycled to the income statement when the hedged transactions affect profit or loss.

Net investment hedging reserve

The net investment hedging reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, for the extent they are effective.

Dividends

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

Capital securities

Undated deeply subordinated resettable callable capital securities classified as additional tier 1 (AT1) capital, under the total equity. ABN AMRO Bank has permission of the European Central Bank to carry out limited repurchases from the investors and to sell back in the market.

The following table shows the composition of equity attributable to shareholders of the parent company at 31 December 2016 and 31 December 2015.

(in millions)	31 December 2016	31 December 2015
Share capital	800	800
Share premium	4,041	4,041
Other reserves (incl. retained earnings / profit for the period)	13,106	12,128
Other components of equity	-9	-394
Equity attributable to shareholders of the parent company	**17,939**	**16,575**

As at 31 December 2016, the authorised share capital of ABN AMRO Bank N.V. amounted to EUR 2 billion distributed over 2,000,000,000 ordinary shares. The issued and paid-up capital by ABN AMRO Bank N.V. consisted of 800.000.000 ordinary shares (EUR 800 million). All shares have a nominal value of EUR 1.00 each and each share entitles the shareholder to one vote per share.

In September 2015 ABN AMRO Bank N.V. issued EUR 1.0 billion in capital securities including a premium discount of EUR 7 million. Capital securities qualify as Additional Tier 1 as described in CRD IV and CRR. The capital securities are perpetual, unsecured and deeply subordinated. Redemption is discretionary to ABN AMRO Bank N.V. on the interest reset date in year 5 subject to regulatory approval. The securities can be called on a yearly basis after year 5. There is a fixed interest coupon of 5.75%, payable semi-annually. Interest is non-cumulative and fully at the discretion of ABN AMRO Bank N.V. No interest will be paid if there are insufficient distributable items and/or maximum distributable amount (MDA) restrictions are constraining. ABN AMRO Bank N.V. will give due consideration to the hierarchy of the instrument with regard to distribution. Equity attributable to owners of the parent company consists of equity attributable to shareholders of the parent company and capital securities.

In 2016, a final dividend relating to 2015 of EUR 414 million was paid out to ordinary shareholders, bringing the total dividend for 2015 to EUR 764 million. An interim dividend of EUR 376 million was paid to ordinary shareholders in August 2016 (2015: EUR 350 million).

The following table shows the number of shares outstanding:

	Class A ordinary shares	Total shares outstanding
Number of shares at 1 January 2015	**800,000,000**	**800,000,000**
Number of shares at 31 December 2015	**800,000,000**	**800,000,000**
Number of shares at 31 December 2016	**800,000,000**	**800,000,000**

32 Transferred, pledged, encumbered and restricted assets

Accounting policy for transferred, pledged, encumbered and restricted assets

Transferred financial assets are arrangements/transactions for which ABN AMRO has:

- transferred the contractual rights to receive the cash flows of the financial asset to a third party, or;
- retained the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to a third party; or
- alternatively, transferred a financial asset when the counterparty has the right to re-pledge or to re-sell the asset.

Depending on the circumstances, these transfers may either result in financial assets that are not derecognised in their entirety or in assets that are derecognised in their entirety. More detailed information on our recognition and derecognition policy is provided in the paragraph significant accounting policies under note 1, Accounting policies.

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to its pledge. Encumbered assets are those that are pledged or other assets which we believed to be restricted to secure, credit-enhance or collateralise a transaction.

In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO:

- Encumbered assets include mandatory reserve requirements with central banks and unit-linked investments (see note 24 other assets);
- Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements such as:
- Those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to (or from) other entities within the Bank;
- Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within the Bank;
- Protective rights of noncontrolling interests might restrict the ability of the Bank to access and transfer assets freely to or from other entities within the Bank and to settle liabilities of the Bank.

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks the bank is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, ABN AMRO Bank is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

	31 December 2016			31 December 2015		
(in millions)	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total
Securitisations						
Carrying amount Transferred assets	2,342		2,342	2,915		2,915
Carrying amount Associated liabilities	2,350		2,350	2,950		2,950
Fair value of assets	2,533		2,533	3,155		3,155
Fair value of associated liabilities	2,365		2,365	2,969		2,969
Net position	**168**		**168**	**186**		**186**
Other						
Carrying amount Transferred assets		60	60		221	221
Carrying amount Associated liabilities		72	72		133	133
Fair value of assets		60	60		221	221
Fair value of associated liabilities		72	72		133	133
Net position		**-11**	**-11**		**88**	**88**
Totals						
Carrying amount Transferred assets	2,342	60	2,402	2,915	221	3,136
Carrying amount Associated liabilities	2,350	72	2,422	2,950	133	3,083
Fair value of assets	2,533	60	2,594	3,155	221	3,376
Fair value of associated liabilities	2,365	72	2,437	2,969	133	3,101
Net position	**168**	**-11**	**157**	**186**	**88**	**274**

Securitisations

The bank uses securitisations as a source of funding whereby the Special Purpose Entity (SPE) issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, the bank transfers the title of the assets to SPEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (mainly residential mortgage loans) are considered to be transferred.

Securities financing

Securities financing transactions are entered into on a collateralised basis for mitigating the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO. ABN AMRO transfers the securities and, if the counterparty has the right to re-sell or re-pledge them, the bank considers these assets transferred assets.

Continuing involvement in transferred financial assets that are derecognised in their entirety

The bank does not have any material transferred assets that are derecognised in their entirety, but where ABN AMRO has continuing involvement.

Pledged and encumbered assets

Pledged and encumbered assets are no longer readily available to the Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. The following activities conducted by ABN AMRO give rise to pledged assets:

- cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- securities lent as part of repurchase and securities lending transactions.

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2016	31 December 2015
Assets pledged		
Cash and balances at central banks	1	
Financial assets held for trading	94	106
Financial investments available-for-sale	837	
Loans and receivables-banks		
- Interest bearing deposits	4,503	7,164
Loans and receivables-customers		
- Residential mortgages	79,579	87,874
- Commercial loans	6,476	5,298
Total assets pledged as security	**91,492**	**100,442**
Differences between pledged and encumbered assets		
Financial investments available-for-sale	-724	410
Loans and receivables-banks[1]	270	863
Loans and receivables-customers[2]	-28,221	-42,846
Other assets[3]	3,275	2,543
Total differences between pledged and encumbered assets	**-25,400**	**-39,030**
Total encumbered assets	**66,093**	**61,412**
Total assets	**394,482**	407,373
Total encumbered assets as percentage of total assets	16.8%	15.1%

1 Includes mandatory reserve deposits.
2 Excludes mainly mortgage-backed securities.
3 Includes unit-linked investments.

Total encumbered assets increased by EUR 4.7 billion to EUR 66.1 billion in December 2016 compared with EUR 61.4 billion in 2015, mainly due to the increase in covered bonds.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO obtains securities on terms which permit it to repledge or resell the securities to others. These transactions are conducted under terms that are usual and customary to standard professional securities transactions.

ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and requiring additional collateral to be deposited with or returned to ABN AMRO Bank when deemed necessary.

(in millions)	31 December 2016	31 December 2015
Fair value of securities received which can be sold or repledged	51,696	56,300
- of which: fair value of securities repledged/sold to others	39,660	33,894

ABN AMRO has an obligation to return the securities accepted as collateral to its counterparties.

Significant restrictions on the ability to access or use the bank's assets

The purpose of disclosing assets with significant restrictions is to provide information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of ABN AMRO Bank.

At balance sheet date, ABN AMRO Bank did not have any material non-controlling interests and therefore did not give rise to significant restrictions.

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and encumbered assets. Other restrictions impacting ABN AMRO Bank's ability to use assets:

- assets as a result of collateralising repurchase and borrowing agreements (2016: EUR 16.7 billion, 2015: EUR 19.1 billion);
- assets held in certain jurisdictions to comply with local liquidity requirements and are subject to restrictions in terms of their transferability within ABN AMRO Bank (2016: EUR 3.3 billion, 2015: EUR 1.8 billion).

ABN AMRO Bank in general is not subject to significant restrictions that would prevent the transfer of dividends and capital within ABN AMRO Bank, except for regulated subsidiaries which are required to maintain capital to comply with local regulations (2016: EUR 1.3 billion, 2015: EUR 1.3 billion).

33 Commitments and contingent liabilities

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on clients. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from clients. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Initial recognition of financial guarantee contracts is at their fair value. Subsequent measurement is the higher of the amount initially recognised less cumulative amortisation, when appropriate, and the best estimate of the amount expected to settle the obligation.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

Committed credit facilities

Commitments to extend credit take the form of approved but undrawn loans, overdraft revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions. In addition, ABN AMRO has entered into transactions to guarantee various liabilities with respect to insurance-related regulatory reserve financing transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Furthermore, statements of liability within the meaning of Article 403 Book 2 of the Dutch Civil Code have been issued for a number of its affiliated companies (see also chapter Other information).

The committed credit facilities, guarantees and other commitments at 31 December 2016 and 2015 are summarised in the following table.

	Payments due by period				
(in millions)	Less than one year	Between one and three years	Between three and five years	After five years	Total
31 December 2016					
Committed credit facilities	**15,473**	**4,920**	**5,014**	**1,892**	**27,299**
Guarantees and other commitments:					
Guarantees granted	244	378	69	1,967	2,659
Irrevocable letters of credit	4,306	852	445	575	6,178
Recourse risks arising from discounted bills	6,790	209	4	35	7,037
Total guarantees and other commitments	**11,340**	**1,439**	**518**	**2,577**	**15,873**
Total	**26,813**	**6,358**	**5,532**	**4,469**	**43,173**
31 December 2015					
Committed credit facilities	**9,136**	**4,173**	**4,667**	**3,583**	**21,559**
Guarantees and other commitments:					
Guarantees granted	299	124	70	1,947	2,440
Irrevocable letters of credit	3,675	1,042	407	613	5,737
Recourse risks arising from discounted bills	5,440	196	18	37	5,691
Total guarantees and other commitments	**9,414**	**1,362**	**495**	**2,597**	**13,868**
Total	**18,550**	**5,535**	**5,162**	**6,180**	**35,427**

Total commitments and contingent liabilities increased by EUR 7.7 billion to EUR 43.2 billion at 31 December 2016 compared with EUR 35.4 billion at 31 December 2015. This increase was mainly caused by an increase of EUR 5.7 billion in the committed credit facilities and an increase of EUR 1.3 billion in the recourse risks arising from discounted bills.

The increase in committed credit facilities by EUR 5.7 billion to 27.3 billion at 31 December 2016 related to a higher volume of outstanding credit offers of EUR 3.4 billion and higher irrevocable credit lines of EUR 2.4 billion.

Leasing

ABN AMRO mainly enters into leases classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. If it is decided that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub leasing income) is recognised as an expense. If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised.

Operating lease commitments

ABN AMRO leases various offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. ABN AMRO also leases equipment under non-cancellable lease arrangements. Total operating lease arrangements amounted to EUR 398 million in 2016 (2015: EUR 448 million), of which EUR 321 million (2015: EUR 376 million) is due within five years.

Other contingencies

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting consolidated financial information, management makes estimates regarding the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not.

Provisions are not recognised for matters for which expected cash outflow cannot be reasonably estimated or are not considered more likely than not to lead to a cash outflow. Some of these matters may be regarded as a contingency. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities. On the basis of information currently available, and having taken counsel with legal advisors, ABN AMRO is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated result of ABN AMRO. In particular the following matters are regarded as contingencies:

Certain hedge funds initiated proceedings in Belgium and claimed an amount of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 from four issuers, among which ABN AMRO, in relation to the conversion of Ageas mandatory convertible securities. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims of the hedge funds. This verdict underlines the verdict in the summary proceedings (*kort geding*) of November 2010. Certain hedge funds have filed an appeal against the verdict. ABN AMRO remains confident that it has acted within its rights and therefore also continues to be optimistic about the outcome of the currently pending appeal proceedings.

As previously reported, ABN AMRO, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. Provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to compensate their alleged losses. Certain ABN AMRO subsidiaries are defendants in these proceedings. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO's potential liability, if any. ABN AMRO continues to investigate and implement strategies for recovering the losses suffered. As previously reported, a total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. In 2011, 2012 and 2013, one of ABN AMRO's subsidiaries was able to sell shares and limited partnership interests that were provided to it as collateral or which it had bought to hedge its exposure in the context of the collateralised loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52 million, EUR 78 million and EUR 253 million respectively and an equivalent amount provided for in 2008 was subsequently released.

The Imtech N.V. group has been in financial difficulties ever since certain fraudulent events, perpetrated by certain managers and staff, were discovered a few years ago and was declared bankrupt in August 2015. ABN AMRO has extended credit to the Imtech N.V. group of businesses and it holds shares in Imtech N.V. further to its underwriting commitment in the Imtech N.V. rights offering of October 2014. In April 2015, Stichting ImtechClaim threatened to initiate a collective action lawsuit against, among others, Imtech N.V. and the four underwriters (including ABN AMRO Bank) of the Imtech N.V. rights offering of October 2014. Since a claim has not yet been formally filed, the complaint is not entirely clear but ABN AMRO expects that it would, among other complaints, appear to refer to prospectus liability and inappropriate behaviour as a result of conflicts of interest (*dubieuze dubbelrol*). The amount of damages that Stichting ImtechClaim can claim depends on the number of people in the class.

In August 2007, Sentinel Management Group, Inc. ('Sentinel'), a futures commission merchant that managed customer segregated funds for ABN AMRO, filed for bankruptcy. Shortly before Sentinel filed for bankruptcy, Sentinel sold securities to Citadel Equity Fund, Ltd. The US Bankruptcy Court ordered funds from the sale to Citadel Equity Fund, Ltd be distributed to certain Sentinel customers. ABN AMRO received its pro rata share of in total USD 53 million. On or about 15 September 2008, the bankruptcy trustee filed an adversary proceeding against all of the recipients of the court-ordered distribution of funds from the Citadel Equity Fund, Ltd sale, including ABN AMRO, claiming the repayment of the amounts received. The complaint also includes a claim for other monies ABN AMRO received shortly before Sentinel filed for bankruptcy. This regards an amount of USD 4 million and a claim for pre-judgement interest which could range from USD 0.4 million to USD 10 million.

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On 16 August 2016, ABN AMRO received a writ of summons from housing corporation Stichting Havensteder (Havensteder) relating to two extendable loans (the Loans) with a total principal amount of EUR 64 million. Havensteder claims partial annulment (*partiële vernietiging*) of the extendable part of the Loans since, according to Havensteder, the Loans conflict with the interest of public housing and public housing laws. Alternatively, Havensteder claims that as a result of unforeseen circumstances the interest rates on the Loans should be lowered to approx. 2.45% or 3.0%. In the further alternative, Havensteder claims partial annulment (*partiële vernietiging*) of the extendible part of the Loans in view of error (*dwaling*), breach of duty of care and breach of information duties. A court hearing in this matter is expected to take place in September 2017.

On 22 August 2016 ABN AMRO received a writ of summons from the indirect shareholders of ABN AMRO's former clients, the Partner Logistics Group. The claimants allege that ABN AMRO, among other defendants, acted wrongfully in relation to the bankruptcy of the Partner Logistics Group. Based on this, they claim damages in the amount of EUR 205 million. The litigation is ongoing and ABN AMRO filed its statement of defence in January 2017.

International Card Services B.V. (ICS), the credit card business of ABN AMRO, has identified certain issues from its past in respect of the granting of credit to consumers, as a result of which certain customers have been provided with loans above their lending capacity. This has been reported to the AFM. ICS has drafted a redress scheme that addresses remedial measures for customers that have been affected, which will inter alia include financial compensation for certain customers. ICS has created a financial reserve of EUR 63 million in respect of this redress scheme. ICS expects to roll out the redress scheme in Q2 2017 and expects to finalise the process by the end of 2018.

Other contingencies includes EUR 14 million related to an irrevocable payment commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions the option to fulfil part of the obligation to pay the annual ex-ante contributions to the Single Resolution Fund (SRF) through IPCs. To secure full and punctual payment, when called by the SRB, credit institutions needed to constitute cash collateral and fully transfer (legal) ownership to the SRB.

Duty of care matters

A number of proceedings have been initiated against ABN AMRO for alleged breach of its duty of care in transparency-related standards and a larger number of proceedings have been threatened. Where applicable, provisions for these matters have been made.

There can be no assurance that additional proceedings will not be brought or that the amount demanded in claims brought to date will not rise. Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. The uncertainties are likely to continue for some time. As a result, although the consequences could be substantial for ABN AMRO, with a potentially material adverse effect on ABN AMRO's reputation, results of operations, financial condition and prospects, it is not possible to reliably estimate or quantify ABN AMRO's exposure at this time. In conclusion, although claims in relation to alleged breach of the duty of care remain contingent, they have been (partly) provisioned.

Interest rate derivatives sold to SME clients

Since 2014, there has been a public debate in the Netherlands on a bank's duty of care towards SMEs with respect to interest rate derivatives.

As explained in note 28 Provisions, the bank has entered into interest rate derivatives with approximately 6.800 SME clients in combination with floating interest rate loans. These SME clients entered into an interest rate derivative with the purpose of fixing their interest rate risk on their floating rate loans. A combination of a floating interest rate loan together with an interest rate swap was less expensive for the clients than the alternative of a loan with a fixed interest rate.

As a result of the decline in interest rates, the interest rate swaps have a negative mark-to-market value. There are no negative consequences for clients as long as the loan is not repaid, in whole or in part, prior to its maturity date.

Individual or class action complaints and litigation

Some SME clients needed or wanted to repay their floating interest rate loans prior to their maturity date. As a consequence, the interest rate swap needed to be unwound in order to assure that no overhedge was created. In line with standard market practice, in such situations the SME clients had to pay the bank the negative mark-to-market value of the interest rate swap. Such payment may be compared to the penalty interest on a fixed rate loan. The bank received multiple complaints and some clients and/or interest groups instigated legal proceedings about the bank's alleged violation of its duty of care, for instance that the bank did not properly inform them of the risks associated with interest rate swaps. In most of these cases, the client's claim was denied. In some other cases, the bank paid compensation to the client.

For litigation in relation to SME derivatives, the bank does not recognise provisions for claims that do not meet the recognition and/or measurement criteria. There can be no assurance that additional proceedings will not be brought or that the amount demanded in claims brought to date will not rise. Current proceedings are pending and their outcome is uncertain. The uncertainties are likely to continue for some time. In conclusion, claims in relation to the alleged breach of duty of care remain contingent.

Uniform Recovery Framework

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting with respect to their SME client files containing interest rate derivatives would need to be amended. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a panel of independent experts for advice on the reassessment of SME and middle market interest rate derivatives. On 5 July 2016 the draft Uniform Recovery Framework prepared by this panel of independent experts was presented, and ABN AMRO committed to this framework. Based on the content of the Uniform Recovery Framework, ABN AMRO recognised a provision at year-end, the details of which are included in note 28 Provisions. After the presentation of the Uniform Recovery Framework the panel of independent experts, the banks involved, the AFM and interest groups worked together to finalise the Uniform Recovery Framework. On 19 December 2016 the final version of the Uniform Recovery Framework was presented by the panel of independent experts. The Uniform Recovery Framework will lead to revised compensation solutions for clients. At this time it is unclear how the Uniform Recovery

Framework will impact pending and future litigation. As this is a possible liability dependent on a future event, there is no provision for this possible outflow of resources and it is therefore considered a contingency. In this respect reference is made to note 28 Provisions.

Cross-liability

A legal demerger may cause so-called cross-liabilities. Pursuant to section 2:334t of the Dutch Civil Code, the acquiring company or companies and the demerging company, if it continues to exist, are jointly and severally liable for the obligations of the demerging company at the time of the demerger. The acquiring companies and the continuing demerged company will remain fully liable for indivisible obligations. For divisible obligations (e.g. monetary obligations) the acquiring company to whom the obligation transferred or, if the obligation remained where it was, the company that continued to exist is fully liable. However, if an obligation has not been transferred to or remained with a company, that company's liability for divisible obligations will be limited to the value of the assets acquired or retained in the demerger. A cross-liability is of a secondary nature. The company that did not acquire or retain the obligation is not required to perform until the company that did acquire or retain the obligation has failed to perform.

On 6 February 2010, the former ABN AMRO Bank N.V. demerged into two entities: RBS N.V. and ABN AMRO Bank N.V. (the '2010 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the time of the 2010 Demerger, RBS N.V. is liable for the performance; if RBS N.V. fails to perform its obligations existing at the time of the 2010 Demerger, ABN AMRO Bank N.V. is liable. RBS N.V.'s contingent liability for divisible obligations as a result of the 2010 Demerger is limited to EUR 4 billion, whereas ABN AMRO Bank N.V.'s contingent liability is limited to EUR 1.8 billion (which amount remained unchanged as per 31 December 2016). ABN AMRO Bank N.V. has put in place arrangements to mitigate the risks of such contingent liability and received collateral from RBS Plc amounting to EUR 1.8 billion (2015: EUR 1.8 billion). ABN AMRO Bank N.V. did not post any collateral with RBS N.V. or RBS Plc.

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V. (the '2008 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities as described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, New HBU II N.V. is liable for the performance; if New HBU II N.V. fails to perform its obligations existing at the date of the 2008 Demerger, ABN AMRO Bank N.V. is liable.

On 1 April 2010, New HBU II N.V. was transferred to Deutsche Bank AG and renamed Deutsche Bank Nederland N.V. As a result of the cross-liabilities described above, if RBS N.V. or ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, Deutsche Bank Nederland N.V. is liable for the performance. Deutsche Bank Nederland N.V.'s contingent liability in this regard is limited to EUR 950 million. On 27 September 2014, pursuant to a put option exercised by Deutsche Bank AG, the assets and liabilities of Deutsche Bank Nederland N.V., apart from the cross-liabilities created as a result of the 2008 Demerger, were demerged into a newly incorporated subsidiary of Deutsche Bank AG (the '2014 Demerger'). Deutsche Bank Nederland N.V. was subsequently acquired by ABN AMRO Bank N.V. and renamed Sumsare N.V. As a consequence, Deutsche Bank Nederland N.V.'s contingent liability under the 2008 Demerger is now held by Sumsare N.V., a wholly-owned subsidiary of ABN AMRO Bank N.V. Deutsche Bank AG indemnified Sumsare N.V. for any claims (including cross-liabilities) in connection with the 2014 Demerger.

Indemnity agreement with the Dutch State
On 1 April 2010 ABN AMRO signed an indemnity agreement with the Dutch State (currently represented by NLFI) for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings B.V. In July 2015 ABN AMRO was informed by NLFI about a claim it had received from RBS relating to these assets and liabilities in RFS Holdings B.V. This gives NLFI the right to file a claim with ABN AMRO. As of the publication date of these Consolidated Annual Financial Statements ABN AMRO is not aware that a claim will be filled by NLFI. This situation could change in the future.

34 Related parties

Parties related to ABN AMRO include NLFI with control, the Dutch State with significant influence, STAK AAG, 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. ABN AMRO has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Total outstanding loans and advances to members of the Managing Board and Supervisory Board of ABN AMRO amounted to EUR 7.1 million in 2016 (2015: EUR 6.8 million). The outstanding loans and advances to members of the Managing Board and the Supervisory Board mainly consist of residential mortgages granted under standard personnel conditions. Other loans and advances are granted under client conditions (further information is provided in the Remuneration chapter of the Governance section).

Loans and bank guarantees in the ordinary course of business may be granted by ABN AMRO companies to executive managers or to close family members of Board members and close family members of executive managers. At 31 December 2016, there were no outstanding credits, loans or bank guarantees, other than the ones included in the ordinary course of business noted above.

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Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other	Total
31 December 2016				
Assets	14	382		396
Liabilities	205	710		914
Guarantees given		15		15
Guarantees received		7		7
Committed credit facilities		26		26
2016				
Income received	34	45		79
Expenses paid	14	12	296	321
31 December 2015				
Assets	15	364		379
Liabilities	232	991		1,222
Guarantees given		15		15
Guarantees received	9	38		47
Committed credit facilities		28		28
2015				
Income received	35	46		81
Expenses paid	15	9	281	305

Liabilities with joint ventures decreased by EUR 27 million as of 31 December 2016 compared with year-end 2015 due to lower customers deposits with financial institutions.

Liabilities with associates decreased by EUR 281 million as of 31 December 2016 compared with year-end 2015 due to lower customers deposits held by other financial corporations.

Guarantees received with associates decreased by EUR 31 million at 31 December 2016 compared with year-end 2015 mainly due to the sale of an entity.

Balances with the Dutch State

(in millions)	31 December 2016	31 December 2015
Assets:		
Financial assets held for trading	269	423
Derivatives	1,701	1,891
Financial investments-available for sale	6,592	6,540
Loans and receivables-customers	782	882
Other assets	99	99
Liabilities:		
Derivatives	2,371	2,641
Due to customers[1]	830	1,811
Financial liabilities held for trading	9	204
Subordinated loans		

	2016	2015
Income statement:		
Interest income	141	150
Interest expense	44	107
Net trading income	-24	-8
Net fee and commission income		1
Other income	39	1

[1] Part of Due to customers (EUR 0.8 billion) is related to liabilities the Dutch State acquired from Ageas on 3 October 2008.

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

Transactions and balances related to taxation are included in note 10 Income tax expense, tax assets and tax liabilities. Most of the tax items in this note consist of transactions and balances with the Dutch tax authorities.

The regulatory charges relating to the Dutch State are included in note 9 General and administrative expenses.

Financial assets held for trading and financial liabilities held for trading decreased mainly as a result of lower Dutch government bonds related to the primary dealership in the Netherlands and of client facilitation. Most of these contracts are hedged with short positions in government bonds.

Derivatives related to both assets and liabilities decreased as of 31 December 2016 compared with 2015 mainly due to lower lending positions of the Dutch State. Derivatives transactions with the Dutch State are related to the normal course of business.

Due to customers decreased by EUR 1.0 billion as of 31 December 2016 compared with year-end 2015, due to the redemption of part of the loan (including accrued interest) acquired from the Dutch State related to Ageas on 3 October 2008.

Interest expenses decreased by EUR 63 million as of 31 December 2016 compared with year-end 2015 due to redemptions within due to customers in 2016 and 2015.

Net trading income decreased by EUR 16 million as of 31 December 2016 compared with year-end 2015 due to sold government bonds within segment Capital Markets Solutions.

Other income increased by EUR 38 million as of 31 December 2016 compared with year-end 2015 as a result of generated results on financial investments – available for sale.

35 Remuneration of Managing Board and Supervisory Board

Remuneration of Managing Board

ABN AMRO's remuneration policy was formally approved by shareholders and adopted by the Supervisory Board.

The remuneration package for the Managing Board consists of the following components:

- annual base salary;
- benefits and other entitlements;
- severance payments.

The following statement summarises the income components for the individual Managing Board members for the year 2016.

2016

(In thousands)	Base salary[1]	Variable remuneration[2]	Total pension related contributions[3] Post employee pension (3a)	Short-term allowances (3b)	Severance payments	Total
G. Zalm	775		34	275		1,084
J. van Hall	620		34	213		867
C. van Dijkhuizen	620		34	171		825
C.E. Princen	620		34	213		867
W. Reehoorn	620		34	213		867
C.F.H.H. Vogelzang	620		34	213		867
J.G. Wijn	620		34	213		867
Total	**4,495**		**238**	**1,511**		**6,244**

2015

(In thousands)	Base salary[1]	Variable remuneration[2]	Total pension related contributions[3] Post employee pension (3a)	Short-term allowances (3b)	Severance payments	Total	Repayment temporary fixed income	Repayment post-employment pension	Total recognised in profit and loss
G. Zalm	767		31	252		1,050			1,050
J. van Hall	614		31	195		840	-100	-28	712
C. van Dijkhuizen	614		31	154		799	-100	-30	669
C.E. Princen	614		31	195		840	-100	-32	708
W. Reehoorn	614		31	195		840	-100	-28	712
C.F.H.H. Vogelzang	614		31	195		840	-100	-28	712
J.G. Wijn	614		31	195		840	-100	-31	709
Total	**4,451**		**217**	**1,381**		**6,049**	**-600**	**-177**	**5,272**

1 Inclusive 1% salary adjustment in accordance with the developments in the collective labour agreement for the banking industry ("CAO Banken").
2 As a consequence of the applicability of the Bonus Prohibition Act the Managing Board Members are not entitled to receive variable compensation. This prohibition applies since the performance year 2011.
3 The Managing Board Members participate in Group's pension plans as applicable to the employees in The Netherlands. Total pension related contributions as applicable as of 2015 refer to (3a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 101,519) and (3b) the arrangement in accordance with the ABN AMRO Collective Labour Agreement ("ABN AMRO CAO") as described in the Remuneration policy on page 151.

Loans from ABN AMRO to Managing Board members

The following table summarises outstanding loans to the members of the Managing Board at 31 December.

	2016			2015		
(In thousands)	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
J. van Hall	69		3.5%	69		3.5%
C.E. Princen	747	47	2.6%	794	16	3.0%
W. Reehoorn	1,429		3.8%	1,429		3.8%
C.F.H.H. Vogelzang	1,402	13	1.7%	1,415	11	1.9%
J.G. Wijn	247	403	2.3%	650	111	1.8%

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

(In thousands)	2016[9]	2015[9]
O.L. Zoutendijk[1]	86	77
D.J.M.G. van Slingelandt[2]	34	91
S. ten Have	63	62
J.M. Roobeek	68	63
J.S.T. Tiemstra[3]	77	
A.C. Dorland[3]	70	
F.J. Leeflang[3]	61	
J.B.J. Stegmann[4]	41	
A. Meerstadt[5]	20	65
H.P. de Haan[6]	30	78
M.J. Oudeman[7]		54
P.N. Wakkie[8]		19
Total	**550**	**507**

1 O.L. Zoutendijk was appointed as Chairman as of 18 May 2016.
2 D.J.M.G. van Slingelandt stepped down as Chairman and member of the Supervisory Board as of 18 May 2016.
3 A.C. Dorland, J.S.T. Tiemstra and F.J. Leeflang were appointed as member of the Supervisory Board as per 18 May 2016. The remuneration reflects the full year 2016.
4 J.B.J. Stegmann acted as member of the Supervisory Board as of 10 June 2016 and was appointed as member of the Supervisory Board on 12 August 2016. The remuneration reflects the period 10 June 2016 till 31 December 2016.
5 A. Meerstadt stepped down as member of the Supervisory Board as of 7 April 2016.
6 H.P de Haan stepped down as member of the Supervisory Board as of 18 May 2016.
7 M.J. Oudeman stepped down as Member of the Supervisory Board as of 30 September 2015.
8 P.N. Wakkie stepped down as member of the Supervisory Board as of 1 April 2015.
9 Remuneration amounts excluding VAT.

Loans from ABN AMRO to Supervisory Board members

The following table summarises the outstanding loans to the members of the Supervisory Board at 31 December.

	2016			2015		
(In thousands)	Outstanding 31 December	Redemptions	Interest rate	Outstanding 31 December	Redemptions	Interest rate
J.M. Roobeek	1,700	150	3.5%	1,850		4.0%
S. ten Have	600		3.8%	600		3.8%
J.B.J. Stegmann[1]	900		0.2%			

1 J.B.J. Stegmann was appointed as member of the Supervisory Board as of 12 August 2016.

36 Employee share option and share purchase plans

No employee share based payments plans were in place for the years 2016 and 2015. However, the variable compensation plan will change in 2017 and will be a share-based payment plan for Identified Staff only. The main features are summarised below.

Variable compensation Identified Staff

Eligibility to participate in the Variable Compensation Plan (VCP) is at the sole discretion of the Supervisory Board. Due to the Bonus Prohibition Act, the Managing Board is not eligible to receive variable income as long as the Dutch State holds an interest in the ABN AMRO Group, and therefore they do not participate in the VCP.

A VCP reward is made in March of the calendar year following the performance year. Sixty percent of each award is an upfront award and forty percent is deferred. The deferred portion vests in three tranches: on the first, second and third anniversaries following the end of the performance period. 50% of each payment is in the form of cash, and the other 50% is in non-cash instruments.
As a result of ABN AMRO Group N.V. being a listed company, the non-cash instrument will be based on listed depositary receipts (DRs) instead of performance certificates as from the performance year 2016. All outstanding performance certificates awarded up to and including 2016 will be phased out over time.

The terms and conditions regarding the non-cash instrument to be used had not been finalised as of 31 December 2016. These terms will be finalised in 2017 and communicated to the relevant employees after the issuance date of these Annual Financial Statements. For the 2016 performance year, the non-cash instrument as of the award date in March 2017 is expected to be structured in the form of a number of restricted stock units (RSUs) that entitles employees to DRs reflecting the initial value of the reward. When calculating the number of RSUs, ABN AMRO intends to take the average DR price over a number of trading days preceding the date of granting the reward to reduce the effect of incidental share price movements.

The RSUs will be subject to a two-year retention period once vested. Although ex-post risk adjustment provisions cease to apply to vested RSUs, adjustment, cancellation and clawback provisions continue to apply during the retention period. The RSUs will be converted into DRs after the end of the retention period, subject to an employee's continued employment until this date or a good leaver status under the VCP.

37 Post balance sheet events

There have been no significant events between the year-end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

Statutory Annual Financial Statements 2016

Certain IFRS disclosures in the Risk, funding & capital information section are labelled as 'Audited' in the respective headings. These disclosures are an integral part of these Annual Financial Statements and are covered by the Audit opinion.

Statutory income statement

(in millions)	Note	2016	2015
Income			
Interest income		18,294	16,024
Interest expense		14,351	12,234
Net interest income	2	**3,943**	**3,789**
Fee and commission income		1,222	1,282
Fee and commission expense		191	162
Net fee and commission income		**1,031**	**1,120**
Results from financial transactions	3	-278	288
Income from securities and participating interests	4	1,324	1,236
Other operating income	5	88	20
Operating income		**6,107**	**6,454**
Expenses			
Personnel expenses	6	2,057	1,865
General and administrative expenses		1,914	1,745
Depreciation and amortisation of tangible and intangible assets		143	125
Operating expenses		**4,114**	**3,736**
Impairment charges on loans and other receivables		-35	397
Total expenses		**4,079**	**4,133**
Operating profit/(loss) before taxation		**2,028**	**2,321**
Income tax expense		223	402
Profit/(loss) for the year		**1,805**	**1,919**

Statutory statement of financial position

(in millions)	Note	31 December 2016	31 December 2015
Assets			
Cash and balances at central banks	7	21,585	25,628
Short-term government paper	8	33,141	32,240
Loans and receivables - banks	9	174,258	180,446
Loans and receivables - customers	10	146,873	171,817
Debt securities	11	10,572	7,072
Equity securities	12	140	60
Participating interests in group companies	13	9,119	9,372
Equity accounted investments	14	358	398
Intangible assets	15	35	26
Property and equipment	15	798	843
Other assets	16	19,382	20,276
Total assets		**416,260**	**448,179**
Liabilities			
Due to banks	17	74,896	92,469
Due to customers	18	213,549	234,365
Issued debt	19	74,121	68,571
Subordinated liabilities	20	11,171	9,708
Provisions	21	1,191	781
Other liabilities	22	22,399	24,718
Total liabilities		**397,328**	**430,612**
Equity			
Share capital		800	800
Share premium		4,041	4,041
Legal reserves[1]		77	-281
Other reserves[2]		11,216	10,096
Capital securities		993	993
Profit/(loss) for the period		1,805	1,919
Total equity	23	**18,932**	**17,568**
Total liabilities and equity		**416,260**	**448,179**
Committed credit facilities	25	32,552	22,920
Guarantees and other commitments	25	28,251	29,441

[1] Consists of Currency translation reserve, Revaluation reserves (including Available-for-sale and Cash flow hedge reserve) and Reserve participations.
[2] Consists of Actuarial gains/(losses) on post-employee benefit plans and Retained earnings.

Statutory statement of changes in equity

(in millions)	Share capital	Share premium	Legal Reserves	Other reserves	Capital securities	Total
Balance at 1 January 2015	**800**	**4,041**	**-704**	**10,728**		**14,865**
Total comprehensive income			422	1,912		2,339
Dividend				-625		-625
Increase/(decrease) of capital					993	993
Other changes in equity				-4		-4
Balance at 31 December 2015	**800**	**4,041**	**-281**	**12,015**	**993**	**17,568**
Total comprehensive income			357	1,833		2,190
Dividend				-790		-790
Interest AT 1 capital securities				-41		-41
Other changes in equity			1	4		5
Balance at 31 December 2016	**800**	**4,041**	**77**	**13,020**	**993**	**18,932**

During the year 2016, ABN AMRO has performed a review of the presentation of its reserves in these statements. In order to align the presentation of the reserves with its peers, ABN AMRO has chosen to present its total reserves as legal reserves and other reserves going forward. Comparative figures have been adjusted accordingly.

Total comprehensive income amounted to EUR 2,190 million (2015: EUR 2,339 million).

Total comprehensive income includes EUR 1,805 million (2015: EUR 1,919 million) profit for 2016.

In 2016, a final dividend of EUR 414 million relating to 2015 was paid out to ordinary shareholders bringing the total dividend related to the year 2015 to EUR 764 million. An interim dividend of EUR 376 million was paid to ordinary shareholders in August 2016 (2015: EUR 350 million).

Notes to the Statutory Annual Financial Statements

1 Accounting policies

Basis of presentation

The Statutory Annual Financial Statements of ABN AMRO Bank N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code.

ABN AMRO Bank N.V. applies the option as included in section 2:362 paragraph 8. ABN AMRO Bank N.V. prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). Participating interests in group companies are valued at net asset value determined on the basis of EU IFRS. The share in the results of participating interests in group companies is reported in accordance with the principles of valuation and profit determination that apply to the Consolidated Financial Statements. Reference is made to the accounting policies section in the Consolidated Financial Statements and the respective notes.

The financial statements are presented in euros, which is the presentation currency of the company, rounded to the nearest million (unless otherwise stated).

In addition, as a result of the no longer applicable art. 402 exemption of the Dutch Civil Code, book 2, title 9 as from 1 January 2016, extended Statutory Primary income statement and additional income statement disclosures are required. Therefore a more detailed income statement and notes are shown in these financial statements.

ABN AMRO Bank N.V. is registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34334259).

2 Net interest income

This item comprises interest income from loans, investments, other lending, interest expense on borrowings by ABN AMRO Bank and client accounts, as well as the results from interest rate and foreign exchange contracts entered into for hedging purposes. Other income from loans is also included. Interest income from interest-earning securities, including short-dated government paper, amounted to EUR 1.2 billion in 2016 (2015: EUR 1.7 billion).

3 Result from financial transactions

(in millions)	2016	2015
Securities trading	-41	123
Foreign exchange transaction results	19	15
Derivatives transactions	-94	20
Other	-162	131
Total results from financial transactions	**-278**	**288**

Results from financial transaction decreased by EUR 566 million to EUR -278 million in 2016 compared with the previous year as a result of lower CVA/DVA/FVA results, lower hedge accounting related results, provisions related to securities financing activities, higher provisions in Corporate Banking for SME derivatives-related issues and lower provisions of a one-off tax-exempt provision in 2015.

4 Income from securities and participating interests

(in millions)	2016	2015
Shares and equity participants	94	33
Participating interests	1,230	1,203
Total income from securities and participating interests	**1,324**	**1,236**

The increase in shares and equity participants result from realised gains in equity securities EUR 38 million, increased value of private equity EUR 36 million, offset by an external sale EUR 7 million and a dividend received in 2015 EUR 6 million. Participating interest increase is driven by higher results of different subsidiaries.

5 Other operating income

(in millions)	2016	2015
Disposal of operating activities and equity accounted investments	73	10
Other	14	10
Total other operating income	**88**	**20**

Other income increased by EUR 68 million to EUR 88 million in 2016 compared with the previous year, mainly due to a profit of EUR 52 million on ABN AMRO's equity accounted investments in Equens SE.

6 Personnel expenses

(in millions)	2016	2015
Salaries and wages	1,262	1,273
Social security charges	145	154
Pension expenses relating to defined benefit plans	4	
Defined contribution plan expenses	291	272
Other	355	165
Total personnel expenses	**2,057**	**1,865**

Total personnel expenses increased by EUR 192 million in 2016 compared with 2015.

Other personnel expenses increased by EUR 190 million mainly due to restructuring provisions related to the announced reorganisation of the control and support activities and the further digitalisation and process optimisation within the bank.

7 Cash and balances at central banks

Cash and balances at central banks decreased by EUR 4.0 billion to EUR 21.6 billion in December 2016 compared with EUR 25.6 billion in 2015 due to lower outstanding of overnight positions placed at DNB.

8 Short-dated government paper

(in millions)	31 December 2016	31 December 2015
Short-term government paper available-for-sale	31,989	30,773
Short-term government paper held at fair value through profit and loss		134
Short-term government paper held for trading	1,152	1,333
Short-term government paper	**33,141**	**32,240**

Short-dated government paper increased by EUR 901 million to EUR 33.1 billion at 31 December 2016. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Changes in short-term government paper (available-for-sale)

(in millions)	2016	2015
Balance at 1 January	30,773	30,323
Purchases	12,457	13,241
Proceeds from sales and redemptions	-11,692	-13,088
Gains/(losses) recorded in profit and loss	196	-682
Unrealised gains/(losses)	217	61
Foreign exchange differences	176	556
Other	-139	363
Balance at 31 December	**31,989**	**30,773**

9 Loan and receivables - banks

(in millions)	31 December 2016	31 December 2015
Group companies	161,918	162,943
Third parties	12,340	17,503
Loans and receivables - banks	**174,258**	**180,446**

(in millions)	31 December 2016	31 December 2015
Interest-bearing deposits	163,931	165,235
Loans and advances	5,169	8,165
Mandatory reserve deposits with central banks	180	164
Securities financing	2,050	4,549
Other	2,928	2,332
Loans and receivables - banks	**174,258**	**180,446**

(in millions)	31 December 2016	31 December 2015
The Netherlands	170,728	177,854
Rest of Europe	337	290
USA	553	499
Asia	2,640	1,802
Rest of the world		
Loans and receivables - banks	**174,258**	**180,446**

Loans and receivables – banks mainly consists of transactions with group companies. Loans and receivables – banks decreased by EUR 6.2 billion to EUR 174.3 billion at 31 December 2016, mainly due to a decrease of outstanding balances with third parties (EUR 5.2 billion).

10 Loan and receivables - customers

(in millions)	31 December 2016	31 December 2015
Group companies	58,292	69,162
Third parties	88,581	102,655
Loans and receivables - customers	**146,873**	**171,817**

(in millions)	31 December 2016	31 December 2015
Residential mortgages	2,750	2,949
Consumer loans	8,090	10,539
Corporate loans	124,805	148,516
Securities financing	7,260	8,213
Other loans and receivables customers	3,968	1,599
Loans and receivables - customers	**146,873**	**171,817**

(in millions)	31 December 2016	31 December 2015
The Netherlands	126,585	147,940
Rest of Europe	6,318	6,362
USA	6,762	8,013
Asia	6,050	8,344
Rest of the world	1,159	1,159
Loans and receivables - customers	**146,873**	**171,817**

Loans and receivables - customers decreased by EUR 24.9 billion to EUR 146,9 billion at 31 December 2016, primarily driven by lower outstanding balances with third parties which are mainly related to corporate loans. More information relating to offsetting is provided in the Consolidated Annual Financial Statements, note 1 Accounting policies.

Loans and receivables - customers by product includes subordinated loans of EUR 48.5 million (2015: EUR 38.9 million), reflected within corporate loans.

11 Debt securities

(in millions)	31 December 2016	31 December 2015
Group companies		
Third parties	10,572	7,072
Debt securities	**10,572**	**7,072**

(in millions)	31 December 2016	31 December 2015
Debt securities available-for-sale	10,170	6,734
Debt securities held for trading	400	335
Debt securities held at fair value through profit or loss	2	4
Debt securities	**10,572**	**7,072**

Debt securities increased by EUR 3.5 billion to EUR 10.6 billion at 31 December 2016. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Changes in debt securities (available-for-sale)

(in millions)	2016	2015
Balance at 1 January	**6,734**	8,838
Purchases	5,500	2,708
Proceeds from sales and redemptions	-2,289	-4,412
Gains/(losses) recorded in profit and loss	27	-86
Unrealised gains/(losses)	15	2
Foreign exchange differences	33	47
Other	150	-362
Balance at 31 December	**10,170**	**6,734**

12 Equity securities

(in millions)	31 December 2016	31 December 2015
Equity securities available-for-sale	135	52
Equity securities held for trading	5	9
Equity securities	**140**	**60**

Equity securities increased by EUR 80 million to EUR 140 million at 31 December 2016.

As a result of the merger of Equens SE and Worldline SA on 30 September 2016 the interest of ABN AMRO has been deluted in Equens from 18,4% to 7,0% and is therefore reclassified from equity accounted investment to equity securities available-for-sale.

13 Participating interest in group companies

(in millions)	2016	2015
Balance at 1 January	**9,372**	9,888
Increase/(decrease) of capital	178	-1
Proceeds from sales and redemptions	-48	69
Result from participating interests	1,230	1,203
Dividends	-1,229	-1,246
Unrealised gains/(losses)	-80	78
Foreign exchange differences	35	97
Other	-340	-716
Balance at 31 December	**9,119**	**9,372**

At 31 December 2016, EUR 6,278 million of the participating interests in group companies was related to credit institutions (2015: EUR 6,555 million). Other includes changes in the fair value adjustment resulting from macro fair value hedge accounting.

ABN AMRO Bank does not hold any shares in listed companies that are being consolidated.

14 Equity accounted investments

			31 December 2016		31 December 2015	
(in millions)	Principle place of business	Business line	Carrying amount	Equity interest	Carrying amount	Equity interest
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail Banking	197	49%	221	49%
Nederlandse Financieringsmaatschappij voor ontwikkelingslanden N.V.	The Netherlands	Group Functions	100	20%	60	20%
European Merchant Services B.V.	The Netherlands	Corporate Banking	41	49%	37	49%
Equens S.E.	The Netherlands	Group Functions			60	18%
Other			21		20	
Equity accounted investments			**358**		**398**	

(in millions)	2016	2015
Balance at 1 January	**398**	444
Purchases		38
Gains/(losses) recorded in profit and loss	104	-60
Dividends	-79	-31
Unrealised gains/(losses)	29	8
Other	-93	
Balance at 31 December	**358**	**398**

15 Property, equipment and intangible assets

The following table shows the book value of property, equipment and intangible assets for the years 2016 and 2015.

	2016		2015	
(in millions)	Total property and equipment	Intangible assets	Total property and equipment	Intangible assets
Acquisition costs at 1 January	2,398	920	2,431	896
Additions	110	25	117	23
Reversal of cost due to disposals	-201	-296	-116	
Foreign exchange differences		-1	2	5
Other	29	1	-36	-5
Acquisition costs at 31 December	**2,336**	**650**	**2,398**	**920**
Accumulated depreciation/amortisation at 1 January	-1,547	-891	-1,562	-878
Depreciation/amortisation	-112	-17	-110	-12
Reversal of depreciation/amortisation due to disposals	162	296	97	
Foreign exchange differences		1	-1	-1
Other	-33	-1	29	
Accumulated depreciation at 31 December	**-1,530**	**-612**	**-1,547**	**-891**
Impairments at 1 January	-8	-4	-9	-4
Increase of impairments charged to the income statement	-14		-4	
Reversal of impairments due to disposals	11		6	
Foreign exchange differences				-3
Other	3		-1	3
Impairments at 31 December	**-8**	**-4**	**-8**	**-4**
Total at 31 December	**798**	**35**	**843**	**26**

16 Other assets

(in millions)	31 December 2016	31 December 2015
Derivatives	14,348	19,091
Tax assets	580	327
Other	4,454	858
Other assets	**19,382**	**20,276**

Derivatives decreased by EUR 4.7 billion to EUR 14.3 billion at 31 December 2016 mainly due to a decrease in over the counter derivatives by EUR 3.1 billion and a decrease in non-trading derivatives assets by EUR 1.3 billion due to the increase in the long term interest rate.

Other increased by EUR 3.6 billion to EUR 4.5 billion at 31 December 2016 mainly in Private Banking due to the planned sales of activities in Asia and the Middle East.

More details related to the assets held for sale are included in the table below.

(in millions)	31 December 2016	31 December 2015
Assets		
Financial assets held for trading	28	
Consumer Loans	1,634	
Corporate Loans	1,785	
Property and equipment	32	32
Other assets	2	
Assets of businesses held for sale	**3,481**	**32**
Liabilities		
Financial liabilities held for trading	7	
Demand Deposits	3,283	
Saving Deposits	233	
Time Deposits	2,143	
Liabilities of businesses held for sale	**5,667**	

17 Due to banks

(in millions)	31 December 2016	31 December 2015
Group companies	60,603	76,775
Third parties	14,293	15,694
Due to banks	**74,896**	**92,469**

(in millions)	31 December 2016	31 December 2015
Demand deposits	17,700	17,903
Time deposits	45,226	58,028
Other deposits	9,322	10,433
Securities financing	2,647	6,104
Due to banks	**74,896**	**92,469**

Due to banks decreased by EUR 17.6 billion to EUR 74.9 billion at 31 December 2016, mainly due to settlement of intercompany transactions.

18 Due to customers

(in millions)	31 December 2016	31 December 2015
Group companies	6,918	7,604
Third parties	206,631	226,760
Due to customers	**213,549**	**234,365**

(in millions)	31 December 2016	31 December 2015
Demand deposits	100,863	118,445
Saving deposits	89,648	90,642
Time deposits	11,599	14,341
Total deposits	**202,110**	**223,428**
Securities financing	7,430	7,031
Other due to customers	4,009	3,906
Due to customers	**213,549**	**234,365**

Due to customers decreased by EUR 20.8 billion to EUR 213.6 billion as of 31 December 2016 compared with 31 December 2015 (EUR 234.4 billion).

Demand deposits decreased by EUR 17.6 billion to EUR 100.9 billion at 31 December 2016 compared with year-end 2015 (EUR 118.4 billion). This was related to a decrease within large corporates (EUR 11.6 billion) as of a result adjusted offsetting procedures in relation to notional cash pooling agreements (see note 1 Accounting policies), a decrease in Private Banking (EUR 3.9 billion) and due to planned sales of activities in Asia and the Middle East and a decrease in Retail Banking (EUR 2.1 billion).

More information relating to offsetting is provided in the Consolidated Annual Financial Statements, note 1 Accounting policies.

Time deposits decreased by EUR 2.7 billion to EUR 11.6 billion at 31 December 2016 compared with year-end 2015 mainly in Private Banking due to the planned sales of activities in Asia and the Middle East.

19 Issued debt

The following table shows the debt issued by ABN AMRO Bank and the amounts at 31 December.

(in millions)	31 December 2016	31 December 2015
Group companies		
Third parties	74,121	68,571
Issued debt	**74,121**	**68,571**

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The following table shows the types of debt issued by ABN AMRO Bank and the amounts at 31 December.

(in millions)	31 December 2016	31 December 2015
Bonds and notes issued	60,436	61,563
Certificates of deposit and commercial paper	11,995	5,235
Saving certificates	50	57
Total at amortised cost	**72,482**	**66,856**
Designated at fair value through profit or loss	1,639	1,715
Issued debt	**74,121**	**68,571**

Total issued debt increased by EUR 5.6 billion to EUR 74.1 billion at 31 December 2016. This increase is mainly caused by the issuance of EUR 6.8 billion in certificates of deposits and commercial paper. Movements in these debt instruments are a continuous process of redemption and issuance of long-term and short-term funding.

20 Subordinated liabilities

The following table shows the subordinated liabilities issued by ABN AMRO Bank and the amounts at 31 December.

(in millions)	31 December 2016	31 December 2015
Group companies		
Third parties	11,171	9,708
Subordinated liabilities	**11,171**	**9,708**

The following table shows the types of subordinated liabilities issued by ABN AMRO Bank and the amounts at 31 December.

(in millions)	31 December 2016	31 December 2015
Perpetual loans		1,255
Other subordinated liabilities	11,171	8,453
- of which EUR 1,228 million (6.375% per annum)	1,475	1,489
- of which EUR 1,000 million (7.125% per annum)	1,146	1,121
- of which USD 1,500 million (6.25% per annum)	1,438	1,392
- of which EUR 1,500 million (2.875% per annum)	1,552	1,537
- of which USD 1,500 million (4.75% per annum)	1,459	1,250
- of which EUR 1,000 million (2.875% per annum)	1,039	
- of which USD 1,000 million (4.8% per annum)	898	
Subordinated liabilities	**11,171**	**9,708**

Subordinated liabilities increased by EUR 1.5 billion to EUR 11.2 billion at 31 December 2016. This increase was mainly driven by a newly issued EUR 1.0 billion 2.875% subordinated loan. The maturity date of this loan is January 2023. Also, several new subordinated loans in SGD and USD were issued. Perpetual loans were redeemed in 2016 for the amount of EUR 1.3 billion. These loans no longer qualify as Additional Tier 1 and Tier 2 capital.

Interest expense on subordinated liabilities amounted to EUR 520 million in 2016 (2015: EUR 451 million).

The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

21 Provisions

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

(in millions)	31 December 2016	31 December 2015
Provision for pension commitments	52	51
Restructuring	331	195
Other staff provision	108	134
Legal provisions	598	229
Other	103	173
Provisions	**1,191**	**781**

The increase in the restructuring provision was mainly due to the announced reorganisation of the control and support activities recorded in Q3 2016 and the further digitalisation and process optimisation in Q4 2016.

The increase in the legal provisions was mainly due to the increases for the provision for interest rate derivatives to SME clients. Furthermore there had been several releases and increases.

22 Other liabilities

(in millions)	31 December 2016	31 December 2015
Financial liabilities held for trading	761	443
Derivatives	14,432	22,363
Tax liabilities	27	388
Other	7,180	1,524
Other liabilities	**22,399**	**24,718**

Derivatives decreased by EUR 7.9 billion to EUR 14.4 billion at 31 December 2016 mainly due to a decrease in over the counter derivatives by EUR 3.4 billion and non-trading derivatives by EUR 4.5 billion. This is caused by an increase in the long term interest rate.

Other increased by EUR 5.6 billion to EUR 7.2 billion at 31 December 2016 mainly in Private Banking due to the planned sales of activities in Asia and the Middle East.

23 Equity

Issued capital and reserves

At 31 December 2016, authorised share capital ABN AMRO Bank N.V. amounted to EUR 2 billion distributed over 2,000,000,000 ordinary shares with a nominal value of EUR 1.00 each. Each ordinary share entitles the shareholder to one vote per share. At 31 December 2016, issued and paid-up capital by ABN AMRO Bank N.V. consisted of 800,000,000 ordinary shares (EUR 800 million). (2015: EUR 800 million).

All issued shares of ABN AMRO Bank N.V. are held by ABN AMRO Group N.V.

Distribution of the dividends

The total dividend paid to ordinary shareholders in 2016 was EUR 790 million (2015: EUR 625 million). This contains the final dividend 2015 of EUR 414 million and the interim dividend 2016 of EUR 376 million (2015: EUR 275 million). For 2016 a final dividend of EUR 414 million was proposed, which brings the total dividend for 2016 to EUR 790 million. The remainder will be attributed to equity.

24 Maturity of selected assets and liabilities

									31 December 2016
(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Loans and receivables - banks	165,253	2,412	1,836	292	385	809	3,270		174,258
Loans and receivables - customers	22,820	10,684	5,114	10,519	27,640	36,587	33,508		146,873
Debt securities	736	691	836	1,217	721	2,874	3,497		10,572
Equity securities								140	140
Derivatives	508	941	515	446	772	3,444	7,723		14,348
Liabilities									
Due to banks	15,089	8,519	3,675	6,497	6,671	23,730	10,713		74,896
Due to customers - saving deposits	82,182	3,483	87	204	284	1,201	2,207		89,648
Due to customers - other	106,724	9,144	3,523	1,770	234	845	1,661		123,901
Issued debt	3,870	7,594	4,765	5,618	6,812	20,530	24,932		74,121
Subordinated liabilities			82	2,096		3,435	5,558		11,171
Derivatives	848	871	539	487	605	2,199	8,884		14,432

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
									31 December 2015
Assets									
Loans and receivables - banks	167,360	2,711	1,028	312	636	506	7,894		180,446
Loans and receivables - customers[1, 2]	42,980	8,041	5,658	14,642	34,098	31,325	35,074		171,817
Debt securities	391	546	541	161	926	1,986	2,522		7,072
Equity securities								60	60
Derivatives	673	841	347	402	1,196	3,851	11,782		19,091
Liabilities									
Due to banks	25,769	3,332	3,518	10,529	10,503	20,874	17,944		92,469
Due to customers - saving deposits	80,301	6,278	75	182	401	1,053	2,351		90,642
Due to customers - other[1, 2]	125,428	11,927	1,997	2,082	486	461	1,342		143,722
Issued debt	3,652	2,865	4,025	3,828	9,910	20,270	24,021		68,571
Subordinated liabilities			5		82	114	9,507		9,708
Derivatives	690	791	423	380	1,175	3,291	15,613		22,363

1 Netting is no longer be applied to bank saving mortgages, hence the bank saving mortgages are presented gross. Comparative figures have been adjusted accordingly. Further details are provided in note 1 Accounting policies of the Consolidated Annual Financial Statements.
2 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly. Further details are provided in note 1 Accounting policies of the Consolidated Annual Financial Statements.

25 Contingent liabilities

(in millions)	31 December 2016	31 December 2015
Committed credit facilities[1]	32,552	22,920
- of which Lease commitments	242	302
Guarantees and other commitments:		
Guarantees granted	15,999	18,674
Irrevocable letters of credit	5,084	5,159
Recourse risks arising from discounted bills	7,167	5,609
Total guarantees and other commitments	**28,251**	**29,441**
Total	**60,802**	**52,361**

1 Amount 2015 adjusted due to credit lines with Group companies which amounts were not included in 2015.

(in millions)	31 December 2016	31 December 2015
Group companies[1]	17,640	10,813
Third parties	14,912	12,106
Committed credit facilities	**32,552**	**22,920**

1 Amount 2015 adjusted due to credit lines with Group companies which amounts were not included in 2015.

(in millions)	31 December 2016	31 December 2015
Group companies	19,752	23,178
Third parties	8,499	6,263
Guarantees and other commitments	**28,251**	**29,441**

Commitments and contingent liabilities amounted to EUR 60.8 billion which is an increase of EUR 8.4 billion compared with EUR 52.4 billion at 31 December 2015.

The increase in committed credit facilities of EUR 9.6 billion to EUR 32.6 billion at 31 December 2016 relates to a higher volume of committed credit facilities of EUR 6.8 billion to Group companies and EUR 2.8 billion of outstanding credit offers to third parties.

The decrease in guarantees granted of EUR 2.7 billion to EUR 16 billion at 31 December 2016 mainly relates to a decrease of liability guarantees to Group companies.

The increase in recourse risks arising from discounted bills of EUR 1.6 billion to EUR 7.2 billion at 31 December 2016 is mainly due to documentary credits to corporates.

More information is provided in the Consolidated Annual Financial Statements, note 33 Commitments and contingent liabilities.

26 Assets pledged

(in millions)	31 December 2016	31 December 2015
Financial assets held for trading	64	106
Loans and receivables - banks	4,503	7,164
- of which Interest bearing deposits	4,503	7,164
Loans and receivables - customers	27,863	40,607
- of which Corporate loans	27,863	40,607
Assets pledged as security	**32,430**	**47,877**

The total of assets pledged decreased by EUR 15.4 billion to EUR 32.4 billion in December 2016 compared to EUR 47.9 billion in December 2015. This is mainly due to the calling of several securitisation transactions.

27 Segment information

The total number of FTEs at 31 December 2016 was 16,102 (2015: 16,653). The total number of FTEs at Retail Banking was 4,032 (2015: 4,620), at Private Banking 2,149 (2015: 2,067), at Corporate Banking 3,548 (2015: 3,410) and at Group Functions 6,374 (2015: 6,556).

Further financial information on the segments is provided in the Consolidated Annual Financial Statements, note 2 Segment reporting.

28 Remuneration

For more information, see the Consolidated Annual Financial Statements, note 35 Remuneration of Managing Board and Supervisory Board and note 36 Employee share option and share purchase plans.

29 Related parties

As part of its business operations, ABN AMRO Bank frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships, with the exception of items specifically disclosed in the Consolidated Annual Financial Statements. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

For more information, see the Consolidated Annual Financial Statements, note 34 Related parties and note 35 Remuneration of Managing Board and Supervisory Board.

30 Post balance sheet events

For more information refer to note 37 Post balance sheet events in the Consolidated Annual Financial Statements.

Authorisation of Parent Company Annual Accounts

14 March 2017

The Supervisory Board

O.L. (Olga) Zoutendijk, Chairman
S. (Steven) ten Have, Vice-Chairman
A.C. (Arjen) Dorland
F.J. (Frederieke) Leeflang
J.M. (Annemieke) Roobeek
J.B.J. (Jurgen) Stegmann
J.S.T. (Tjalling) Tiemstra

The Managing Board

C. (Kees) van Dijkhuizen, CEO and Chairman
J. (Johan) van Hall, COO and Vice-Chairman
W. (Wietze) Reehoorn, CRO

Other information

Major subsidiaries and participating interests

The following table shows the Branches, major subsidiaries and participating interests at 31 December 2016.

Retail banking		
ABN AMRO Digital Impact Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Digital Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO Hypotheken Groep B.V.[1]		Amersfoort, The Netherlands
ABN AMRO Pensioeninstelling N.V.		Amsterdam, The Netherlands
ALFAM Holding N.V.[1]		Bunnik, The Netherlands
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
International Card Services B.V.[1]		Diemen, The Netherlands
MoneYou B.V.[1]		Amsterdam, The Netherlands
Private banking		
ABN AMRO Bank (Luxembourg) S.A.		Luxembourg, Luxembourg
ABN AMRO Life Capital Belgium N.V.		Brussels, Belgium
ABN AMRO Life S.A.		Luxembourg, Luxembourg
ABN AMRO Social Impact Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO (Guernsey) Ltd		St Peter Port, Guernsey, Channel Islands
Banque Neuflize OBC S.A.	99.86%	Paris, France
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschaft K.G.	50%	Frankfurt am Main, Germany
Cofiloisirs S.A.	45%	Paris, France
Neuflize Vie S.A.	60%	Paris, France
Triodos MeesPierson Sustainable Investment Management B.V.	50%	Zeist, The Netherlands
Corporate banking		
ABN AMRO Capital USA LLC		New York, USA
ABN AMRO Clearing Bank N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Pty		Sydney, Australia
ABN AMRO Clearing Tokyo Ltd		Tokyo, Japan
ABN AMRO Commercial Finance Holding B.V.[1]		s-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance (UK) Ltd		Haywards Heath, United Kingdom
ABN AMRO Commercial Finance GmbH		Köln, Germany
ABN AMRO Commercial Finance N.V.[1]		s-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance S.A.		Paris, France
ABN AMRO Effecten Compagnie B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Groenbank B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Investment Holding B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Lease N.V.[1]		Utrecht, The Netherlands
ABN AMRO Participaties Fund I B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Securities USA LLC		New York, USA
Aline Holding S.A.	50%	Majuro, Marshall Islands
Alma Maritime Ltd	42%	Majuro, Marshall Islands
Attema B.V.	93%	Gorinchem, The Netherlands

Banco ABN AMRO S.A.		São Paulo, Brasil
Bass Drill Alpha Ltd	26%	Hamilton, Bermuda
CM Bulk Ltd	50%	Nassau, Bahamas
Edda Accommodation Holding AS	20%	Oslo, Norway
European Merchant Services B.V.	49%	Diemen, The Netherlands
European Central Counterparty N.V.	20%	Amsterdam, The Netherlands
Graig MCI Ltd	49%	Cardiff, United Kingdom
Holland Venture B.V.	45%	Amsterdam, The Netherlands
ICE Clear Netherlands B.V.	25%	Amsterdam, The Netherlands
Iceman IS	39%	Oslo, Norway
Icestar B.V.		Rotterdam, The Netherlands
Maas Capital Investments B.V.[1]		Rotterdam, The Netherlands
Maas Capital Offshore B.V.		Amsterdam, The Netherlands
Maas Capital Renewables B.V.		Amsterdam, The Netherlands
Poseidon Containers Holdings LLC	6%	Majuro, Marshall Islands
Principal Finance Investments Holding B.V.[1]		Amsterdam, The Netherlands
Richmont Preferente aandelen C B.V.	50%	Amsterdam, The Netherlands
Safe Ship Investment Company S.C.A. SICAR	48%	Luxembourg, Luxembourg
Group functions		
ABN AMRO Arbo Services B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Funding USA LLC		New York, USA
ABN AMRO Holding International AG		Zug, Switzerland
ABN AMRO Holdings USA LLC		New York, USA
Currence Holding B.V.	36%	Amsterdam, The Netherlands
equensWorldline S.E.	7%	Utrecht, The Netherlands
Geldservices Nederland B.V.	33%	Amsterdam, The Netherlands
Nederlandse Financieringsmij voor Ontwikkelingslanden N.V.	20%	Den Haag, The Netherlands
Stater N.V.		Amersfoort, The Netherlands
Branches/Representative Offices		
ABN AMRO Bank N.V. (Belgium) Branch		Berchem, Belgium
ABN AMRO Bank N.V. (Hong Kong) Branch		Hong Kong, China
ABN AMRO Bank N.V. (Norway) Branch		Oslo, Norway
ABN AMRO Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Bank N.V. (UAE/DIFC) Branch		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. (UK) Branch		London, United Kingdom
ABN AMRO Bank N.V. Branch Spain		Marbella, Spain
ABN AMRO Bank N.V. Frankfurt Branch		Frankfurt am Main, Germany
ABN AMRO Bank N.V. Shanghai Branch		Shanghai, China
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)		Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Representative Office Greece		Piraeus, Greece
ABN AMRO Bank N.V. Representative Office Moscow		Moscow, Russia
ABN AMRO Bank N.V. Representative Office New York		New York, USA
ABN AMRO Clearing Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Clearing Bank N.V. (UK) Branch		London, United Kingdom
ABN AMRO Lease N.V. (UK) Branch		London, United Kingdom
ABN AMRO Lease N.V. Branch Deutschland		Frankfurt am Main, Germany
International Card Services B.V. Branch Deutschland		Düsseldorf, Germany

[1] A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

The interest is 100%, unless otherwise stated.

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Provisions of the Article of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are included in Article 31 of the Articles of Association. In accordance with the reserve and dividend policy and subject to the approval of the Supervisory Board, the Managing Board proposes to the General Meeting of Shareholders which part of the profit is to be reserved. The remainder of the profit shall be at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Management Board, subject to the approval of the Supervisory Board.

Even though ABN AMRO Bank remains well capitalised under Basel III, the bank would like to further build up additional capital buffers in order to execute its strategic ambitions and manage the impact of new regulations (Basel IV).

Fiscal unity

ABN AMRO Bank N.V. forms a fiscal unity with several Dutch subsidiaries for corporate income tax purposes. All the members of the fiscal unity become jointly and severally liable for the corporate income tax liabilities of the fiscal unity.

Any distribution of dividend remains discretionary, and deviations from the above policy may be proposed by the bank.

Other

Other gives an overview of definitions of important terms and abbreviations used in the Annual Report. Enquiries and the Cautionary statements are included in Other.

Independent auditor's report

To: the shareholders and Supervisory Board of ABN AMRO Bank N.V.

Report on the audit of the financial statements 2016 included in the Annual Report 2016

Our opinion

We have audited the financial statements 2016 of ABN AMRO Bank N.V. (ABN AMRO or the Company) based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of ABN AMRO Bank N.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of ABN AMRO Bank N.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2016
- The following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income and changes in equity and the consolidated statement of cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2016
- The company income statement for 2016
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of ABN AMRO Bank N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Materiality

Materiality	EUR 130 million
Benchmark applied	5% of operating profit before taxation
Explanation	Based on our professional judgment, a benchmark of 5% of operating profit before taxation is an appropriate quantitative indicator of materiality and it best reflects the financial performance of ABN AMRO. We have applied the initial planning materiality of EUR 130 million (rounded) as set in our planning phase. Based on the 2016 actual operating profit before taxation, we reassessed the materiality and concluded to continue to apply the materiality initially set.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 6.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ABN AMRO Bank N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of ABN AMRO Bank N.V.

Our group audit mainly focused on significant group entities in the Netherlands, Germany, France and United States based on size and risk. All components in scope for group reporting are audited by EY member firms. Collectively, the EY member firms completed procedures covering approximately 89% of the group's total assets and approximately 85% of operating profit before taxation.

By performing our procedures at group entities, together with procedures at group level, we have been able to obtain sufficient coverage and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Building a better working world

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Estimation uncertainty with respect to impairment allowances for loans and receivables	
Key audit matter	The appropriateness of the loan impairment allowances for loans and receivables requires judgment of management. Impairment losses are incurred if there is objective evidence of impairment as a result of a loss event that has an impact on the estimated future cash flows of the loans and receivables that can be reliably estimated. The identification of impairment and the determination of the recoverable amount are part of the estimation process at ABN AMRO including, amongst others, the assessment of objective evidence for impairment, the financial condition of the counterparty, the expected future cash flows and the value of collateral. The use of different modelling techniques and assumptions could lead to different estimates of impairment charges on loans and receivables. Furthermore, associated risk management disclosures are complex and dependent on high quality data. As the loans and receivables represent the majority of ABN AMRO's balance sheet and given the related estimation uncertainty on impairment charges, we consider this a key audit matter. Please refer to the Critical accounting estimates and judgments section in note 1 to the financial statements, note 19 Loans and receivables - customers and related disclosures of credit risk within the Risk, funding & capital section of the Managing Board report.
Our audit approach	We assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process of determining impairment allowances. For loan impairment allowances determined on an individual basis we have performed detailed credit file reviews. We challenged the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. For loan impairment allowances calculated on a collective basis we tested, supported by our specialists, the underlying models including the Company's model approval and validation process. We also tested the appropriateness and accuracy of the inputs to those models, such as recovery and cure rates, and where available, compared data and assumptions made to external benchmarks. Finally, we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the requirements included in EU-IFRS.
Estimation uncertainty with respect to provisions	
Key audit matter	Provisions are liabilities of uncertain timing or amount and require judgment of management. The use of estimates and the determination of possible outcomes is an essential part of the recognition and measurement of a provision. In 2016, ABN AMRO recorded, amongst others, provisions for SME derivative compensation, for restructuring programs, for tax related investigations and for the ICS recovery framework. As it is difficult to determine the size of the provisions and as the amounts involved are significant, we consider this a key audit matter. Please refer to the Critical accounting estimates and judgments in note 1 and note 28 Provisions to the financial statements.

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Our audit approach	Controls designed to ensure the completeness and adequacy of the provisions recorded were tested. We assessed whether the provisions recognized are adequate and do meet ABN AMRO's accounting policies and other legal requirements. We examined the composition of the provisions and assessed the assumptions and judgment made by management. Possible outcomes were considered for material provisions to independently assess the appropriateness of the judgment made by ABN AMRO. Finally we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the requirements included in EU-IFRS.
Estimation uncertainty with respect to financial instruments measured at fair value	
Key audit matter	The current economic conditions and low interest rate environment impact the fair value measurements of ABN AMRO's portfolio measured at fair value. Valuation techniques and models used can be subjective in nature and involve various assumptions regarding pricing. In addition, the number of factors influencing the determination of fair value can be extensive and can vary both by type of instrument and/or within instrument types. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Furthermore, valuation adjustments are subject to the use of credit spreads. If no direct credit spreads are available, ABN AMRO performs a probability of default assessment for each counterparty and allocates an appropriate internal credit risk measure. As the use of different assumptions could produce different estimates of fair value and any fair value change is reflected in the statement of comprehensive income or the income statement, we consider this a key audit matter. Please refer to the Critical accounting estimates and judgments in note 1 and note 17 Fair value of financial instruments to the financial statements.
Our audit approach	We obtained an understanding of the internal control framework related to the valuation of financial instruments, including price testing and model validation. We assessed the appropriateness of the model calculation methodology with the assistance of our valuation experts and we performed recalculation of the fair valuation on a sample basis. This includes the assessment of market data inputs and key assumptions, including third party prices, pre-payment rates, constant loss given default and discount rates as critical factors used in the fair value models, based on our experience and market practice. Furthermore, we performed substantive procedures with respect to the reconciliation of collateral data to contract data. Finally, we assessed the completeness and accuracy of the disclosures relating to the fair values of these financial instruments to assess compliance with disclosure requirements included in EU-IFRS, including valuation sensitivity and fair value hierarchy.

Reliability and continuity of the information technology and systems	
Key audit matter	ABN AMRO is dependent on the IT infrastructure for the continuity and reliability of their business processes and financial reporting. ABN AMRO continuously makes investments to further improve the IT environment and IT systems. The role of financial disclosures is important to stakeholders and increasing data granularity in financial reporting and regulatory reporting requirements urge for high quality data and an adequate IT environment. We therefore consider this as a key audit matter. Please refer to the Risk, funding & capital section of the Managing Board report.
Our audit approach	We tested the IT general controls related to logical access and change management and application controls relied upon for financial reporting and embedded in ABN AMRO's key processes. In some areas we performed additional procedures on access management and related systems. We also assessed the reliability and continuity of the IT environment and the possible impact of changes during the year either from ongoing internal restructuring initiatives or from external factors such as reporting requirements. We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the financial statements. In addition, our audit procedures consisted of assessing the developments in the IT infrastructure and analyzing the impact on the IT organization.

Report on other information included in the Annual Report 2016

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:
- Introduction
- Business
- Risk, funding & capital
- Leadership and Governance
- Other

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

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The Managing Board is responsible for the preparation of the other information, including the Managing Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of ABN AMRO Bank N.V. on 11 September 2015 as of the audit for the year 2016 and have operated as incoming statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board
- Concluding on the appropriateness of the Managing Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 14 March 2017

Ernst & Young Accountants LLP

signed by W.J. Smit

Definitions of important terms

ABN AMRO or the Group
ABN AMRO Group N.V. incorporated on 18 December 2009 'ABN AMRO Group' (or 'the Company') and its consolidated subsidiaries.

ABN AMRO Bank
ABN AMRO Bank N.V. (formerly known as 'ABN AMRO II N.V.').

Advanced Internal Ratings Based (AIRB)
The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Advanced Measurement Approach (AMA)
The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Ageas
Refers to ageas SA/NV (formerly known as Fortis SA/NV) and ageas N.V. (formerly known as Fortis N.V.) together.

Basel I
The Basel Capital Accord is the 1988 agreement among the G10 central banks to apply common minimum capital standards to the banking industry.

Basel II
The Basel II Framework offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.

Basel III
The third set of Basel accords, which was developed in response to the financial crisis of the late 2000's. The Basel III standards include higher and better-quality capital, better risk coverage and the introduction of a maximum leverage ratio

Basis point (bp)
One hundredth of 1 percentage point.

Capital adequacy
Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.

Certificate of deposit (CD)
Certificate of deposit is an unsecured short-term funding instrument with maturities up to one year.

Clearing
Refers to the clearing businesses of ABN AMRO.

Client assets
Assets, including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Client assets also include cash and securities of clients held on accounts with ABN AMRO.

Commercial paper (CP)
Commercial paper is an unsecured short-term funding instrument with maturities up to one year.

Consortium
Refers to The Royal Bank of Scotland Group plc ('RBS Group'), Ageas and Banco Santander S.A. ('Santander'), which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ('RFS Holdings'). On 3 October 2008 the State of the Netherlands became the successor of Ageas.

Core Equity Tier 1 ratio
The bank's core capital, excluding preference shares, expressed as a percentage of total risk exposure amount.

Cost of risk
The cost of risk is defined as annualised impairment charges on loans and other receivables - customers for the period divided by the average loans and receivables customers on basis gross carrying amount and excluding fair value adjustment from hedge accounting.

Country risk
Country risk is part of credit risk and is defined as the risk of losses due to country-specific events or circumstances (political, social, economic) relevant for credit exposures that are cross-border in nature.

Coverage ratio
The coverage ratio shows to which extent the impaired exposures are covered by impairment allowances for identified credit risk.

Credit equivalent
Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.

Covered bonds
Covered bonds (CB) are secured long-term funding instruments. This type of bond differs from a standard bond by recourse to a pool of assets. In a default event, the bondholder has recourse to the issuer and this pool of assets.

Credit rating
Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.

Credit risk
Credit risk is the risk of a financial loss that occurs if a client or counterparty fails to meet the terms of a contract or otherwise fails to perform as agreed.

Credit valuation adjustments
Market value adjustments for counterparty credit risk.

Defaulted exposures
Exposures for which there are indicators that a counterparty may not be able to meet its contractual obligations and/or when an exposure is more than 90 days past due.

Derivatives
Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indices).

Dow Jones Sustainability Index (DJSI)
A family of benchmarks, performed by Robeco SAM, for investors who believe sustainable business practices may lead to long-term shareholder value.

Duration of equity
Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.

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

Economic capital
An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.

Economic profit
Net profit after tax less risk-adjusted cost of capital.

Economic value
The value of future economic profits discounted to the present.

Employee Engagement
A business management concept that describes the level of enthusiasm and dedication a worker feels toward his/her job.

Encumbered assets
Assets that were pledged or subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.

ESE/ESG criteria
ESG/ESE criteria are criteria that are used in sustainability assessments to assess ethical, social, environmental and/or governance risks of clients, their conduct or entities they invest in.

Exposure at Default (EAD)
EAD models estimate the expected exposure at the time of a counterparty default.

Fortis Bank Nederland (FBN)
The legal entity Fortis Bank (Nederland) N.V., previously named Fortis Bank Nederland (Holding) N.V., which merged with ABN AMRO Bank Standalone pursuant to the Legal Merger.

Full time equivalent (FTE)
The ratio of the total number of paid hours during a period by the number of working hours in that period.

Global sustainability risk index (GSRI)
A tool that is used to assess credit applications on environmental, social and ethical (ESE) aspects.

Green bond
A product that enables investors to invest in mortgages of highly energy-efficient homes, loans for solar panels on existing homes and sustainable commercial property.

Global Reporting Initiative (GRI)
A reporting framework that provides metrics and methods for measuring and reporting sustainability-related impacts and performance.

Hedge
Protecting a financial position by going either long or short, often using derivatives.

Impaired exposures
Exposures for which not all contractual cash flows are expected and/or exposures more than 90 days past due for which impairments are determined on a portfolio basis.

Impaired ratio
The impaired ratio shows which fraction of the gross carrying amount of a financial asset category consists of impaired exposures.

Interest rate mismatch
Interest rate mismatch is the difference in interest maturity between funds lent and funds borrowed.

International Financial Reporting Standards (IFRS)
IFRS, formerly known as International Accounting Standards, are drawn up and recommended by the International Accounting Standards Board. The European Union requires that IFRS be used by all exchange-listed companies in the EU starting from the financial year 2005.

Liquidity coverage ratio (LCR)
The LCR is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon. The LCR requires banks to hold sufficient highly-liquid assets equal to or greater than the net cash outflow during a thirty-day period.

Loan impairment allowance
Balance sheet allowance held against non-performing loans.

Market risk (banking book)
Market risk in the banking book, mainly interest rate risk, is the risk of yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book either through hedging (foreign rate exchange risk) or in general (other market risk types).

Market risk (trading book)
Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book.

Materiality
Materiality is the threshold at which topics become sufficiently important to be reported. Material topics are those that may reasonably be considered important for reflecting the organisation's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in a report.

Medium-term notes (MTN)
Medium-term notes are unsecured funding instruments with maturities up to ten years issued in several currencies.

Net Promoter Score (NPS)
This metric shows the extent to which customers would recommend ABN AMRO to others. The customer is regarded as a 'promoter' (score of 9 or 10), as 'passively satisfied' (score of 7 or 8) or as a 'detractor' (score of 0 to 6). The NPS is calculated by subtracting the percentage of 'detractors' from the percentage of 'promoters'. The score is expressed as an absolute number between -100 and +100.

Net Stable Funding Ratio (NSFR)
The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives to fund activities with more stable sources of funding on an ongoing basis.

NII-at-Risk
The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII calculated using a constant yield curve with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. The net interest income is negatively impacted when rates rise.

NLFI
Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments (foundation)). On 29 September 2011 the Dutch State transferred its shares in ABN AMRO Group N.V. and in ABN AMRO Preferred Investments B.V. to NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that the Minister of Finance might otherwise face, as a shareholder and as a regulator, and to avoid political influence being exerted.

Non-performing loans
Exposures for which there are indicators that a counterparty may not be able to meet its contractual obligations and/or when an exposure is more than 90 days past due.

OECD Guidelines
The OECD Guidelines for Multinational Enterprises provide non-binding principles and standards for responsible business conduct in a global context.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.

Options (shares and currencies)
Contractual right to buy (call option) or sell (put option) a specified amount of underlying shares or currency at a fixed price during a specified period or on a specified date.

Past due exposure
A financial asset is past due if a counterparty has failed to make a payment when contractually due, if it has exceeded an advised limit or if it has been advised of a limit lower than its current outstanding.

Past due ratio
The past due ratio shows which fraction of the gross carrying amount of a financial asset category is past due but not impaired.

Permanent modification
Terms and conditions of a contract such as interest, principal, repayment terms, tenor or financial covenants are changed permanently.

Preference share
Share that receives a fixed rate of dividend prior to ordinary shares.

Qualifying revolving exposures
Qualifying revolving exposures are revolving, unsecured, and uncommitted exposures to private individuals that meet additional criteria specified in the CRD. These outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established by the bank.

RARORAC
A combination of two other measures: risk-adjusted return on capital (RAROC) and return on risk-adjusted capital (RORAC).

Refinancing
A contract is considered to be refinanced when the objective of the new contract is to enable the (partly) repayment of another existing contract of which the counterparty is unable to meet the existing obligations.

Regulatory capital adequacy
Measure of a bank's financial strength, often expressed in risk-bearing capital as a percentage of total risk exposure amount.

Repurchase agreement (Repo)
The sale of securities together with an agreement for the seller to buy back the securities at a later date.

Residential mortgage backed securities (RMBS)
Residential mortgage backed securities are secured long-term funding instruments. A pool of underlying assets, in this case own-originated residential mortgages, provides the cash flows to bondholders.

Return on equity (ROE)
Annualised net profit attributable to ordinary shareholders of the parent company divided by average shareholders' equity.

Risk-weighted assets (RWA)
Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

Royal Bank of Scotland (RBS)
The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. prior to the Legal Demerger.

Saving certificates
Saving certificates are non-exchange traded instruments with an annual coupon payment and have the same characteristics as bonds.

Savings mortgages
Savings mortgages are mortgages with a separate savings account whereby the balance of savings is used for redemption of the principal at maturity.

Securities financing transaction (also referred to as 'professional securities transaction')
A transaction whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities.

Securitisation
Restructuring credits in the form of marketable securities.

Social impact bond
A contract with the public sector or governing authority, whereby it pays for better social outcomes in certain areas and passes on part of the savings achieved to investors.

Social impact fund
Investing that aims to generate specific beneficial social or environmental effects in addition to financial gain.

Standardised Approach (Basel II)
The standardised approach for credit risk measures credit risk in a standardised manner, supported by external credit assessments.

Stress testing
Method of testing the stability of a system or entity when exposed to exceptional conditions.

Sustainable client assets
Sustainable client assets are assets that ABN AMRO invests for its clients in investment funds, products and securities that explicitly base their investment approach and decisions on sustainable criteria. These investments explicitly factor in the social and environmental effects of investments.

Temporary modification
Terms and conditions of a contract such as interest, principal, repayment terms, tenor or financial covenants are changed temporarily.

Three lines of defence
ABN AMRO's approach to risk management. The three-lines-of-defence principle consists of a clear division of activities and responsibilities in risk management at different levels in the bank and at different stages in the lifecycle of risk exposures.

Tier 1 ratio
Tier 1 capital, the sum of CET1 capital and AT1 capital, of the bank expressed as a percentage of total risk-weighted assets.

Trust Monitor AFM/NvB
A survey conducted by market research institute GfK on how Dutch people think about banks in general, their own bank and how they experience various aspects of services provided by banks.

UN Global Compact
The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

Uniform Counterparty Rating (UCR)
The UCR is an obligor rating and refers to the probability of default by an obligor, i.e. the likelihood that a counterparty fails to pay interest and/or principal and/or other financial obligations to the bank.

Value-at-Risk banking book
Value-at-Risk banking book (VaR banking book) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Abbreviations

AACB	ABN AMRO Clearing Bank
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)
AFS	Annual Financial Statements
AIRB	Advanced Internal Ratings Based (Approach)
ALCO	(ABN AMRO's) Asset & Liability Committee
ALM	Asset & Liability Management
AMA	Advanced Measurement Approach
BIS	Bank for International Settlements
BLMIS	Bernard L Madoff Investment Securities
bp(s)	Basis point(s)
BREEAM	Building Research Establishment Environmental Assessment Methodology
BRRD	Bank Recovery and Resolution Directive
CAO	Collectieve Arbeidsovereenkomst (collective labour agreement)
CBS	Centraal Bureau voor de Statistiek (Statistics Netherlands)
CD	Certificate of Deposit
CDO	Collateralised Debt Obligation
CDS	Credit Default Swap
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1
CHF	Swiss Franc
CP	Commercial Paper
CRD	(the EU's) Capital Requirements Directive
CRE	Commercial Real Estate
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustment
DGS	Deposit Guarantee Scheme
DJSI	Dow Jones Sustainability Index
DNB	De Nederlandsche Bank N.V. (Dutch Central Bank)
DSTA	Dutch State Treasury Agency
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
DVA	Debit Value Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	European Commission
ECB	European Central Bank
ECT	(ABN AMRO's) Energy, Commodities & Transportation
EDTF	Enhanced Disclosure Task Force
EMIR	European Market Infrastructure Regulation
EPS	Earnings per share
ESE	Environmental, Social and Ethical
ESG	Environmental, Social and Governance
EU	European Union
EUR	Euro
EVCA	European Private Equity and Venture Capitalist Association
FATCA	Foreign Account Tax Compliance Act
FBN	Fortis Bank Nederland
FCCM	Financial Collateral Comprehensive Method
Fed	Federal Reserve
FR&R	(ABN AMRO's) Financial Restructuring & Recovery
FTE	Full-Time Equivalent (a measurement of number of staff)
FVA	Funding Value Adjustment
FX	Foreign exchange
GBP	British pound
GDP	Gross Domestic Product
GfK	Gesellschaft für Konsumforschung (Society for Consumer Research)
GSRI	Global Sustainability Risk Index Tool
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNI	Incurred But Not Identified
ICS	International Card Services
ICB	Industry Classification Benchmark
ID&JG	(ABN AMRO's) International Diamond & Jewellery Group
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IMA	Internal Models Approach
INSEAD	Institut Européen d'Administration des Affaires (European Institute of Business Administration)
IPO	Initial Public Offering

IRB	Internal Ratings-Based (Approach)
KPI	Key Performance Indicator
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LtD	Loan-to-Deposit (ratio)
LtMV	Loan-to-Market-Value
MCI	Maas Capital Investment B.V.
MiFID	(the EU's) Markets in Financial Instruments Directive
MiFIR	(the EU's) Markets in Financial Instruments Regulation
MtM	Mark-to-Market
MTN	Medium-term notes
NHG	Nationale Hypotheek Garantie (Dutch State-guaranteed mortgages)
NII	Net Interest Income
NLFI NL	Financial Investments (foundation)
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OOE	One Obligor Exposure
OTC	Over-The-Counter
PD	Probability of Default
PR&I	People, Regulations & Identity
RARORAC	Risk-Adjusted Return On Risk-Adjusted Capital
RBS	The Royal Bank of Scotland plc
REA	Risk exposure amount
RMBS	Residential Mortgage-Backed Securities
ROE	Return on Equity
RWA	Risk-Weighted Assets
SA	Standardised Approach
SEC	Securities and Exchange Commission
SGD	Singapore dollar
SMEs	Small and Medium-sized Enterprises
SMOS	Sustainability Management Operating System
SPE	Special Purpose Entity
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TLTRO	Targeted Long Term Refinancing Operations
TOPS	(ABN AMRO's) Technology, Operations & Property Services
UCR	Uniform Counterparty Rating
UNGP	United Nations Guiding Principles
USD	US dollar
VaR	Value-at-Risk
WSW	Waarborgfonds Sociale Woningbouw

Enquiries

ABN AMRO Investor Relations
investorrelations@nl.abnamro.com
+31 20 6282 282

ABN AMRO Press Office
pressrelations@nl.abnamro.com
+31 20 6288 900

ABN AMRO Group N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Mailing address
P.O. Box 283
1000 EA Amsterdam
The Netherlands

Internet
abnamro.com (corporate website in English)
abnamro.nl (client website in Dutch)
abnamro.nl/en (client website in English)
abnamro.com/corporatereporting

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

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Cautionary statements on forward-looking statements

ABN AMRO Bank has included in this Annual Report, and from time to time may make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "aim", "desire", "strive", probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO Bank's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO Bank's beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank's control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO Bank in particular;
- The effect on ABN AMRO Bank's capital of write-downs in respect of credit and other risk exposures;
- Risks relating to ABN AMRO's stock-exchange listing;
- Risks related to ABN AMRO Bank's corporate transactions (e.g. merger, separation and integration process);
- General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO Bank has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO Bank's performance, liquidity and financial position;
- Macroeconomic and geopolitical risks;
- Reductions in ABN AMRO Bank's credit ratings;
- Actions taken by the EC, governments and their agencies to support individual banks and the banking system;
- Monetary and interest rate policies of the ECB and G20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks and related market risk losses;
- Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- Changes in Dutch and foreign laws, regulations, policies and taxes;
- Changes in competition and pricing environments;
- Inability to hedge certain risks economically;
- Adequacy of loss reserves and impairment allowances;
- Technological changes;
- Changes in consumer spending, investment and saving habits;
- Effective capital and liquidity management;
- The success of ABN AMRO Bank in managing the risks involved in the foregoing.

The forward-looking statements made in this Annual Report are only applicable as from the date of publication of this document. ABN AMRO Bank does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO Bank does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO Bank may make in ABN AMRO Bank's interim reports.

abnamro.nl/corporatereporting/2016