ABN·AMRO

Quarterly Report

First quarter 2018

ABN AMRO Group N.V.

Table of contents

2
Introduction
Figures at a glance 2
Message from the CEO 3

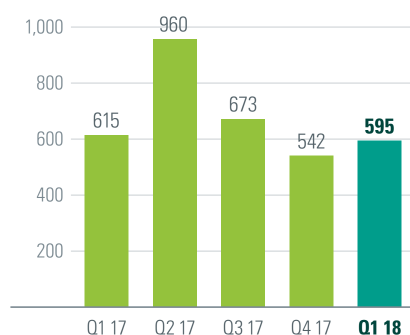
5
Business
Financial review 6
Results by segment 11
Additional financial information 21
Transition to IFRS 9 24

30
Risk, funding & capital information
Risk developments 31
Liquidity risk 39
Funding 40
Capital management 41

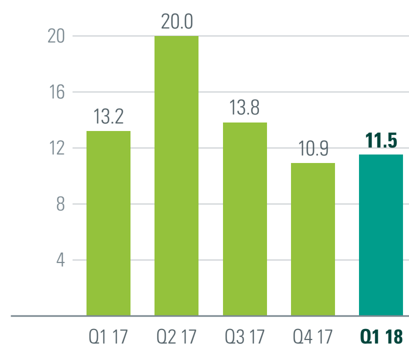
44
Other
ABN AMRO shares 45
Notes to the reader 46
Enquiries 47

Figures at a glance

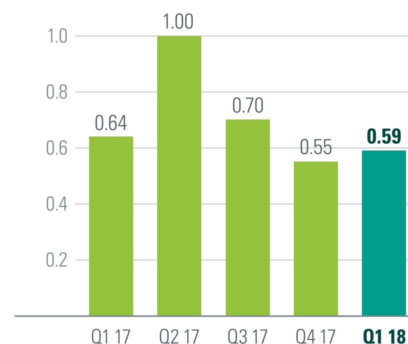
Net profit
(in millions)



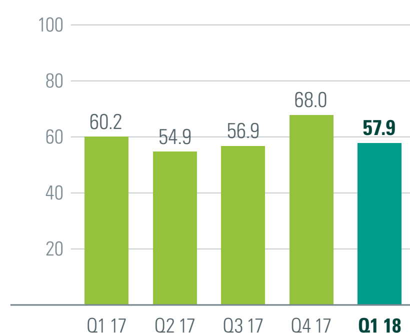
Return on equity
Target range is 10-13 (in %)



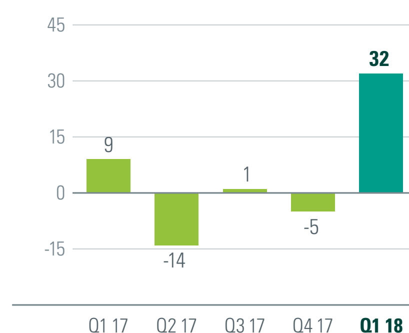
Earnings per share
(in EUR)



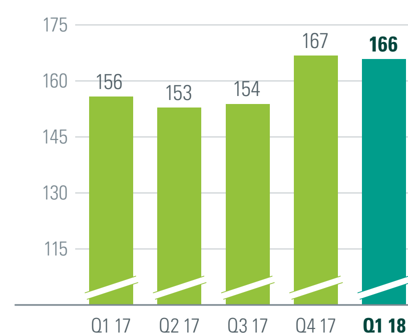
Cost/income ratio
2020 target range is 56-58 (in %)



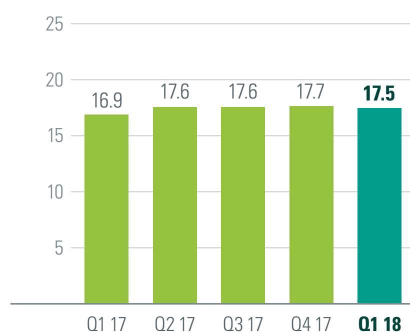
Cost of risk
(in bps)



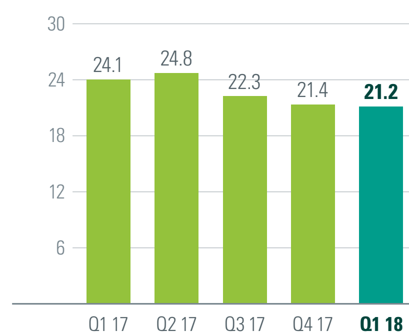
Net interest margin
(in bps)



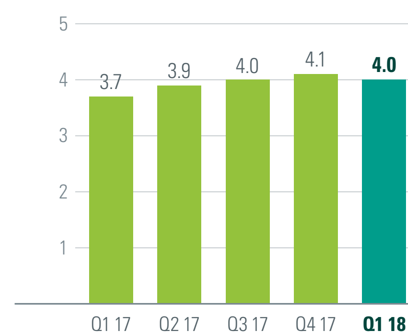
CET1 (fully-loaded)
(end-of-period, in %)
Target range is 17.5-18.5 (in %)



Total capital ratio (fully-loaded)[1]
(end-of-period, in %)



Leverage ratio (fully-loaded, CDR)[1]
(end-of-period, in %)



[1] As of Q3 2017, the total capital ratio and the leverage ratio include the AT1 instrument that was issued on 27 September 2017. The EBA interpretation on the minority interest rule, published on 3 November 2017, is also included as of Q3 2017.

Message from the CEO

In the past few years we have built a stable, well-capitalised and profitable bank with a transparent and relationship-driven business model and a moderate risk profile. At the end of 2016 we updated and extended our strategic priorities and financial targets towards 2020. The transition is progressing well and cost savings achieved have enabled us to make additional investments in digital, innovation and growth initiatives. In the past 18 months we have realised over half of the EUR 0.9 billion targeted cost savings and we are confident we will achieve the remainder by 2020.

We saw a solid start to the year with net profit coming to EUR 595 million, reflecting a strong increase in our operating result, offset by high impairments. Net interest income remains strong, benefiting from loan growth, especially in Commercial Banking and Corporate & Institutional Banking, and some incidentals. Our market share in new mortgage production was approximately 20% in Q1 2018. To maintain our profit margin in a highly competitive mortgage market, we recently slowed down new mortgage production. The underlying cost trend in Q1 continues to benefit from cost savings. Our workforce continued to decline, down 10% since 2015 (9% excluding divestments).

Impairments were high this quarter due to charges for specialised loans in a few specific sectors. Even though the oil price continued to recover this year, the recovery of some oil price-related clients is still fragile. Hence, impairment provisions for offshore service and offshore shipping clients were elevated this quarter. Impairments in these segments tend to have a lumpy character. In addition, we saw an increase in impairments for Diamonds & Jewellery and some Commercial Banking clients (predominantly healthcare). While we expect the circumstances in these segments to remain challenging for some time, we do not expect impairments to remain at similar levels for the remainder of the year. The cost/income ratio improved to 57.9% (Q1 2017: 60.2%). Return on equity decreased to 11.5% (Q1 2017: 13.2%). Our capital position remained strong with a fully loaded capital ratio of 17.5%, including the First Time Adoption impact of IFRS 9.

We are transforming different parts of the bank. In recent years, Private Banking has moved from a wider geographical footprint to a franchise with strong local brands in core countries in North-West Europe. The Asian activities have been divested and the sale of the Luxembourg private bank was announced in February in order to focus on scalable and profitable private banking activities. Private Banking is being transformed into one private bank through harmonisation and functional management to ensure future competitiveness, efficiency and financial performance. To improve client satisfaction and financial performance, several digitalisation and operational simplification programmes are being executed. By 2020, harmonised product and service propositions and platforms as well as standardised processes should drive cross-country scale and enable our strong North-West European private banking activities to grow.

Our IT transformation and digital innovation programmes are progressing well. We continue to execute the transformation plans of our core banking systems which we initiated in 2013. We are confident in our current approach where we continuously phase-in further modernisations and we do not intend to initiate a new core banking replacement.

Digitalisation is enabling structural improvements to customer journeys as well as internal processes, allowing us to better serve our clients and to improve operational efficiency. We aim to accelerate our efforts to improve client experience through continued rationalisation of products and the automation of processes. We want to provide our services when and where is most convenient for our clients, to empower them to make the best financial decisions. This is demonstrated by our video banking services: 35% of all our advisory meetings are already being conducted through video banking; for mortgages this is now over 60% of all meetings.

We are intensifying our cooperation with partners to accelerate innovation and to create new solutions for our clients. By combining ABN AMRO services with those of partners, we can deliver a broader value proposition in the form of ecosystems. This can be realised via our Developer Portal, through which we provide a growing number of APIs to external developers. For example, the portal enabled a major Dutch airline to use the Tikkie API to build a 'share the bill' functionality for people who buy airline tickets for their friends.

Our own digital services also increasingly reinforce each other, helping us to ensure a broad adoption among our existing clients, and increasingly also clients of other banks. Participation in ecosystems will become even more important for the financial sector once PSD II has been introduced. We are well positioned with our large client base and award-winning digital services (such as Tikkie, Grip and our mobile banking app).

Our Digital Impact Fund invested in solarisBank, a German fintech partner. The recently launched consumer lending proposition Tweadle, a new pilot for consumer finance distributed through third parties, was developed with Cloud Lending Solutions, one of the fund's investments. CB Insight, a fintech consultant, recently ranked ABN AMRO well within the top 10 most active European banks in fintech investing.

We continue to broaden our strategic commitment to sustainability. Our key focus areas are to make residential and commercial real estate in the Netherlands more sustainable by improving the average energy efficiency of our own and our clients' properties from label D to A (Mission 2030); to make sustainable investments the norm for our private banking clients by doubling the volume of sustainable client assets to EUR 16 billion by 2020; and the circular economy. We are also increasing our commitment to sustainability for corporate clients, for example leveraging our expertise in issuing green bonds, helping clients make real estate more sustainable and providing new financing models to support the transition to a circular economy. In March we financed the re-development of a former prison in Amsterdam into a sustainable hub with carbon-neutral and circular economy aspirations. The project is in keeping with our Mission 2030 ambitions. We aim to become the partner of choice for clients making a step change towards a circular business model. A circular economy is one where energy and raw materials are used with greater awareness and more efficiency. It is our goal to finance circular client loans totaling EUR 1 billion by 2020 through at least 100 circular financing deals in all sectors and to reduce total carbon emissions by at least one megatonne.

ABN AMRO advises banks as well as corporates on how to structure green bonds and arranges the issue of these bonds for investors. I am very proud that Environmental Finance, an online news and analysis service, awarded ABN AMRO the 'Green Bond Awards 2018 Lead Manager of the Year - category banks' for our consistent commitment to the green bond market. The award is an acknowledgement of our strong green bond services for clients in Northwest Europe, which includes working with a number of banks on their first green bond. We recently issued our own third green bond with a notional amount of EUR 750 million. There has also been keen client interest in the financial incentives built into sustainability-linked loans. We participated in Asia's first sustainability-linked club loan for one of the world's largest agri-commodities businesses. This landmark transaction will help educate more businesses on the opportunities in sustainability as well as encourage more local banks to participate in sustainability-linked club loans.

At the beginning of March, Christian Bornfeld joined the bank as Chief Innovation & Technology Officer. With the new leadership team now complete, we continue to move forward in achieving our strategic priorities and financial targets towards 2020.

Kees van Dijkhuizen
CEO of ABN AMRO Group N.V.

Business

6

Financial review

Results 6

Balance sheet 9

11

Results by segment

Retail Banking 11

Commercial Banking 13

Private Banking 15

Corporate & Institutional Banking 17

Group Functions 19

21

Additional financial information

24

Transition to IFRS 9

Financial review

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

Results

Highlights

- Net profit for the period amounted to EUR 595 million, down EUR 20 million year-on-year, due to higher impairments.
- Net interest income came to EUR 1,671 million, up by EUR 75 million, due to improved interest margins and volumes, and a one-off adjustment. The underlying trend shows net interest income has grown and fee income has decreased compared with Q1 2017.
- Operating expenses were flat as the PB Asia divestment was off-set by incidental costs. Underlying trend was a decline in costs as a result of cost-saving programmes, also reflected in fewer FTEs.
- Cost/income ratio improved by 2.3% points to 57.9%.
- High impairment charges, totalling EUR 208 million, as a result of impairment charges in specific sectors.

Operating results

(in millions)	Q1 2018	IAS 39 Q1 2017	Change	IAS 39 Q4 2017	Change
Net interest income	1,671	1,596	5%	1,696	-1%
Net fee and commission income	431	452	-5%	443	-3%
Other operating income	227	198	15%	290	-22%
Operating income	**2,329**	**2,246**	**4%**	**2,429**	**-4%**
Personnel expenses	629	632	0%	686	-8%
Other expenses	720	721	0%	966	-26%
Operating expenses	**1,348**	**1,353**	**0%**	**1,653**	**-18%**
Operating result	**981**	**893**	**10%**	**776**	**26%**
Impairment charges on loans and other advances	208	63		-34	
Operating profit/(loss) before taxation	**773**	**831**	**-7%**	**810**	**-5%**
Income tax expense	178	215	-17%	268	-34%
Profit/(loss) for the period	**595**	**615**	**-3%**	**542**	**10%**
Attributable to:					
Owners of the parent company	555	601	-8%	520	7%
Holders of AT1 capital securities	19	11	80%	21	-6%
Other non-controlling interests	21	4		1	

Incidentals

Release of penalty fees resulting from interest averaging (mortgages)

A change in the accounting policy for interest rate renewals of mortgages prior to the end of their interest period has led to a EUR 25 million release of penalty fees in net interest income. This concerns the amortisation over a shorter term of mortgage penalty fees for clients who opted for 'interest rate averaging'. Q4 2017 included a EUR 49 million release of upfront penalty fees for mortgage interest rate renewals.

Positive revaluation equensWorldline

Q1 2018 included a positive revaluation of EUR 46 million in other operating income relating to ABN AMRO's stake in equensWorldline.

Restructuring provisions

Q1 2018 includes an additional EUR 31 million restructuring provision for control and support activities and digitalisation and process optimisation, as well as a reduction in footprint and product offering of Global Markets. In Q1 2017 and Q4 2017, provisions were made in the amounts of EUR 12 million and EUR 98 million respectively.

Collective Labour Agreement (CLA)

The CLA for 2018 and 2019 entails a one-off payment of EUR 1,000 per employee (EUR 16 million) in Q1 2018 and a 2% wage increase in both years.

Other indicators

	Q1 2018	IAS 39 Q1 2017	IAS 39 Q4 2017
Net interest margin (NIM) (in bps)	166	156	167
Cost/income ratio	57.9%	60.2%	68.0%
Cost of risk (in bps)[1]	32	9	-5
Return on average Equity[2]	11.5%	13.2%	10.9%
Earnings per share (in EUR)[3]	0.59	0.64	0.55

[1] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
[2] Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average equity attributable to the owners of the company.
[3] Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.

	31 March 2018	IAS 39 31 December 2017
Client Assets (in billions)	314	316
FTEs	19,616	19,954

First-quarter 2018 results

ABN AMRO's **net profit** in Q1 2018 amounted to EUR 595 million (Q1 2017: EUR 615 million), a decrease of EUR 20 million. The return on equity (RoE) for Q1 2018 decreased by 1.7% points, coming to 11.5% (Q1 2017: 13.2%) as a result of an increase in shareholders' equity, higher non-controlling interests and the issuance of additional AT1 capital.

Net interest income increased by EUR 75 million to EUR 1,671 million (Q1 2017: EUR 1,596 million) and included a EUR 25 million release of penalty fees resulting from mortgage interest term renewals. Net interest income benefited from year-on-year volume and margin growth in corporate loans. In Q1 2018, Commercial Banking loans rose across all sectors, while loan growth of Corporate & Institutional Banking (CIB) was mainly attributable to the sectors financial institutions, food & retail and natural resources. Furthermore, interest-related fees increased. The bonus rate on part of the retail deposits was lowered by 15bps. The rate paid on most commercial deposits was nil in 2017 as well as in 2018. Compared with the previous quarter, net interest income was down EUR 25 million, mainly as a result of positive incidentals in Q4 2017.

The net interest margin (NIM) increased to 166bps in Q1 2018 (Q1 2017: 156bps) due to the drivers mentioned above.

Net fee and commission income decreased to EUR 431 million in Q1 2018 (Q1 2017: EUR 452 million). Excluding the PB Asia divestment, net fee and commission income came down by EUR 10 million: most segments showed a small decline. Compared with Q4 2017, net fee and commission income declined by EUR 12 million, mainly due to a reclassification of net interest income to fee and commission income in Commercial Banking in Q4 2017.

Other operating income increased by 15% to EUR 227 million in Q1 2018 (Q1 2017: EUR 198 million) and includes an amount of EUR 102 million for equity participations results (Q1 2017: EUR 25 million) and a EUR 46 million revaluation gain on the stake in equensWorldline. Also included are lower hedge-accounting related results (EUR 24 million versus EUR 50 million in Q1 2017) and CVA/DVA/FVA results (negative EUR 4 million versus EUR 23 million in Q1 2017). Compared with Q4 2017, other operating income was down EUR 63 million. The gain on the sale of Visa (EUR 114 million), higher CVA/DVA/FVA and more favourable hedge accounting in Q4 2017 was partly offset by higher Equity Participation results and a revaluation of the stake in equensWorldline in Q1 2018.

Personnel expenses amounted to EUR 629 million (Q1 2017: EUR 632 million), a EUR 3 million decrease. Excluding PB Asia, personnel expenses increased by EUR 17 million due to higher restructuring provisions (up EUR 19 million year-on-year) and a one-off CLA payment of EUR 16 million in Q1 2018. The underlying trend shows a decrease in personnel expenses as wage inflation was more than offset by declining FTE levels. Q1 2018 includes EUR 31 million (Q1 2017: EUR 12 million) for restructuring provisions.

FTEs declined by 1,765 FTEs to 19,616 FTEs in Q1 2018 (31 March 2017: 21,381 FTEs). The decrease was seen primarily at Group Functions, where there had been a reorganisation of control and support activities, and in Private Banking following the PB Asia divestment and a reorganisation. In 2017, FTEs were transferred from Group Functions to the commercial business segments as part of the transition to the agile way of working. The decrease in FTEs versus year-end 2017 (down 338 FTEs) was caused by reorganisations announced earlier in Retail and Commercial Banking (mainly asset-based finance).

Other expenses were flat at EUR 720 million (Q1 2017: EUR 721 million). The underlying trend, excluding incidentals and the Private Banking Asia divestment, shows that savings were offset by additional IT change costs to enable innovation. The quarter's regulatory levies were EUR 4 million higher at EUR 131 million (Q1 2017: EUR 127 million) and relate predominantly to the Single Resolution Fund and Deposit Guarantee Scheme. Full-year 2018 regulatory levies are expected to come to approximately EUR 325 million, higher than previously indicated, due to an increase in the Single Resolution Board contribution. Private Banking's cost base was lower due to the divestment of its activities in Asia. Excluding incidentals, other expenses came down by approximately EUR 80 million compared with Q4 2017, driven by higher expenses at year-end. Incidental costs in Q4 2017 included a EUR 89 million provision for project costs relating to SME derivative-related issues and ICS.

Impairment charges increased to EUR 208 million (Q1 2017: EUR 63 million) and resulted in an overall cost of risk of 32bps (Q1 2017: 9bps). In Q1 2018, impairment charges were recorded for a number of clients in a few sectors (Diamonds & Jewellery, Natural Resources and Global Transportation & Logistics, each sector about EUR 40-45 million) and to a lesser extent in Commercial Banking (predominantly healthcare). Impairment charges in Q4 2017 (a net release of EUR 34 million) had been positively affected by a model impact of EUR 31 million and a EUR 7 million net release of IBNI provisions.

Introduction Business Risk, funding & capital information Other

Balance sheet

Condensed consolidated statement of financial position

(in millions)	31 March 2018	IAS 39 31 December 2017
Cash and balances at central banks	25,484	29,783
Financial assets held for trading	1,708	1,600
Derivatives	9,075	9,825
Financial investments	42,896	40,964
Securities financing[1]	21,222	15,686
Loans and advances banks	9,900	10,665
Loans and advances customers	275,830	274,906
Other[1]	11,109	9,743
Total assets	**397,223**	**393,171**
Financial liabilities held for trading	996	1,082
Derivatives	7,784	8,367
Securities financing[1]	17,824	11,412
Due to banks	18,849	16,462
Due to customers	234,251	236,699
Issued debt	75,841	76,612
Subordinated liabilities	9,506	9,720
Other[1]	10,713	11,488
Total liabilities	**375,764**	**371,841**
Equity attributable to the owners of the parent company	19,432	19,303
AT1 capital securities	1,986	2,007
Equity attributable to other non-controlling interests	41	20
Total equity	**21,460**	**21,330**
Total liabilities and equity	**397,223**	**393,171**
Committed credit facilities	35,070	32,772
Guarantees and other commitments	16,033	16,165

[1] ABN AMRO classified all unsettled transactions as other assets and other liabilities, previously these were included in securities financing. This change does not result from IFRS 9 and comparative figures have been adjusted.

Main developments in total assets compared with 31 December 2017

Total assets increased by EUR 4.1 billion, totalling EUR 397.2 billion at 31 March 2018 (31 December 2017: EUR 393.2 billion). The increase was largely driven by higher securities financing volumes and higher financial investments, and was partly offset by lower cash and balances at central banks.

Cash and balances were EUR 4.3 billion lower, amounting to EUR 25.5 billion at 31 March 2018 (31 December 2017: EUR 29.8 billion) as cash was reinvested in financial investments.

Securities financing assets increased by EUR 5.5 billion to EUR 21.2 billion at 31 March 2018 (31 December 2017: EUR 15.7 billion) due to seasonal effects.

Loans and advances customers grew by EUR 0.9 billion to EUR 275.8 billion at 31 March 2018 (31 December 2017: EUR 274.9 billion). The table below shows the developments in client and professional loans.

Loans and advances customers

(in millions)	31 March 2018	IAS 39 31 December 2017
Residential mortgages	150,665	150,562
Consumer loans	12,334	12,426
Corporate loans to clients[1]	89,941	85,455
Of which: Commercial Banking	40,347	39,150
Of which: Corporate & Institutional Banking	42,146	38,814
Total client loans[2]	**252,940**	**248,443**
Loans to professional counterparties	15,624	16,258
Other loans[3]	6,520	8,966
Total Loans and advances customers[2]	**275,084**	**273,666**
Fair value adjustments from hedge accounting	3,444	3,700
Less: loan impairment allowance	2,698	2,460
Total Loans and advances customers	**275,830**	**274,906**

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

Total client loans went up by EUR 4.5 billion, totalling EUR 252.9 billion at 31 March 2018 (31 December 2017: EUR 248.3 billion). Corporate loans to clients increased by EUR 4.5 billion to EUR 89.9 billion at 31 March 2018 and included an amount of EUR 1.8 billion resulting from a reclassification of other loans to client loans at CIB (31 December 2017: EUR 1.6 billion). Growth at CIB was mainly recorded in financial institutions and food & retail and was partly offset by a EUR 0.7 billion negative impact of the US Dollar. Commercial Banking showed an increase in most sectors, totalling EUR 1.2 billion. Residential mortgages and consumer loans remained stable.

Main developments in total liabilities compared with 31 December 2017

Total liabilities increased by EUR 3.9 billion, totalling EUR 375.8 billion at 31 March 2018 (31 December 2017: EUR 371.8 billion). The increase was mainly attributable to larger volumes for securities financing and due to banks, partly offset by lower due to customers.

Securities financing liabilities increased by EUR 6.4 billion to EUR 17.8 billion at 31 March 2018 (31 December 2017: EUR 11.4 billion) due to seasonal effects.

Due to customers decreased by EUR 2.4 billion to EUR 234.3 billion at 31 March 2018 (31 December 2017: EUR 236.7 billion), reflecting lower client funds across most commercial segments.

Total equity increased by EUR 0.1 billion to EUR 21.5 billion at 31 March 2018 (31 December 2017: EUR 21.3 billion) resulting from the profit reported in Q1 2018 and partly offset by the IFRS 9 First Time Adoption impact. Please refer also to the IFRS 9 transition paragraph.

Results by segment

This section includes a discussion and analysis of the financial results of ABN AMRO Group at segment level for Q1 2018 compared with Q1 2017. A large part of the interest expenses and operating expenses incurred by Group Functions have been allocated to the business lines through net interest income and other expenses.

Retail Banking

Financial highlights

- Net profit decline of EUR 23 million to EUR 303 million, mainly due to lower income driven by several items, including the transfer of clients to Private Banking.
- Flat loan portfolio in a competitive market.

Business developments

In a market with increased competition for mortgages with long fixed-rate interest periods, ABN AMRO's market share for new mortgage production was around 20% in Q1 2018. This is in line with the bank's market share in the overall mortgage market: recently some market share was forgone in order to protect the profitability of the mortgage book. The NPS for the Tikkie app, which grew its number of users from 2 million to 3 million in one quarter, is very high (+74). Since 59% of retail sales and services are now conducted online, we reduced the number of branches to 179 by the end of March 2018.

Operating results

		IAS 39		IAS 39	
(in millions)	Q1 2018	Q1 2017	Change	Q4 2017	Change
Net interest income	855	866	-1%	835	2%
Net fee and commission income	100	105	-5%	99	1%
Other operating income	5	4	13%	126	-96%
Operating income	**960**	**976**	**-2%**	**1,060**	**-9%**
Personnel expenses	123	111	10%	143	-14%
Other expenses	428	432	-1%	451	-5%
Operating expenses	**551**	**543**	**1%**	**594**	**-7%**
Operating result	**409**	**432**	**-5%**	**466**	**-12%**
Impairment charges on loans and other advances	4	-4		-20	
Operating profit/(loss) before taxation	**405**	**436**	**-7%**	**486**	**-17%**
Income tax expense	102	110	-8%	132	-23%
Profit/(loss) for the period	**303**	**326**	**-7%**	**355**	**-15%**

Other indicators

	Q1 2018	IAS 39 Q1 2017	IAS 39 Q4 2017
Cost/income ratio	57.4%	55.7%	56.0%
Cost of risk (in bps)[1]	1	-1	-5

[1] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

	31 March 2018	IAS 39 31 December 2017
Loan-to-Deposit ratio	154%	153%
Loans and advances customers (in billions)	157.1	157.2
Of which Client loans (in billions)[1]	157.6	157.6
Due to customers (in billions)	101.9	102.8
Risk-weighted assets (risk exposure amount; in billions)	27.8	28.7
FTEs	5,139	5,192
Total Client Assets (in billions)	113.9	115.1
Of which Cash	101.9	102.8
Of which Securities	12.0	12.3

[1] Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income decreased by EUR 11 million, totalling EUR 855 million in Q1 2018 (Q1 2017: EUR 866 million). The decrease was triggered by several items, including a transfer of clients to Private Banking. The underlying trend shows stable mortgage and deposit interest income. Interest income from consumer loans decreased compared with Q1 2017 as average volumes and margins were lower year-on-year. New mortgage production in Q1 2018 was EUR 4.0 billion, a decrease of 23% (Q1 2017: EUR 5.2 billion) as the market for new mortages declined on the back of fewer houses for sale.

Net fee and commission income declined by EUR 5 million to EUR 100 million in Q1 2018 (Q1 2017: EUR 105 million) mainly due to the transfer of clients to Private Banking and lower payment and insurance fees.

Personnel expenses grew by EUR 12 million to EUR 123 million in Q1 2018 (Q1 2017: EUR 111 million) mainly due to the new CLA (EUR 7 million including a EUR 5 million one-off) and the transfer of staff from Group Functions to Retail Banking in Q2 2017. The number of FTEs declined to 5,139 FTEs (31 March 2017: 5,240 FTEs) following a further reduction in the number of branches and digitalisation.

Other expenses declined by EUR 4 million, totalling EUR 428 million in Q1 2018 (Q1 2017: EUR 432 million), and included regulatory levies of EUR 56 million in Q1 2018 (Q1 2017: EUR 53 million). The decrease in other expenses was mainly attributable to a decrease in costs allocated by Group Functions as a result of their cost-saving programmes.

Impairment charges increased by EUR 8 million to EUR 4 million in Q1 2018. Q1 2017 impairments showed a net release due to IBNI releases.

Client loans were flat compared to year-end 2017 at EUR 157.6 billion. **RWA** decreased by EUR 0.9 billion to EUR 27.8 billion on 31 March 2018 (31 December 2017: EUR 28.7 billion) due to improved collateral values within the mortgage book.

The financial results of small business clients, which were part of Retail Banking, will be included in Commercial Banking as from 1 April 2018, following a transfer earlier this year. The FY 2017 revenues were EUR 274 million (mainly net interest income), operating expenses were EUR 103 million, and profit for the period was EUR 127 million. Client loans were approximately EUR 1 billion and deposits approximately EUR 8.5 billion. Historical figures will be restated as of Q2 2018.

Commercial Banking

Financial highlights

- Net profit was EUR 109 million, a decrease of EUR 23 million compared with Q1 2017, caused by higher impairments.
- Operating result increased by 11% year-on-year and the cost/income ratio improved to 54.2%.
- Loan portfolio increased by EUR 1.2 billion.

Business developments

The continued growth of the Dutch economy resulted in loan growth in all sectors, leading to a 3% increase of the Commercial Banking loan portfolio in the first quarter. The Tikkie app is now well embraced by Dutch companies and charities. In Q1 2018, Commercial Banking financed the re-development of a former prison in Amsterdam into a sustainable hub with carbon-neutral and circular economy aspirations. The project is in keeping with our Mission 2030 ambitions.

Operating results

		IAS 39		IAS 39	
(in millions)	Q1 2018	Q1 2017	Change	Q4 2017	Change
Net interest income	353	335	5%	394	-10%
Net fee and commission income	47	47	-1%	60	-22%
Other operating income	9	11	-13%	24	-60%
Operating income	**409**	**393**	**4%**	**477**	**-14%**
Personnel expenses	77	73	5%	91	-16%
Other expenses	145	151	-4%	161	-10%
Operating expenses	**222**	**224**	**-1%**	**252**	**-12%**
Operating result	**187**	**169**	**11%**	**225**	**-17%**
Impairment charges on loans and other advances	44	-8		-61	
Operating profit/(loss) before taxation	**143**	**176**	**-19%**	**286**	**-50%**
Income tax expense	34	44	-22%	74	-54%
Reported profit/(loss) for the period	**109**	**132**	**-18%**	**212**	**-49%**

Other indicators

		IAS 39	IAS 39
	Q1 2018	Q1 2017	Q4 2017
Cost/income ratio	54.2%	57.0%	52.8%
Cost of risk (in bps)[1]	50	-8	-61

[1] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

		IAS 39
	31 March 2018	31 December 2017
Loan-to-Deposit ratio	112%	110%
Loans and advances customers (in billions)	40.3	39.2
Of which Client loans (in billions)[1]	40.8	39.6
Due to customers (in billions)	35.8	35.7
Risk-weighted assets (risk exposure amount; in billions)	24.6	23.8
FTEs	2,594	2,773

[1] Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income increased by EUR 18 million to EUR 353 million in Q1 2018 (Q1 2017: EUR 335 million), as a result of higher loan volumes across all sectors and higher interest-related fees. Net interest income benefited from continued growth in client lending (+5% vs Q1 2017 and +3% vs Q4 2017) and higher margins. Deposit volumes rose compared with Q1 2017. Net interest income decreased by EUR 41 million compared with the previous quarter, as Q4 2017 included positive incidentals relating to a full-year TLTRO funding benefit (EUR 17 million) and the release of unearned interest (EUR 37 million). Client volumes and interest-related fees were higher than in the previous quarter.

Net fees and commission income remained stable year-on-year. Compared with last quarter, net fees and commission income declined by EUR 13 million, mainly as Q4 2017 included a reclassification.

Other operating income decreased by EUR 2 million to EUR 9 million in Q1 2018 (Q1 2017: EUR 11 million) and was driven by recurring operating lease income in Asset Based Finance and the revaluation of an equity stake. Other operating income in Q4 2017 (EUR 24 million) included a EUR 15 million revaluation of an equity stake.

Personnel expenses increased by EUR 4 million to EUR 77 million in Q1 2018 (Q1 2017: EUR 73 million), driven by a one-off CLA impact in Q1 2018. The number of FTEs decreased by 152 compared with Q1 2017 as a result of cost-saving programmes, and was partly offset by FTE transfers from Group Functions and additional FTEs for special projects. The impact of wage inflation year-on-year was offset by net FTE savings. Compared with the previous quarter, personnel expenses came down by EUR 14 million as Q4 2017 included a EUR 12 million restructuring provision for Asset Based Finance.

Other expenses come down by EUR 6 million to EUR 145 million in Q1 2018 (Q1 2017: EUR 151 million) due to savings on external staff and lower cost allocations by Group Functions. Compared with the previous quarter, other expenses decreased by EUR 16 million since Q4 2017 included higher expenses at year end.

Impairment charges increased to EUR 44 million in Q1 2018 (Q1 2017: release of EUR 8 million). Impairments in Q1 2018 were mainly recorded in the healthcare sector. Impairment charges in Q4 2017 (EUR 61 million release) benefited from a EUR 29 million favourable impact of a model update and releases on specific provisions.

Client loans increased by EUR 1.2 billion in the first quarter of 2018, reaching EUR 40.8 billion at 31 March 2018, and by EUR 1.7 billion compared with 31 March 2017, reflecting steady growth across all sectors. **RWA** amounted to EUR 24.6 billion at 31 March 2018 (31 December 2017: EUR 23.8 billion), driven by volume growth.

Private Banking

Financial highlights

- Net profit increased by EUR 13 million to EUR 66 million, despite the sale of PB Asia.
- Cost/income ratio was 72.0%; an 8.4% point improvement resulting from lower expenses.

Business developments

In recent years, Private Banking has moved from a wider geographical footprint to a franchise with strong local brands in core countries in North-West Europe. The Asian activities have been divested and the sale of the Luxembourg private bank was announced in February 2018 in order to focus on scalable and profitable private banking activities. Private Banking is being transformed into one private bank through harmonisation and functional management to ensure future competitiveness, efficiency and financial performance. To improve client satisfaction and financial performance, several digitalisation and operational simplification programmes are being executed. By 2020, harmonised product and service propositions and platforms as well as standardised processes should drive cross-country scale and enable our strong North-West European private banking activities to grow.

Operating results

		IAS 39		IAS 39	
(in millions)	Q1 2018	Q1 2017	Change	Q4 2017	Change
Net interest income	185	164	12%	166	11%
Net fee and commission income	137	152	-10%	143	-4%
Other operating income	12	18	-33%	20	-40%
Operating income	**333**	**334**	**0%**	**328**	**2%**
Personnel expenses	102	125	-18%	100	2%
Other expenses	138	144	-4%	187	-26%
Operating expenses	**240**	**269**	**-11%**	**287**	**-17%**
Operating result	**94**	**65**	**43%**	**41**	**129%**
Impairment charges on loans and other advances	5	-4		4	23%
Operating profit/(loss) before taxation	**88**	**69**	**28%**	**37**	**141%**
Income tax expense	23	16	46%	6	
Profit/(loss) for the period	**66**	**53**	**23%**	**30**	**116%**

Other indicators

		IAS 39	IAS 39
	Q1 2018	Q1 2017	Q4 2017
Cost/income ratio	72.0%	80.4%	87.6%
Cost of risk (in bps)[1]	20	-12	13

[1] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

		IAS 39
	31 March 2018	31 December 2017
Loan-to-Deposit ratio	19%	19%
Loans and advances customers (in billions)	12.2	12.2
Of which Client loans (in billions)[1]	12.3	12.4
Due to customers (in billions)	63.5	65.0
Risk-weighted assets (risk exposure amount; in billions)	9.3	9.4
FTEs	3,104	3,240

[1] Gross carrying amount excluding fair value adjustment from hedge accounting.

Client assets

(in billions)	Q1 2018	Q4 2017
Opening balance Client Assets	**200.6**	**197.1**
Net new assets	3.6	1.7
Market performance	-4.2	1.8
Closing Balance Client Assets	**200.1**	**200.6**
	31 March 2018	31 December 2017
Breakdown by type		
Cash	65.9	67.2
Securities	134.2	133.4
-of which Custody	39.2	36.7
Total	**200.1**	**200.6**
Breakdown by geography		
The Netherlands	55%	55%
Rest of Europe	45%	45%
Rest of the world	0%	0%

Net interest income increased by EUR 21 million in Q1 2018, totalling EUR 185 million (Q1 2017: EUR 164 million). Excluding the PB Asia divestment, net interest income rose by EUR 36 million on the back of increased deposit volumes. The increase in Assets under Management benefited from a migration of clients from Retail Banking (EUR 4 billion since the end of Q1 2017). Margins and volumes on (domestic) loans increased year-on-year. Net interest income went up by EUR 19 million compared with Q4 2017, partly as Q4 2017 included a EUR 10 million provision for a Euribor claim.

Excluding PB Asia, **net fee and commission** income declined by EUR 4 million, driven by declining stock market sentiment impacting the level of client transactions and related commissions.

Other operating income - excluding PB Asia - decreased by EUR 3 million to EUR 12 million in Q1 2018 (Q1 2017: EUR 15 million).

Client assets decreased by EUR 0.5 billion in Q1 2018 to EUR 200.1 billion (Q4 2017: EUR 200.6 billion). **Net new assets** amounted to EUR 3.6 billion at 31 March 2018 (Q4 2017: EUR 1.7 billion) on the back of new custody assets and transfers from Retail Banking (EUR 0.5 billion compared with Q4 2017). This was more than offset by market performance.

Personnel expenses decreased by EUR 23 million in Q1 2018 to EUR 102 million (Q1 2017: EUR 125 million). Excluding the impact of the divestment of PB Asia (EUR 20 million), EUR 7 million of savings were realised through FTE reductions. This was partly offset by wage inflation, a one-off CLA impact, FTE transfers from Group Functions and costs incurred for investments in innovation. Compared with 31 March 2017, the number of FTEs was reduced by 708 (of which 541 due to sale of PB Asia).

Other expenses amounted to EUR 138 million in Q1 2018. The EUR 6 million decline (Q1 2017: EUR 144 million) was the result of the PB Asia divestment. Excluding PB Asia, other expenses were EUR 3 million higher due to higher cost allocations from Group Functions.

Impairment charges increased by EUR 9 million to EUR 5 million in Q1 2018 (Q1 2017: release of EUR 4 million).

Corporate & Institutional Banking

Financial highlights

- Profit for the period decreased by EUR 14 million due to high loan impairments.
- Net interest income benefited from loan growth; other operating income benefited from high equity participations income.
- Cost/income rate was 56.6%, an improvement of 3.5% points.
- Impairment charges amounted to EUR 152 million due to a number of impairments in global sectors.

Business developments

The initiatives to pursue selective growth resulted in continued loan growth. Furthermore, CIB is bringing more geographical, client and product focus into its activities. For instance, the activities in Dubai will be wound down or transferred to other locations because of the limited scale. And Global Markets will rationalise its product offering and footprint. Environmental Finance, an online news and analysis service, awarded ABN AMRO the 'Green Bond Awards 2018 Lead Manager of the Year - category banks' for our consistent commitment to the green bond market.

Operating results

		IAS 39		IAS 39	
(in millions)	Q1 2018	Q1 2017	Change	Q4 2017	Change
Net interest income	265	231	15%	286	-7%
Net fee and commission income	137	143	-4%	132	4%
Other operating income	126	103	23%	57	121%
Operating income	**528**	**477**	**11%**	**476**	**11%**
Personnel expenses	118	107	10%	120	-2%
Other expenses	181	180	1%	300	-40%
Operating expenses	**299**	**287**	**4%**	**419**	**-29%**
Operating result	**229**	**190**	**21%**	**56**	
Impairment charges on loans and other advances	152	77	96%	41	
Operating profit/(loss) before taxation	**77**	**113**	**-32%**	**15**	
Income tax expense	3	25	-87%	41	-92%
Profit/(loss) for the period	**74**	**88**	**-16%**	**-26**	

Other indicators

		IAS 39	IAS 39
	Q1 2018	Q1 2017	Q4 2017
Cost/income ratio	56.6%	60.1%	88.2%
Cost of risk (in bps)[1]	105	52	28

[1] Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.

		IAS 39
	31 March 2018	31 December 2017
Loan-to-Deposit ratio	191%	173%
Loans and advances customers (in billions)	60.0	59.7
Of which Client loans (in billions)[1]	42.2	38.9
Due to customers (in billions)	28.8	30.3
Risk-weighted assets (risk exposure amount; in billions)	38.8	37.7
FTEs	2,594	2,542

[1] Gross carrying amount excluding fair value adjustment from hedge accounting.

Net interest income grew by EUR 34 million to EUR 265 million in Q1 2018 (Q1 2017: EUR 231 million) on the back of client lending. CIB realised higher interest-related fees and volume growth. Compared with Q1 2017, a EUR 4 billion increase of corporate loans was off-set by the negative currency impact of the US Dollar, whereas margins increased slightly year-on-year. Deposit income improved compared with Q1 2017 as volumes were higher. Net interest income declined by EUR 21 million compared with Q4 2017, as Q4 2017 included EUR 34 million of unearned interest releases.

Net fee and commission income declined by EUR 6 million, totalling EUR 137 million in Q1 2018 (Q1 2017: EUR 143 million), mainly as a result of lower client lending volumes. Compared with Q4 2017, net fee and commission increased by EUR 5 million as a result of higher clearing fees this quarter.

Other operating income increased by EUR 23 million to EUR 126 million in Q1 2018 (Q1 2017: EUR 103 million) and included EUR 102 million of Equity Participations results (Q1 2017: EUR 25 million). This was partly offset by lower CVA/DVA/FVA results (negative EUR 4 million compared with EUR 23 million in Q1 2017) and lower results for Markets. Compared with Q4 2017, other operating income increased by EUR 69 million due to higher results on Equity Participations (Q1 2017: EUR 8 million), which were partly offset by lower CVA/DVA/FVA.

Personnel expenses increased by EUR 11 million to EUR 118 million in Q1 2018 (Q1 2017: EUR 107 million) due to a EUR 7 million restructuring provision for Global Markets, wage inflation and a rise in the number of FTEs. Compared with Q1 2017, the number of FTEs grew by 194 due to growth initiatives and transfers from Group Functions.

Other expenses remained almost flat in Q1 2018 compared with Q1 2017. A EUR 3 million rise in levies was offset by a decline in other expenses. Other expenses in Q4 2017 amounted to EUR 300 million and included EUR 104 million for incidentals, mainly regarding the costs of handling SME derivative-related issues.

Impairment charges amounted to EUR 152 million, an increase of EUR 75 million in Q1 2018 (Q1 2017 EUR 77 million), mainly as a result of a several impairment charges in the Diamonds & Jewellery, off-shore services and offshore shipping sectors (around EUR 40-45 million per sector).

Client loans were at EUR 42.2 billion on 31 March 2018. The increase of EUR 3.3 billion compared with 31 December 2017 (EUR 38.9 billion) was attributable to EUR 1.8 billion reclassification from professional loans to client loans and higher client volumes mainly in the financial institutions and food & retail sectors. The increase was partly offset by a EUR 0.7 billion negative impact of the US Dollar. **RWA** increased by EUR 1.1 billion compared with year-end 2017, amounting to EUR 38.8 billion on 31 March 2018 (31 December 2017: EUR 37.7 billion). The increase in credit risk is driven by higher volumes and a deterioration of credit quality.

The former ECT (Energy, Commodities, Transportation) subsegment was integrated into the new organisation structure, in the following sub-portfolios (for more details see cost of risk in the Risk development chapter):

- Global Transportation & Logistics, representing EUR 9.6 billion in client lending (including Transportation activities)
- Natural Resources, representing EUR 7.2 billion in client lending (including Energy activities)
- Trade & Commodity Finance, representing EUR 11.7 billion in client lending (including Commodity financing activities)

In addition, Corporate & Institutional Banking also includes TMT, Industries & Real estate, Food & Retail, Global Markets, Clearing, Diamonds & Jewellery Clients, Financial Institutions and Equity Participations.

Group Functions

Financial highlights

- Net profit amounted to EUR 44 million, benefiting from a EUR 46 million revaluation of equensWorldline.
- Net interest income benefited from the release of penalty fees (EUR 25 million catch-up).
- Substantial FTE reductions year-on-year resulting from savings and transfers to commercial segments.

Business developments

Our IT transformation and digital innovation programmes are progressing well. We continue to execute the transformation plans of our core banking systems which we initiated in 2013. We are confident in our current approach where we continuously phase-in further modernisations and we do not intend to initiate a larger core banking replacement. Digitalisation is enabling structural improvements to customer journeys as well as internal processes, allowing us to better serve our clients and to improve operational efficiency. We aim to accelerate our efforts to improve client experience through continued rationalisation of products and the automation of processes. We want to provide our services when and where is most convenient for our clients, to empower them to make the best financial decisions through videobanking.

Operating results

		IAS 39		IAS 39	
(in millions)	Q1 2018	Q1 2017	Change	Q4 2017	Change
Net interest income	13	-1		16	-16%
Net fee and commission income	10	5	98%	9	12%
Other operating income	74	62	20%	62	19%
Operating income	**98**	**66**	**48%**	**88**	**12%**
Personnel expenses	210	216	-3%	233	-10%
Other expenses	-173	-186	7%	-133	-30%
Operating expenses	**37**	**30**	**24%**	**100**	**-63%**
Operating result	**62**	**36**	**69%**	**-12**	
Impairment charges on loans and other advances	2			1	57%
Operating profit/(loss) before taxation	**60**	**36**	**64%**	**-13**	
Income tax expense	16	21	-25%	15	4%
Profit/(loss) for the period	**44**	**16**		**-29**	

Other indicators

		IAS 39
	31 March 2018	31 December 2017
Securities financing - assets (in billions)	18.0	13.0
Loans and advances customers (in billions)	6.2	6.6
Securities financing - liabilities (in billions)[1]	17.1	10.8
Due to customers (in billions)	4.2	2.9
Risk-weighted assets (risk exposure amount; in billions)	7.3	6.5
FTEs	6,185	6,206

[1] ABN AMRO classified all unsettled transactions as other assets and other liabilities, previously these were included in securities financing. This change does not result from IFRS 9 and comparative figures have been adjusted.

Net interest income grew by EUR 14 million to EUR 13 million in Q1 2018 (Q1 2017: EUR -1 million). This quarter included a EUR 25 million release of mortgage penalty fees relating to clients who opted for 'interest rate averaging'. This is recorded in Group Functions as it compensates for the funding raised by ALM/Treasury and was partly offset by a lower interest mismatch result this quarter. Q4 2017 included EUR 49 million for the positive catch-up impact of mortgage penalty fees.

Net fee and commission income increased by EUR 5 million to EUR 10 million (Q1 2017: EUR 5 million).

Other operating income rose by EUR 12 million to EUR 74 million in Q1 2018 (Q1 2017: EUR 62 million). This quarter included EUR 46 million for the revaluation result of our stake in equensWorldline. Results on financial transactions declined by EUR 27 million compared with Q1 2017 (EUR 50 million). Compared with Q4 2017, other operating income decreased by EUR 12 million on the same drivers.

Personnel expenses declined by EUR 6 million to EUR 210 million in Q1 2018 (Q1 2017: EUR 216 million), despite EUR 12 million higher restructuring costs in Q1 2018 (EUR 24 million). The underlying trend shows personnel expenses are decreasing as substantial FTE savings were realised and FTEs were transferred to commercial segments.

Other expenses went up by EUR 13 million, arriving at negative EUR 173 million in Q1 2018 (Q1 2017: negative EUR 186 million) since fewer costs were allocated to the commercial business segments. Expenses incurred directly by Group Functions decreased due to savings realised through cost-saving programmes and cost control.

RWA amounted to EUR 7.3 billion on 31 March 2018 (31 December 2017: 6.5 billion). The increase is mainly attributable to portfolio movements in Treasury.

Additional financial information

Selected financial information

Condensed Consolidated income statement

(in millions)	Q1 2018	IAS 39 Q1 2017	IAS 39 Q4 2017
Income			
Interest income	3,108	3,154	3,169
Interest expense	1,437	1,558	1,472
Net interest income	**1,671**	**1,596**	**1,696**
Fee and commission income	822	809	790
Fee and commission expense	390	356	347
Net fee and commission income	**431**	**452**	**443**
Net trading income	37	99	65
Share of result in equity accounted investments	5	8	4
Other income	185	91	222
Operating income	**2,329**	**2,246**	**2,429**
Expenses			
Personnel expenses	629	632	686
General and administrative expenses	678	678	862
Depreciation and amortisation of tangible and intangible assets	42	43	104
Operating expenses	**1,348**	**1,353**	**1,653**
Impairment charges on loans and other advances	208	63	-34
Total expenses	**1,556**	**1,415**	**1,619**
Operating profit/(loss) before taxation	**773**	**831**	**810**
Income tax expense	178	215	268
Profit/(loss) for the period	**595**	**615**	**542**
Attributable to:			
Owners of the parent company	555	601	520
AT1 capital securities	19	11	21
Other non-controlling interests	21	4	1

Condensed Consolidated statement of comprehensive income

(in millions)	Q1 2018	IAS 39 Q1 2017	IAS 39 Q4 2017
Profit/(loss) for the period	**595**	**615**	**542**
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit plans			-12
(Un)realised gains/(losses) on Liability own credit risk	4		
Items that will not be reclassified to the income statement before taxation	**4**		**-12**
Income tax relating to items that will not be reclassified to the income statement			-3
Items that will not be reclassified to the income statement after taxation	**4**		**-9**
Items that may be reclassified to the income statement			
(Un)realised gains/(losses) currency translation	-27	-9	-36
(Un)realised gains/(losses) available-for-sale		-87	-119
(Un)realised gains/(losses) fair value through OCI	-28		
(Un)realised gains/(losses) cash flow hedge	-75	-68	-99
Share of other comprehensive income of associates	-3		29
Other comprehensive income for the period before taxation	**-132**	**-164**	**-225**
Income tax relating to items that may be reclassified to the income statement	-22	-40	-56
Other comprehensive income for the period after taxation	**-110**	**-124**	**-169**
Total comprehensive income/(expense) for the period after taxation	**489**	**491**	**364**
Attributable to:			
Owners of the parent company	449	476	343
Holders of AT1 capital securities	19	11	21
Other non-controlling interests	21	4	1

Condensed Consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other comprehensive income	Net profit/(loss) attributable to owners of the parent company	Total	AT1 capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2017 (IAS 39)	**940**	**12,970**	**2,265**	**-9**	**1,762**	**17,928**	**1,004**	**5**	**18,937**
Total comprehensive income				-124	601	476	11	4	491
Transfer			1,762		-1,762				
Dividend								-3	-3
Increase/(decrease) of capital									
Paid interest on AT1 capital securities							-22		-22
Other changes in equity									
Balance at 31 March 2017 (IAS 39)	**940**	**12,970**	**4,027**	**-133**	**601**	**18,404**	**993**	**6**	**19,404**
Balance at 31 December 2017 (IAS 39)	**940**	**12,970**	**3,004**	**-331**	**2,721**	**19,303**	**2,007**	**20**	**21,330**
Impact of adopting IFRS 9			-215	-104		-319			-319
Balance at 1 January 2018	**940**	**12,970**	**2,789**	**-435**	**2,721**	**18,984**	**2,007**	**20**	**21,011**
Total comprehensive income				-106	555	449	19	21	489
Transfer			2,721		-2,721				
Dividend									
Increase/(decrease) of capital									
Paid interest on AT1 capital securities							-38		-38
Other changes in equity							-2		-2
Balance at 31 March 2018	**940**	**12,970**	**5,509**	**-542**	**555**	**19,432**	**1,986**	**41**	**21,460**

Specification of accumulated other comprehensive income is as follows:

(in millions)	Remeasurements on post-retirement benefit plans	Currency translation reserve	Available-for-sale reserve	Fair value reserve	Cash flow hedge reserve	Accumulated share of OCI of associates and joint ventures	Liability own credit risk reserve	Total
Balance at 1 Januari 2017 (IAS 39)	**-13**	**166**	**557**		**-843**	**124**		**-9**
Net gains/(losses) arising during the period		-9	-87		-123			-219
Less: Net realised gains/(losses) included in income statement					-55			-55
Net gains/(losses) in equity		-9	-87		-68			-164
Related income tax			-23		-17			-40
Balance at 31 March 2017 (IAS 39)	**-13**	**157**	**493**		**-894**	**124**		**-133**
Balance at 31 December 2017 (IAS 39)	**-21**	**-32**	**490**		**-919**	**152**		**-331**
Impact of adopting IFRS 9			-490	450			-64	-104
Balance at 1 January 2018	**-21**	**-33**		**450**	**-919**	**152**	**-64**	**-435**
Net gains/(losses) arising during the period		-27		-28	-75	-3	4	-129
Less: Net realised gains/(losses) included in income statement								
Net gains/(losses) in equity		**-27**		**-28**	**-75**	**-3**	**4**	**-129**
Related income tax		1		-6	-19		1	-22
Balance at 31 March 2018	**-21**	**-61**		**429**	**-975**	**149**	**-61**	**-542**

Transition to IFRS 9

This chapter sets out the changes in accounting policies resulting from the transition to IFRS 9 and the impact on the consolidated statement of financial position at transition date, 1 January 2018. The impact is the result of specific changes following from new classification and measurement requirements, combined with an increase in the allowances for credit losses following from the new impairment requirements.

Summary of transition from IAS 39 to IFRS 9

The transition to IFRS 9 resulted in the following changes at 1 January 2018:

- Total equity decreased by EUR 319 million (net of tax), of which EUR 166 million related to the impact of classification and measurement and EUR 153 million to Expected Credit Loss (ECL) remeasurement.
- The decrease in Common Equity Tier 1 (CET1) ratio was 12bps (compared with approximately 15bps as previously estimated).
- The impact of classification and measurement was EUR 223 million before tax (compared with the previous estimation of approximately EUR 200 million before tax).
- ECL remeasurement has lead to a EUR 205 million increase of allowances for credit losses before tax (compared with previous approximately EUR 200 million before tax), of which EUR 144 million relates to ECL remeasurement of on-balance sheet allowances.
- The tax effect recognised in other assets was EUR 108 million.

Changes in accounting policies

Classification and measurement

Under IFRS 9, the classification and measurement (C&M) of financial assets is determined by the business model under which the assets are held and whether the contractual cash flows are solely payments of principal and interest (SPPI). Financial assets can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). This classification replaces the IAS 39 categories loans and receivables (L&R), available for sale (AFS), FVTPL, and held-to-maturity.

Impairments

IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss (ECL) model', which is designed to be forward-looking. The IFRS 9 impairment requirements apply to financial assets measured at amortised cost or FVOCI and certain off-balance sheet items such as irrevocable loan commitments and financial guarantees. These financial instruments are divided into three groups, depending on the stage of credit risk deterioration:

- Financial instruments without a significant increase in credit risk (stage 1): the portion of the lifetime expected credit losses associated with default events occurring in the next twelve months is recognised. Interest revenue is recognised based on the gross carrying amount;
- Financial instruments with significantly increased credit risk (stage 2): lifetime expected credit loss is recognised. Interest revenue is recognised based on the gross carrying amount;
- Credit-impaired financial instruments (stage 3): these financial instruments are defaulted and consequently a lifetime expected credit loss is recognised. Interest revenue is recognised based on the amortised cost.

The key metrics that determine when a financial asset is transferred from stage 1 to stage 2 are the deterioration of the lifetime probability of default (LPD) from the date of origination to the reporting date, forbearance on a financial obligation and the watch status of a borrower. The LPD depends on drivers such as characteristics of the financial asset, the financial condition of the borrower, the number of days past due, the geographical region and future developments in the economy. As a backstop, financial assets are transferred to stage 2 at 30 days past due. Due to limited availability of historical data, the LPD of certain financial assets cannot be determined yet. For these financial assets, ABN AMRO currently uses an approximation for LPD.

If significant doubt arises regarding a client's ability to meet contractual obligations and/or the default trigger is met, the client is transferred to stage 3. For individual significant financial assets, a specific provision is calculated

based on the discounted value of expected future cash flows. For individual insignificant financial assets, a collective assessment on impairment losses is done based on a portfolio of financial assets with similar credit risk characteristics.

Please refer to Note 1 of ABN AMRO Group's 2017 Consolidated Annual Financial Statements for a more detailed description of the change in accounting policies as a result of IFRS 9.

Transition of assets

		IAS 39						IFRS 9	
		31 December 2017		Reclassifi-cations		Remeas-urement		1 January 2018	
(in billions)	Ref	Measurement Category	Carrying amount	From L&R to FVTPL	From AFS to FVTPL	C&M	ECL	Carrying amount	Measurement Category
Cash and balances at central banks		L&R	29,783					29,783	AC
Financial assets held for trading		FVTPL	1,600					1,600	FVTPL
Derivatives	1	FVTPL	9,825	-141				9,684	FVTPL
Financial investments			40,964					40,964	
Of which: Fair value through profit or loss	2	FVTPL	679		415			1,094	FVTPL
Of which: Fair value through OCI	2	AFS	40,285		-415			39,870	FVOCI
Securities financing[1]		L&R	15,686					15,686	AC
Loans and advances banks	4	L&R	10,665				-2	10,662	AC
Loans and advances customers	1,4		274,906	116		-223	-141	274,658	
Of which: Fair value through profit or loss	1	FVTPL		2,044		-33		2,012	FVTPL
Of which: Amortised cost	1,3,4	L&R	274,906	-1,929		-190	-141	272,647	AC
Other assets[1]	4,5	L&R	9,743			56	52	9,851	AC
Total assets			**393,171**	**-25**		**-166**	**-92**	**392,888**	

[1] ABN AMRO classified all unsettled transactions as other assets and other liabilities, previously these were included in securities financing. This change does not result from IFRS 9 and comparative figures have been adjusted.

1. Certain portfolios of corporate loans have embedded derivatives that were bifurcated under IAS 39. These are loans where the return is based on the price of underlying commodity contracts or loans with a floating interest rate, and where the interest reset period does not match the interest reference rate. These contracts were analysed in their entirety in accordance with IFRS 9 and they failed the solely payment of principal and interest (SPPI) criterion. As a result, the loans together with the embedded derivatives that were previously bifurcated have been reclassified as FVTPL at 1 January 2018. The amounts relating to the reclassification are EUR 1,929 million for loans, EUR 141 million for derivatives assets and EUR 25 million for derivatives liabilities. As the fair value of these loans is EUR 33 million below their carrying amount under IAS 39, this has resulted in a C&M remeasurement.
2. ABN AMRO has chosen to measure all equity securities at FVTPL under IFRS 9. As a result, an amount of EUR 415 million has been reclassified from available-for-sale (AFS) under IAS 39 to FVTPL under IFRS 9.
3. For a portfolio of corporate loans that had been reclassified from held for trading to loans and receivables in 2015, a revised amortised cost measurement has been applied, as if these loans had always been measured at amortised cost. This results in a reduction in the carrying amounts of these loans at 1 januari 2018, reflected as a C&M remeasurement of EUR 190 million negative in the table above.
4. The IFRS 9 impairment requirements resulted in ECL remeasurement of total assets by EUR 92 million and liabilities by EUR 61 million, largely as a result of a EUR 141 million impact on loans and advances to customers and a EUR 52 million increase in tax assets.
5. The tax effect recognised in other assets is EUR 108 million.
6. IFRS 9 changes the measurement criteria for financial liabilities designated as FVTPL such that the cumulative change in the fair value attributable to changes in the credit risk of that liability will be presented in accumulated other comprehensive income. This change results in the transfer of EUR 64 million (net of tax) from retained earnings to accumulated other comprehensive income as at 1 January 2018.

Introduction
Business
Risk, funding & capital information
Other

Transition of liabilities and equity

		IAS 39						IFRS 9	
		31 December 2017		Reclassifi-cations		Remeas-urement		1 January 2018	
(in billions)	Ref	Measurement Category	Carrying amount	From L&R to FVTPL	From AFS to FVTPL	C&M	ECL	Carrying amount	Measurement Category
Financial liabilities held for trading		FVTPL	1,082					1,082	FVTPL
Derivatives	1	FVTPL	8,367	-25				8,342	FVTPL
Securities financing[1]		AC	11,412					11,412	AC
Due to banks		AC	16,462					16,462	AC
Due to customers		AC	236,699					236,699	AC
Issued debt			76,612					76,612	
Of which: Amortised costs		AC	75,429					75,429	AC
Of which: Fair value through profit or loss	6	FVTPL	1,182					1,182	FVTPL
Subordinated liabilities		AC	9,720					9,720	AC
Other liabilities[1,2]	4	AC	11,488				61	11,549	AC
Total liabilities			**371,841**	**-25**			**61**	**371,877**	
Equity attributable to the owners of the parent company			19,303			-166	-153	18,984	
AT1 capital securities			2,007					2,007	
Equity attributable to other non-controlling interests			20					20	
Total equity			**21,330**			**-166**	**-153**	**21,011**	
Total liabilities and equity			**393,171**	**-25**		**-166**	**-92**	**392,888**	

[1] ABN AMRO classified all unsettled transactions as other assets and other liabilities, previously these were included in securities financing. This change does not result from IFRS 9 and comparative figures have been adjusted.
[2] In addition to allowances for loan commitments and financial guarantee contracts, provisions for other off-balance sheet exposures in scope of IAS 37 are also included.

Transition of on-balance sheet allowances

The following tables reconcile the closing allowances for credit losses determined in accordance with IAS 39 and IAS 37 to the corresponding allowances for credit losses determined in accordance with IFRS 9 as at 1 January 2018.

	IAS 39			IFRS 9	
	31 December 2017			1 January 2018	
(in millions)	Measurement Category	Allowances for credit losses	Remeasurement	Allowances for credit losses	Measurement Category
Financial investments[1]	AFS				FVOCI
Loans and advances banks	L&R	7	2	9	AC
Loans and advances customers[2]	L&R	2,460	141	2,601	AC
Total loans and advances		**2,467**	**143**	**2,610**	
Other assets	L&R	3	1	4	AC
Total on-balance sheet allowances		**2,470**	**144**	**2,614**	

[1] Allowances for credit losses of EUR 2 million on FVOCI instruments are recorded in accumulated other comprehensive income. These debt securities remain at FVOCI on the balance sheet.
[2] The 31 December 2017 amount (IAS 39) also included provisions for off-balance sheet items of EUR 42 million. This amount is now included in provisions as from 1 January 2018 and was therefore not included in the IFRS 9 opening balance amount. Comparative figures have not been adjusted.

Transition of off-balance sheet allowances and provisions

(in millions)	IAS 39 / IAS 37 31 December 2017 Allowances and provisions for credit losses	Remeasurement[1]	IFRS 9 / IAS 37 1 January 2018 Allowances and provisions for credit losses
Allowances for irrevocable loan commitments and financial guarantees	6	19	25
Provisions for other off-balance sheet items[1]		42	42
Total allowances and provisions on off-balance sheet items	**6**	**61**	**67**

[1] As from 1 January 2018 an amount of EUR 42 million that was previously recorded in Loans and advances customers is included in provisions. Comparative figures have not been adjusted.

Allowances per stage

		IFRS 9			
		1 January 2018			
(in millions)	Ref	Stage 1	Stage 2	Stage 3	Total
Loans and advances banks		7	1	1	9
Total Loans and advances customers	1	206	212	2,183	2,601
Other assets			1	3	4
Total allowances on-balance sheet		**214**	**213**	**2,187**	**2,614**
Allowances for irrevocable loan commitments and financial guarantee contracts		9	1	15	25
Total allowances on-balance and off-balance sheet		**222**	**215**	**2,202**	**2,639**
Provisions for other off-balance sheet items[1]					42
Total allowances and provisions for on-balance and off-balance sheet items		**222**	**215**	**2,202**	**2,682**

[1] These amounts relate to off-balance sheet exposures in scope of IAS 37 for which stage information is not applicable.

Impact of IFRS 9 on regulatory capital and capital ratios

(in millions)		IFRS 9 1 January 2018		IAS 39 31 December 2017
Total equity as at 31 December 2017 (IAS 39)		**21,330**		**21,330**
Impact of adopting IFRS 9		-319		
Total equity as at 1 January 2018 (IFRS 9)		**21,011**		
Cash flow hedge reserve		919		919
Dividend reserve		-752		-752
AT1 capital securities	-2,007		-2,007	
Profit attributable minus interest paid to holders of AT1 capital securities	21		21	
AT1 capital securities		-1,987		-1,987
Other regulatory adjustments		-502		-718
Common Equity Tier 1		**18,689**		**18,793**
AT1 capital securities		1,987		1,987
Other regulatory adjustments[1]		-1,158		-1,162
Tier 1 capital		**19,518**		**19,618**
Subordinated liabilities Tier 2		7,674		7,674
Other regulatory adjustments[1]		-4,677		-4,687
Total regulatory capital		**22,515**		**22,605**
Total risk-weighted assets (risk exposure amount) (IAS 39)		**106,157**		**106,157**
Impact of adopting IFRS 9 on risk-weighted assets		129		
Total risk-weighted assets (risk exposure amount) (IFRS 9)		**106,286**		
Common Equity Tier 1 ratio		17.6%		17.7%
Tier 1 ratio		18.4%		18.5%
Total capital ratio		21.2%		21.3%
Common Equity Tier 1 capital (fully-loaded)		18,633		18,737
Common Equity Tier 1 ratio (fully-loaded)		17.5%		17.7%
Tier 1 capital (fully-loaded)		19,681		19,780
Tier 1 ratio (fully-loaded)		18.5%		18.6%
Total capital (fully-loaded)		22,629		22,718
Total capital ratio (fully-loaded)		21.3%		21.4%

[1] This includes the impact of IFRS 9 on minority interest calculation.

The transition to IFRS 9 has resulted in a decline of RWA-based capital ratios and leverage ratios. This impact is attributable to classification and measurement changes and risk weighting of the related potential future tax savings. In addition, the allowances for credit losses have increased due to IFRS 9, but the regulatory capital impact was more than offset by a reversal in the IRB Provision Shortfall.

Transition to IFRS 9 has resulted in a decrease of CET1 capital by 12bps. Due to improved insights, this impact deviates from the previously communicated CET1 impact of approximately 15bps. The leverage ratio declined by 2bps, mainly driven by the decline in CET1, which was partially offset by a decline in exposure measure.

The regulatory transitional arrangements which allow for gradual phasing-in of the negative impact on own funds will not be applied by ABN AMRO due to the limited expected impact on CET1 capital. If future IFRS 9 credit loss allowances increase significantly, ABN AMRO may apply the transitional provisions, subject to prior permission from the ECB.

Impact of IFRS 9 on leverage ratio

	IFRS 9		IAS 39	
	1 January 2018		31 December 2017	
(in millions)	Phase-in	Fully-loaded	Phase-in	Fully-loaded
Tier 1 capital	**19,518**	**19,681**	**19,618**	**19,780**
Exposure measure (under CDR)				
On-balance sheet exposures	392,888	392,888	393,171	393,171
Off-balance sheet exposures	31,915	31,915	31,915	31,915
On-balance sheet netting	12,427	12,427	12,427	12,427
Derivative exposures	59,864	59,864	59,864	59,864
Securities financing exposures	1,261	1,261	1,261	1,261
Other regulatory measures	-11,742	-11,752	-11,961	-11,971
Exposure measure	**486,613**	**486,602**	**486,677**	**486,666**
Leverage ratio (CDR)	**4.0%**	**4.0%**	**4.0%**	**4.1%**

Risk, funding & capital information

31 Risk developments

39 Liquidity risk

40 Funding

41 Capital management

Risk developments

Key figures

(in millions)	31 March 2018	IAS 39 31 December 2017
Total loans and advances, gross excluding fair value adjustments	284,992	284,337
- of which Banks	9,908	10,671
- of which Residential mortgages	150,665	150,562
- of which Consumer loans	12,334	12,426
- of which Corporate loans[1]	95,918	94,220
- of which Other loans and advances customers[1]	14,517	16,459
Total Exposure at Default (EAD)	400,743	393,596
- of which Retail Banking	173,777	174,545
- of which Commercial Banking	50,272	48,921
- of which Private Banking	19,669	19,963
- of which Corporate & Institutional Banking	81,939	77,769
- of which Group Functions	75,086	72,399
Credit quality indicators[2]		
Past due ratio	1.2%	1.4%
Stage 3 Impaired ratio[3]	2.5%	2.5%
Stage 3 Coverage ratio[3]	33.2%	33.0%
Regulatory capital		
Total RWA (REA)	107,937	106,157
- of which Credit risk[4]	86,463	84,141
- of which Operational risk	19,177	19,626
- of which Market risk	2,297	2,391
Total RWA (REA)/total EAD	26.9%	27.0%
Mortgage indicators		
Mortgages with Nationale Hypotheek Garantie (NHG)	37,653	38,049
Exposure at Default	164,650	165,107
Risk-weighted assets (risk exposure amount)	17,054	17,236
RWA (REA) / EAD	10.4%	10.4%
Average Loan-to-Market-Value	69%	70%
Average Loan-to-Market-Value - excluding NHG loans	66%	67%

1 Excluding loans and advances measured at fair value through P&L.
2 Loans and advances customers measured at amortised cost only.
3 The 31 December 2017 amounts are based on IAS 39 figures and therefore do not have stage information. The impaired ratio per 31 December 2017 has been compared with the IFRS 9 stage 3 ratio, as the assets that were impaired under IAS 39 are classified as stage 3 under IFRS 9. The IAS 39 coverage ratio was calculated by dividing the amount of allowances by the impaired exposure. The IFRS 9 equivalent of this ratio is therefore the stage 3 coverage ratio.
4 RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA per 31 March 2018 is EUR 0.7 billion (31 December 2017 EUR 0.7 billion).

	Q1 2018	IAS 39 Q1 2017	IAS 39 Q4 2017
Cost of risk (in bps)[1]	32	9	-5
Impairment charges on loans and other advances (in EUR million)[2]	208	63	-33
Cost of risk on residential mortgages(in bps)[1]	2	-1	3
Impairment charges on residential mortgages (in EUR million)	6	-3	10

1 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
2 IAS 39 excluding off-balance sheet exposures.

First-quarter developments

Portfolio review

Total loans and advances increased to EUR 285.0 billion (31 December 2017: EUR 284.3 billion). Corporate loans grew by EUR 1.7 billion as a result of business growth within both CIB and CB, despite the 2.5% USD deterioration since year-end 2017 which impacted mostly CIB (approximately EUR 0.7 billion negative).

Exposure at Default

EAD increased to EUR 400.7 billion (31 December 2017: EUR 393.6 billion). The increase was primarily the result of business growth within both Corporate & Institutional Banking (CIB) and Commercial Banking. In addition, Group Functions increased as a result of movements in the Treasury portfolio and seasonal movements in Securities Financing, partly offset by lower positions with Central Banks.

Regulatory capital

Total RWA (REA) increased to EUR 107.9 billion (31 December 2017: EUR 106.2 billion). This increase was driven by credit risk and partly offset by a modest decrease in operational risk. The increase in credit risk was mainly the result of business growth developments within Corporate & Institutional Banking (CIB), Commercial Banking, and portfolio movements in Group Functions. To a lesser extent, the credit risk RWA (REA) increased due to deterioration in credit quality in CIB. Credit risk in Retail Banking declined, largely impacted by higher collateral values.

Credit quality indicators

In this analysis, 31 March 2018 figures were compared with 31 December 2017 figures, although the basis of presentation for some figures was different due to the implementation of IFRS 9. The IAS 39 impaired ratio has been compared with the IFRS 9 stage 3 ratio, as the assets that were impaired under IAS 39 have been classified as stage 3 under IFRS 9. The IAS 39 coverage ratio was calculated by dividing the amount of allowances by the impaired exposure. The IFRS 9 equivalent of this ratio is therefore the stage 3 coverage ratio. The past due ratio has not been impacted under IFRS 9 and has been calculated in line with IAS 39.

The underlying risk drivers performed well overall, in line with the performance of the Dutch economy and the Dutch housing market, although specific clients that experienced difficulties had a negative impact on the ratios. The past due ratio improved. The stage 3 coverage and impaired ratio remained fairly stable for the loans and advances to customers portfolio (compared with the IAS 39 impaired and coverage ratio).

The past due ratio improved to 1.2% (31 December 2017: 1.4%). Most of the sub-portfolios recorded improvements, with the largest improvements visible in the short term arrears (<30 days). Past due on residential mortgages contributed most to the decrease in short term arrears, largely due to an internal review of past amounts in arrears. Corporate loan past due exposure decreased due to repayments of some large clients from CIB's trade & commodity finance segment in short term arrears. Past due corporate loans in long term arrears decreased as a result of the outflow of several Commercial Banking clients. The decreases in the past due exposure were partly offset by an increase in other loans and advances following from an internal review of the portfolio.

The stage 3 impaired ratio and the stage 3 coverage ratio for loans and advances to customers remained relatively stable compared with the IAS 39 impaired and coverage ratio at year-end 2017. At sub-portfolio level, exposures for residential mortgages in stage 3 continued to decline, while the allowances for credit losses increased due to the reallocation of allowances, mainly relating to allowances for private banking mortgages that were previously classified under consumer loans. These movements resulted in a coverage ratio for residential mortgages of 13.0% (31 December 2017: 10.9%), while the impaired ratio remained stable.

Consumer loan portfolio ratios were impacted by the combined effect of clients returning to performing, repayments and write-offs, as well as the reallocation of certain allowances to the residential mortgages portfolio.

Coverage and impaired ratios for corporate loans remained relatively stable, despite a number of specific clients experiencing difficulties in the sectors oil & gas, Diamonds & Jewellery, and industrial goods & services. While positive developments were recorded for Commercial Banking exposures in stage 3, these were also partly offset by the inflow of several new clients.

Cost of Risk

Impairment charges in Q1 increased to EUR 208 million, largely within stage 3, and resulted in a cost of risk of 32bps (Q1 2017: 9bps). A few clients in specific industries continued to experience difficulties, which largely explains the impairments of EUR 152 million recorded in Corporate & Institutional Banking and EUR 44 million in Commercial Banking.

As part of the roll-out of ABN AMRO's dedicated sector approach in CIB, the former ECT Clients (Energy, Commodities, Transportation) segment has been integrated into the new organisation structure, specifically within Global Transportation & Logistics (GTL), Natural Resources and Trade & Commodity Finance (TCF).
In Q1 2018, a total of EUR 97 million of the impairment charges in CIB related to the former ECT Clients portfolio. The transition table below shows a comparison between the old and the new situation.

Transition of loans and impairments former ECT Clients

(in billions)	Global transportation & logistics (GTL)	Natural resources (energy & basic materials)	Trade commodity finance	Total
Gross carrying amount as per 31 March 2018	**9.6**	**7.2**	**11.7**	**28.5**
Gross carrying amount as per 31 December 2017	**9.6**	**7.0**	**11.6**	**28.2**
- of which Energy		6.2		6.2
- of which Commodities[1]		0.8	11.6	12.4
- of which Transportation	9.6			9.6

[1] Excluding EUR 1.9 billion Banks.

(in millions)	Global transportation & logistics (GTL)	Natural resources (energy & basic materials)	Trade commodity finance	Total
Impairment charges Q1 2018	**46**	**42**	**8**	**97**
Impairment charges Q1 2017	**25**	**11**	**24**	**59**
- of which Energy		11		11
- of which Commodities[1]			24	24
- of which Transportation	25			25

The impairment charges in the GTL portfolio amounted to EUR 46 million. Certain clients continue to face challenges, including clients in the tanker and offshore supply segments, which could lead to additional impairments. As the debt servicing capacity of these clients has not improved to (more) healthy levels, we remain cautious. However, the sentiment is gradually improving in several shipping segments (dry bulk, container).

Within Natural Resources, the offshore energy segment as a whole is still struggling with overcapacity. Despite the 50% surge in oil prices since last year, drilling budgets at the largest oil & gas companies have improved only marginally. Although there is a growing sense that the offshore market seems to be "bottoming out" and that investment and contracting activity in offshore services is slowly picking up, we remain cautious as corporates in this segment have difficulties meeting their debt service obligations and this could lead to additional impairments in the remainder of the year. The improving oil price has led to a lower inflow into Financial Restructuring & Recovery (FR&R).

The Diamonds & Jewellery portfolio has declined over the years and continues to face challenging market circumstances. Impairments of EUR 41 million were recorded in the first quarter of this year.

Impairment charges for Commercial Banking increased to EUR 44 million, mainly driven by additions in the challenging healthcare industry. In addition, a few clients in industrial goods & services and construction & materials are experiencing difficulties despite positive economic conditions. Furthermore, releases have dropped in comparison with previous periods.

Residential mortgages

Housing market developments

The housing market is tense and the number of properties for sale is steadily declining. As a result, buyers have less choice, and have to decide faster and make higher bids in order to succeed. In these conditions, sellers benefit from a sellers market as is reflected in rising prices. As prices continue to climb, a growing number of potential buyers are experiencing difficulties in meeting mortgage lending criteria; this is especially true for first-time buyers.

The decline in transactions and confidence in the housing market and the prospect of higher interest rates suggest that the pace of price increases is slowing down. This is already visible in the number of transactions in the Dutch housing market, which was 6.8% lower in Q1 2018 than in Q1 2017 and 21.3% lower than in Q4 2017, according to Statistics Netherlands (CBS). This was the first significant decline in years.

The CBS housing price index in Q1 2018 was 8.9% higher than in Q1 2017. The overall price level in March 2018 was only 0.7% below the record level set in August 2008. Prices are now close to the pre-crisis levels. Significant differences remain between the regions. While prices in the Randstad area and the major cities are at or above pre-crisis level, recovery elsewhere in the country is slower.

Residential mortgage insights

New mortgage production was up 1.6% compared with Q4 2017. ABN AMRO's market share in new mortgage production grew to 19.9% in Q1 2018 (Q4 2017: 18.9%). The proportion of redeeming mortgages increased to 25% of the residential mortgage portfolio at 31 March 2018 (31 December 2017: 24%). Total redemptions in Q1 2018 amounted to EUR 3.6 billion (Q4 2017: EUR 4.3 billion). The decline in redemptions related to a seasonal pattern. Contractual redemptions gradually increased, in line with modifications in the portfolio composition. In Q1 2018, extra repayments amounted to EUR 0.6 billion, which was 4.9% lower than in Q1 2017.

Incentives for extra repayments are low interest rates on savings and an increased awareness among home owners that they may be faced with a debt at the end of their loan term. Mortgages under Nationale Hypotheek Garantie (NHG) accounted for 25% of the residential mortgage portfolio, fairly stable since Q4 2017. Due to rising housing prices, the average purchase price of a home currently exceeds the maximum NHG limit. This has resulted in fewer mortgage applications being eligible for an NHG guarantee.

Loan to Market Value (LtMV)
Rising housing prices and restrictions on the maximum Loan to Market Value (LtMV) for new mortgages have led to continued improvement of the average indexed LtMV, both guaranteed and unguaranteed. The long-term LtMV of the bank's portfolio is expected to decrease further as a result of rising housing prices, contractual and extra redemptions and current tax regulations.

The gross carrying amount of mortgages with an LtMV above 100% continued to decline, totalling EUR 9.4 billion (31 December 2017: EUR 11.8 billion). Note that LtMVs in excess of 100% do not necessarily indicate that these clients are in financial difficulties. However, ABN AMRO actively approaches clients with an interest-only mortgage in combination with a high LtMV level in order to adjust their mortgage. Approximately 6% of the extra repayments relate to mortgages with a LtMV>100%. The fully interest-only mortgages portfolio with a LtMV>100% shows a continuing decline.

Fully interest-only mortgages account for 18% of total mortgages at 31 March 2018, and approximately a quarter of the extra redemptions relate to this type of loan.

Past due (but not stage 3 impaired) loans

							IAS 39
	31 March 2018						31 December 2017
		Days past due					
(in millions)	Gross carrying amount	<= 30 days	> 30 days & <= 90 days	> 90 days	Total past due but not impaired	Past due ratio	Past due ratio
Loans and advances banks	**9,908**						
Loans and advances customers							
Residential mortgages[1]	150,665	1,728	174	10	1,912	1.3%	1.6%
Consumer loans	12,334	199	130	45	374	3.0%	3.5%
Corporate loans[1,2]	95,918	245	220	57	522	0.5%	0.8%
Other loans and advances customers[1,2,3]	14,517	349	212	10	571	3.9%	2.0%
Total Loans and advances customers[2]	**273,435**	**2,522**	**735**	**122**	**3,379**	**1.2%**	**1.4%**
Loans at fair value through P&L	1,649						
Total Loans and advances	**284,992**	**2,522**	**735**	**122**	**3,379**	**1.2%**	**1.4%**

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Excluding loans at fair value through P&L.
3 Other loans and advances customers consists of Government and official institutions, Financial lease receivables and Factoring.

Coverage and impaired ratio by stage

	31 March 2018			
(in millions)	Gross carrying amount	Allowances for credit losses	Coverage ratio	Stage ratio
Stage 1				
Loans and advances banks	**9,512**	**-7**	**0.1%**	**96.0%**
Residential mortgages	146,089	-24	0.0%	97.0%
Consumer loans	10,001	-38	0.4%	81.1%
Corporate loans	80,541	-116	0.1%	84.0%
Other Loans and advances customers	13,557	-14	0.1%	93.4%
Total Loans and advances customers stage 1	**250,188**	**-192**	**0.1%**	**91.5%**
Stage 2				
Loans and advances banks	**350**	**-1**	**0.3%**	**3.5%**
Residential mortgages	3,596	-24	0.7%	2.4%
Consumer loans	1,864	-73	3.9%	15.1%
Corporate loans	10,298	-127	1.2%	10.7%
Other Loans and advances customers	650	-11	1.7%	4.5%
Total Loans and advances customers stage 2	**16,408**	**-234**	**1.4%**	**6.0%**
Stage 3				
Loans and advances banks	**47**		**0.0%**	**0.5%**
Residential mortgages	980	-128	13.0%	0.7%
Consumer loans	469	-246	52.6%	3.8%
Corporate loans	5,080	-1,862	36.6%	5.3%
Other Loans and advances customers	310	-36	11.7%	2.1%
Total Loans and advances customers stage 3	**6,839**	**-2,272**	**33.2%**	**2.5%**
Total of stages 1, 2 and 3				
Total Loans and advances banks	**9,908**	**-8**	**0.1%**	
Residential mortgages	150,665	-175	0.1%	
Consumer loans	12,334	-357	2.9%	
Corporate loans	95,918	-2,105	2.2%	
Other Loans and advances customers	14,517	-61	0.4%	
Total Loans and advances customers	**273,435**	**-2,698**	**1.0%**	
Loans at fair value through P&L	**1,649**		**0.0%**	
Total Loans and advances banks	9,908	-8	0.1%	
Total Loans and advances customers	275,084	-2,698	1.0%	
Total Loans and advances	**284,992**	**-2,707**	**0.9%**	
Other balance sheet items[1]	114,942	-4		
Total on-balance sheet	**399,934**	**-2,711**	**0.7%**	
Irrevocable loan commitments and financial guarantee contracts	44,583	-27	0.1%	
Other off-balance sheet items[2]	6,548			
Total on- and off-balance sheet	**451,064**	**-2,737**	**0.6%**	

[1] The allowances for credit losses excludes allowances for financial investments held at FVOCI (31 March 2018: EUR 1.7 million).
[2] This relates to off-balance sheet exposures in scope of IAS 37 for which provisions are recorded in other liabilities (31 March 2018: EUR 33 million).

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
	IAS 39				
	31 December 2017				
Loans and advances banks	**10,671**	**71**	**-1**	**1.5%**	**0.7%**
Loans and advances customers					
Residential mortgages[1]	150,562	1,019	-111	10.9%	0.7%
Consumer loans	12,426	507	-285	56.2%	4.1%
Corporate loans[1]	94,220	5,114	-1,844	36.1%	5.4%
Other loans and advances customers[1,2]	16,459	269	-40	15.0%	1.6%
Total Loans and advances customers	**273,666**	**6,909**	**-2,280**	**33.0%**	**2.5%**
Total Loans and advances	**284,337**	**6,980**	**-2,281**	**32.7%**	**2.5%**

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

Reporting scope risk

(in millions)	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount
						IAS 39
	31 March 2018			31 December 2017		
Loans and advances banks	**9,908**	**8**	**9,900**	**10,671**	**7**	**10,665**
Residential mortgages	152,760	175	152,585	152,825	134	152,691
Less: Fair value adjustment from hedge accounting on residential mortgages	2,095		2,095	2,264		2,264
Residential mortgages, excluding fair value adjustments	**150,665**	**175**	**150,491**	**150,562**	**134**	**150,428**
Consumer loans	**12,334**	**357**	**11,977**	**12,426**	**304**	**12,122**
Corporate loans	97,260	2,105	95,155	95,645	1,971	93,674
Less: Fair value adjustment from hedge accounting on corporate loans	1,342		1,342	1,425		1,425
Corporate loans, excluding fair value adjustments	**95,918**	**2,105**	**93,814**	**94,220**	**1,971**	**92,250**
Corporate loans at fair value through P&L	**1,644**		**1,644**			
Other loans and receivables customers[1]	14,525	61	14,468	16,470	51	16,419
Less: Fair value adjustment from hedge accounting on other loans and advances customers	8		8	11		11
Other loans and advances customers, excluding fair value adjustments[1]	**14,517**	**61**	**14,460**	**16,459**	**51**	**16,407**
Other loans at fair value through P&L	**4**		**4**			
Total loans and advances customers, excluding fair value adjustments	**275,084**	**2,698**	**272,386**	**273,666**	**2,460**	**271,206**
Fair value adjustments on Loans and advances customers	3,444		3,444	3,700		3,700
Total loans and advances customers	**278,528**	**2,698**	**275,830**	**277,366**	**2,460**	**274,906**
Total loans and advances, excluding fair value adjustments	**284,992**	**2,707**	**282,286**	**284,337**	**2,467**	**281,871**
Total fair value adjustments on Loans and advances	3,444		3,444	3,700		3,700
Total loans and advances	**288,436**	**2,707**	**285,730**	**288,037**	**2,467**	**285,571**
Other	111,498	4	111,494			107,600
Total assets	**399,934**	**2,711**	**397,223**			**393,171**

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

Residential mortgages to indexed market values

								IAS 39
	31 March 2018				31 December 2017			
(in millions)	Gross carrying amount	Percentage of total	- of which guaranteed[2]	- of which unguaranteed	Gross carrying amount	Percentage of total	- of which guaranteed[2]	- of which unguaranteed
LtMV category[1]								
<50%	32,465	21.5%	2.4%	19.1%	31,365	20.8%	2.3%	18.5%
50% - 80%	61,118	40.6%	10.0%	30.6%	58,691	39.0%	9.2%	29.8%
80% - 90%	26,531	17.6%	6.6%	11.0%	26,384	17.5%	6.8%	10.7%
90% - 100%	19,689	13.1%	4.1%	8.9%	20,821	13.8%	4.5%	9.3%
100% - 110%	7,303	4.8%	1.4%	3.4%	8,941	5.9%	1.8%	4.2%
110% - 120%	1,668	1.1%	0.3%	0.8%	2,377	1.6%	0.5%	1.1%
>120%	401	0.3%	0.1%	0.2%	495	0.3%	0.1%	0.2%
Unclassified	1,490	1.0%			1,487	1.0%		
Total	**150,665**	**100%**			**150,562**	**100%**		

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

Breakdown of residential mortgages portfolio by loan type

				IAS 39
	31 March 2018		31 December 2017	
(in millions)	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Interest only (partially)	48,463	32%	48,734	32%
Interest only (100%)	26,802	18%	27,231	18%
Redeeming mortgages (annuity/linear)	37,953	25%	36,057	24%
Savings	17,538	12%	18,160	12%
Life (investment)	13,068	9%	13,419	9%
Other[1]	6,841	5%	6,960	5%
Total	**150,665**	**100%**	**150,562**	**100%**

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

Liquidity risk

		IAS 39
	31 March 2018	31 December 2017
Available liquidity buffer (in billions)[1]	67.7	72.5
Survival period (moderate stress)	> 12 months	> 12 months
LCR	>100%	>100%
NSFR	>100%	>100%
Loan-to-Deposit ratio	115%	112%

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

The objective of ABN AMRO's liquidity management is to manage the bank's liquidity position and to comply at all times with internal, regulatory and other relevant liquidity requirements. The liquidity objectives are measured by several indicators.
The survival period reflects the period that the liquidity position is expected to remain positive in an internally developed (moderate) stress scenario. The survival period was consistently longer than 12 months in Q1 2018. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% in Q1 2018.

Loan-to-Deposit ratio

The Loan-to-Deposit (LtD) ratio increased to 115% at 31 March 2018 (31 December 2017: 112%). This was due to an increase of EUR 3.5 billion in client loans in Q1 2018 and a EUR 2.4 billion decrease in client deposits. The increase in client loans was mainly driven by EUR 3.7 billion of growth in the corporate loan book, which included EUR 1.8 billion resulting from a reclassification of professional loans to corporate loans in Corporate & Institutional Banking. The reclassified loans are now included in the LtD ratio. Client deposits decreased by EUR 2.4 billion. This decline was observed across several business lines.

Liquidity buffer composition

				IAS 39
	31 March 2018		31 December 2017	
(in billions)	Liquidity buffer	LCR eligible	Liquidity buffer	LCR eligible
Cash & central bank deposits[1]	24.5	24.5	28.9	28.9
Government bonds	31.8	32.3	31.0	31.6
Covered bonds	2.4	2.3	1.9	1.8
Retained RMBS	2.1		4.1	
Third party RMBS				
Other	7.0	7.5	6.6	7.0
Total liquidity buffer	**67.7**	**66.5**	**72.5**	**69.4**

[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 decreased to EUR 67.7 billion at 31 March 2018 (31 December 2017: EUR 72.5 billion). The decrease includes a EUR 4.4 billon lower cash position. The decrease of EUR 2.0 billion in Residential Mortgage Backed Securities (RMBS) was partly offset by an increase in government bonds and covered bonds.

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and Asset Backed Securities. 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 applied in order to determine the liquidity value. Haircuts may differ between these two buffers, as the internal assessment of the liquidity buffer deviates from the LCR Delegated Act. 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 the LCR Delegated Act. As a result, the value of government bonds for the liquidity buffer is lower than the value that qualifies for LCR.

Funding

Client deposits decreased to EUR 233.5 billion at 31 March 2018 (31 December 2017: EUR 235.9 billion). Total wholesale funding (defined as issued debt plus subordinated liabilities) decreased to EUR 85.3 billion at 31 March 2018 (31 December 2017: EUR 86.3 billion). The decrease as compared with year-end 2017 was mainly attributable to lower levels of commercial paper and certificates of deposit.

Long-term funding raised

Long-term funding raised in Q1 2018 amounted to EUR 3.6 billion, consisting of EUR 2.1 billion in covered bonds and EUR 1.5 billion in unsecured USD-denominated medium-term notes. This funding was issued mainly to replace maturing funding. Covered bond funding was raised in order to compete in mortgage origination with very long interest rate maturities.

Overview of funding types

(in millions)	IAS 39 31 March 2018	31 December 2017
Euro Commercial Paper	2,660	2,408
London Certificates of Deposit	7,972	9,373
US Commercial Paper	4,029	4,115
Total Commercial Paper/Certificates of Deposit	**14,661**	**15,896**
Senior unsecured (medium-term notes)	28,973	28,751
Covered bonds	30,951	30,708
Securitisations	1,250	1,250
Saving certificates	6	6
Total issued debt	**75,841**	**76,612**
Subordinated liabilities	9,506	9,720
Total wholesale funding	**85,346**	**86,331**
Other long-term funding[1]	8,774	8,796
Total funding instruments[2]	**94,121**	**95,128**
- of which CP/CD matures within one year	14,661	15,896
- of which funding instruments (excl. CP/CD) matures within one year	12,175	7,894
- of which matures after one year	67,285	71,338

[1] Other long-term funding includes TLTRO II and funding with the Dutch State as counterparty.
[2] Includes FX effects, fair value adjustments and interest movements.

Maturity calendar

(notional amounts, in billions)	2018[1]	2019	2020	2021	2022	2023	2024	2025	2026	2027	≥ 2028	Total 31 March 2018
Senior unsecured	4.0	8.6	5.1	2.6	4.3	1.2	0.3	1.7	0.1	0.2	0.4	28.5
Covered bonds	0.3	1.8	2.5	2.4	2.7	1.9	1.8	0.5	1.6	0.6	12.9	29.2
Securitisations	0.8	0.5										1.3
Subordinated liabilities			1.6	1.5	1.5	2.3		1.2	0.8		0.2	9.2
Other long-term funding[2]			4.1	4.3					0.3	0.2		8.8
Total Long-term funding	**5.1**	**11.0**	**13.3**	**10.8**	**8.4**	**5.4**	**2.1**	**3.5**	**2.8**	**1.0**	**13.5**	**76.9**

Total Long-term funding

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	≥ 2028	Total
31 December 2017	7.8	11.1	13.4	9.3	8.3	5.4	2.1	3.4	2.8	1.0	11.4	76.1

[1] Includes funding that matures in Q2, Q3 and Q4 2018.
[2] Other long-term funding includes TLTRO II and funding with the Dutch State as counterparty.

The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date. Early redemption of subordinated instruments is subject to approval by the regulators. The targeted long-term refinancing operations II (TLTRO II) of EUR 8 billion were reported at the legal maturity of four years, although there is a voluntary repayment option after two years. The average remaining maturity of the total outstanding long-term wholesale funding increased to 5.3 years at 31 March 2018 (31 December 2017: 5.1 years) due to covered bonds raised in Q1 2018.

Capital management

Developments impacting capital ratios

Common Equity Tier 1 (CET1) capital increased slightly during Q1 2018, reflecting profit accumulation partly offset by an increase in the dividend reserve and IFRS 9. The total RWA (REA) increased to EUR 107.9 billion at 31 March 2018 (31 December 2017: EUR 106.2 billion)[1]. At 31 March 2018, the fully-loaded Common Equity Tier 1, Tier 1 and Total Capital ratios were 17.5%, 18.5% and 21.2% respectively (31 December 2017: 17.7%, 18.6%, 21.4%). All capital ratios were in line with the bank's risk appetite and strategic ambitions and were well above regulatory minimum requirements.

In Q1 2018, ABN AMRO updated its CET1 capital target range for 2018 to 17.5%-18.5% under Basel III. This consists of a prudent Basel IV implementation buffer of 4-5% CET1 on top of the SREP capital requirement, Pillar 2 Guidance and management buffer (totalling 13.5%). The CET1 ratio decreased to 17.5% during Q1 2018, remaining within the CET1 target range. This decline was mainly caused by the transition to IFRS 9. In addition, profit accumulation was offset by an increase in RWA on the back of loan growth in Corporate & Institutional Banking and Commercial Banking.

The Maximum Distributable Amount (MDA) trigger level for ABN AMRO Bank N.V. is 10.41% CET1 capital, to be increased by any Additional Tier 1 (AT1) or Tier 2 capital shortfall. Due to the minority interest interpretation of the EBA, there is an AT1 shortfall of 0.6%. This implies an MDA trigger level of 11.01%. Based on full phase-in of the SRB (from 2.25% in 2018 to 3.0% in 2019) and the capital conservation buffer (from 1.88% in 2018 to 2.5% in 2019), the fully-loaded MDA trigger level is expected to increase to 11.78% in 2019, including a counter-cyclical buffer (0.03%) and assuming the absence of an AT1 or Tier 2 capital shortfall. The CET1 ratio is comfortably above the MDA trigger level.

Dividend

From 2018 onwards, the dividend pay-out ratio has been set at 50% of sustainable profit, excluding exceptional items that significantly distort profitability.[2] Additional distributions will be considered when capital is within or above the target range and will be subject to other circumstances, including regulatory and commercial considerations. The combined distribution will amount to at least 50% of sustainable profit.

[1] More information on RWA (REA) is provided in the Key developments section of this report.
[2] Such as the provision for SME interest rate derivatives (2016) and the book gain on the sale of Private Banking Asia (2017)

Regulatory capital structure

(in millions)		31 March 2018		31 December 2017 (IAS 39)
Total equity (EU IFRS)		**21,460**		**21,330**
Cash flow hedge reserve		975		919
Dividend reserve		-1,029		-752
AT1 capital securities	-1,986		-2,007	
Profit attributable minus interest paid to holders of AT1 capital securities			21	
AT1 capital securities		-1,986		-1,987
Other regulatory adjustments		-500		-718
Common Equity Tier 1		**18,919**		**18,793**
AT1 capital securities		1,986		1,987
Other regulatory adjustments		-999		-1,162
Tier 1 capital		**19,907**		**19,618**
Subordinated liabilities Tier 2		7,493		7,674
Other regulatory adjustments		-4,305		-4,687
Total regulatory capital		**23,095**		**22,605**
Total risk-weighted assets (risk exposure amount)		**107,937**		**106,157**
Common Equity Tier 1 ratio		17.5%		17.7%
Tier 1 ratio		18.4%		18.5%
Total capital ratio		21.4%		21.3%
Common Equity Tier 1 capital (fully-loaded)		18,915		18,737
Common Equity Tier 1 ratio (fully-loaded)		17.5%		17.7%
Tier 1 capital (fully-loaded)		19,966		19,780
Tier 1 ratio (fully-loaded)		18.5%		18.6%
Total capital (fully-loaded)		22,907		22,718
Total capital ratio (fully-loaded)		21.2%		21.4%

Leverage ratio

	31 March 2018		31 December 2017 (IAS 39)	
(in millions)	Phase-in	Fully-loaded	Phase-in	Fully-loaded
Tier 1 capital	**19,907**	**19,966**	**19,618**	**19,780**
Exposure measure (under CDR)				
On-balance sheet exposures	397,223	397,223	393,171	393,171
Off-balance sheet exposures	33,919	33,919	31,915	31,915
On-balance sheet netting	12,690	12,690	12,427	12,427
Derivative exposures	60,727	60,727	59,864	59,864
Securities financing exposures	2,137	2,137	1,261	1,261
Other regulatory measures	-10,696	-10,696	-11,961	-11,971
Exposure measure	**496,000**	**496,000**	**486,677**	**486,666**
Leverage ratio (CDR)	**4.0%**	**4.0%**	**4.0%**	**4.1%**

The CRR has introduced a non-risk based leverage ratio which is expected to become a binding measure with effect from 2019. ABN AMRO aims for a leverage ratio of at least 4% by year-end 2018. The fully-loaded leverage ratio of ABN AMRO Group N.V. declined to 4.0% at 31 March 2018, mainly driven by an Exposure Measure increase and IFRS 9.

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

MREL

		IAS 39
(in millions)	31 March 2018	31 December 2017
Regulatory capital	23,095	22,605
Reversal minority adjustment AT1 and T2	5,222	5,625
Other MREL eligible liabilities[1]	1,700	1,619
Total risk-weighted assets (risk exposure amount)	107,937	106,157
MREL[2]	27.8%	28.1%

1 Other MREL eligible liabilities consists of subordinated liabilities that are not included in regulatory capital.
2 MREL is calculated as total regulatory capital plus other MREL eligible subordinated liabilities divided by total risk-weighted assets (risk exposure amount).

Since early 2016, ABN AMRO has monitored its MREL migration path to 8% of total assets by year-end 2018, based on equity and subordinated debt. The regulators have redesigned the MREL framework based on RWAs, which is expected to result in a MREL requirement for ABN AMRO of 29.3% of RWA (including senior debt) for 2019. Taking into account MREL eligible senior debt, ABN AMRO currently exceeds this requirement. However, ABN AMRO strives to meet the new requirement exclusively with own funds and subordinated instruments (including, in time, non-preferred senior notes).

Furthermore, ABN AMRO continues to monitor regulatory developments. Among other things, proposals have been published regarding the implementation of MREL and the TLAC standards for GSIBs (Global Systemically Important Banks) in the EU. The proposals apply a harmonised minimum TLAC level to EU GSIBs while introducing a firm-specific MREL regime for GSIBs and DSIBs (Domestic Systemically Important Banks) like ABN AMRO. The proposals introduce consequences of breaching MREL requirements relating to the Combined Buffer Requirement and MDA breach. In December, EU Parliament amended the BRRD in order to introduce a non-preferred senior asset class and Member States need to comply by 29 December 2018. In the Netherlands, the consultation process has been initiated.

Regulatory capital developments

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

On 7 December 2017 Basel reached a final agreement, with a 72.5% output floor applying to the Revised Standardised Approach (RSA). The Basel Committee has set the implementation date at 1 January 2022. From 1 January 2022, the output floor will be phased-in gradually over a period of 5 years. We aim to meet the fully-loaded Basel IV CET1 requirement early in the phase-in period.

Other

45 ABN AMRO shares

46 Notes to the reader

47 Enquiries

ABN AMRO shares

Key developments

Between 29 December 2017 and 30 March 2018, ABN AMRO's share price (depositary receipts) declined 9% while the STOXX Europe 600 Bank index declined 4%. In February 2018, ABN AMRO proposed a final dividend of EUR 0.80 per share (to be approved in the upcoming General Meeting), bringing the full-year 2017 dividend to EUR 1.45 per share, which is a 50% dividend payout ratio.

Share price development
(in %)

Source: S&P Global Market Intelligence.

Listing information

A total of 470.9 million shares (50.1% of the total) are held by STAK AAG ('*Stichting Administratiekantoor Continuïteit ABN AMRO Group*'), which has subsequently issued depositary receipts representing such shares. These depositary receipts are listed on Euronext Amsterdam. NLFI holds 59.7 million (6.4%) of the depositary receipts. The remaining 469.1 million shares (49.9%) are held directly by NLFI. For more information about the STAK AAG or NLFI, please refer to the 'About ABN AMRO' section of abnamro.com. The depositary receipts trade under ISIN code 'NL0011540547', Reuters ticker 'ABNd.AS' and Bloomberg ticker 'ABN:NA'.

Financial calender[1]

- Annual General Meeting – 29 May 2018
- Ex-dividend date final dividend 2017 – 31 May 2018
- Record date final dividend 2017 – 1 June 2018
- Payment date final dividend 2017 – 25 June 2018
- Publication second quarter 2018 results – 8 August 2018
- Ex-dividend date interim dividend 2018 – 10 August 2018
- Record date interim dividend 2018 – 13 August 2018
- Payment date interim dividend 2018 – 2 September 2018
- Publication third quarter 2018 results – 7 November 2018

[1] All dates may be subject to change. Please refer to abnamro.com/ir for the latest information.

(in millions)	Q1 2018	IAS 39 Q1 2017	IAS 39 Q4 2017
Share count			
Total shares outstanding/issued and paid-up shares	940	940	940
- of which held by NLFI (shares and depository receipts)	529	659	529
- of which held by other investors (depositary receipts)	411	281	411
- as a percentage of total outstanding shares	44%	30%	44%
Average number of shares	940	940	940
Average diluted number of shares	940	940	940
Key indicators per share (EUR)			
Earnings per share[1]	0.59	0.64	0.55
Shareholder's equity per share	20.67	19.58	20.53
Tangible shareholder's equity per share	20.49	19.32	20.34
Share price development (EUR)			
Closing price (end of period)	24.47	22.75	26.90
High (during the period)	28.48	24.10	27.16
Low (during the period)	23.45	20.95	24.39
Market capitalisation (end of period, in billions)	23.00	21.39	25.29
Valuation indicators (end of period)			
Price/Earnings	11.81x	9.65x	9.31x
Price/Tangible book value	1.19x	1.18x	1.32x

[1] Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.
Source: S&P Global Market Intelligence.

Notes to the reader

Introduction

This Quarterly Report presents ABN AMRO's results for the first quarter of 2018. The report provides a quarterly business and financial review, a transition disclosure regarding the impact of IFRS 9, risk, funding and capital disclosures and an update of ABN AMRO's share performance.

Presentation of information

Except for the changes described below, the financial information contained in this Quarterly Report has been prepared according to the same accounting policies as our most recent financial statements, which were prepared in accordance with EU IFRS. The figures in this document have not been audited or reviewed by our external auditor.

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

As from 1 January 2018, ABN AMRO has adopted IFRS 9 "Financial Instruments". IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes new requirements for the classification and measurement of financial instruments and impairment of financial assets. Prior years were not restated in line with the transitional provisions of the standard. This may result in prior year figures being less comparable with the figures presented over the first quarter of 2018. All figures in this report are in accordance with IFRS 9 unless stated otherwise; where applicable this has been indicated by the label 'IAS 39' in the tables. ABN AMRO has decided to continue applying IAS 39 for hedge accounting, including the application of the EU carve-out as permitted by IFRS 9. We refer you to the Transition disclosure for more information on the transitional impact of IFRS 9.

ABN AMRO has changed the presentation of the line items 'loans and receivables - customers' and 'loans and receivables - banks'. These line items have been renamed to 'loans and advances customers' and 'loans and advances banks' respectively to better align with the terms used in IFRS 9 "Financial Instruments". The renaming has no impact on the amounts reported under these line items. Furthermore, ABN AMRO has reclassified all unsettled securities transactions as 'other assets' and 'other liabilities'. Previously, these were included in securities financing. Comparative figures have been adjusted.

For a download of this report or more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com. In addition to this report, ABN AMRO provides an analyst and investor call presentation, an investor presentation and a factsheet on the Q1 2018 results.

Enquiries

ABN AMRO Investor Relations

investorrelations@nl.abnamro.com
+31 20 6282 282

Investor call

A conference call will be hosted by the Executive Board for analysts and investors on Monday 14 May 2018 at 10:30 am CET (09:30 GMT).

To participate in the conference call, we strongly advise analysts and investors to pre-register for the call using the information provided on the ABN AMRO Investor Relations website.

More information can be found on our website, abnamro.com/ir.

ABN AMRO Press Office

pressrelations@nl.abnamro.com
+31 20 6288 900

ABN AMRO Group N.V.

Gustav Mahlerlaan 10, 1082 PP Amsterdam
P.O. Box 283, 1000 EA Amsterdam
The Netherlands
abnamro.com

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

Disclaimer & cautionary statements

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

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

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

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