

ABN AMRO Bank N.V.

Annual Report 2015



Notes to the reader

Introduction

This is the Annual Report for the year 2015 of ABN AMRO Bank N.V. (ABN AMRO Bank). ABN AMRO Bank is a wholly-owned subsidiary of ABN AMRO Group N.V. (ABN AMRO Group).

As from 2015, ABN AMRO Group has withdrawn the group exemption (Dutch Civil Code, Book 2, Article 403) for its Statutory Annual Financial Statements. As a result, ABN AMRO Bank is required to publish audited Annual Statutory Financial Statements in full.

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

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

Presentation of information

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

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

Capital metrics and risk exposures are reported under the Basel III (CRD IV/CRR) framework. Comparative figures for 2013 are reported according to Basel II. Where applicable, we have provided pro-forma figures for comparison purposes.

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

Other publications

The Annual Report of ABN AMRO Bank's parent company, ABN AMRO Group N.V. including audited Consolidated Annual Financial Statements, is available on abnamro.com/ir. For a download of this report or more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com.

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ABN AMRO Bank at a glance

ABN AMRO Bank is a full-service bank with a primary focus on the Netherlands and selective operations internationally. We serve retail, private and corporate banking clients based on our in-depth financial expertise and extensive knowledge of numerous industry sectors.

History

Since

1720

ABN AMRO Bank has a long-standing history in banking and roots that go back for centuries. Following various legal and operational separations, combinations and restructurings, ABN AMRO Bank is now a leading Dutch bank. Our business profile and international footprint has changed while our historic roots and strong brand name remain.



Headquarters

Amsterdam
The Netherlands



Number of employees (FTEs)



22,048

Our businesses

- Retail Banking
- Private Banking
- Corporate Banking

Credit ratings

- S&P: A/stable/A-1
- Moody's: A2/stable/P-1
- Fitch: A/stable/F1
- DBRS: A/positive/R-1 (low)

Corporate governance structure

Two-tier board consisting of a Supervisory Board and a Managing Board.



Core values

Trusted
Professional
Ambitious

Business principles

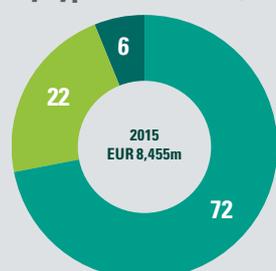
-  I aim to provide my clients with the best solutions
-  I am a passionate professional
-  I take responsibility
-  I am committed to sustainable business practices
-  I only take risks I understand
-  I build relationships through collaboration

Operating income

2015:

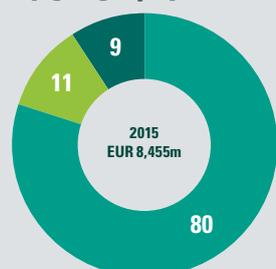
8,455 m

By type of income (in %)



- Net interest income
- Net fee and commission income
- Other operating income

By geography (in %)



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

Our goals

To be a full-service bank with a leadership role in the Dutch market. Internationally, we aim to be a capability-led bank in selected businesses and geographies.





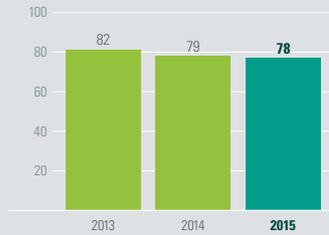
Key figures



Clients

Client satisfaction

(in % client ratings >7)



Change in Net Promoter Score

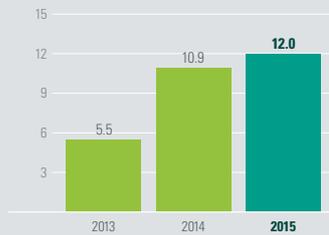
(Percentage point change compared with 2014)



Investors

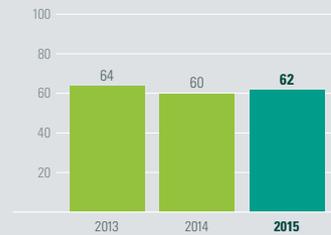
Underlying return on equity

Target range is 10-13 (in %)



Underlying cost/income ratio

2017 target range is 56-60 (in %)



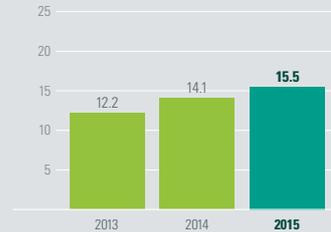
Reported net profit

(in millions)



CET1 (fully-loaded)

Target range is 11.5-13.5 (in %)



Employees

Employee engagement

(in %)



Gender diversity at the top

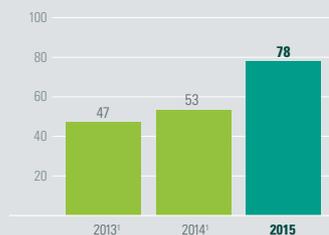
(in %)



Society at large

Dow Jones Sustainability Index

(scale 1 to 100)



Sustainable client assets

(in millions)



¹ Figures are based on publicly available information.



Business Report

This Business Report includes an overview of our operating environment, discussion and analysis of the results of operations, financial condition and business review of ABN AMRO Bank and its different segments for the years 2015 and 2014.

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Responsibility statement

Strategic review

Our strategy addresses the opportunities and threats presented by our challenging economic and regulatory environment. This section highlights our profile, strategic priorities and our achievements so far.

Our mission and vision, identity, core values and business principles

Our mission and vision

Our mission is to be successful through the success of our clients, to strongly commit ourselves to and be positively recognised for our position on sustainability and transparency, and to be an organisation that has the best talent and where people grow both professionally and personally.

Our vision is to be a professional, full-service bank with a leadership role in the Dutch market. Internationally, we aim to be a capability-led bank in selected businesses and geographies.

Our identity

Our identity is based on our core values and business principles. It consists of the ambition to carefully listen to stakeholders, understand their goals, take their interests into account and help them take the next step based on responsible financial decisions; to combine ABN AMRO Bank's knowledge, expertise and network to craft smart solutions that meet today's needs; and to make a difference and continuously improve.

Our core values and business principles

The core values of ABN AMRO Bank are Trusted, Professional and Ambitious. Our business principles are:



I aim to provide my clients with the best solutions



I am a passionate professional



I take responsibility



I am committed to sustainable business practices



I only take risks I understand



I build relationships through collaboration

Update on our strategic priorities

Our strategy is based on five priorities designed to create sustainable value for our stakeholders – our clients, investors, employees and society at large – and with measurable financial targets and key metrics. These five priorities are: enhance client centricity, invest in our future, strongly commit to a moderate risk profile, pursue selective international growth and improve profitability.

Last September we updated our financial targets. These are now:

- ▶ a fully-loaded Common Equity Tier 1 ratio of 11.5-13.5%;
- ▶ a cost/income ratio of 56-60% by 2017;
- ▶ a return on equity of 10-13% in the coming years;
- ▶ a dividend payout ratio of 50% as from and over 2017.

Enhance client centricity

We aim to stand out from other banks based on the quality and relevance of our advice and services. We intend to further distinguish ourselves by enhancing our needs-based client segmentation and providing solutions that suit our clients' unique situations.

We are embedding the Net Promoter Score (NPS) way of working in our operations. In 2015, Retail Banking launched a successful closed-loop feedback pilot to act on feedback gathered from clients, and we plan to implement this process throughout the rest of Retail Banking in 2016.

We work with our clients to avoid residual debt and to help them meet their payments. An example is our Carefree Living programme under which dedicated care teams and certified financial coaches proactively support clients with a higher risk of arrears.



We took several initiatives in 2015 to improve the quality of investment advice provided to our Private Banking clients in the Netherlands. Further steps were taken in 2015 to enhance our sector expertise as part of our service to Corporate Banking clients. For example, we have increased the level of specialisation of our Commercial Clients relationship managers, as 85% of these managers are expected to have their portfolios consolidated to allow them to focus on one of the 15 sectors covered.

We continued our journey in 2015 in enhancing our omni-channel offering. Besides releasing updates of our mobile app, we introduced new, innovative ways to serve our Retail Banking clients. We made improvements to our product offering in 2015, for example new mortgage services and payments with contactless cards were introduced. We are committed to providing transparent information about our products and services. To this end, we invite clients to rate the bank's products on our website. We have received more than 4,000 reviews and ratings to date, with an average rating of 4.0 on a scale of 1 to 5 for insurance, payment and savings products. More information can be found in the Business review section.

Invest in our future

We aim to re-engineer the IT landscape and to optimise processes under the TOPS 2020 and Retail Digitalisation programmes. Furthermore, we invest in innovative startups specialising in the digitalisation of financial products and services and to access smart innovations which could benefit our business and retail clients.

Our pledge is to be a better bank contributing to a better world. As such, we are committed to being positively recognised for our position on sustainability and transparency. Our sustainability strategy supports this commitment. Our people strategy is based on our aspiration to be a Top Class Employer and is designed to help us attract, develop and retain the best people. More information on the progress we have made on our sustainability and people strategies can be found in the Business review section.

TOPS 2020

Under the TOPS 2020 programme, launched in 2013, we are investing in our IT landscape to reduce complexity and costs and to enhance agility. A total investment of EUR 488 million is projected between 2014 and 2017. The annually recurring cumulative cost savings achieved (EUR 230 million as from 2017 onwards) will positively influence our business results as operating expenses at Group Functions are allocated to the business segments.

Retail Digitalisation

As part of our drive to enhance the client experience, Retail Banking intends to accelerate the digitisation of key client processes. An initial investment of EUR 190 million is projected between 2014 and 2017, generating estimated annually recurring cumulative cost savings of EUR 35 million as from 2017 onwards. In 2015 we invested in expanding our digital offering and released several updates of our mobile banking app, enhancing usability and introducing new features that make it easy for clients to interact with the bank.

In addition, we reshaped our omni-channel distribution in anticipation of changing client needs by further integrating distribution for retail clients and small business clients, by further embedding remote advice into our omni-channel offering and by pooling expertise in the branch organisation.

Strongly commit to a moderate risk profile

We are committed to maintaining a moderate risk profile, which is reflected by: (i) a clean and strong balance sheet¹, (ii) diversification and focus in our portfolio, (iii) sound capital and liquidity management, (iv) sustainability and transparency, and (v) clear governance.

In 2015 we continued to optimise the sector-based credit risk approach throughout the Risk Management organisation, which focuses on improved risk knowledge and awareness. This approach allows us to better monitor and manage portfolio intake and sector concentration and to add value in credit risk-taking and decision-making.

¹ ABN AMRO Bank has a clean and strong balance sheet, which means a balance sheet with predominantly traditional banking products resulting in client-driven assets and liabilities. The clean balance sheet is also underpinned by ABN AMRO Bank's limited trading and investment banking activities geared towards serving the basic needs of clients in the Commercial Clients and International Clients business lines and the absence of non-core operating units.



We also continued to further strengthen the operational risk management framework using the best practices of the most advanced industry approach towards operational risk management based on the Advanced Measurement Approach (AMA). We submitted a formal application to the ECB in the fourth quarter of 2015. In February 2016, we obtained formal approval from the regulator for the use of the IMA approach for calculating regulatory capital. This approach was already being used for internal risk management purposes, as well as for computing economic capital.

In terms of risk culture, we continued to ensure that employees are aware of the drivers of our risk profile and feel accountable for the risks they take. We review our risk appetite annually and continue to focus on actively managing it based on capital, liquidity and interest rate risks.

We further improved our capital buffer and revised our target for the fully-loaded CET1 ratio to 11.5-13.5%. Going forward, we will continue to grow our capital position while awaiting more clarity on the impact of Basel IV. Details on our capital position are provided in the Risk, funding & capital Report.

Pursue selective international growth

We target growth in businesses where we have a strong and proven track record (capability-led growth) and that fit in with our moderate risk profile.

The foreign currency branch licence granted by the China Banking Regulatory Commission in September 2015 further enables our ECT business to serve the international needs of our clients. In addition, Financial Institutions set up local relationship management units in the major Western European financial centres of London, Frankfurt and Paris.

The launch of our Clearing business on the Brazil equity market in 2015 further enhances our global market access, with our clearing services now spanning more than 150 liquidity centres worldwide. In 2015, ABN AMRO Bank sold its diamond and jewellery activities in India to IndusInd Bank Limited. These activities were conducted under cohabitation with Royal Bank of Scotland in India. To strengthen our value proposition by leveraging our scale, we announced the integration of our Private Banking activities in Jersey into our subsidiary in Guernsey. Integrating our Jersey and Guernsey activities will enable us to further strengthen the combined value proposition to our clients in the region, leverage our scale, create synergies and simplify our governance.

Improve profitability

Underlying ROE improved to 12.0% in 2015 from 10.9% in 2014, which is in the revised target range of 10-13% announced in September 2015. Underlying profit for 2015 amounted to EUR 1,924 million, up 24% or EUR 373 million, compared with the previous year. The improvement was achieved on sharply lower impairments and despite higher regulatory levies, project costs and provisions. The decrease in loan impairments, seen across the consumer loan and mortgage portfolios, was driven mainly by stringent credit monitoring, balanced portfolio intake and continued improvement of the economic environment in the Netherlands.

The underlying cost/income ratio increased marginally to 61.8%, which is above the targeted range of 56-60% we set for 2017. We were faced with higher IT investments and increasing regulatory levies in 2015, and this will continue in 2016. Our cost saving measures are expected to bring down the cost/income ratio to within our target range as planned by 2017. More information on our financial results can be found in the Financial review section.



Economic and regulatory environment

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

Economic environment

Growth of the Dutch economy picked up speed in the course of 2015, thanks to developments in consumption and investment, and exports continued to show steady growth driven by the weakening euro. Global trade, on the other hand, disappointed. While the US and emerging countries showed high growth figures, a shift was noticeable this past year. A number of emerging countries, such as Russia and Brazil, hit stormy weather. In addition, the biggest emerging market, China, saw its growth percentages slowly decline.

Economic growth in the Netherlands was broad-based and the Dutch housing market continued to recover on the back of the economic upswing and low – and declining – mortgage interest rates. Bank lending faltered in 2015 in the Netherlands. The total volume of residential mortgage lending by banks inched down. Lending at eurozone level grew in 2015.

There are signs that the Dutch economy will continue to grow in 2016, as the upward spiral described does not seem to have come to an end. There are major uncertainties, however, and we update our forecasts regularly. The imminent monetary tightening in the US, the strong decline in oil prices, and turmoil in emerging economies caused volatility in the financial markets in 2015. Turbulence increased in the first two months of 2016, making a forecast of limited value.

Regulatory environment

The regulatory landscape is dynamic and subject to constant change. Financial institutions are increasingly required to provide highly detailed and wide-ranging information to the Supervisory authorities and clients.

In 2015 further progress was made under post-crisis legislation in implementing rules under the Bank Resolution Recovery Directive (BRRD) and Deposit Guarantee Scheme Directive (DGSD). And, as the final step towards a Banking Union, a proposal for the European Deposit Insurance Scheme (EDIS) was published. Large numbers of implementing measures of other European legislation, such as the Directive on Markets in Financial Instruments (MiFID II), were also published.

The European Commission shifted its focus in 2015 to jobs and growth. This resulted in an action plan for the Capital Markets Union (CMU) and a Green Paper on retail financial services.

Many initiatives to integrate European financial markets will continue to be implemented in 2016 (such as MiFID II, PRIIPS, MCD, PSD II and IDD). Further steps under the action plan for a Capital Markets Union, such as a legislative initiative on insolvency, are expected by the end of 2016. The next steps in respect of the Green Paper for retail financial services will be presented in an action plan, to be published around summer 2016.

Considering the latest consultation of the Basel Committee for revisions to the Standardised Approach for credit risk, there may be other items on the agenda of the Basel Committee for 2016. Lastly, the discussion paper of the European Supervisory Authorities (ESAs) on automation in financial advice could indicate that 2016 will see a stronger focus on technological development and financial innovation.

Business review

This section provides an overview of ABN AMRO Bank and its business segments, developments of the bank's people strategy and our sustainability performance. An analysis of the results of operations and financial condition of ABN AMRO Bank and its business segments is provided in the Financial review section. More detailed information can be found in the Annual Report of ABN AMRO Group.

ABN AMRO Bank

Business description

ABN AMRO Bank is a leading Dutch full-service bank with a transparent and client-driven business model, a moderate risk profile, a clean and strong balance sheet with predominantly traditional banking products, and a solid capital position and funding profile. ABN AMRO Bank

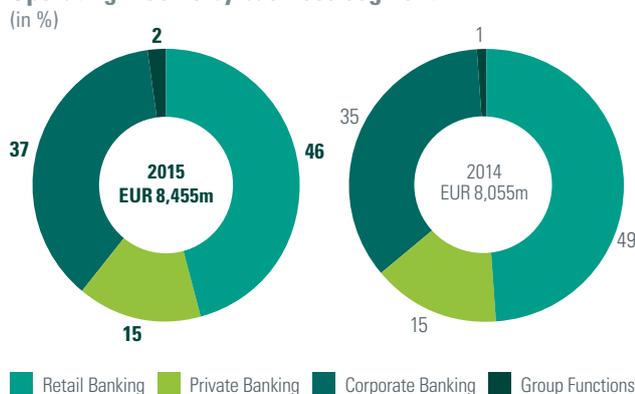
serves retail, private and corporate banking clients with a primary focus on the Netherlands and with selective operations internationally.

ABN AMRO Bank presents four reporting segments: Retail Banking, Private Banking, Corporate Banking (including sub-segment information) and Group Functions.



The breakdown of operating income between the segments is as follows:

Operating income by business segment



Geographical presence

ABN AMRO Bank is present in 22 countries and territories. In the Netherlands, our home market, ABN AMRO Bank is a full-service bank. We have an extensive presence both in terms of bricks and mortar and through a leading online banking service offering. Our international presence is for selected businesses in which ABN AMRO Bank has specific expertise and leading positions, such as Energy, Commodities & Transportation (ECT Clients), Clearing, Private Banking and asset-based financing. In these businesses:

- ▶ ABN AMRO Bank has critical size and expertise;
- ▶ risk-taking is well understood and modest;
- ▶ significant value-creating opportunities exist.

In addition, the international network serves Dutch clients outside the Netherlands. This is part of our strategy to develop and maintain sustainable relationships with Dutch clients, both as their primary bank in the Netherlands and



for their businesses abroad. Partner agreements are in place with selected banks to ensure coverage for clients where ABN AMRO Bank is not physically present.

Retail Banking

Retail Banking is a leading retail bank with a solid and recognised position in our home market, the Netherlands. We are the principal bank for approximately 21%¹ of the Dutch population and have a market share of 21%² in the small business segments in the Netherlands. We provide a full range of transparent retail banking products and high-quality services under the ABN AMRO brand, and specific products and services under different labels. We offer our products and services through omni-channel distribution with extensive physical and digital coverage.

In 2015 we maintained a leading market position and captured a number one market position in new mortgage production, with a combined market share of all ABN AMRO Bank brands in the Dutch mortgage market of approximately 20%³. Retail and Private Banking together held a market share of 21%⁴ in the savings and deposits market.

Building on our client-centric approach, we aspire to offer the best client experience among our peers, making clients the bank's ambassadors. To this end, we measure the Net Promoter Score (NPS). The Net Promoter Score for 2015 went up by 1 percentage point⁵ compared with 2014. More important than the score itself, however, is our approach: we carefully monitor client feedback on what we can improve and what we are doing well. In 2015 we started a pilot to help us improve our service based on clients' feedback. We will further roll out the NPS way of working in 2016.

We continued and launched several initiatives in 2015 to further improve the client experience. For example, we are redesigning our omni-channel distribution network and accelerating digitalisation of our client processes. We released several updates of our mobile banking app this

past year, enhancing usability and introducing new features that make it easy for clients to interact with the bank. Clients are rapidly adopting digital channels, yet at the same time physical distribution remains important, with clients increasingly requiring high-quality advice. We aim to provide seamless navigation and easy accessibility in every distribution channel. To this end, we reshaped our distribution network in anticipation of changing client needs by further integrating distribution to retail clients and small business clients, further embedding remote advice in our omni-channel offering and pooling expertise in the branch network.

Looking ahead, Retail Banking will continue to put clients' interests first by further embedding the NPS way of working, expanding our digital services offering, optimising and simplifying products and services, and focusing on high-quality advice.

Private Banking

ABN AMRO Private Banking is a modern private bank, internationally present and locally involved, that understands changing client needs while providing agile service and distinctive financial solutions to ensure true client engagement.

ABN AMRO Private Banking operates through strong local brands. The Dutch brand, ABN AMRO MeesPierson, maintained its position as market leader in the Netherlands in terms of client assets, totalling EUR 199 billion in 2015. Banque Neufilize OBC (NOBC) is our well-known private bank in France, with eleven branches in the main French cities. NOBC holds a top 4 position⁶ in the French private banking market. Bethmann Bank is a top 3⁷ private bank in Germany, with twelve branches in the main economic regions of Germany. Private Banking is also active in Belgium, Luxembourg, the Channel Islands, Asia and the Middle East.

Private Banking focuses on understanding clients' needs and developing relevant value propositions for specific

¹ Source: GfK online tracker, 2015.

² Source: TNS NIPO, 2015.

³ Source: calculated based on information provided by the Dutch Land Registry (Kadaster), 2015.

⁴ Source: calculated based on Domestic MFI statistics and internal analysis, H1 2015 figures.

⁵ Source: TNS NIPO, 2015. Consists of ABN AMRO label clients.

⁶ Source: internal analysis based on publically available information (company annual reports of peer banks, investor relations presentations and press releases).

⁷ Source: internal analysis based on publically available information (company annual reports of peer banks, investor relations presentations and press releases).



client segments in order to ensure client engagement and attract new clients. For 2015, Private Banking Netherlands NPS was up with 2 percentage points¹ and Private Banking International NPS was up by 2 percentage points² compared with 2014.

In the Netherlands, we developed 'best fit' initiatives to ensure clients receive a suitable investment proposition, and introduced harmonised risk profiles between Retail Banking and Private Banking in 2015. The Retail Banking platform is used for the Private Banking website and app design in the Netherlands. Outside the Netherlands, we are developing an ambitious digital offering consisting of a blend of omni-channel services combined with personal interaction.

Private Banking seeks to offer products and services that have a positive, sustainable impact on society. Total sustainable assets under administration at year-end 2015 amounted to EUR 6.4 billion.

The strategic ambitions of Private Banking are in line with ABN AMRO Bank's strategic priorities: enhance client centricity, invest in our future, strongly commit to a moderate risk profile, pursue selective international growth and improve profitability.

Looking ahead, we intend to build on our leading position in the Netherlands and seek to achieve disciplined growth in a number of selected markets where we already has sustainable presence. Our ambition is to be a modern private bank that is internationally present and locally involved.

Corporate Banking

Corporate Banking is an established business partner of the Dutch corporate sector. We have a strong domestic franchise and a focused international strategy.

Corporate Banking is strongly committed to the Netherlands, where we offer our clients a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge. Our clients are corporates in all sectors of the Dutch economy with annual turnover exceeding EUR 1 million.

Internationally, we serve our domestic client base through local Dutch Desks in selective markets and through cooperation with partner banks. We have a client- and capability-led international strategy that focuses on three specialities for which we operate in selective markets: (i) serving clients that are internationally active in the energy, commodities and transportation sectors (ECT Clients), (ii) clearing activities in more than 150 liquidity centres worldwide and (iii) asset-based financing (consisting of commercial finance and lease).

Our key strengths are our existing leading market positions, strong brand name and relationship-driven business model combined with a dedicated sector approach, strong focus on risk management, resilient revenues and proven management track record. The change in the aggregated NPS for Corporate Banking remained fairly stable and was 2 percentage points³ lower than in 2014.

We launched several initiatives in 2015 that further enhanced client centricity: we strengthened our sector-based organisation and increased in-depth sector knowledge across Corporate Banking, and we pursued controlled international growth in selective markets abroad.

Looking ahead, we believe that our key strengths form a solid foundation for adapting to the challenges presented by changing client needs, economic conditions and increased competition and regulation.

¹ Source: TNS NIPQ, 2015.

² Source: Scorpio Partnership, 2015. Consists of clients in France, Germany and Belgium.

³ Source: TNS NIPQ/Deep insight/Greenwhich, 2015.



Group Functions

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

Group Functions is organised into four main departments, each of which is headed by a member of the Managing Board: Finance, Risk Management & Strategy (RM&S), People, Regulations & Identity (PR&I) and Technology, Operations & Property Services (TOPS). Group Audit and the Corporate Office are also part of Group Functions. Group Audit reports to the Chairman of the Managing Board, and the head of Group Audit has direct access to the Chairman of the Audit Committee. The majority of Group Functions' costs are allocated to the business segments.

TOPS supports the bank by providing services in the areas of IT (software and hardware), operations, facility management, information security, procurement, and programme or project management in the Netherlands and internationally.

Finance is the primary supplier of management and reporting information to the bank's internal and external stakeholders. Finance consists of the following main departments: Financial Accounting, Controlling, ALM, Treasury and Tax.

Risk Management & Strategy (RM&S) secures a sound risk/return ratio based on a moderate risk profile. All different events or risk types to which the bank is exposed are defined and categorised in the risk taxonomy. Risk Management identifies and manages all of the risk types classified in the risk taxonomy.

PR&I consists of five departments: Human Resources, Compliance & Conduct, Legal, Security & Intelligence Management and Communications & Sustainability. To help ABN AMRO Bank pursue its ambition to invest in the future, PR&I has formulated and implemented two main strategies bank-wide: (i) Top Class Employer and (ii) Sustainability.

Our people

In 2015 we invested in further implementing our Top Class Employer strategy. This strategy consists of three building blocks: providing a meaningful corporate identity, creating a culture of excellence and offering the best place to work. Our people strategy, with its three building blocks, is designed to help us attract, develop and retain the best people.

Nearly all our employees in the Netherlands took the Banker's Oath in 2015. Several nominations recognised our company as a diverse and inclusive top class employer. In order to attract the best people, we started reviewing and optimising our employee value proposition and tailored our approach to the labour market through segmentation.

The Managing Board set new gender diversity targets: we aim to place women in 30% of senior management positions and in 35% of upper middle-management positions by 2020. We are on track to meet these targets: in 2015, 23% of senior management positions and 25% of upper middle-management positions were held by women. In addition to gender diversity, we also focus on hiring more non-Western employees for upper middle-management and senior management positions and on hiring more disabled people.

In 2015 ABN AMRO Bank was acknowledged as a best practice company for cultural diversity (Dutch Ministry of Social Affairs and Employment) and gender diversity (Talent to the Top foundation and Dutch Ministry of Education).

In pursuing our culture of excellence, we introduced a global HR IT infrastructure promoting continuous learning throughout the organisation. For our managers, we set up a Leadership Impact Framework. We seek to retain our people not only by offering them a challenging and rewarding environment; we also give them the opportunity to create their best place to work. The bank reached agreement with the trade unions on a new collective labour agreement in 2015.



Our annual Employee Engagement Survey gives us the information we need to strengthen engagement and consequently improve our performance. In 2015, the survey showed that 76% of employees across the organisation feel engaged with their work.

In 2016 we will further implement our strategy, including accelerating the implementation of our global HR IT infrastructure. With our global system live, we will have the benefits of a truly global HR approach. As a result, ABN AMRO Bank will have the tools it needs to make the most of the bank's talents worldwide by facilitating global mobility and development. In addition, we will focus on further developing our in-depth leadership capabilities and talent management. Our continuous investment in HR analytics will help us anticipate future developments and clients' needs.

Sustainability

Our sustainability strategy up to 2017 commits us to achieving a positively recognised position on sustainability and transparency. As a foundation of our sustainability strategy, we endorse international standards such as the UN Global Compact.

Banks play a key role in facilitating business and therefore have a responsibility to shape and ensure the sustainable development of business in the future. For ABN AMRO Bank, that means doing business responsibly, putting our clients' interests centre stage and addressing the risks related to climate change, human rights and the shortage of natural resources. Our sustainability strategy is based on two pillars:

Better bank

- ▶ We pursue sustainable business operations;
- ▶ We put our client's interests centre stage and build sustainable relationships.

Better world

- ▶ We use our financial expertise for the benefit of society;
- ▶ We finance and invest for clients in a sustainable manner.

In 2015, we translated our sustainability strategy into goals and metrics. We make our employees ambassadors of ABN AMRO Bank by giving them a role in increasing transparency and sustainability at the bank. We measure the results of our efforts with our Employee Engagement Survey and strive to score 80% or higher by 2017. As an overall indicator of how we are performing, we aspire to be in the top 15% of the Dow Jones Sustainability Index by 2017.

We also conducted multi-stakeholder dialogues in order to deepen our understanding of, and approach to, these material issues raised by our stakeholders. A full description of this process is available on our website abnamro.com.

We published the Human Rights guide, 'Our Path Towards Respecting Human Rights' during our second International Human Rights Conference in 2015. In this guide we publicly state our commitment to human rights and explain how we can be connected to human rights impacts through our own activities, the activities of our suppliers and the business activities of our clients.

Looking ahead we will continue to implement the performance metrics and targets we have set as we put our sustainability strategy into practice. This will enable us to report on our progress in an increasingly concrete and transparent manner, and consequently help us to restore confidence in the bank.



Financial review

The following section includes a discussion and analysis of the financial condition of ABN AMRO Bank and its different segments for the years 2015 and 2014. The information in this section is presented on the basis of underlying results. A reconciliation from reported to underlying results is provided in ABN AMRO Bank results of this section. More information on the activities, clients and products of the different segments is provided in the Business review section of the Business Report.

As of 2015, ABN AMRO Bank has extended the definition of assets under management to include client assets in Retail Banking and changed the name of assets under management to client assets. Client assets include cash and securities of clients held on accounts with ABN AMRO Bank. The development of client assets is explained for Private Banking.

In 2015, the definition of the underlying return on average equity was altered to reflect the implications of the accounting treatment for Additional Tier 1 instruments. Return on equity is now calculated as underlying profit for the period attributable to owners of the company (i.e. underlying profit after deduction of net reserved payments for capital securities and result attributable to non-controlling interests) divided by the average equity attributable to the owners of the company (i.e. excluding capital securities and non-controlling interests).



Overview

ABN AMRO Bank reported an underlying net profit of EUR 1,924 million, up EUR 373 million compared with the previous year on the back of lower impairment charges and higher operating income partly offset by higher regulatory levies and project costs. This resulted in an underlying Return on Equity (ROE) of 12.0% and an increased cost/income ratio of 61.8%.

Reported net profit for 2015 was equal to the underlying net profit, as no special items were identified in 2015. Reported net profit for full-year 2014 was EUR 1,134 million and included EUR 417 million of negative one-off special items (SNS Reaal levy and pension settlement charge).

The total balance sheet ended at EUR 390.3 billion, an increase of EUR 3.4 billion compared with December 2014. The increase in Cash and balances at central banks was partly offset by Financial assets held for trading, Derivatives and Loans and receivables - banks. Total liabilities increased mainly in Due to customers and Subordinated liabilities, largely offset by decreased Derivatives and Financial liabilities held for trading.

Retail Banking's underlying net profit was EUR 1,226 million, up EUR 147 million compared with 2014. The increase in underlying net profit was mainly

driven by lower impairments partly offset by lower net interest income and higher regulatory levies.

Private Banking posted an underlying net profit of EUR 214 million, an increase of EUR 54 million compared with 2014. Higher net fee and commission and other operating income accompanied by lower loan impairments were partly offset by higher operating expenses, including higher regulatory levies. The acquired German private banking activities were consolidated as of September 2014, contributing to full-year 2015 underlying net profit.

Corporate Banking doubled underlying net profit to EUR 596 million, up EUR 298 million compared with 2014. This increase was driven by higher operating income and considerably lower loan impairments, partly offset by higher operating expenses, including higher regulatory levies. Commercial Clients and International Clients contributed to the underlying profit, while Capital Markets Solutions reported a small underlying loss.

Group Functions posted an underlying net profit of EUR 112 million negative compared with an underlying profit of EUR 14 million in 2014. This was impacted by a tax-exempt provision related to the part of the Securities Financing activities discontinued in 2009.

ABN AMRO Bank results

Income statement

Operating results

(in millions)	2015	2014	Change
Net interest income	6,076	6,023	1%
Net fee and commission income	1,829	1,691	8%
Other operating income	550	341	61%
Operating income	8,455	8,055	5%
Personnel expenses	2,492	2,396	4%
Other expenses	2,736	2,453	12%
Operating expenses	5,228	4,849	8%
Operating result	3,227	3,206	1%
Impairment charges on loans and other receivables	505	1,171	-57%
Operating profit/(loss) before taxation	2,722	2,035	34%
Income tax expense	798	484	65%
Underlying profit/(loss) for the period	1,924	1,551	24%
Special items		-417	
Reported profit/(loss) for the period	1,924	1,134	
<i>Of which available for AT 1 capital securities (net of tax)</i>	11		
<i>Of which Non-controlling interests</i>	5		

Other indicators

	2015	2014
Net interest margin (NIM) (in bps)	146	153
Underlying cost/income ratio	61.8%	60.2%
Underlying cost of risk (in bps) ¹	19	45
Underlying return on average Equity ²	12.0%	10.9%

	31 December 2015	31 December 2014
Client Assets (in billions)	313.5	302.5
FTEs	22,048	22,215

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

² Underlying profit for the period attributable to owners of the company divided by the average equity attributable to the owners of the company.



The **underlying profit** for full-year 2015 amounted to EUR 1,924 million, up EUR 373 million compared with the previous year. The increase was due mainly to lower loan impairments and higher operating income, partly offset by regulatory levies and project costs. **Income tax expense** in 2015 was negatively impacted by the reassessment of our tax position and the tax-exempt provision related to the part of the Securities financing activities discontinued in 2009.

The **underlying return on equity** (ROE) increased to 12.0% in 2015, compared with 10.9% in 2014.

A number of special items impacted 2014 negatively. As a consequence, the reported net profit of EUR 1,134 million in 2014 was EUR 417 million lower than the underlying net profit (EUR 1,551 million in 2014). The difference between underlying and reported results is shown in the table Reconciliation from underlying to reported results.

Operating income

Operating income grew by 5% compared with 2014 and amounted to EUR 8,455 million in 2015, of which 80% was generated in the Netherlands.

Net interest income rose marginally to EUR 6,076 million in 2015 compared with EUR 6,023 million in 2014. The development of net interest income was impacted by several negative one-offs in 2015 (including a provision for the Euribor mortgages legal claim). In contrast, one-offs with a positive impact were recorded in 2014.

Net interest income on residential mortgages increased compared with 2014 as margin improvements exceeded the decrease in portfolio volumes. Margins improved due to continued gradual repricing at higher margins, in particular mortgages that originated pre-crisis.

Net interest income on consumer loans decreased due to declined average loan volumes and lower margins.

Net interest income on corporate loans increased in 2015 compared to 2014 due to both higher volumes and higher margins. Margin improvements were mainly recorded in Commercial Clients. The increase in average corporate loan volumes was chiefly by volume growth in the ECT Clients loan portfolio (including currency developments). Average corporate loan volumes in Commercial Clients showed a limited decline compared to 2014.

Net interest income was negatively impacted by higher liquidity buffer costs.

In combination with higher average total assets, this resulted in a net interest margin (NIM) of 146bps in 2015.

Net fee and commission income, at EUR 1,829 million in 2015, was EUR 138 million higher than in 2014. The increase was primarily recorded in Private Banking, due to a favourable stock market performance, and in Corporate Banking due to higher transaction volumes at Clearing.

Other operating income amounted to EUR 550 million in 2015, up by EUR 209 million compared with the previous year. The increase was primarily driven by higher CVA/DVA/FVA results (EUR 76 million positive in 2015 versus EUR 58 million negative in 2014), favourable hedge accounting-related results at Group Functions, and higher tax-exempt results at Equity Participations on the back of improved market conditions. This was partly offset by a one-off tax-exempt provision in Group Functions related to the part of the Securities Financing activities discontinued in 2009 and a provision in Corporate Banking for an identified group of SMEs with possible interest rate derivative-related issues.



Operating expenses

Operating expenses increased by EUR 379 million, or 8%, to EUR 5,228 million in 2015 compared with 2014.

Personnel expenses amounted to EUR 2,492 million in 2015, up EUR 96 million compared with the previous year. Pension expenses were EUR 38 million higher in 2015 due mainly to lower discount rates. In addition, personnel expenses for international activities increased due mainly to growth of the number of FTEs and devaluation of the euro. Personnel expenses in 2014 were positively impacted by releases from the employee benefits provision. Comparable restructuring provisions were included in 2014 and 2015.

Other expenses rose by EUR 283 million to EUR 2,736 million. The increase was driven by EUR 129 million higher regulatory levies. Regulatory levies totalling EUR 220 million in 2015 included EUR 119 million for the National Resolution Fund (NRF), EUR 98 million for the Dutch bank tax and EUR 3 million for the Deposit Guarantee Scheme (DGS). Implementation of the Dutch DGS has been postponed by the national regulator to Q1 2016; therefore, the DGS charge recorded in 2015 was lower than previously communicated. In addition, other expenses increased due to higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes). A EUR 55 million

settlement with Vestia was included in 2015. These increases were partly offset by a considerable VAT refund recorded in 2015 which was the result of discussions with the tax authorities related to the period 2007-2014.

Operating result

The **operating result** improved marginally to EUR 3,227 million, up by EUR 21 million compared with 2014, and the **underlying cost/income ratio** increased by 1.6 percentage points to 61.8% in 2015.

Impairment charges on loans and receivables

Impairment charges on loans and other receivables amounted to EUR 505 million, EUR 666 million lower than in 2014. Lower impairment charges were recorded on all portfolios due to improvements in the risk profile of the portfolios on the back of improved economic conditions. This also led to IBNI releases, which are determined based on recent losses in the portfolio. The decreasing loan loss levels resulted in an IBNI release of EUR 221 million in 2015 compared with an IBNI addition of EUR 22 million in 2014.

The decrease in Impairment charges was recorded in each business segment.

The **underlying cost of risk** amounted to 19bps in 2015, down from 45bps in 2014.

Balance sheet

Condensed statement of financial position

(in millions)	31 December 2015	31 December 2014
Cash and balances at central banks	26,195	706
Financial assets held for trading	1,706	9,017
Derivatives	19,138	25,285
Financial investments	40,542	41,466
Securities financing	20,062	18,511
Loans and receivables - banks	15,680	21,680
Loans and receivables - customers	259,319	261,910
Other	7,676	8,292
Total assets	390,317	386,867
Financial liabilities held for trading	459	3,759
Derivatives	22,425	30,449
Securities financing	11,372	13,918
Due to banks	14,630	15,744
Due to customers	230,297	216,011
Issued debt	76,207	77,131
Subordinated liabilities	9,708	8,328
Other	7,635	6,652
Total liabilities	372,733	371,990
Equity attributable to the owners of the parent company	16,575	14,865
Capital securities	993	
Equity attributable to non-controlling interests	17	12
Total equity	17,584	14,877
Total liabilities and equity	390,317	386,867
Committed credit facilities	21,559	16,164
Guarantees and other commitments	13,868	15,335

Main developments in total assets

Total assets increased by EUR 3.4 billion to EUR 390.3 at 31 December 2015 from EUR 386.9 billion at 31 December 2014, due mainly to higher Cash and balances at central banks, partly offset by Financial assets held for trading, Derivatives and Loan and receivables - banks.

Cash and balances at central banks increased by EUR 25.5 billion to EUR 26.2 billion as part of the liquidity buffer. The mandatory reserve deposits held with DNB recorded in Loans and receivables – banks were transferred to overnight deposits accounts.

Financial assets held for trading decreased sharply by EUR 7.3 billion to EUR 1.7 billion at 31 December 2015, driven mainly by the wind-down of activities resulting from the strategic review of Capital Markets Solutions and a decrease in government bonds related to primary dealerships.

Derivatives decreased by EUR 6.1 billion to EUR 19.1 billion (of which EUR 15 billion trading and EUR 4 billion non-trading) on the back of mid- to long-term interest rates and FX rates movements impacting the fair value of derivatives. This is also observed in the derivative liabilities.

Loans and receivables – banks decreased by EUR 6.0 billion to EUR 15.7 billion due mainly to the transfer of mandatory reserves at DNB to overnight deposit

accounts, partly offset by a EUR 2 billion move of ECT Clients trade bills from Loans and receivables – customers to Loans and receivables - banks.

Loans and receivables – customers declined by EUR 2.6 billion. As shown in the following table this decline was primarily the result of lower residential mortgage volume and lower consumer loans. The mortgage portfolio decreased by EUR 1.5 billion to EUR 146.9 billion at 31 December 2015, driven by fierce competition especially towards year-end on longer interest rate periods and redemptions. Redemptions were higher due to increased refinancing, whereas extra repayments in 2015 returned to the same level as previous years. Low interest rates and increased awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Contractual repayments

are gradually growing, following amended tax regulations. As a result, redemptions exceeded new mortgage production. The market share in new mortgage production was stable at 20% in 2015.

Corporate loans to clients underlying growth was more than offset by a move of ECT Clients trade bills to Loans and receivables - banks and the reallocation of part of the public sector loan portfolio from Corporate Banking to Group Functions (EUR 2.3 billion). This portfolio was reallocated due to the specific expertise required to manage risks other than credit risk associated with these longer dated loans. Corporate Banking will continue to manage client relationships. As a result of this reallocation, the portfolio was reclassified to Loans to professional counterparties.

Loans and receivables – customers

(in millions)	31 December 2015	31 December 2014
Residential mortgages	146,932	148,402
Consumer loans	15,147	16,052
Corporate loans to clients ¹	78,195	80,065
Total client loans²	240,274	244,519
Loans to professional counterparties	12,194	9,635
Other loans ³	6,357	6,777
Total Loans and receivables - customers²	258,825	260,931
Fair value adjustments from hedge accounting	4,849	5,739
Less: loan impairment allowance	4,355	4,761
Total Loans and receivables - customers	259,319	261,910

¹ Corporate loans excluding loans to professional counterparties.

² Gross carrying amount excluding fair value adjustment from hedge accounting.

³ Other loans consists of loans and receivables to government, official institutions and financial markets parties.

Main developments in total liabilities

Total liabilities increased marginally by EUR 0.7 billion to EUR 372.7 billion at 31 December 2015 compared with EUR 372.0 billion at 31 December 2014. The increase in Due to customers and Subordinated liabilities was largely offset by lower Derivatives and Financial liabilities held for trading.

Financial liabilities held for trading declined by EUR 3.3 billion to EUR 0.5 billion due to lower short positions in bonds mostly related to the primary dealership.

Derivatives decreased by EUR 8.0 billion to EUR 22.4 billion (of which EUR 13 billion trading and EUR 9 billion non-trading) on the back of mid- to long-term interest and FX rates movements impacting the valuation of derivatives. This is also observed in derivative assets.

Due to customers increased by EUR 14.3 billion to EUR 230.3 billion. Growth was recorded in all business segments and largely in demand deposits at Private Banking and Corporate Banking and savings deposits at

Commercial Clients and Retail Banking. The combined market share of 21%¹ in retail deposits at Retail Banking and Private banking in the Netherlands at 31 December 2015 was stable compared with 31 December 2014.

Due to customers

(in millions)	31 December 2015	31 December 2014
Retail Banking	98,674	95,915
Private Banking	66,465	62,902
Corporate Banking	62,850	54,740
Group Functions	2,308	2,454
Total Due to customers	230,297	216,011
Demand deposits	119,109	109,753
Saving deposits	92,472	88,655
Time deposits	18,555	17,459
Total deposits	230,136	215,867
Other borrowings	160	144
Total Due to customers	230,297	216,011

Subordinated liabilities increased EUR 1.4 billion to EUR 9.7 billion mainly as a result of two Tier 2 issuances (EUR 1.5 billion and EUR 1.4 billion (USD 1.5 billion)) partly offset by the call of a EUR 1.7 billion Dutch State-held subordinated loan.

Total equity

Total equity rose by EUR 2.7 billion to EUR 17.6 billion at 31 December 2015, due mainly to the reported profit for 2015 and, to a lesser extent, the inaugural launch of EUR 1 billion of capital securities qualifying as Additional Tier 1 capital.

Difference between underlying and reported results

Underlying results are adjusted for special items and divestments. Special items are material, non-recurring items which are not related to normal business activities. A divestment is the sale of all or part of a business to a third party. Adjustments include past results and the related transaction result.

The **reported net profit** and the **underlying net profit** for full-year 2015 amounted to EUR 1,924 million as no special items were recognised.

The **reported net profit** for full-year 2014 amounted to EUR 1,134 million and includes a EUR 288 million charge for the transition to a new pension scheme and a EUR 201 million levy for the nationalisation of SNS Reaal.

The following table presents the reconciliation from underlying to reported results.

Reconciliation from underlying to reported results

(in millions)	2015			2014		
	Underlying	Special items	Reported	Underlying	Special items	Reported
Net interest income	6,076		6,076	6,023		6,023
Net fee and commission income	1,829		1,829	1,691		1,691
Other operating income	550		550	341		341
Operating income	8,455		8,455	8,055		8,055
Personnel expenses	2,492		2,492	2,396	288	2,684
Other expenses	2,736		2,736	2,453	201	2,654
Operating expenses	5,228		5,228	4,849	489	5,338
Operating result	3,227		3,227	3,206	-489	2,717
Impairment charges on loans and other receivables	505		505	1,171		1,171
Operating profit/(loss) before taxation	2,722		2,722	2,035	-489	1,546
Income tax expense	798		798	484	-72	412
Profit/(loss) for the period	1,924		1,924	1,551	-417	1,134

Impact of special items

(in millions)	2015	2014
Operating income		
Total impact on Operating Income		
Operating expenses		
Pension settlement charge		288
SNS Levy		201
Total impact on Operating expenses		489
Loan impairments		
Total impact on Loan impairments		
Total impact on Income tax expense		-72
Total impact on result for the period		-417

Retail Banking

Operating results

(in millions)	2015	2014	Change
Net interest income	3,302	3,379	-2%
Net fee and commission income	527	522	1%
Other operating income	25	41	-40%
Operating income	3,853	3,942	-2%
Personnel expenses	487	560	-13%
Other expenses	1,619	1,475	10%
Operating expenses	2,106	2,035	3%
Operating result	1,748	1,907	-8%
Impairment charges on loans and other receivables	99	460	-79%
Operating profit/(loss) before taxation	1,649	1,447	14%
Income tax expense	423	368	15%
Underlying profit/(loss) for the period	1,226	1,079	14%
Special items			
Reported profit/(loss) for the period	1,226	1,079	14%

Retail Banking's **underlying profit** rose by EUR 147 million to EUR 1,226 million in 2015, up 14% compared with 2014, as a result of lower loan impairments partly offset by lower net interest income and higher regulatory levies.

Net interest income, at EUR 3,302 million, declined by EUR 77 million compared with 2014. This was largely driven by provisions related to legal claims (including Euribor mortgages) and inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products in 2015 and positive one-off results in 2014.

Margins on residential mortgages improved as a result of the gradual repricing of the mortgage book. This was partly offset by lower average residential mortgages volumes. Consumer lending volumes and margins decreased in 2015.

Interest income on deposits remained stable. Higher average savings volumes were offset by lower margins as market rates declined at a faster pace than client savings rates.

Personnel expenses decreased by EUR 73 million, or 13%, due mainly to a restructuring provision of EUR 60 million in 2014. Excluding this provision, personnel expenses were EUR 13 million lower due to lower average FTE levels, following a further reduction in branches. This was partly offset by higher pension expenses.

Other expenses were up EUR 144 million to EUR 1,619 million in 2015. The **regulatory levies** in 2015 were EUR 48 million higher compared with 2014 (EUR 87 million in 2015 versus EUR 39 million in 2014). In addition to higher regulatory levies, other expenses were up due mainly to higher external staffing costs due to increased residential mortgage production and higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including TOPS 2020 and the Retail Digitalisation programmes).

Operating result decreased by EUR 159 million to EUR 1,748 million in 2015. The **underlying cost/income ratio** increased by 3.0 percentage points to 54.6%.

Impairment charges on loans and other receivables fell by EUR 361 million, compared with 2014, to EUR 99 million in 2015. The decline in impairments is visible in both the consumer loan portfolio and the mortgage portfolio. Mortgage impairments decreased on the back of improved conditions in the housing market, and the recovery of the Dutch economy contributed to a lower inflow of mortgages in the impaired portfolio, increased

outflow and an improvement of the portfolio's risk profile. Consumer loans also benefited from improved economic conditions and active risk management of the portfolio of clients in arrears, leading to sharply lower loan impairments. In addition, impairment charges benefited from releases from the IBNI allowances (EUR 85 million in 2015). Included in 2014 were EUR 50 million of IBNI additions.

Other indicators

	2015	2014
Underlying cost/income ratio	54.6%	51.6%
Underlying cost of risk (in bps) ¹	6	29

	31 December 2015	31 December 2014
Loan-to-Deposit ratio	152%	158%
Loans and receivables - customers (in billions)	154.2	156.0
Due to customers (in billions)	98.7	95.9
Risk-weighted assets (risk exposure amount; in billions)	34.8	36.8
FTEs	5,844	6,258

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Loans and receivables – customers decreased by EUR 1.8 billion. Residential mortgages declined by EUR 1.1 billion driven by fierce competition, especially towards year-end, on longer interest rate periods. Redemptions were higher due to increased refinancing, whereas extra repayments in 2015 returned to the same level as previous years. Low interest rates and increased awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Contractual repayments are gradually growing, following amended tax regulations. As a result, redemptions exceeded new mortgage production.

Consumer lending declined by EUR 0.7 billion.

Due to customers grew by EUR 2.8 billion, due mainly to an increase in deposits at MoneYou (in all active countries).

Private Banking

Operating results

(in millions)	2015	2014	Change
Net interest income	589	597	-1%
Net fee and commission income	619	544	14%
Other operating income	101	51	98%
Operating income	1,310	1,193	10%
Personnel expenses	501	460	9%
Other expenses	549	503	9%
Operating expenses	1,050	964	9%
Operating result	260	229	13%
Impairment charges on loans and other receivables	-4	23	
Operating profit/(loss) before taxation	264	206	28%
Income tax expense	49	46	6%
Underlying profit/(loss) for the period	214	160	34%
Special items			
Reported profit/(loss) for the period	214	160	34%

Private Banking's **underlying net profit** rose by EUR 54 million to EUR 214 million in 2015, up 34% compared with 2014. The increase was mainly driven by higher net fee and commission income and one-off results, partly offset by higher project costs. The acquired German private banking activities of Credit Suisse were consolidated as of 1 September 2014.

Net interest income amounted to EUR 589 million and was nearly stable compared with 2014.

Net fee and commission income increased by EUR 75 million, or 14%, to EUR 619 million in 2015. Net fees increased due to higher average client assets, attributable to the stock market performance and Net new assets. Private Banking also generated additional fee income in 2015 from the full-year contribution of the acquired German activities.

Other operating income in 2015 was EUR 50 million higher than in 2014, due to the sale of premises and increased trading income in 2015 while 2014 included a provision for a legal claim.

Personnel expenses increased by EUR 41 million to EUR 501 million in 2015. The increase in the international entities was mainly attributable to the acquired German activities, a restructuring provision for the announced integration of ABN AMRO Jersey into ABN AMRO Guernsey and FTE growth.

Other expenses grew by EUR 46 million compared with 2014 to EUR 549 million. The increase was primarily due to higher project costs related to enhancing client centricity and client documentation, and continuous improvement of products, services and IT processes. Costs for the acquisition in Germany were included in 2014. The **regulatory levies** were EUR 7 million higher than in 2014 (EUR 11 million in 2015 versus EUR 4 million in 2014). A goodwill impairment of EUR 25 million was included in 2014.

Operating result went up by 13% to EUR 260 million. The underlying cost/income ratio for Private Banking decreased slightly to 80.2% in 2015.

Impairment charges on loans and other receivables showed a net release of EUR 4 million, compared with EUR 23 million impairment additions in 2014.

The release in impairments is partially explained by a EUR 12 million IBNI release in 2015.

Other indicators

	2015	2014
Underlying cost/income ratio	80.2%	80.8%
Underlying cost of risk (in bps) ¹	-2	14
Gross margin on client assets (in bps)	65	67

	31 December 2015	31 December 2014
Loan-to-Deposit ratio	25%	26%
Loans and receivables - customers (in billions)	16.6	16.7
Due to customers (in billions)	66.5	62.9
Risk-weighted assets (risk exposure amount; in billions)	8.2	8.3
FTEs	3,722	3,599

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Loans and receivables – customers were virtually stable at EUR 16.6 billion at 31 December 2015 compared with EUR 16.7 billion at 31 December 2014.

Due to customers increased by EUR 3.5 billion to EUR 66.5 billion at 31 December 2015. Growth was achieved both in the Netherlands and internationally.

Client Assets

(in billions)	2015	2014
Opening balance Client assets	190.6	168.3
Net new assets (excl. sales/acquisitions)	1.5	5.5
Market performance	7.1	8.7
Divestments/acquisitions		8.2
Other (incl. sales/acquisitions)		-0.1
Closing balance Client assets	199.2	190.6
Breakdown by type		
Cash	66.5	63.6
Securities	132.8	127.0
- of which custody	35.0	31.3
Breakdown by geography (in %)		
The Netherlands	48%	47%
Rest of Europe	44%	44%
Rest of the world	8%	9%

Client assets grew to EUR 199.2 billion at 31 December 2015. This was due mainly to improved market performance.

Net new assets amounted to EUR 1.5 billion in 2015, EUR 4 billion lower than in 2014. This decline was due mainly to the outflow of custody assets of a single client (EUR 3 billion) in 2015.

Corporate Banking

Operating results

(in millions)	2015	2014	Change
Net interest income	2,142	2,019	6%
Net fee and commission income	751	646	16%
Other operating income	227	173	31%
Operating income	3,120	2,839	10%
Personnel expenses	676	618	9%
Other expenses	1,264	1,116	13%
Operating expenses	1,940	1,734	12%
Operating result	1,180	1,105	7%
Impairment charges on loans and other receivables	419	717	-42%
Operating profit/(loss) before taxation	762	388	96%
Income tax expense	165	91	83%
Underlying profit/(loss) for the period	596	298	100%
Special items			
Reported profit/(loss) for the period	596	298	100%

Corporate Banking's **underlying net profit** increased by EUR 298 million to EUR 596 million in 2015. The key drivers for the improvement were a rise in operating income and a considerable decrease in impairment charges. This was partly offset by increased operating expenses including higher regulatory levies.

Commercial Clients and International Clients contributed EUR 329 million and EUR 292 million respectively to the underlying profit of Corporate Banking. Capital Markets Solutions made an underlying loss of EUR 24 million.

Net interest income increased by EUR 123 million to EUR 2,142 million. The improvement was seen in all of the sub-segments.

Commercial Clients posted a modest rise in net interest income of EUR 30 million to EUR 1,305 million. Margins on loans and average deposit volumes increased, while deposit margins decreased compared with 2014. Average loan volumes decreased partly due to the reallocation of part of the public sector loan portfolio to Group Functions.

Net interest income in International Clients increased by

EUR 61 million to EUR 709 million, benefiting from growth in the ECT Clients loan portfolio which was due partly to the devaluation of the euro. This was partly offset by lower margins on deposits.

Net interest income in Capital Markets Solutions improved by 33% to EUR 127 million, mainly in Clearing on the back of higher average client financing and higher margins, due partly to the depreciation of the euro.

Net fee and commission income increased by EUR 105 million compared with 2014 to EUR 751 million. Fee growth was mainly driven by higher transaction volumes in Capital Markets Solutions resulting from increased volatility in the financial markets and higher fees received from Group Functions related to Securities Financing activities.

Other operating income went up by EUR 54 million to EUR 227 million in 2015. The increase was driven by a EUR 116 million higher CVA/DVA/FVA impact compared with 2014, which included first-time application of the FVA. The total CVA/DVA/FVA impact was EUR 49 million positive in 2015 versus EUR 67 million negative in 2014. Results further improved driven by higher tax-exempt

results on the Equity Participations portfolio on the back of improved market conditions. This was partly offset by a provision for an identified group of SMEs with possible interest rate derivative-related issues. Clearing recorded a EUR 40 million gain in 2014 on the partial sale of the share in Holland Clearing House.

Personnel expenses amounted to EUR 676 million in 2015, up by EUR 58 million compared with 2014. Personnel expenses increased due to pension expenses, restructuring provisions and higher personnel expenses for the international activities driven by growth in FTE and the depreciation of the euro.

Other expenses grew by EUR 148 million compared with 2014. The **regulatory levies** in 2015 were EUR 73 million higher compared with 2014 (EUR 122 million in 2015

versus EUR 49 million in 2014). In addition, there were higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 programme).

Operating result went up by EUR 75 million to EUR 1,180 million in 2015. The **underlying cost/income ratio** in 2015 increased 1.1 percentage point to 62.2% compared with 2014.

Impairment charges amounted to EUR 419 million, down by EUR 298 million compared with 2014. The decrease in impairment charges at Commercial Clients in 2015 was partly offset by the increase at International Clients. An IBNI release of EUR 125 million was included for Corporate Banking in 2015, compared with a EUR 25 million release in 2014.

Other indicators

	2015	2014
Underlying cost/income ratio	62.2%	61.1%
Underlying cost of risk (in bps) ¹	46	86

	31 December 2015	31 December 2014
Loan-to-Deposit ratio	121%	143%
Loans and receivables - customers (in billions)	80.6	85.0
Due to customers (in billions)	62.9	54.7
Risk-weighted assets (risk exposure amount; in billions)	55.1	53.5
FTEs	4,959	4,995

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Loans and receivables – customers decreased by EUR 4.4 billion to EUR 80.6 billion at 31 December 2015. The underlying growth, mainly in ECT on the back of the depreciation of the euro, was more than offset by the reallocation of part of the public sector loan portfolio from Corporate Banking to Group Functions and a reclassification from Loans and receivables - customers to Loans and receivable - banks within the ECT Clients portfolio.

Due to customers increased by EUR 8.2 billion to EUR 62.9 billion at 31 December 2015. Commercial Clients, International Clients and Capital Markets Solutions all contributed to this increase.

Commercial Clients

Operating results

(in millions)	2015	2014	Change
Net interest income	1,305	1,275	2%
Net fee and commission income	205	196	5%
Other operating income	13	30	-56%
Operating income	1,524	1,502	1%
Operating expenses	861	788	9%
Operating result	663	713	-7%
Impairment charges on loans and other receivables	213	605	-65%
Operating profit/(loss) before taxation	450	108	
Income tax expense	121	27	
Underlying profit/(loss) for the period	329	82	
Special items			
Reported profit/(loss) for the period	329	82	

Other indicators

	2015	2014
Underlying cost/income ratio	56.5%	52.5%
Underlying cost of risk (in bps) ¹	53	145

	31 December 2015	31 December 2014
Loans and receivables - customers (in billions)	35.3	38.1
Due to customers (in billions)	34.8	31.7
Risk-weighted assets (risk exposure amount; in billions)	21.5	20.8

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.



International Clients

Operating results

(in millions)	2015	2014	Change
Net interest income	709	648	9%
Net fee and commission income	232	217	7%
Other operating income	104	3	
Operating income	1,044	868	20%
Operating expenses	522	456	14%
Operating result	522	412	27%
Impairment charges on loans and other receivables	191	113	69%
Operating profit/(loss) before taxation	331	299	11%
Income tax expense	40	67	-41%
Underlying profit/(loss) for the period	292	232	26%
Special items			
Reported profit/(loss) for the period	292	232	26%

Other indicators

	2015	2014
Underlying cost/income ratio	50.0%	52.6%
Underlying cost of risk (in bps) ¹	57	40

	31 December 2015	31 December 2014
Loans and receivables - customers (in billions)	32.2	32.2
Due to customers (in billions)	19.0	16.7
Risk-weighted assets (risk exposure amount; in billions)	22.6	19.9

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.



Capital Markets Solutions

Operating results

(in millions)	2015	2014	Change
Net interest income	127	96	33%
Net fee and commission income	314	233	35%
Other operating income	110	140	-21%
Operating income	551	469	18%
Operating expenses	555	489	13%
Operating result	-3	-20	84%
Impairment charges on loans and other receivables	15	-1	
Operating profit/(loss) before taxation	-18	-19	6%
Income tax expense	6	-4	
Underlying profit/(loss) for the period	-24	-15	-57%
Special items			
Reported profit/(loss) for the period	-24	-15	-57%

Other indicators

	2015	2014
Underlying cost/income ratio	100.6%	104.3%
Underlying cost of risk (in bps) ¹	9	-1

	31 December 2015	31 December 2014
Financial assets held for trading (in billions)	1.7	8.9
Loans and receivables - customers (in billions)	13.1	14.7
Financial liabilities held for trading (in billions)	0.5	3.8
Due to customers (in billions)	9.1	6.3
Risk-weighted assets (risk exposure amount; in billions)	11.0	12.8

¹ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Group Functions

Operating results

(in millions)	2015	2014	Change
Net interest income	44	28	56%
Net fee and commission income	-68	-21	
Other operating income	197	75	
Operating income	172	82	111%
Personnel expenses	828	758	9%
Other expenses	-695	-641	-8%
Operating expenses	133	117	14%
Operating result	39	-35	
Impairment charges on loans and other receivables	-8	-28	71%
Operating profit/(loss) before taxation	48	-7	
Income tax expense	160	-21	
Underlying profit/(loss) for the period	-112	14	
Special items		-417	
Reported profit/(loss) for the period	-112	-402	72%

The **underlying result** of Group Functions was EUR 112 million negative in 2015 compared with a profit of EUR 14 million in 2014. This was impacted by a tax-exempt provision related to the part of the Securities Financing activities discontinued in 2009.

Net interest income increased by EUR 16 million compared with 2014. The increase was mainly driven by lower funding costs due to lower spread levels paid on funding. This was partly offset by higher cash level in the liquidity buffer, higher client funding volumes and a tax-exempt non-recurring provision related to the part of the Securities Financing activities discontinued in 2009.

Net fee and commission income decreased by EUR 47 million, mainly driven by higher fees paid to Capital Markets Solutions related to Securities Financing activities.

Other operating income increased by EUR 122 million compared with 2014. The increase was driven by higher hedge accounting-related results and favourable CVA/DVA adjustments (EUR 27 million positive in 2015 and EUR 9 million positive in 2014). This was partly offset by a tax-exempt provision related to the part of the Securities Financing activities discontinued in 2009.

Personnel expenses, at EUR 828 million in 2015, went up by EUR 70 million compared with 2014. This increase was driven by an increase in the number of FTEs and higher additions to restructuring provisions, and the fact that 2014 was positively impacted by adjustments to employee benefits.

Other expenses decreased by EUR 54 million compared with the same period in 2014. Group Functions had higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes). This was, however, largely allocated to the commercial segments (as negative

expenses). Other expenses in 2015 were also impacted by a considerable VAT refund, which was the result of discussions with the tax authorities related to the period 2007-2014. This was partly offset by the EUR 55 million settlement with Vestia. Both years were impacted by releases related to the Deposit Guarantee Scheme provision for DSB (EUR 35 million in 2015 compared with EUR 66 million in 2014) and cost savings generated by the TOPS 2020 programme.

Income tax expense in 2015 was negatively impacted by the reassessment of our tax position and the tax-exempt provision related to the part of the Securities financing activities discontinued in 2009.

Other indicators

	31 December 2015	31 December 2014
Securities financing - assets	15.5	14.5
Loans and receivables - customers (in billions)	7.9	4.2
Securities financing - liabilities	10.2	12.6
Due to customers (in billions)	2.3	2.5
Risk-weighted assets (risk exposure amount; in billions)	9.9	11.0
FTEs	7,522	7,362

Loans and receivables – customers increased to EUR 7.9 billion at 31 December 2015. This was mainly the result of the reallocation of part of the public sector loan portfolio from Corporate Banking to Group Functions to address the specific expertise required to manage the risks, other than credit risk, associated with these longer dated loans. Corporate Banking continues to manage client relationships.



Responsibility statement

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

- ▶ The Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Bank N.V. and the companies included in the consolidation;
- ▶ The Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2015 of ABN AMRO Bank N.V. and of its affiliated companies, of which data is included in its Annual Financial Statements;
- ▶ The Annual Report describes the material risks with which ABN AMRO Bank N.V. is faced.

Amsterdam, 15 March 2016

The Managing Board

Gerrit Zalm, Chairman

Johan van Hall, Vice-Chairman

Kees van Dijkhuizen, Member

Caroline Princen, Member

Wietze Reehoorn, Member

Chris Vogelzang, Member

Joop Wijn, Member



Risk, funding & capital Report

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

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Risk, funding & capital review

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Additional risk, funding & capital disclosures



Risk, funding & capital management

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

Overview

In 2015, we continued to optimise a sector-based credit risk approach throughout the Risk Management organisation, which focuses on enhancing risk knowledge and awareness for individual industry sectors. The approach allows us to better monitor and manage portfolio intake and sector concentration and to add value in credit risk-taking and decision-making.

Moreover, ALM/Treasury risk was further embedded in the risk organisation to strengthen the second line of ALM and Treasury and to ensure that ABN AMRO Bank's risk appetite is in line with the bank's corporate strategy and capital position, taking into consideration the economic outlook and activities of ALM and Treasury.

During the course of 2015, Risk Management & Strategy was closely involved in the preparations for the IPO. With regard to the various risks in the risk taxonomy, all risk departments contributed to the successful IPO.

In 2015, we managed to respond adequately to the growing number of bank-wide regulatory and supervisory changes, including those resulting from the transfer of supervision responsibility to the ECB in November 2014. By means of the ECB DNB Risk and Finance Desk, we ensured adequate management and response

to bank-wide regulatory and supervisory changes, including additional requirements for disclosure of highly detailed risk information.

The application for the AMA status was submitted to the ECB in the fourth quarter of 2015. In 2014, the bank already implemented the Advanced Measurement Approach (AMA) for internal purposes to calculate the risk exposure for operational risk and to calculate regulatory capital in a parallel run.

We obtained formal approval from the regulator for the use of the IMA approach for calculating regulatory capital in February 2016. This approach was already being used for internal risk management purposes, as well as for the computation of economic capital.

Our clients and society increasingly recognise the importance of sustainability and transparency. ABN AMRO Bank aims to hold a prominent position as a sustainable bank that takes responsibility for its actions. In its various roles, the bank is exposed to sustainability risk. Since sustainability is a key objective in the bank's strategy, sustainability risk management has been integrated into this year's Risk approach section.

Risk approach

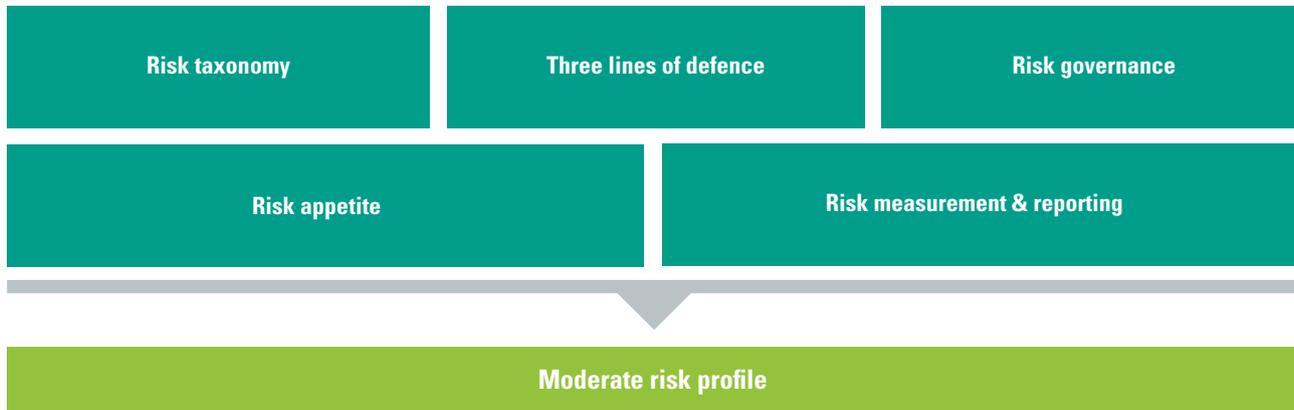
ABN AMRO Bank is committed to being a well-capitalised bank with sufficient liquidity that focuses on delivering sustainable value to our stakeholders. We are committed to maintaining a moderate risk profile, and we thoroughly evaluate on an ongoing basis the long-term risk and return implications of our operations.

Based on the long-term strategy of ABN AMRO Bank, the bank has defined five key objectives with regard to risk management, which are presented below:

Clean and strong balance sheet	<ul style="list-style-type: none"> ▶ Strong focus on collateralised lending ▶ Loan portfolio matches deposits, long-term debt and equity ▶ Strategic focus to limit LtD ratio ▶ Limited reliance on short-term debt ▶ Limited market risk and trading portfolios
Diversification and focus in portfolio	<p>Our loan book is fully aligned to our strategic choices and focus areas:</p> <ul style="list-style-type: none"> ▶ Loan book safeguarded against concentrations through Risk Appetite to sectors, single clients and countries ▶ Concentration developments monitored and reported monthly
Sound capital and liquidity management	<ul style="list-style-type: none"> ▶ Capital and liquidity indicators meet regulatory requirements ▶ Liquidity buffer steered to manage regulatory compliance and internal views ▶ Costs for liquidity buffer charged to business to ensure proper pricing incentives ▶ Stress testing used to steer capital & liquidity
Sustainability and transparency	<ul style="list-style-type: none"> ▶ Sustainable relationships with clients' interests centre stage: long term interest above short-term gains ▶ Sustainable business operations (sustainable products, risk management, ecological footprint and a vital organisation) ▶ Using our financial expertise for the benefit of society ▶ Sustainable and transparent finance and investment services
Clear governance	<ul style="list-style-type: none"> ▶ Credit risk mainly in the Netherlands and diversified across the economy ▶ Operational risk managed by setting limits on potential losses ▶ Market risk low in comparison to size of the bank

Risk management strategy

Building blocks of our moderate risk profile



Risk profile

ABN AMRO Bank is a Netherlands-based bank, with the majority of its activities performed in the domestic market. The bank's lending activities are largely asset-based. We are internationally active in Private Banking, Clearing, Energy, Commodities & Transportation (ECT clients), Commercial Finance (Factoring), Lease, Diamond & Jewellery Clients and International Card Services. The bank has in-depth knowledge of, and a proven track record in, these specialised activities and serves foreign clients with operations in these specialised areas. In addition, we serve Dutch clients with activities abroad. Trading activities are client-facilitating in nature and have a limited contribution to the bank's overall risk profile.

The risk profile is managed based on an integrated risk management framework. In this framework, all risk type issues, cross-risk type issues and overarching issues are identified to provide one integrated view on the bank's risk profile and on the risk profile of the businesses. By looking at the overall, integrated risk profile, we strive to carefully balance actions that may be required to manage the risk profile within the moderate risk profile.

Senior management continuously monitors the bank's activities based on the risk appetite. The status and outlook are discussed on a monthly basis in the Managing Board by means of the Enterprise Risk Management report. The Managing Board addresses the risk profile and reviews both the individual risk types and the integrated, bank-wide risk profile.

The following sections describes the five building blocks of our moderate risk profile.

Risk taxonomy Audited

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

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

Risk taxonomy Audited



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

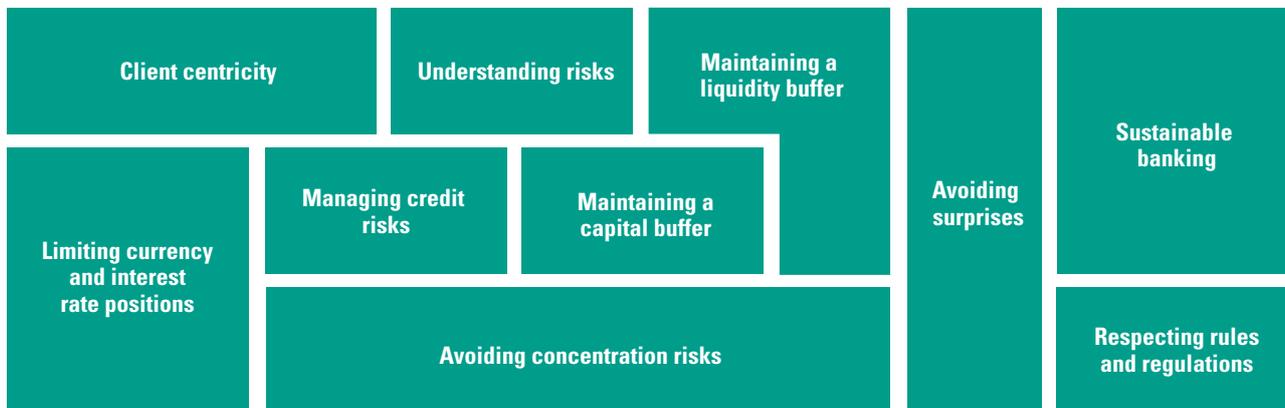
Risk appetite Audited

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

As part of the risk appetite, we have introduced the 'Key guiding principles for risk appetite'. These principles are a translation of the moderate risk profile statement and consist of ten overall guidelines that provide a qualitative explanation of the boundaries of the moderate risk profile for ABN AMRO Bank.

The keywords of these guiding principles are shown in the following figure:

Keywords of the key guiding principles for the risk appetite Audited



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

- ▶ minimum levels for capital ratios;
- ▶ risk-adjusted return measures;
- ▶ concentration limits for single counterparties;
- ▶ concentration limits for countries and industry sectors;
- ▶ liquidity ratios (Loan-to-Deposit ratio, LCR and NSFR);
- ▶ market risk ratios;
- ▶ operational risk ratios.

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

The actual and forecasted risk profiles are monitored and discussed on a monthly basis by benchmarking them against the risk appetite. When a risk factor approaches or exceeds its limit, corrective actions are defined and approved at the appropriate decision-making level in accordance with the risk governance charter. The Risk & Capital Committee of the Supervisory Board monitors and discusses the risk appetite on a quarterly basis and the members of the Supervisory Board are informed of the risk profile on a monthly basis.

The risk appetite is reviewed by the Managing Board and approved by the Supervisory Board on an annual basis and serves as input for the budgeting process.

Risk culture

The bank aims to continuously increase risk awareness and to make it an integral part of the bank-wide risk culture. The moderate risk profile is embedded in the risk culture by means of communication and training and is monitored through performance assessment.

Employees are expected to be aware of the drivers of our risk profile and to feel accountable for the risks they take. Part of the training curriculum is the Integrated Risk Management course, which is mandatory for all Risk Management employees. The course emphasises the importance of taking a holistic view of risks. We introduced the course to most employees of the International Clients segment in 2015, and it will be rolled out to employees of Commercial Clients in 2016.

Furthermore, employees are expected to adhere to the ABN AMRO Bank business principles. These principles are fundamental to everything we do and describe how we act as a bank, how we take decisions, and how we deal with various dilemmas.

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

Risk governance Audited

The Risk Governance Charter is based on the risk strategy and appetite, which is embedded in the risk organisation, policies and methods. The framework is in place to safeguard and control the bank's risk profile, support efficient and effective risk management throughout and at all levels of the bank, and manage risk management processes in line with the risk appetite of the bank.

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

Three lines of defence

The three lines of defence principle provides a clear division of activities and responsibilities in risk management at different levels in the bank and at different stages in the lifecycle of risk exposures. It aims to provide clarity for every employee within the bank, with regard to their role and the level of risk awareness that is expected from them.

The three-lines-of-defence principle is summarised in the following figure.

Three lines of defence Audited



Executive committees

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

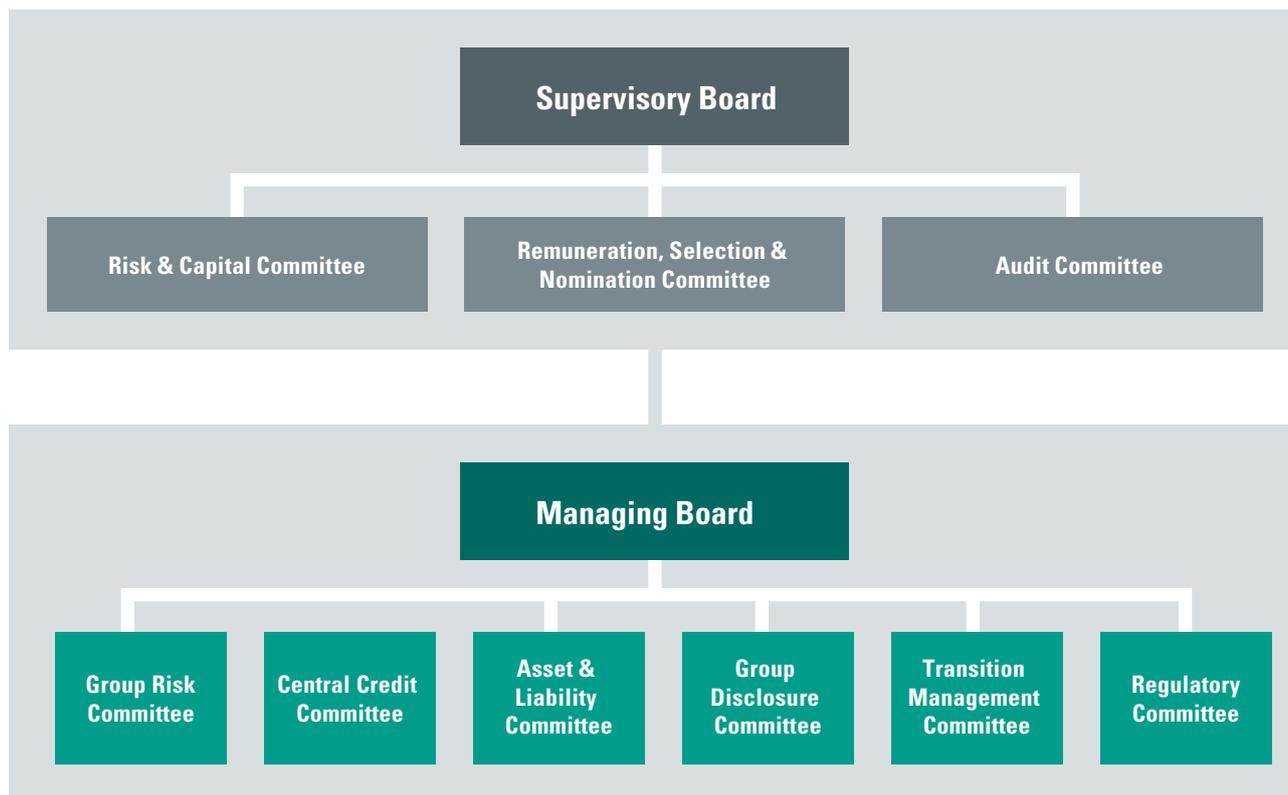
The Managing Board establishes clear lines of responsibility and authority within the bank to ensure sound risk governance. In the risk decision-making framework, the Managing Board is supported by three executive risk committees: Group Risk Committee, Central Credit Committee and Asset & Liability Committee, each of which is (jointly) chaired by a member of the Managing

Board. The other executive committees also decide on risk-related issues, in the presence of Risk Management & Strategy representatives. In addition, the Managing Board itself takes decisions that are of material significance to the risk profile, capital allocation and liquidity of ABN AMRO Bank.

The Supervisory Board is responsible for approving ABN AMRO Bank's risk appetite statements and supervises whether our commercial interests, capital allocation and liquidity requirements in general terms comply with the bank's risk appetite. The Supervisory

Board also oversees the risk governance and execution of ABN AMRO Bank's strategy as performed under the responsibility of the Managing Board.

Executive committees Audited



Group Risk Committee

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

Central Credit Committee

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

Asset & Liability Committee

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



Group Disclosure Committee

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

Transition Management Committee

The Transition Management Committee (TMC) has been attributed responsibility for, among other things, tactical management of the bank-wide transition programmes.

Regulatory Committee

The Regulatory Committee's responsibilities include (i) ensuring thorough understanding and adequate overview of matters relating to changes in national and international laws and regulations affecting ABN AMRO Bank, (ii) regularly informing and consulting the Managing Board about any such matters, and (iii) making strategic choices and taking decisions on such matters.

Risk measurement

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

In the following section we give a brief introduction of the models for the abovementioned risk types and how these models are validated and approved. In subsequent sections, we describe how these measures are used to calculate required regulatory and economic capital.

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

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

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

Capital

Regulatory capital (CRD IV/CRR) Audited

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

Economic capital

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



For the calculation of economic capital, we make use of internal models. These models calculate the economic capital on a 99.95% confidence level and a one-year time horizon. This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible situations.

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

Regulatory capital is limited to the risk types credit risk, operational risk and market risk in the trading book; economic capital is, however, calculated for the other material risk types (liquidity risk, business risk) as well.

EC Quality Assessment

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

- ▶ risk coverage;
- ▶ responsiveness to internal and external developments;
- ▶ data quality;
- ▶ compliance with EC policy;
- ▶ validity of choices and assumptions.

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

Stress testing Audited

Stress testing is an important risk management instrument used by ABN AMRO Bank. The main objective of stress testing is to ensure that the bank retains a moderate risk profile, to increase risk awareness throughout the bank and to safeguard business continuity by means of proactive risk management and the review of potential future scenarios. Bank-wide stress testing, as applied by ABN AMRO Bank, takes into account the effect of material plausible but unlikely events and developments on the bank. These events may be systemic (e.g. multi-year macroeconomic stress) or ABN AMRO Bank-specific and cover capital as well as liquidity.

Stress testing purposes

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

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

The Scenario & Stress Test Committee (subsidiary of the Group Risk Committee) and the Managing Board discuss and decide on scenario development, impact and management actions.

In addition to bank-wide stress testing, we perform stress tests by focusing on specific portfolios, business lines or risk types.

Credit risk management

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

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defence. The business is required to identify, assess and manage, monitor and report potential weaknesses in the credit risk portfolios in line with the credit risk framework. Monitoring takes place on a permanent and ongoing basis to limit credit risk exposures to a level in line with the business line's risk appetite.

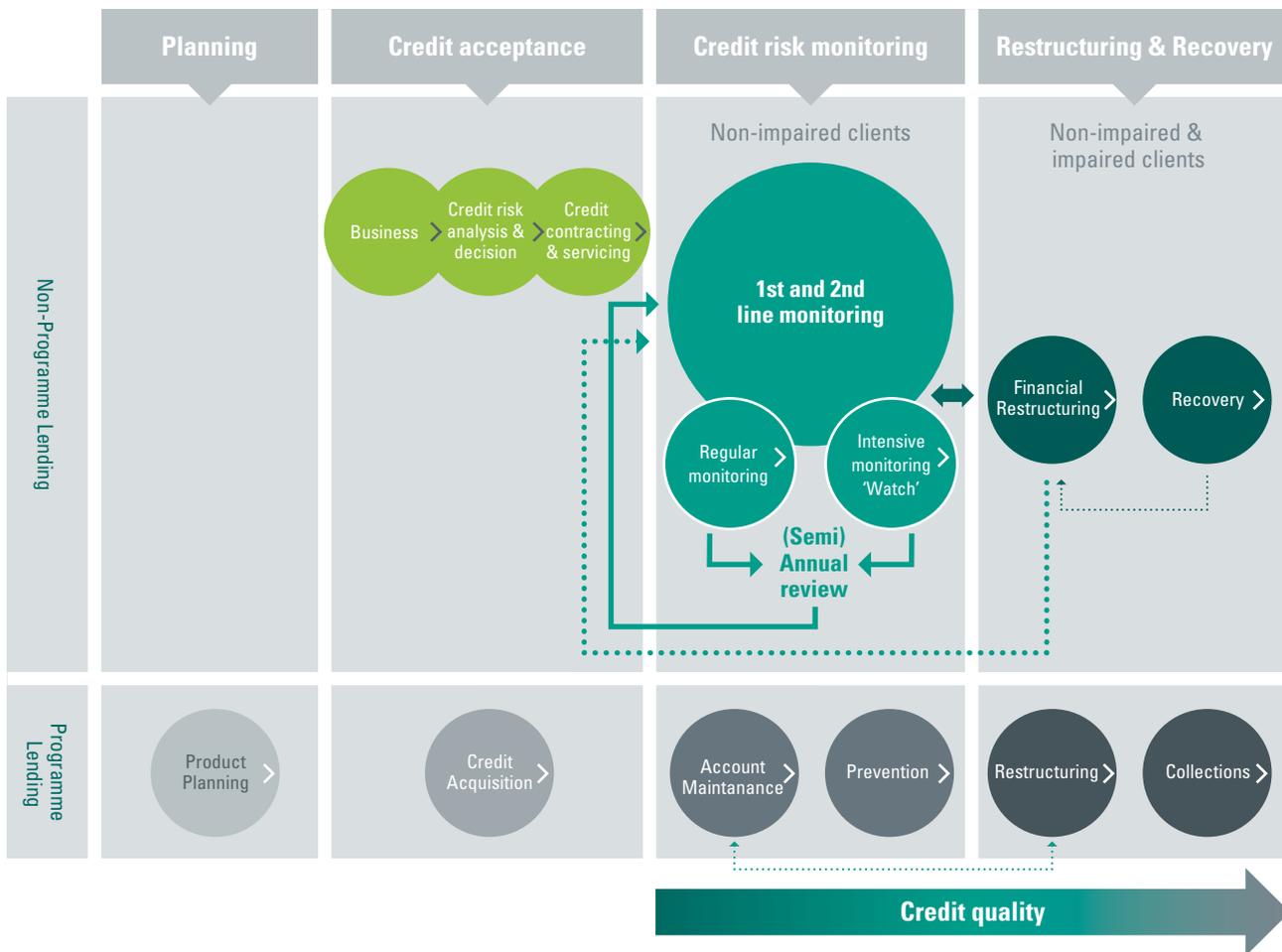
In addition, risk in the credit portfolio is measured and monitored at bank-wide level on a monthly basis. Furthermore, we report and perform ad-hoc portfolio analyses on a quarterly basis, with specific attention for risk developments and concentrations.

Credit risk management approach Audited

We manage our credit risk either through customised lending to counterparties, whereby the risk assessment takes place on an individual basis, or through standardised products and processes, whereby risk criteria are assigned on a pooled basis.

The credit risk life cycle

The process of credit risk management, the credit risk life cycle, is illustrated in the following figure. A distinction is made between Programme Lending and Non-Programme Lending. Programme Lending is a unique form of managing large portfolios of standardised and typically small homogeneous loan products in an effective and highly transparent manner. Non-Programme Lending is characterised by individual assignments and assessments of counterparties and exposures. Effectively everything that is not defined as Programme Lending is defined as Non-Programme Lending.

Credit risk life cycle Audited


Planning

Within Programme Lending, the credit cycle starts with a product planning phase in which the product is designed and/or reviewed with the goal to optimise its key drivers of risk and return. The business, the product, the target market, the processes and the credit standards are documented in a Product Programme (PP) which must be reviewed at least annually and approved by the appropriate committee(s).

Credit acceptance

The credit acceptance phase of a credit proposal starts with an assessment of the credit proposal by the business line and Risk Management. All credit risk must be assessed qualitatively and quantitatively in detail prior to approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, information about the obligor and other counterparties, the industry, management and owners,

and a financial and non-financial analysis. The credit decision is based on the independent assessments of both the commercial function and the credit risk function. The authority to approve the acceptance of credit risk is ultimately vested in the Managing Board. The Managing Board has partly delegated this authority to the Central Credit Committee (CCC), to business line-specific credit committees and to authorised persons who are defined in the risk governance charter.

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



Credit risk monitoring

Consistent and regular monitoring is designed to safeguard the bank's position in relation to all risks associated with the counterparty or portfolio. This allows us to identify, at an early stage, any development in the counterparty or portfolio position that might trigger an increase in the risk profile. The monitoring process consists mainly of credit reviews, monitoring of outstanding positions, early notice of limit excesses and monitoring of collateral. Monitoring starts when the credit facility has been provided and continues throughout the life cycle of the credit facility and the relationship with the counterparty.

A watch status may be assigned to individual counterparties with an increased risk due to political, social, economic, legal, industry or counterparty-specific developments. The watch status allows for more intensive monitoring, early detection of deterioration of the credit portfolio and appropriate follow-up measures.

Restructuring & Recovery

Credit facilities with an identified high risk are transferred to the Financial Restructuring & Recovery department (FR&R). In the event of a default situation, transfer to FR&R is mandatory. Additionally, there can be judgemental triggers that require a transfer to FR&R. If a 'going concern' approach is applicable and return to a performing status is deemed possible, the credit facility will be transferred to Financial Restructuring. Otherwise the credit facility will be transferred to Recovery. For Financial Restructuring clients' credit facilities, FR&R devises a plan for rehabilitation or to increase the likelihood of final repayment.

Programme Lending contracts with an amount past due less than 90 days are treated by dedicated departments on behalf of the first line. When a default status is assigned to a client as a result of having an amount past due more than 90 days or another default trigger, the client will be transferred to restructuring and ultimately, if this is not effective, to internal departments or external parties (such as Lindorff) for debt collection.

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

Credit risk measurement Audited

We use internal models to estimate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. These models are embedded in the credit approval and internal reporting processes and are used to measure the credit risk in exposures to individual clients and portfolios.

These models include pure statistical models, as used in Retail Banking and part of Corporate Banking, as well as expert-based models as used in other business segments. These expert-based models are based on quantitative as well as qualitative risk drivers.

The same parameters are used to calculate economic capital and the minimum regulatory capital requirements under the Basel Advanced Internal Ratings-Based (AIRB) approach. The parameters are also input to determine the RARORAC, the risk-adjusted return on risk-adjusted capital, which is the bank's primary performance measure on credits. For the trading book we use counterparty exposure models for internal limit monitoring. However, for regulatory capital these exposures are reported under the Standardised Approach.

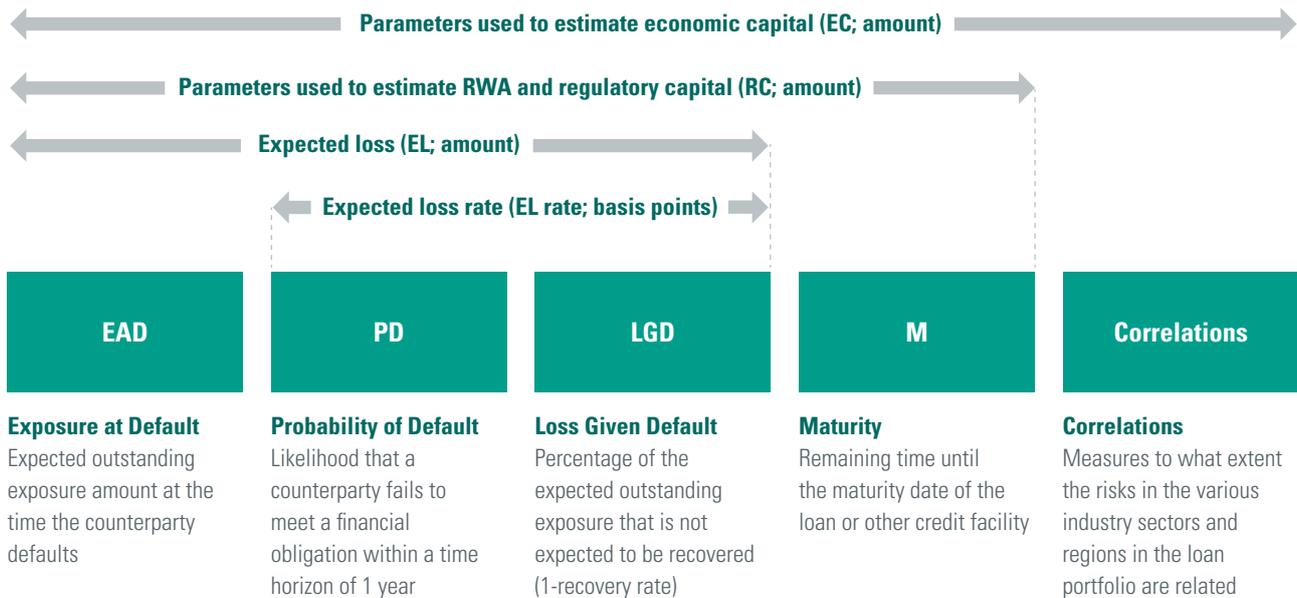
The section on the credit risk measurement framework details the different credit risk parameters and their use in the calculation of expected loss, risk weighted assets (RWA), regulatory capital and economic capital.

Credit risk decisions of individual files are based on quantitative information and model output. In addition to this, the practical and conceptual limitations of metrics and models, human judgement and critical analysis are taken into account. For example, for non-retail clients the business and the credit approval authorities may have reasons to apply qualitative adjustments ('overrides') to a rating as calculated by the rating model. If external credit assessment institutions (ECAI) ratings are available for certain counterparties, these are used to benchmark internal rating model outcomes.

Credit risk measurement framework

The graph below is a simplified representation of the risk management framework for credit risk. Each risk parameter used in this framework is explained.

Risk parameters for calculating expected loss, RWA, regulatory capital and economic capital Audited



Using the input variables, the models calculate the parameters PD, LGD and EAD. The EAD is established on a monthly basis using actual limits and outstanding exposure data. These PD and LGD parameters may be overridden by the business and/or the approval authority and are determined at least annually.

Exposure at Default

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

Probability of Default

The internal definition of default is compliant with the definition of default outlined in the Basel framework. In short, the bank considers a default to have occurred when either of the following two events has taken place:

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

We assess the probability that a counterparty will default, and translate it into an internal uniform counterparty rating (UCR). The UCRs range from 1 to 8. A probability of default (PD) percentage is attached to each UCR grade, which is the probability that a counterparty will go into default within a one-year time horizon.

Internal rating scale mapped to external ratings Audited

Grade Category	UCR (internal rating)		Low PD%	High PD%	Standard & Poor's equivalent		Moody's equivalent		Fitch equivalent	
	from	to			from	to	from	to	from	to
Investment grade	UCR 1	UCR 3-	0.000%	0.465%	AAA	BBB-	Aaa	Baa3	AAA	BBB-
Sub-investment grade	UCR 4+	UCR 6+	0.465%	100%	BB+	C	Ba1	C	BB+	C
Default without provision	UCR 6	UCR 6			D	D	D	D	D	D
Default with provision	UCR 7	UCR 7			D	D	D	D	D	D
Default (in liquidation)	UCR 8	UCR 8			D	D	D	D	D	D

The grade categories Investment grade and Sub-investment grade correspond with the equivalent classifications of these categories by rating agencies. The grade category Default without provision, UCR 6, pertains to exposures that are in default, but for which the bank has not, or has not yet, established an impairment allowance. The grade categories Default with provision, UCR 7 and UCR 8, pertain to provisioned (impaired) exposures. Counterparties are assigned a UCR 8 if they are in liquidation.

Within Programme Lending, Retail Banking and smaller credits that are part of Commercial Clients, products with the same characteristics are pooled and a PD is assigned to each pool.

Loss Given Default

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

Maturity

The effective Maturity (M) is the remaining time from the estimation or reporting date to the contractual maturity of the financial instrument. Longer maturities result in higher capital figures.

Correlations

The economic capital model uses correlations between different combinations of regions and industry sectors to quantify the relationship of risk between, for instance, two industry sectors. The correlations measured are based on internal data as well as externally obtained equity returns. Higher correlations result in higher capital figures.

Capital for credit risk

Regulatory capital

The AIRB approach is used to calculate more than 85% of the RWA. All exposure classes are reported under AIRB. Within these exposure classes, a number of smaller portfolios are temporarily calculated applying the Standardised Approach (SA), as they are subject to a rollout plan and scheduled to be transferred to the AIRB approach at a later stage. For some portfolios a permanent exemption is obtained. These portfolios are reported on SA on a permanent basis.

Economic capital

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

Specific counterparty credit risk

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

OTC derivative instruments

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

Securities financing transactions

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

In managing the risk of the securities lending activities, we make a distinction based on the type of collateral:

- ▶ if the transaction is collateralised with securities, the lender is exposed to the counterparty risk of a potential default of the borrower. The lender is then entitled to close out the position by selling the securities in the market, where the usual risks of liquidity, valuation and volatility apply;
- ▶ if a transaction is secured by cash provided by the securities borrower, the lender is exposed to reinvestment risk of the cash deposit as well as the risk of rising asset values associated with the asset(s) lent to the borrower.

The bank monitors counterparty credit exposure from securities lending activities and value of collateral on a daily basis and requires additional collateral to be deposited in case of insufficient coverage.

Regulatory and economic exposure calculation for specific counterparty credit risk

The counterparty credit risk exposure calculation of OTC derivative instruments is based on the mark-to-market (MtM, i.e. current exposure) plus an add-on for potential future exposure. The add-on is calculated to cover 95% of the potential positive MtM movement in favour of the bank over the deal tenor. The add-on is determined by several parameters, such as type of derivative product (underlying), deal tenor, currency (pair) and the absence or presence of netting and collateral agreements. Under the bank's policy, add-on tables are updated periodically. The regulatory calculation methodology applied for calculation of the counterparty credit risk exposure value (EAD) for OTC derivative instruments is the mark-to-market method.

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

Wrong-way risk

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

Credit concentration risk Audited

Credit concentration risk is the risk of loss due to the insufficient diversification of risks within a portfolio caused by relatively large concentrations of exposures to positively and highly correlated counterparties. Concentrations are monitored against limits set in the bank's risk appetite. The presence of a number of positively correlated counterparties in a portfolio creates credit concentration risk, resulting in the potential effect of a significant loss due to a failure to pay. Positively

correlated counterparties in this case are those counterparties that have a tendency to default under similar circumstances. Limiting excessive concentrations is fundamental to our credit risk strategy. Therefore, the bank aims to keep the credit risk portfolio sufficiently granular and diversified.

To avoid excessive credit risk concentrations, Risk Management aims to diversify credit risk and sets maximum levels for subgroups in each category:

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

Counterparty concentration

Counterparty concentration credit risk is the risk of loss arising from relatively large exposures to counterparties belonging to the same risk group. The total exposure, or One Obligor Exposure (OOE) on a risk group, includes all drawn and undrawn facilities granted, plus all indirect exposure to the relationship, including guarantees and any other recourse claims. A risk group is an interrelated group of counterparties (companies and/or persons) with a high degree of dependency. This interrelationship may be due to direct or indirect majority interests by the same shareholder or group of shareholders, or due to other relevant economic dependencies. Counterparty credit concentration risk is measured by the OOE and the Loss at Default (LAD) per counterparty. The LAD is an estimate of expected loss if a counterparty defaults. The bank limits its counterparty credit risk by setting OOE and LAD limits. Additionally, all credit applications with a LAD or OOE above a certain threshold are reviewed by the Managing Board.

Geographic concentration

The bank has a number of offices located outside the Netherlands and clients who operate internationally. The bank is therefore exposed to country risk; in other words, the risk of credit losses due to country-specific events or circumstances. Management of country risk focuses on cross-border risk, for example the risk of country events impacting upon the creditworthiness of clients and hence their ability to meet their credit commitments to the bank. This also includes the risk that funds, goods or services cannot be transferred out of a risk country as a result of actions by the authorities of that country or by other

events impeding the transfer. These risks are managed by setting country credit limits, based on individual country analysis from economic and country risk experts. Country limits are reviewed at least once a year, with more frequent reviews for higher risk countries with evolving risks. Each country also has an internal credit rating approved twice a year, which is an important factor in managing country concentration risks. Approval of country risk policy and country limits is managed through the bank's senior risk committees, with some authority delegated to risk specialists.

Industry concentration

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

Credit risk mitigation

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

Collateral management and guarantees

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

Collateral is monitored regularly to ensure continued eligibility and a correct administration of the collateral

value. The collateral value must be monitored at least on an annual basis. More frequent monitoring is required in case of a considerable decrease in value of the collateral, significant market changes or significant decrease of creditworthiness of the counterparty. For reporting purposes we report net collateral value, the expected recovery value of the collateral in case of a defaulted client. We also use third-party guarantees to mitigate risks. For example from banks, governments and export credit agencies.

The credit quality of guarantors is assessed at origination of the exposure and continuously monitored to ensure the correct valuation of the guarantee for risk mitigation purposes.

Offsetting financial assets and liabilities

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

Enforceable master netting agreements or similar instruments

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

Forborne, past due and impaired loans Audited

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

Forbearance

It is often more beneficial, for the bank as well as for the client, to restructure a loan rather than to recover a loan and take possession of the available collateral. The contracts of such clients are subsequently modified at non-commercial terms to avoid foreclosure. The process of making concessions for clients, with the purpose of keeping them afloat, is referred to as 'forbearance'.

We consider a forborne asset to be a contract under which the counterparty experiences, or is about to face, financial difficulty and for which the terms and conditions of the contract have been modified or the contract has been refinanced by the bank due to these financial difficulties on such terms that we would not have agreed to (concession) if the counterparty had been financially healthy.

The rationale behind forbearance is that we show leniency towards the counterparty by agreeing on modified terms that would not have been agreed if the client had not been in financial difficulty. The objective is to give the counterparty the time and financial flexibility to solve its financial problems, in the expectation that the counterparty in due course will be able to fulfil its financial obligations and, by doing so, to maintain a sustainable relationship between the bank and the counterparty.

Forbearance measures can be applied to a contract that has defaulted on its obligations as well as to a contract that is still performing. A contract that is in the process of being recovered and for which the client relationship will be discontinued is not considered forbore, irrespective of the application of restructuring measures or a previous forbore status.

A forbore asset will only cease to qualify as forbore once all of the following conditions are met:

- ▶ the contract is considered performing;
- ▶ a minimum probation period of two years has passed from the date the forbore contract was considered performing;
- ▶ regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- ▶ the counterparty does not have any contract that is more than 30 days past due at the end of the probation period.

If a forbearance measure is applied to a performing client, the client stays forbore for at least two years. If a forbearance measure is applied to a non-performing client, the client stays forbore for at least three years. During this period, the asset will continue to be reported as forbore.

Past due credit exposures

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

Impaired credit exposures

A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts due in accordance with the contractual terms (principal and interest). The objective evidence indicates that the borrower's credit quality has deteriorated and the estimated future cash flows of the financial assets are negatively impacted. An indication that a loan may be impaired is obtained through ABN AMRO Bank's credit review processes.

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

Accounting policy on impairment of loans and receivables Audited

An indication that a loan may be impaired is obtained through ABN AMRO Bank's credit review processes, which include monitoring customer payments and regular loan reviews depending on the rating of the facility. A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts due in accordance with the contractual terms (principal and interest). The objective evidence indicates that the borrower's credit quality has deteriorated and the estimated future cash flows in the related financial assets are impacted negatively. The amount of impairment loss is the difference between the carrying amount and the present value of estimated future cash flows.

Estimating the timing and amount of future cash flow requires significant judgement. The impact of changes in amounts and timing of expected recovery is recognised in impairment charges on loans and receivables in the income statement. Following impairment, the interest accrual is suspended and all accrued but not collected interest will be reversed during the period of impairment. Three categories of impairment can be identified: Specific impairment losses, Collective impairment losses and Incurred but not Identified.

Where possible, ABN AMRO Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreeing on revised loan conditions. Management continuously reviews renegotiated loans to ensure that all revised loan conditions are met and that future payments are likely to be made. The loans continue to be subject to an individual or collective impairment assessment.

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

► **Specific impairment losses for individual significant**

exposures: If significant doubts arise over the client's ability to meet its contractual obligations, management of the relationship is transferred to the Financial Restructuring & Recovery department (FR&R). Reviews of the credit facilities are performed on a continuous basis. Based on these reviews, ABN AMRO Bank recognises specific impairment losses. The amount of the specific impairment loss is based on the discounted value of the best estimate of future cash flow. Recognised specific impairment losses are partly or fully released when the debt is repaid or expected future cash flows of the customer improve due to positive changes in economic or financial circumstances;

► **Collective impairment losses for individual not significant**

exposures: Assets with similar credit risk characteristics are clustered in portfolios. These portfolios include personal loans, residential mortgages, credit cards, home improvement loans and small and medium-sized enterprises facilities. The assets in the portfolios are collectively assessed for impairment. In general, when payments (interest or principal) are 90 days past due, the loan is identified as impaired. The impairment assessment is based on historical loss experience adjusted for current economic conditions. Factors that are taken into account are average life, past loss experience and portfolio trends;

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

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement line item Impairment charges on loans and other receivables. Assets acquired in exchange for loans to achieve an orderly realisation are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset, initially recorded at fair value.

Operational risk management

Operational risk arises from the uncertainty inherent in all business undertakings and decisions. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Examples of operational risk are wrongful execution of an order, fraud, litigation for non-compliance with law, natural disasters and terrorism.

ABN AMRO Bank has a framework in place to consistently manage and prevent operational risks.

Framework for operational risk management



Operational risk management approach

All day-to-day operations comprise operational risks. First-line managers are responsible for managing the operational risks in their area of responsibility. Within the bank, they are supported by a professional operational risk management organisation and an effective framework that enables them to respond adequately to the risks they are exposed to.

Over the past few years, ABN AMRO Bank has further strengthened the operational risk management framework using only best practices of the most advanced industry approach to operational risk management, Advanced Measurement Approach (AMA). As a result, management of operational risks is strongly embedded in business processes and departments, control management has been strengthened and operational risk awareness among employees has grown. All employees are expected and encouraged to be alert to and aware of the wide range of

operational risks in their daily work. An important focus was on further integrating the approach into all types of operational risk (convergence). Periodic risk reporting is in place at various levels of the bank, up to the Managing Board and Supervisory Board. The Managing Board systematically monitors the development of the operational risks against the bank's risk appetite.

Operational risk management instruments

At the heart of the operational risk management framework, business managers use assessments to identify and assess risks, including scenarios for rare events. Assessments are executed for business-as-usual activities and for new initiatives, such as product introductions or changes to processes and systems. Staff who are involved in daily operations conduct the risk assessments with the support of operational risk managers and other relevant experts. If a risk exceeds the risk appetite, the business manager takes appropriate

action to adequately respond to the risk. Periodically, at least once a year, business managers monitor the effectiveness of the controls in their area of responsibility, looking for potential flaws in the execution. Controls that do not adequately mitigate the identified risks are strengthened. Key Risk Indicators are monitored to signal adverse risk developments. Despite all preventive measures, incidents and operational losses cannot always be avoided. The bank systematically collects and monitors such events in order to make improvements.

Once a year, senior management teams review their strategies and business objectives from a risk perspective. Taking into account the state of control in their organisation, they define and reshape their strategic plans for the upcoming years. Based on this strategic review, senior management signs a Management Control Statement at the end of each year, which is included at the end of this section.

Operational risk responses

The bank identifies four categories of risk response:

- ▶ **Risk mitigation:** in many cases, controls will be strengthened by taking additional measures to mitigate the risk;
- ▶ **Risk avoidance:** if mitigating measures are not effective, then the risk can be avoided by closing down operations or not starting operations;
- ▶ **Risk transfer:** if the risk cannot be mitigated or avoided, the bank may decide to transfer the risk. For example bank-wide insurance programmes are in place for specific operational risks. The Group Risk Committee reviews the global insurance programmes annually. In line with industry practices, ABN AMRO Bank takes out the following bank-wide insurance policies from third-party insurers: fraud and civil liability, directors' and officers' liability, property damage and general liability. In addition, several local insurance policies are taken out for the remaining local or specific risks;
- ▶ **Risk acceptance:** there may be situations in which management decides to consciously accept a risk.

Specific operational risk areas

Stability, availability and security of systems are crucial to the bank. The stability and availability of our digital services, such as online banking, mobile banking, iDeal and abnamro.nl, are an important part of our client offering, given the fact that ABN AMRO Bank has 5.8 million Internet Banking contracts. Clients expect to be able to make payments anytime, anywhere and easily. Any outage of systems immediately affects the bank's operations and the bank's clients.

Information is one of the bank's most valuable assets. The security of the bank's financial transactions is crucial, and is a growing concern to our clients in the digital age. Clients must be able to trust the security of client information and the payment systems. The ability to use payment systems safely is an essential element of our payments strategy. These operational risk areas require specific knowledge. The bank therefore has a dedicated organisation in place that is devoted to information security and business continuity.

Information security

The bank's information infrastructures connect the bank's networks with public networks. As a result, banking processes and their supporting information systems can become vulnerable, threatening the security of client data and services. The bank is faced with a constant threat of cybercrime. Examples of such threats are computer-assisted fraud, unauthorised disclosure of confidential information, virus infection, computer hacking and denial of service. Specific examples of cybercrime that clients experience are fake emails (phishing) and malicious software (malware).

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



As part of this approach, the bank continuously monitors cybercrime threats and adjusts the bank's defences where necessary. The bank raises awareness among employees and clients on how to recognise and prevent fraud and cooperates with other major banks, police and justice departments to shield clients and financial transactions from crime.

Business continuity management

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

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

In the event of a disruption of our digital services, the bank strives to identify solutions as quickly as possible and to communicate transparently. Business continuity management is in place to enable us to act in the event of incidents and crises. This includes procedures to inform relevant stakeholders of any disruptions. ABN AMRO Bank uses various platforms to inform clients: via service messages on Internet Banking and in our Mobile Banking app, our Advice & Service Centres and Webcare team, and tweets and Facebook messages.

Operational risk measurement

In line with the Advanced Measurement Approach (AMA), ABN AMRO Bank has in place a model for operational risk capital. The AMA model has a hybrid approach, combining a forward-looking and a backward-looking view of operational risks. Risk control self-assessments and scenario analyses provide a forward-looking view of the operational risk profile for the coming year, taking into account the actual state of the business environment and the internal controls in the business lines. Historical operational loss data of ABN AMRO Bank and industry operational loss data provide a backward-looking view. The model combines the forward-looking data and backward-looking data to produce an aggregated annual loss distribution, from which the annual aggregated expected loss amount can be estimated.

Capital for operational risk

Regulatory capital

ABN AMRO Bank currently applies the Standardised Approach (SA) to calculate regulatory capital for operational risk. Over the past few years, the bank has implemented the AMA model. The application for the AMA status was submitted to the ECB in the fourth quarter of 2015. As part of the application process, ECB is reviewing the implemented AMA model. The ECB decision is expected in the second quarter of 2016.

Economic capital

The AMA model is already being used to calculate economic capital for operational risks. The bank applies a 99.95% confidence level to calculate the economic operational risk capital, whereas a 99.9% confidence level will be applied to calculate regulatory operational risk capital.

Market risk management

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

Market risk in the trading book is the risk of losses occurring in the trading book due to market movements. As part of its business strategy, ABN AMRO Bank facilitates client orders, acts as a market maker in key markets and provides liquidity to clients, including institutional investors and private clients. In accordance with the strategy, the Trading Risk Committee annually approves trading mandates, which define the nature and amount of the permitted transactions and risks and the associated constraints. The Trading Risk Committee is a subsidiary committee of the Group Risk Committee.

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

Market risk in the trading book

The following market risks are inherent in the trading book:

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

Market risk management for the trading book

Audited

ABN AMRO Bank has a detailed risk management framework in place to identify, measure and control market risk in the trading book. The framework provides assurance that the bank's trading activities are consistent with its client-focused business strategy and moderate risk profile.

The first line is responsible for implementing, executing and monitoring the necessary operational controls and is part of the decision-making quorum in various risk committee meetings. The first line owns the valuation models and is responsible for signing off the daily Profit & Loss (P&L) produced by the second line. It is also responsible for ensuring that actual position management is within the approved risk appetite at all times.

Risk Management is responsible for setting and maintaining the risk framework in which the first line can operate autonomously. Risk control responsibilities are executed through a product and limit approval process, exposure monitoring and reporting against the approved risk appetite.

The second line is also responsible for market reference data as input for daily risk and P&L calculations. Furthermore, Risk Management monitors the execution and effectiveness of the key operational controls. Senior representatives of Risk Management chair the bank's risk committees and are part of the decision-making quorum.

Market risk measurement for the trading book

Audited

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

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

The VaR model measures a one-day 99% VaR using a historical simulation approach and 300 days of historical data. A one-day 99% VaR means that a VaR of EUR 1 million implies a 1% chance of a loss of more than EUR 1 million over the next trading day. The daily VaR is back-tested against the calculated actual mark-to-market changes for each subsequent trading day and the number of outliers is used to assess the reliability of the VaR model. In 2015, the model's back-testing performance was satisfactory.

In addition to daily VaR, ABN AMRO Bank also uses stressed VaR and incremental risk charge (IRC) metrics. Regulatory guidelines require the bank to calculate a stressed VaR measure calibrated to a continuous 12-month period of financial stress relevant to our trading portfolio. The incremental risk charge provides an estimate of the risk arising from credit migrations and default events that are not covered in VaR or SVaR.

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

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

Market risk in the banking book Audited

We use internal models to calculate the risk measures needed for the management of interest rate risk in the banking book and control against the risk appetite. The models are mainly behavioural in nature and are used in the calculation of risk measures, such as duration of equity, Nil-at-Risk, Market Value of Equity and economic capital for interest rate risk.

The following market risks are inherent in the banking book:

- ▶ Interest rate risk: the risk of losses in the economic value of equity or the Bank's net interest income due to unfavourable yield curve developments. Interest rate risk arises from holding assets that have a longer average behavioural maturity than the liabilities. Derivatives are used to steer the interest rate risk position within the bank's risk appetite and strategy. The overall objective of interest rate risk management is to protect and stabilise current and future earnings as well as the economic value of equity;
- ▶ Credit spread risk: arises as part of the bond portfolio that is held to maintain adequate liquidity for the bank;
- ▶ Equity risk: arises from equity positions taken in strategic partnerships and joint ventures, positions in private equity and positions where debt held by the bank has been converted to equity as part of a restructuring process;
- ▶ Property risk: arises primarily from the potential decline in the value of property owned by the bank;
- ▶ Foreign exchange risk: arises for operational reasons where it is inefficient to hedge exposures as they arise. FX Risk is centrally managed and the principal objective is not to be exposed to FX risk related to open currency exposures in the banking book; the risk is mitigated through match-funding non-euro assets in the same currency or by hedging.

Interest rate risk in the banking book

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

The four main sources of interest rate risk are:

- ▶ Yield curve risk, which arises when unanticipated changes in the shape or level of the yield curve have adverse effects on the expected net interest income or underlying economic value;
- ▶ Repricing risk, which occurs when interest rates are reset due to maturities or floating rate resets. Through repricing, yield curve risk results in changes in Net Interest Income (NII) and therefore NII at Risk;
- ▶ Option risk, which arises from the options in assets and liabilities. These options can be either embedded, as in prepayment options on loans, mortgages and deposits, or can be explicit options, such as in derivatives contracts;
- ▶ Basis risk refers to the impact of relative changes in the term structure of interest rates for financial instruments that are priced using different interest rate reference curves.

Interest rate risk is managed according to the Asset & Liability Management (ALM) framework as approved by the Asset & Liability Committee (ALCO). Funds Transfer Pricing is applied to shift interest rate risk away from commercial business lines, enabling central monitoring and management. The day-to-day management of positions is delegated to ALM, while Treasury performs the execution of interest rate risk steering.

Market risk management for the banking book

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

The first line is responsible for implementing, executing and monitoring the necessary operational controls. Furthermore, the first line is part of the decision-making quorum in various risk committee meetings and is also responsible for ensuring that position management stays within the approved risk appetite at all times. Risk Management is responsible for setting and maintaining the risk framework in which the first line can operate autonomously. Risk control responsibilities are executed through a product and limit approval process, exposure monitoring and reporting against the approved risk appetite. The second line is also responsible for market reference data as input for daily risk and P&L calculations. Furthermore, Risk Management monitors the execution and effectiveness of the key operational controls. Senior representatives of Risk Management chair the bank's risk committees and are part of the decision-making quorum. Internal Audit, the third line of defence, performs a risk assurance role.

Risk measurement for interest rate risk

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

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

NII-at-Risk

The Net Interest Income (NII) mainly depends on commercial margin and the results of interest rate risk position management.

NII-at-Risk is defined as the worst outcome of two scenarios: a gradual increase in interest rates and a gradual decline in interest rates by 200bps. A floor on interest rates is assumed in the falling rates scenario.

NII-at-Risk measures the loss of NII over a particular time horizon resulting from interest rate movements. NII-at-Risk

is the difference in NII between a base scenario and an alternative scenario. The method used to calculate NII-at-Risk takes into account components of the sensitivity of NII to risk factors, including yield curve risk and the impact of changes in client behaviour. The method used to calculate NII-at-Risk also takes into account components of the sensitivity of NII to risk factors such as yield curve risk and basis risk, as well as the impact of changes in savings balances and rates and prepayment behaviour.

The bank applies limits to NII-at-Risk measures in line with the approved risk appetite requirement for income stabilisation. The current risk appetite for NII-at-Risk is based on the maximum interest mismatch income the bank is willing to lose in a 1-year period, expressed as a percentage of the banks total NII.

Duration of equity

Duration measures value changes due to small parallel shifts of the yield curve. Computation of the duration is based on deriving the change in economic value of a portfolio due to an interest rate increase or decrease compared to a base scenario. In the base scenario, not only the changes in the discount rate are incorporated, but also the interest rate-related changes in the magnitude of the expected cash flows for any instruments containing embedded options. A duration limit puts a maximum on the decrease in the economic value of equity due to small parallel interest rate movements.

Economic value of equity sensitivity to non-parallel yield curve changes

ABN AMRO Bank uses stress testing and scenario analysis to ensure a comprehensive approach to risk management and to identify potential weakness. The set of scenarios in use includes steepening, flattening, bow up and bow down of the yield curve.

Risk measurement for credit spread risk

Credit spread risk for the liquidity portfolio is measured and limited as the impact on economic value of a 1 basis point change in spreads to a swap rate (CS01). This is done across the term structure of exposure as well as for a parallel shift across the curve.

Capital for market risk

Regulatory capital

The bank has implemented the Internal Models Approach for calculating market risk capital for the trading book and submitted the application for IMA to the regulator for approval. We obtained formal approval from the regulator for the use of the IMA approach for calculating regulatory capital in February 2016. For external reporting of market risk RWA for the trading book, we use the Standardised Approach.

Economic capital

Market risk economic capital is calculated for both the trading book and the banking book. Calculation of economic capital for market risk in the trading book is based on a daily Value-at-Risk (VaR) market risk measure and historical scenarios simulating stress events such as Black Monday and the financial markets crisis. For market risk in the banking book, we use a VaR model to determine the economic capital needed to absorb losses due to adverse interest rate movements. The model also accounts for the potential impact of client behaviour, such as prepayment on mortgages and withdrawal of deposits and savings balances.

Business risk management

Business risk is the risk that business earnings and franchise value decline and/or deviate from expectations because of unexpected changes in business volume, margins or costs. Business income is affected by various internal and external factors, such as changes in client preferences, competition, economic and geopolitical developments and regulations. We continuously monitor and respond to these factors.

Key criteria for classifying a risk as a business risk are:

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

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

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

Business risk measurement

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

Economic capital for business risk

Economic capital for business risk is defined as the maximum downward deviation of actual net operating profit from expected net operating profit.

Liquidity risk management

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

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

Strategy

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

Liquidity risk management approach Audited

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

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

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

Going-concern liquidity management

Going-concern liquidity management entails management of the day-to-day liquidity position within specified limits to ensure all obligations can be met on a timely basis.

The most important metrics we use are:

- ▶ **Stress testing:** We conduct monthly and ad-hoc stress tests in which we evaluate the impact of cash in- and outflows under plausible stress scenarios. Both market-wide and bank-specific stress scenarios are defined and analysed. The goal of stress testing is twofold. Firstly, it helps us review our liquidity risk framework, i.e. the liquidity buffer size, risk appetite and limits. Secondly, it allows us to identify ways to reduce outflows in times of crisis;
- ▶ **Regulatory liquidity requirement:** The regulatory liquidity requirement measures the liquidity position in a one-month scenario of severe stress, as defined by the Dutch central bank. The central bank requires the one-month liquidity position to be in excess of the minimum required regulatory level at all times;

- ▶ **Survival period:** The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and retail and commercial clients withdraw a proportion of their deposits;
- ▶ **Loan-to-Deposit ratio:** The Loan-to-Deposit ratio (LtD ratio) measures the relationship between the loan book (Loans and receivables - customers) and deposits from clients (Due to customers). The ratio includes all client-driven loans and deposits, but excludes loans to and deposits from governments. The LtD ratio gives an indication of our dependence on wholesale funding for financing of client loans. Due to the Dutch mandatory and collective pension savings scheme, mortgage loans outweigh client savings balances in the Netherlands, driving the LtD ratio up above 100%.

Contingency liquidity risk management

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

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

Basel III/CRD IV

The Basel III framework includes two liquidity ratios: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The objective of the LCR is to promote the short-term resilience of banks by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with stable sources of funding on an ongoing basis. Regulatory minimum requirements for both the LCR and NSFR will be 100% under Basel III/CRD IV, both with effect from 2018.

Funding management

Strategy

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

A substantial portion of Dutch consumer savings is placed in mandatory and collective pension schemes rather than in bank deposits. As a result, many Dutch banks, including ABN AMRO Bank, have a Loan-to-Deposit ratio above 100%.

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

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

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



Capital management

Capital management strategy

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

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

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

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

Capital measurement and allocation

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

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

Contingency capital management

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

Sustainability risk management

Sustainability is a key objective in our strategy. We aim to hold a prominent position as a sustainable bank that takes responsibility for its actions and engagements, as a member of society with its own impact on the environment and on people.

In its various roles as lender, investor, asset manager, service provider, purchaser, operator and employer, the bank is exposed to sustainability risk. As a subcategory of reputational risk in our risk taxonomy, sustainability risk is a transversal risk of increasing importance and is aligned with the bank's moderate risk profile and risk appetite. It supports the bank's mission to bring sustainable solutions to its clients.

Safeguarding human rights, health and safety and the environment in financing and investments is a key topic of sustainability. Our approach to safeguarding human rights is based on the UN Guiding Principles on Business and Human Rights. In line with these principles, we have integrated human rights assessment criteria into both our corporate lending and investment services. To further strengthen our approach to human rights risks, ABN AMRO Bank performs supply-chain analyses to identify human rights risks and mitigating actions in specific industries (e.g. diamonds, cocoa, copper). In addition, ABN AMRO Bank participates in the SHIFT Business Learning Programme.

A total of 160 clients were subject to human rights screening in 2015, compared with 167 clients in 2014. In 2015 this related to client acceptance or review in 95 cases, to corporate lending in 61 cases, to an asset leasing transaction for one case and three Corporate Finance advisory mandates for the acquisition and/or sale of assets.

Policy framework

As part of the bank's 'three lines of defence' model, ABN AMRO Bank has in place a policy framework to manage sustainability risks. The Sustainability Risk Management Policy is the overarching document which covers most of our activities, varying from corporate lending and investment to procurement and product development.

Our sustainability risk policy framework is constantly evolving: we develop new policies or adjust existing ones based on, among other things, feedback and input from stakeholders (e.g. clients, government bodies, NGOs) if any gaps become evident or if new developments take place. To accommodate improvements in our standards, we host stakeholder meetings where we discuss our Environmental, Social and Ethical (ESE) criteria with key stakeholders.

ABN AMRO Bank's sustainability risk management is guided by five sustainability risk principles, as defined in the policy:

- ▶ sustainability risk management is a driver for quality improvement;
- ▶ the bank is responsible for its actions and its decision to engage with a client;
- ▶ the bank strives for an inclusive approach and will enter into a dialogue with its clients;
- ▶ the bank will not engage in activities that do not meet its ESE standards;
- ▶ the bank engages actively and openly with its stakeholders regarding sustainability risk.

Client acceptance and management

Client acceptance is crucial to our approach to managing sustainability risks. We have in place instruments to identify potential breaches of sustainability principles and we do not do business with companies that are not willing or able to run their business responsibly. We also refrain from engaging in business activities that are illegal or that we consider substandard or unethical. These activities are specified in the Exclusion List, part of our Sustainability Risk Management Policy, which is available on our corporate website.

An assessment for corporate lending based on our ESE criteria focuses on the compliance, commitment, capacity and track record of our client in managing its sustainability risk. This means that we may decide to accept transactions with a high sustainability risk profile, as long as our client is capable of adequately managing these risks and operates within the limits of our sustainability sector policies and procedures.

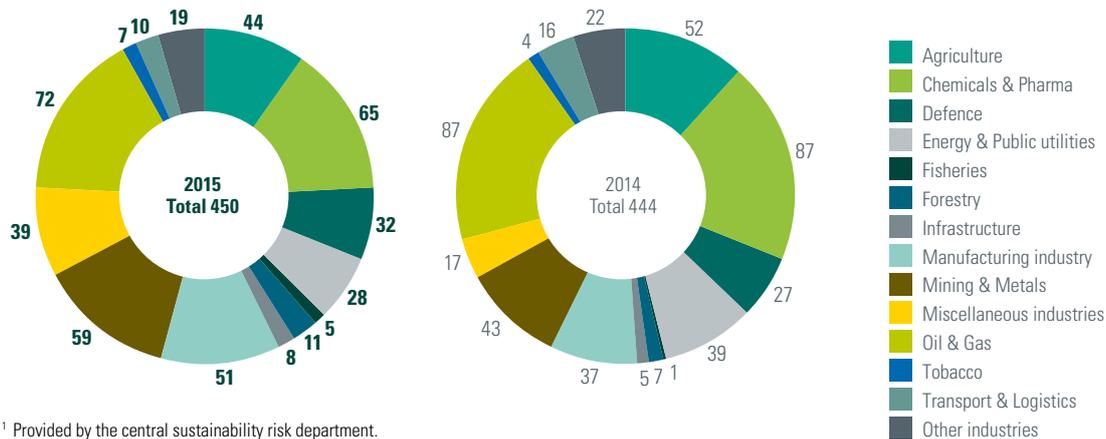
If our criteria are not met, we explore possibilities for improvement. We do this by conducting an open dialogue with our clients, by addressing and discussing these matters and, where necessary, promoting and negotiating for improvement. In specific cases, we do not provide lending unless our conditions for improvement have been accepted by the client.

Sustainability is integrated into both our corporate lending and investment services. Some industries face more sustainability risks than others and the nature of the risks

they face vary as well. Our Central Sustainability Risk department provides advice regarding clients operating in industries with a higher sustainability risk. The following graphs present a break-down of the advice given per industry, together with the type of advice and the conclusion of the advice.

Cases of advice provided by the Central Sustainability Risk department increased slightly from 444 in 2014 to a total of 450 in 2015.

Global advice¹

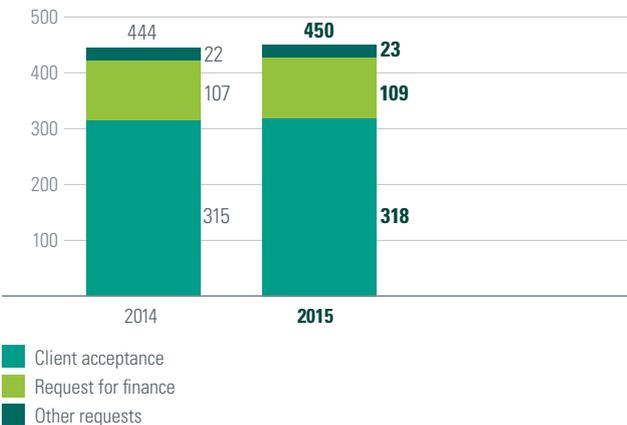


¹ Provided by the central sustainability risk department.

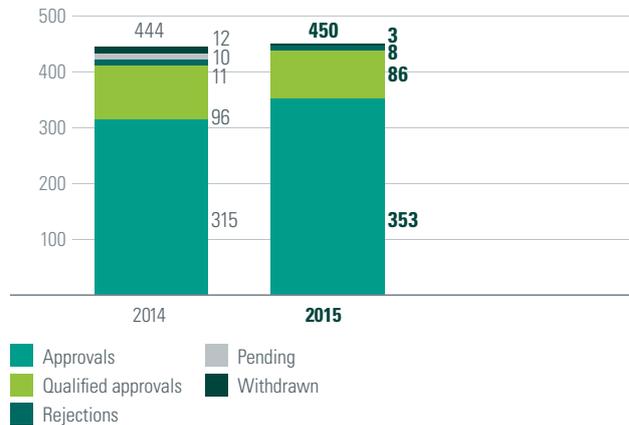
The types of advice and conclusion of advice are presented below. Of the 450 cases of advice given in 2015, we rejected 8 cases and approved 353 cases.

In 86 cases, we approved the request subject to certain conditions. In these cases, we engage with our clients and negotiate for improvement.

Type of advice



Conclusion of advice



Management Control Statement

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

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

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

- ▶ effectiveness and efficiency of operations;
- ▶ reliability of (financial) information;
- ▶ compliance with laws, regulations and internal policies with respect to the conduct of business;
- ▶ safeguarding of assets, identification and management of liabilities, and;
- ▶ strategic goals of ABN AMRO Bank.

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

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

- ▶ ABN AMRO Bank's internal risk management and control systems provide reasonable assurance that ABN AMRO Bank's consolidated financial statements do not contain any material inaccuracies;
- ▶ ABN AMRO Bank's internal risk management and control systems functioned properly in 2015;
- ▶ There are no indications to suggest that ABN AMRO Bank's internal controls will not continue to function properly in 2016.

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

During the past years, ABN AMRO Bank has implemented an Operational Risk Management Framework (ORMF) for sound operational risk management, worldwide, in line with the requirements for Advanced Measurement Approach compliance. This ORMF combines the various non-financial risk disciplines into a single converged approach and provides the business with a clear and fair view on their operational risks and the way these are managed. These insights allow senior management to form an opinion on the adequacy of internal and management controls regarding the risks they face while pursuing their business objectives.

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

- ▶ Within ABN AMRO Bank internal risk management and control systems are in place to provide reasonable assurance that ABN AMRO Bank will not be hindered in achieving its business objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen;
- ▶ Based on internal risk management and control systems in place and barring unforeseen adverse external conditions, the Managing Board is of the opinion that there are no material elements within ABN AMRO Bank that could significantly endanger the realisation of its business objectives;
- ▶ Regarding internal risk management and control systems, the Managing Board has identified dependencies. The following external factors could have an impact on ABN AMRO Bank's current business model:
 - ▶ Adverse external developments (macroeconomic, geopolitical and monetary), prolonged negative interest rates and intensified competition may have an impact on ABN AMRO Bank's revenues.



There is increased competition from non-bank entities such as insurance companies and pension funds, which had already entered parts of the banking value chain, and new entrants (often less bound by legacy and laws/regulations that are imposed on banks).

- ▶ Existing and impending legislation and regulations (e.g. MiFID, Basel IV, Payment Services Directive 2, EU privacy law and Market Abuse Directive) and change of interpretation of existing European and local legislation and regulations may significantly impact the balance sheet, as well as liquidity and capital adequacy. Change in the risk-weighted capital framework is an example of such potential impact.
- ▶ The following areas of improvement have been identified and agreed upon and are actively managed by senior management:
 - ▶ The significant number of projects, combined with capacity constraints (budget and people), inherently limit the room for improvement initiatives and innovation of the business model, products, services and technology. Becoming less innovative and agile than competitors and/or new entrants may lead to decreasing returns and a loss of customers/market share within a timeframe of 3-5 years, as well as sub-optimal risk decisions (like missed opportunities). Improvements to the innovation power are being worked on; for example the introduction of an agile way of working (which requires adaptations in the control framework) and Digital Ambition structures/programmes/investments
 - ▶ The bank's current IT infrastructure is complex. This results in relatively high maintenance costs and unexpected challenges and necessitates manual actions in day-to-day processes, but more importantly, reduces our agility to respond quickly to market trends and new innovations. The bank aims to create a more competitive customer experience in a constantly changing environment, and to deliver agile, seamless and fully web-based customer processes via the internet and by mobile applications. The bank therefore launched the TOPS 2020 programme in 2013, which aims to re-engineer our IT landscape and simplify our processes. Updating to cloud technology is an important step in the implementation of a more effective and agile IT architecture, which will enable ABN AMRO Bank to support new business initiatives. Furthermore, the

bank is continuing its efforts to improve the customer experience through the Retail Digitalisation programme

- ▶ Regulatory changes that may not be adequately identified, interpreted and/or implemented (due to e.g. late communication, complex organisational structure and human factors) could lead to a risk of non-compliance with regulatory requirements. The current flow of new regulations and the renewed interpretation of existing regulations has increased the workload significantly. The awareness in our organisation that this has become "the new day-to-day reality" for ABN AMRO Bank and its people is imminent. In practice, we also notice the risk of a weakened legal position, resulting from the unavailability of crucial information (record-keeping and archiving of both physical and electronic documentation). Continued functioning of the Regulatory Office department and programs like MiFID II, Client File Review and Reliable & Responsible Banking (Vertrouwd & Verantwoord Bankieren) will help to mitigate these risks further
- ▶ Due to the increase in and professionalism of external cyber threats, there is a risk that the organisation will not be able to keep up with new security threats, which could result in a major security incident happening, with large financial and/or reputational impact. The increased cyber threat has several implications for the bank and its clients. Cyber vulnerabilities on the client side may also hit the bank, while, on the other hand, vulnerabilities on the bank's side could also have negative consequences for clients, if clients were to become victims of cyber attacks via the bank's services and/or products. Strengthening of access management, network segmentation, vulnerability management and the Security Operations Centre is ongoing in order to further mitigate these risks;
- ▶ New laws and regulations are often accompanied by more strict (behavioural) regulatory oversight. Suboptimal awareness regarding integrity, transparency and duty of care, combined with inadequate tooling and lower tolerance levels, may have an impact on the bank (in the form of fines or reputational damage). Remuneration limitations, reduced career opportunities and decreased employer attractiveness may lead to an unwanted



decline in the quality and quantity of our labour force. In order to mitigate this risk, compliance-related programmes are being organised, a robust policy framework is being set and the internal reward structure is being revised. Furthermore it is being investigated how ABN AMRO Bank can remain successful in attracting top talent.

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



Risk, funding & capital review

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

Overview

The Dutch economy grew by 1,9% in 2015 – this growth percentage has doubled compared to 2014. This improvement was entirely driven by accelerating consumption and investment. For the first time in years their joint contribution to growth was greater than the slight increase of exports in 2015. The revival of investments was partly driven by an improvement of manufacturing capacity utilisation. Growth in consumption is being fuelled by a rise in the real disposable income of family households, which is due to the fact that wages are rising faster than inflation.

The improvement of the Dutch economy and Dutch housing market combined with strict credit monitoring is reflected in a decrease in loan impairments across all portfolio's and overall improved risk indicators.

Key developments

Key figures

(in millions)	31 December 2015	31 December 2014	31 December 2013
Total assets	390,317	386,867	372,022
- of which Residential mortgages	150,009	151,998	153,439
- of which Consumer loans	14,587	15,398	15,629
- of which Corporate loans	88,367	87,866	85,268
On-balance sheet maximum exposure to credit risk	383,522	375,007	358,480
Total Exposure at Default ¹	369,169	350,762	349,235
Total risk weighted assets (REA)/total Exposure at Default ¹	29.3%	31.3%	31.2%
RWA (REA)¹			
Total RWA (REA)	108,001	109,647	109,012
- of which Credit risk ²	86,063	87,667	86,201
- of which Operational risk	16,227	16,168	16,415
- of which Market risk	5,710	5,811	6,396
Fully-loaded CET1 ratio	15.5%	14.1%	12.2%
Fully-loaded leverage ratio	3.8%	3.7%	3.2%
Credit quality indicators			
Forbearance ratio ³	3.5%	3.5%	3.6%
Past due ratio ³	1.9%	2.3%	2.9%
Impaired ratio ³	2.7%	2.9%	3.0%
Coverage ratio ³	55.8%	53.6%	55.2%
Cost of risk (in bps) - reported ^{4, 5}	19	45	37
Cost of risk (in bps) - underlying ⁴	19	45	63
Liquidity and funding indicators			
Loan-to-Deposit ratio	108.9%	116.5%	120.6%
LCR	>100%	>100%	100%
NSFR	>100%	>100%	>100%

¹ 2013 figures are reported under Basel II and the 2015 and 2014 figures are reported using the Basel III (CRD IV/CRR) framework. Under Basel III 2013 pro-forma figures are: EAD EUR 353,856 million; total RWA (REA) EUR 115,442 million; credit risk RWA (REA) EUR 92,631 million. No RWA (REA) impact from CRD IV/CRR on market and operational risk.

² RWA (REA) for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2015 CVA amounted to EUR 1.1 billion (2014: EUR 1.3 billion; 2013: EUR 1.5 billion) and DFC amounted to EUR 0.3 billion.

³ Ratios calculated on Loans and receivables - customers only.

⁴ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

⁵ 2013 includes a release of EUR 432 million following the sale of the remaining Greek government-guaranteed corporate exposures. Additionally, 2013 includes a release of EUR 252 million following the sale of collateral related to the Madoff files (these special items are related to Group functions).

The continued improvement of the Dutch economy is reflected in the gradual decline of the impaired portfolio and in a significant drop in impairment charges. Total impairment charges on loans and other receivables amounted to EUR 505 million, EUR 666 million lower than in 2014. Lower impairment charges were recorded in all portfolios due to the improvement of the risk profile

of the portfolios on the back of improved economic conditions and strict credit monitoring. This also led to IBNI releases, which are determined based on recent losses in the portfolio. The decreasing loss levels resulted in an IBNI release of EUR 221 million in 2015 compared with an IBNI addition of EUR 22 million in 2014.

As a result of the significant decline in the total impairment charges, the cost of risk improved to 19bps in 2015, compared with 45bps in 2014.

The Residential mortgage portfolio declined by EUR 2.0 billion compared with year-end 2014, as a result of repayments on existing mortgage loans exceeding new production of mortgage loans. The Consumer loan portfolio decreased by EUR 0.8 billion in 2015. The Corporate loan portfolio increased by EUR 0.5 billion. The increase was mainly driven by higher volumes in term loans.

All credit indicators improved further, reflecting the improved risk profile of the loan portfolio.

The bank's liquidity position remained strong. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% during 2015. This is in line with the bank's targeted early compliance with future regulatory requirements. In addition, an increase in client deposits improved the Loan-to-Deposit (LtD) ratio. This is reflected in the increase of the cash position throughout 2015. The higher cash position was used to further strengthen the liquidity buffer.

During 2015, ABN AMRO Bank raised EUR 14.3 billion in long-term funding (including EUR 2.8 billion in subordinated debt). The average remaining maturity of long-term wholesale funding increased during 2015 from 4.3 to 4.6 years, mainly due to the issuance of long-term secured funding in the third quarter of 2015.

Key figures per business segment

(in millions)	31 December 2015				
	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Total assets	155,797	24,171	117,355	92,994	390,317
On-balance sheet maximum exposure to credit risk	155,282	20,834	115,803	91,603	383,522
Total Exposure at Default ¹	174,229	22,105	103,443	69,392	369,169
RWA (REA)					
Credit risk ¹	28,896	6,852	45,867	4,447	86,063
Operational risk	5,875	1,373	3,537	5,441	16,227
Market risk			5,710		5,710
Total RWA (REA)	34,771	8,226	55,115	9,888	108,001
Total RWA (REA)/Total Exposure at Default	20.0%	37.2%	53.3%	14.3%	29.3%
					2015
Average RWA (REA)	36,109	8,500	57,191	10,851	112,651
Cost of risk (in bps) - reported ²	6	-2	46		19
Cost of risk (in bps) - underlying ²	6	-2	46		19

¹ RWA (REA) for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2015 CVA amounted to EUR 1.1 billion and DFC amounted to EUR 0.3 billion.

² Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Key figures per business segment

	31 December 2014				
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Total assets	157,614	22,935	133,579	72,739	386,867
On-balance sheet maximum exposure to credit risk	157,047	19,597	127,187	71,176	375,007
Total Exposure at Default ¹	175,460	21,137	103,619	50,546	350,762
RWA (REA)					
Credit risk ¹	31,291	6,754	43,939	5,683	87,667
Operational risk	5,550	1,558	3,712	5,348	16,168
Market risk			5,811		5,811
Total RWA (REA)	36,841	8,312	53,462	11,031	109,647
Total RWA (REA)/Total Exposure at Default	21.0%	39.3%	51.6%	21.8%	31.3%
					2014
Cost of risk (in bps) - reported ²	29	14	86		45
Cost of risk (in bps) - underlying ²	29	14	86		45

¹ RWA (REA) for credit value adjustment (CVA) and default fund contribution (DFC) are included in credit risk. In 2014 CVA amounted to EUR 1.3 billion and DFC amounted to EUR 0.9 billion.

² Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

	31 December 2013				
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Total assets ¹	160,630	20,617	117,809	72,966	372,022
On-balance sheet maximum exposure to credit risk	160,139	17,736	109,870	70,735	358,480
Total Exposure at Default ¹	175,844	21,198	95,145	57,048	349,235
RWA (REA)					
Credit risk	28,772	7,247	45,610	4,572	86,201
Operational risk	5,512	1,555	4,025	5,323	16,415
Market risk			6,396		6,396
Total RWA (REA)	34,284	8,802	56,031	9,895	109,012
Total RWA (REA)/Total Exposure at Default	19.5%	41.5%	58.9%	17.3%	31.2%
					2013
Cost of risk (in bps) - reported ^{2,3}	42	89	105		37
Cost of risk (in bps) - underlying ³	42	89	105		63

¹ The 2013 figures are reported using the Basel II (CRD IV/CRR) framework. Under Basel III 2013 pro-forma figures are: EAD EUR 353,856 million; total RWA (REA) EUR 115,442 million; credit risk REA EUR 92,631 million. No RWA (REA) impact from CRD IV/CRR on market and operational risk.

² 2013 includes a release of EUR 432 million following the sale of the remaining Greek government-guaranteed corporate exposures. Additionally, 2013 includes a release of EUR 252 million following the sale of collateral related to the Madoff files (these special items are related to Group functions).

³ Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Total Exposure at Default increased by EUR 18.4 billion, arriving at EUR 369.2 billion at 31 December 2015, compared with EUR 350.8 billion at 31 December 2014. The increase was mainly attributable to Group Functions as result of a rise in deposits at central banks. Other movements were noted for Retail Banking, which decreased by EUR 1.2 billion mainly as a result of lower

business volume in the Residential mortgage portfolio, due to redemptions exceeding the new production volume. The decrease of EAD in Retail Banking was partly compensated as a result of a change in the method used for the EAD calculation for Residential mortgages. The EAD of Private Banking decreased by EUR 1.0 billion and the EAD of Corporate Banking remained fairly stable in 2015.

Total RWA (REA) decreased to EUR 108.0 billion at 31 December 2015, compared with EUR 109.7 billion at 31 December 2014. This change was mainly related to credit risk. The decline in RWA (REA) was mainly the result of a decrease of EUR 2.4 billion in Retail Banking due to

lower business volume and an improved grade quality of our clients. Other movements were noted in Corporate Banking, where RWA (REA) increased by EUR 1.9 billion, and Group Functions, where RWA (REA) decreased by EUR 1.4 billion at 31 December 2015.

Reporting scope risk

(in millions)	31 December 2015			31 December 2014			31 December 2013		
	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount
Loans and receivables - banks	15,682	2	15,680	21,680		21,680	23,967		23,967
Residential mortgages	150,333	324	150,009	152,536	538	151,998	154,024	585	153,439
Less: Fair value adjustment from hedge accounting on residential mortgages	3,401		3,401	4,134		4,134	3,531		3,531
Residential mortgages, excluding fair value adjustments	146,932	324	146,608	148,402	538	147,864	150,493	585	149,908
Consumer loans	15,147	561	14,587	16,052	654	15,398	16,241	613	15,629
Corporate loans	86,312	3,380	82,932	86,299	3,439	82,860	84,353	3,672	80,681
Less: Fair value adjustment from hedge accounting on corporate loans	1,448		1,448	1,605		1,605	891		891
Corporate loans, excluding fair value adjustments	84,864	3,380	81,484	84,694	3,439	81,255	83,462	3,672	79,790
Other loans and receivables - customers ¹	11,882	90	11,792	11,783	129	11,654	7,384	105	7,279
Less: Fair value adjustment from hedge accounting on other loans and receivables - customers	1		1	-16		-16	-23		-23
Other loans and receivables - customers, excluding fair value adjustments¹	11,881	90	11,791	11,799	129	11,669	7,407	105	7,302
Total loans and receivables - customers, excluding fair value adjustments	258,824	4,355	254,469	260,947	4,761	256,186	257,603	4,975	252,629
Fair value adjustments on Loans and receivables - customers	4,850		4,850	5,724		5,724	4,399		4,399
Total loans and receivables - customers	263,674	4,355	259,319	266,670	4,761	261,910	262,002	4,975	257,028
Other			130,998			124,958			114,994
Total assets			390,317			386,867			372,022

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

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

were set out of scope as of year-end 2014 for the tables in the Risk section. As a result of the change in the reporting scope, the definition of the cost of risk also changed.

Economic and regulatory capital

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
31 December 2015					
Credit risk	2,312	548	3,669	356	6,885
Operational risk	470	110	283	435	1,298
Market risk			457		457
Regulatory capital¹	2,782	658	4,409	791	8,640
Credit risk	2,915	504	4,347	987	8,752
Operational risk	301	206	538	214	1,259
Market risk			145		145
Business risk	353	322	514	7	1,195
Other risk types ²	272	156	92	4,117	4,636
Economic capital	3,840	1,187	5,636	5,324	15,988
31 December 2014					
Credit risk	2,503	540	3,515	455	7,013
Operational risk	444	125	297	428	1,293
Market risk			465		465
Regulatory capital¹	2,947	665	4,277	882	8,772
Credit risk	4,298	450	4,069	889	9,706
Operational risk	294	199	808	285	1,586
Market risk			111		111
Business risk	381	298	455	9	1,143
Other risk types ²	239	199	69	4,664	5,171
Economic capital	5,212	1,146	5,512	5,847	17,717
31 December 2013					
Credit risk	2,302	580	3,649	366	6,896
Operational risk	441	124	322	426	1,313
Market risk			512		512
Regulatory capital¹	2,743	704	4,482	792	8,721
Credit risk	3,921	769	5,644	478	10,812
Operational risk	374	272	698	439	1,783
Market risk			116		116
Business risk	206	248	554	12	1,020
Other risk types ²	322	191	93	4,073	4,679
Economic capital	4,823	1,480	7,105	5,002	18,410

¹ Minimum regulatory capital (8% of total risk exposure amount), representing the absolute minimum amount of capital required by a bank to cover three major risk types a bank faces. However available total capital ratios are substantially higher, as explained in the capital section.

² Other risk types include market risk banking book (including interest rate risk) and pension risk.



In 2015, total economic capital (EC) decreased by EUR 1.7 billion to EUR 15.9 billion compared with year-end 2014. The decline in EC was driven mainly by credit risk (EUR 1.0 billion) and operational risk (EUR 0.3 billion).

Credit risk EC decreased by EUR 1.0 billion to EUR 8.8 billion at year-end 2015 compared with year-end 2014. This decline was largely caused by improved credit risk drivers (average Exposure at Default, Probability of Default and Loss Given Default). The decrease was partly offset by Corporate Banking, mainly related to International Clients and Commercial Clients.

Operational risk EC decreased by EUR 0.3 billion, as the Advanced Measurement Approach (AMA) has been implemented at most entities. During AMA implementation, control monitoring and testing was strengthened further throughout the bank, which contributed to the decline of EC. Please note that the use of the AMA model for the calculation of regulatory capital (RC) is pending the formal approval of the ECB.

Credit risk

Credit risk exposure Audited

Credit risk overview Audited

(in millions)	31 December 2015	31 December 2014	31 December 2013
Total assets	390,317	386,867	372,022
Less: items that are not subject to credit risk exposure ¹	6,795	11,860	13,542
On-balance sheet maximum exposure to credit risk	383,522	375,007	358,480
Off-balance sheet			
Committed credit facilities	21,559	16,164	13,764
Guarantees and other commitments	13,868	15,335	16,103
Revocable credit facilities	82,865	78,508	71,657
Total Off-balance sheet credit facilities and guarantees	118,292	110,007	101,524
Maximum exposure to credit risk	501,814	485,014	460,004
Adjustments on assets ²	-5,968	-9,852	-7,659
Valuation adjustments ³	-7,615	-11,563	-5,141
Offsetting and netting	-26,442	-23,508	-17,115
Off-balance sheet credit facilities and guarantees	-118,292	-110,007	-101,524
Off-balance sheet exposure fraction expected to be drawn prior to default (Credit Conversion Factors)	25,672	20,677	20,670
Total Exposure at Default	369,169	350,762	349,235
Credit risk RWA (REA)/Total Exposure at Default	23.3%	25.0%	24.7%

¹ Items that are not subject to credit risk: more details are provided in Additional risk, funding & capital disclosures, table 'Maximum exposure to credit risk EU IFRS'.

² Main adjustments on assets are equity instruments, selected financial assets held for trading and fair value adjustments from hedge accounting.

³ Adjustments on valuation include loan impairment allowances.

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

Credit quality by exposure class Audited

31 December 2015					
(in millions, Exposure at Default)	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total
Central governments and central banks	58,769	123			58,892
Institutions ¹	13,804	351	11	10	14,177
Corporates	37,131	56,787	961	4,250	99,128
Retail	140,275	31,295		2,559	174,129
- of which secured by immovable property	134,265	23,555		1,486	159,306
- of which qualifying revolving exposures	2,662	3,831		285	6,778
- of which other retail	3,348	3,909		788	8,045
Securitisation positions	1,125				1,125
Total IRB²	251,105	88,556	972	6,819	347,452
Total SA ³					15,568
Total					363,020

31 December 2014					
	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total
Central governments and central banks	41,815	270			42,085
Institutions ¹	17,867	418	7		18,291
Corporates	33,899	50,658	1,070	4,224	89,851
Retail	135,157	35,258		3,196	173,611
- of which secured by immovable property	129,370	25,931		2,284	157,585
- of which qualifying revolving exposures	2,483	4,310		341	7,134
- of which other retail	3,304	5,017		571	8,892
Securitisation positions	2,434				2,434
Total IRB²	231,172	86,604	1,077	7,420	326,273
Total SA ³					18,811
Total					345,084

31 December 2013					
	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total
Central governments and central banks	44,998	22			45,020
Institutions ¹	17,811	763		8	18,582
Corporates	28,999	52,775	1,290	4,415	87,479
Retail	135,764	35,202		3,232	174,198
- of which retail mortgages	130,112	25,444		2,347	157,903
- of which qualifying revolving exposures	2,322	4,687		265	7,274
- of which other retail	3,330	5,071		620	9,021
Securitisation positions	2,511				2,511
Total IRB²	230,083	88,762	1,290	7,655	327,790
Total SA ³					12,743
Total					340,533

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

³ Exposure at Default does not include EAD calculated for other non-credit obligations.

The investment grade portfolio increased to 73% of the IRB portfolio, compared with 72% at year-end 2014. The sub-investment portfolio remained relatively stable. The total default portfolio decreased in line with the improvement of the Dutch economy.

Credit risk concentration Audited

Geographic concentration

The consolidated exposures in the table are allocated to the geographical regions where clients are domiciled. The bank monitors and manages country risk based on the country of risk. The country of ultimate risk may be different from the country of domicile, e.g. when financing a project in another country than where the borrower is domiciled.

Geographic concentration by EAD Audited

(in millions, Exposure at Default)	31 December 2015					
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	31,530	19,894	4,160	2,822	486	58,892
Institutions ¹	1,897	7,035	2,041	2,604	600	14,177
Corporates	52,876	21,719	5,175	8,157	11,201	99,128
Retail	173,273	651	44	87	74	174,129
- of which secured by immovable property	158,756	395	37	71	47	159,306
- of which qualifying revolving exposures	6,689	73	3	4	9	6,778
- of which other retail	7,828	183	4	12	18	8,045
Securitisation positions	1,125					1,125
Total IRB²	260,702	49,299	11,420	13,670	12,361	347,452
Total SA ³	5,490	8,511	1,077	95	395	15,568
Total	266,192	57,810	12,497	13,765	12,756	363,020
Percentage of total	73.3%	15.9%	3.4%	3.8%	3.5%	100.0%

(in millions, Exposure at Default)	31 December 2014					
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	19,348	18,172	1,959	2,309	297	42,085
Institutions ¹	5,795	6,273	2,230	3,590	403	18,291
Corporates	50,534	19,983	3,487	6,713	9,134	89,851
Retail	172,700	710	50	79	72	173,611
- of which secured by immovable property	156,990	448	42	60	45	157,585
- of which qualifying revolving exposures	7,043	75	3	4	9	7,134
- of which other retail	8,667	187	5	15	18	8,892
Securitisation positions	2,434					2,434
Total IRB²	250,811	45,138	7,726	12,691	9,906	326,273
Total SA ³	9,168	7,701	1,177	284	481	18,811
Total	259,979	52,839	8,903	12,975	10,387	345,084
Percentage of total	75.3%	15.3%	2.6%	3.8%	3.0%	100.0%

31 December 2013

	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	27,796	14,929	1,494	685	116	45,020
Institutions ¹	4,418	8,906	1,169	3,348	741	18,582
Corporates	55,033	17,910	1,980	5,721	6,835	87,479
Retail	174,198					174,198
- of which retail mortgages	157,903					157,903
- of which qualifying revolving exposures	7,274					7,274
- of which other retail	9,021					9,021
Securitisation positions	2,511					2,511
Total IRB²	263,956	41,745	4,643	9,754	7,692	327,790
Total SA ³	7,746	3,240	1,195	330	232	12,743
Total	271,702	44,985	5,838	10,084	7,924	340,533
Percentage of total	79.8%	13.2%	1.7%	3.0%	2.3%	100.0%

¹ Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.

² Total Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

³ Exposure at Default does not include EAD calculated for other non-credit obligations.

The geographical concentrations reflect the bank's business profile, with a large portfolio concentrated in the Netherlands (73.3%). Businesses outside the Netherlands are primarily located in neighbouring countries in Europe. Specialised activities, such as Energy, Commodities & Transportation Clients (ECT Clients), Clearing, Asset Based Financing, Securities Financing and Private Banking International, are also located outside of Europe.

The Exposure at Default in the Netherlands increased by EUR 6.2 billion at year-end 2015 to EUR 266.2 billion compared with year-end 2014. This increase was mainly related to an increase in Central governments and central banks, as a result of a rise in deposits at central banks, partly offset by a decrease in Institutions. Rest of Europe increased to EUR 57.8 billion at year-end 2015, rising by EUR 5.0 billion compared with year-end 2014. This is the result of an increase in Central government and central banks and an increase in Corporates, both by EUR 1.7 billion.

USA exposure grew by EUR 3.6 billion to EUR 12.5 billion at year-end 2015 compared with year-end 2014. The increase was mainly related to Central government and central banks and, to a lesser extent, an increase of EUR 1.7 billion within Corporates due to new client lending related to ABN AMRO Clearing and ECT clients.

The increase of EUR 2.4 billion in Rest of the world was mainly concentrated within Corporates due to new client lending for several clients, mainly of ECT Clients.

The Asia region exposure grew by EUR 0.8 billion at 31 December 2015 compared with year-end 2014. This slight increase was the result of higher business volume within the exposure class Corporates and Central government and central banks, partly offset by a decrease of EUR 1 billion in Institutions related to lower business volume.

Industry concentration

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

Industry concentration is presented both in terms of original obligor and in terms of resultant obligor. Original obligor refers to the counterparty with whom ABN AMRO Bank originally has the contractual relationship, often referred to as the borrower. The resultant obligor is the counterparty to which ABN AMRO Bank has the ultimate credit risk, often referred to as the guarantor. The industry view, based on original obligor and resultant

obligor, differs significantly for the industries real estate, healthcare and public administration. The government-guaranteed exposures are included in the original obligor view under the applicable industry sector. However, in the resultant obligor view these exposures are included in the public administration industry sector, as they concern government-related exposures.

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

Industry concentration by EAD Audited

(in millions, Exposure at Default)	31 December 2015			
	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	16,230	4.5%	15,101	4.2%
Financial services ¹	14,982	4.1%	13,326	3.7%
Industrial goods and services	22,148	6.1%	21,932	6.0%
Real estate	13,244	3.6%	12,021	3.3%
Oil and gas	12,119	3.3%	12,011	3.3%
Food and beverage	13,924	3.8%	13,810	3.8%
Retail	5,132	1.4%	5,059	1.4%
Basic resources	4,378	1.2%	4,347	1.2%
Healthcare	4,871	1.3%	4,725	1.3%
Construction and materials	3,559	1.0%	3,460	1.0%
Other ²	16,927	4.7%	17,583	4.8%
Subtotal Industry Classification Benchmark	127,514	35.1%	123,375	34.0%
Private individuals (non-Industry Classification Benchmark)	178,105	49.1%	178,276	49.1%
Public administration (non-Industry Classification Benchmark)	57,401	15.8%	61,369	16.9%
Subtotal non-Industry Classification Benchmark	235,506	64.9%	239,645	66.0%
Exposure at Default³	363,020	100.0%	363,020	100.0%

¹ Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.

² Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.

³ Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Industry concentration by EAD Audited

31 December 2014

(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	16,459	4.8%	14,453	4.2%
Financial services ¹	9,480	2.7%	9,497	2.8%
Industrial goods and services	18,747	5.4%	18,407	5.3%
Real estate	14,480	4.2%	11,221	3.3%
Oil and gas	10,529	3.1%	10,404	3.0%
Food and beverage	10,910	3.2%	10,823	3.1%
Retail	4,418	1.3%	4,304	1.2%
Basic resources	4,005	1.2%	3,992	1.2%
Healthcare	5,276	1.5%	5,126	1.5%
Construction and materials	2,922	0.8%	2,739	0.8%
Other ²	23,915	6.9%	26,278	7.6%
Subtotal Industry Classification Benchmark	121,141	35.1%	117,244	34.0%
Private individuals (non-Industry Classification Benchmark)	186,704	54.1%	186,836	54.1%
Public administration (non-Industry Classification Benchmark)	37,239	10.8%	41,004	11.9%
Subtotal non-Industry Classification Benchmark	223,943	64.9%	227,840	66.0%
Exposure at Default³	345,084	100.0%	345,084	100.0%

¹ Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.

² Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.

³ Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Industry concentration by EAD Audited

31 December 2013

(in millions, Exposure at Default)	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector				
Banks	16,990	5.0%	16,983	5.0%
Financial services ¹	7,935	2.3%	7,949	2.4%
Industrial goods and services	18,024	5.3%	17,869	5.3%
Real estate	14,068	4.1%	12,326	3.6%
Oil and gas	7,581	2.2%	7,576	2.2%
Food and beverage	8,575	2.5%	8,508	2.5%
Retail	7,302	2.2%	7,181	2.1%
Basic resources	4,498	1.3%	4,486	1.3%
Healthcare	4,221	1.3%	4,046	1.2%
Construction and materials	3,196	0.9%	3,100	0.9%
Other ²	45,831	13.5%	45,437	13.3%
Subtotal Industry Classification Benchmark	138,221	40.6%	135,461	39.8%
Private individuals (non-Industry Classification Benchmark)	181,011	53.1%	182,209	53.5%
Public administration (non-Industry Classification Benchmark)	21,301	6.3%	22,863	6.7%
Subtotal non-Industry Classification Benchmark	202,312	59.4%	205,072	60.2%
Exposure at Default³	340,533	100.0%	340,533	100.0%

¹ Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.

² Other includes travel and leisure, utilities, personal and household goods, media, technology, automobile and parts, chemicals, telecommunication and insurance, in addition to unclassified.

³ Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

The industry concentration consists largely (49%) of credit risk exposures to private individuals (non-Industry Classification Benchmark), which is mainly related to residential mortgage loans and, to a lesser extent, consumer loans. Private individuals decreased by EUR 8.6 billion to EUR 178.1 billion in the resultant obligor view. This decrease relates to a changed methodology in the EAD calculation for the residential mortgage portfolio, partly offset by lower business volumes. Public administration increased largely due to a rise in deposits at central banks. The highest industry sector concentration is in industrial goods and services.

The biggest movements in the industry concentration were noted in the sectors financial services, industrial goods and services, and food and beverage as a result of higher business volume.

Due to a better allocation of exposures, the category Other decreased by EUR 7.0 billion to EUR 16.9 billion at year-end 2015.

Credit risk mitigation Audited

Offsetting, netting, collateral, and guarantees

Starting with the year-end figures for 2015, we are reporting the value of collateral based on the Net Collateral Value (NCV). NCV expresses the value of collateral in the event of a forced sale and is equal to the expected recovery value of the collateral pledged to the bank.

A surplus for guarantees will no longer be included as collateral after 31 December 2015, as the debtor can only be liable for the maximum debt.


Financial assets: offsetting, netting and collateral & guarantees Audited

31 December 2015

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure ⁸
	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement ⁶	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral ⁷	
Financial assets held for trading	1,687		1,687							1,687
Derivatives held for trading ¹	14,735		14,735	10,529				10,529		4,206
Non-trading derivative assets ¹	4,403		4,403	4,378				4,378		25
Derivatives	19,138		19,138	14,907				14,907		4,231
Securities financing	23,405	3,343	20,062	361	21,859			22,219	2,358	201
Interest-bearing deposits	5,283	453	4,831	7	1,668			1,675	1,332	4,488
Loans and advances	8,114		8,114	7,275	74			7,349		765
Other	2,735		2,735				4	4		2,732
Total loans and receivables - banks²	16,133	453	15,680	7,282	1,742		4	9,027	1,332	7,984
Loans and receivables - customers										
Residential mortgages ³	155,089	8,481	146,608		160	180,455	7,812	188,427	56,291	14,472
Consumer loans	14,902	316	14,587		6,474	5,462	53	11,990	4,583	7,180
Corporate loans ^{3,4}	98,690	17,206	81,484	3,920	29,721	42,638	13,006	89,284	24,931	17,131
Other loans and receivables - customers ⁵	11,956	165	11,791	748	2,590	3,006	1,406	7,750	842	4,883
Fair value adjustment from hedge accounting	4,850		4,850							4,850
Total Loans and receivables - customers²	285,487	26,168	259,319	4,668	38,944	231,561	22,277	297,450	86,647	48,515
Other assets	1,899		1,899				161	161		1,737
Total on-balance sheet subject to netting and pledged agreements	347,748	29,964	317,784	27,217	62,545	231,561	22,442	343,765	90,336	64,355
Assets not subject to netting and pledged agreements	72,533		72,533							72,533
Total assets	420,281	29,964	390,317	27,217	62,545	231,561	22,442	343,765	90,336	136,888
Total off-balance sheet	118,292		118,292		5,226	5,710	1,643	12,578	5,435	111,149
Total on- and off-balance sheet	538,573	29,964	508,609	27,217	67,771	237,270	24,085	356,343	95,771	248,037

¹ In 2015 ABN AMRO Bank entered into a revised rulebook with LCH Swapclear for its centrally cleared Interest Rate Swaps. After the legal amendment, the payment and receipt of cash variation margin associated with these Interest Rate Swaps are legally considered settlement of the fair value on a daily basis. In previous reporting periods, payment and receipt of cash variation margin were legally considered to be separate postings of collateral. Positions in cash collateral paid or received with LCH Swapclear were accounted for as separate financial instruments under IAS 39, but were offset with the Interest Rate Swap exposures. As a result of the legal amendments in 2015, the carrying amount before balance sheet netting already includes the effect of settlement of the derivative positions with variation margin. In addition, application of offsetting is no longer possible or needed.

² As of year-end 2015, a refined methodology for collateral reporting has been applied. The 2014 and 2013 figures have not been adjusted.

³ Carrying amount includes Loan impairment allowances.

⁴ As of 2014, a refined methodology for reporting of surplus collateral has been applied for ABN AMRO Clearing. This refinement has no impact on the net exposure amount. The historical information is adjusted for comparison purposes.

⁵ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

⁶ Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.

⁷ Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.

⁸ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Financial assets: offsetting, netting and collateral & guarantees Audited

31 December 2014

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure ⁷
	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement ⁵	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral ⁶	
Financial assets held for trading	4,071		4,071				136	136		3,935
Derivatives held for trading	45,646	25,916	19,730	13,946				13,946		5,784
Non-trading derivative assets	8,642	3,087	5,555	5,533				5,533		22
Derivatives	54,288	29,003	25,285	19,479				19,479		5,806
Securities financing	22,054	3,543	18,511	59	19,831			19,890	1,829	449
Interest-bearing deposits	4,051	491	3,560	37				37		3,523
Loans and advances	13,178	1,796	11,382	9,813				9,813		1,569
Other	6,750	11	6,739							6,739
Total loans and receivables - banks¹	23,979	2,298	21,680	9,850				9,850		11,830
Loans and receivables - customers										
Residential mortgages ²	155,816	7,952	147,864	25	98	205,730	5,072	210,925	71,635	8,574
Consumer loans	15,936	538	15,398	139	4,361	5,260	48	9,807	1,422	7,013
Corporate loans ^{2,3}	107,148	25,893	81,255	3,121	26,146	30,749	8,434	68,450	18,083	30,888
Other loans and receivables - customers ⁴	12,697	1,027	11,669	1,585	4,008	2,866	2,488	10,946	2,287	3,010
Fair value adjustment from hedge accounting	5,724		5,724							5,724
Total Loans and receivables - customers¹	297,321	35,411	261,910	4,870	34,613	244,605	16,041	300,129	93,427	55,208
Other assets	1,926		1,926		2		52	54		1,872
Total on-balance sheet subject to netting and pledged agreements	403,639	70,255	333,383	34,258	54,446	244,605	16,229	349,538	95,256	79,101
Assets not subject to netting and pledged agreements	53,484		53,484							53,484
Total assets	457,123	70,255	386,867	34,258	54,446	244,605	16,229	349,538	95,256	132,585
Total off-balance sheet	110,007		110,007	152	2,429	3,250	1,795	7,625	829	103,211
Total on- and off-balance sheet	567,130	70,255	496,874	34,410	56,875	247,854	18,024	357,163	96,085	235,796

¹ As of year-end 2015, a refined methodology for collateral reporting has been applied. The 2014 and 2013 figures have not been adjusted.

² Carrying amount includes Loan impairment allowances.

³ As of 2014, a refined methodology for reporting of surplus collateral has been applied for ABN AMRO Clearing. This refinement has no impact on the net exposure amount. The historical information is adjusted for comparison purposes.

⁴ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

⁵ Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.

⁶ Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.

⁷ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Financial assets: offsetting, netting and collateral & guarantees Audited

31 December 2013

	Offset in the statement of financial position			Not offset in the statement of financial position						Net exposure ⁷
	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement ⁵	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral ⁶	
(in millions)										
Financial assets held for trading	5,548		5,548							5,548
Derivatives held for trading	24,210	12,362	11,848	7,670				7,670		4,178
Non-trading derivative assets	2,423		2,423	1,359				1,359		1,064
Derivatives	26,633	12,362	14,271	9,029				9,029		5,242
Securities financing	21,129	2,767	18,362	593	20,806			21,399	3,712	675
Interest-bearing deposits	16,477	507	15,970	18				18		15,952
Loans and advances	7,621		7,621	6,714				6,714	126	1,033
Other	856	480	376							376
Total loans and receivables - banks¹	24,954	987	23,967	6,732				6,732	126	17,361
Loans and receivables - customers										
Residential mortgages ²	157,361	7,453	149,908		212	208,018	5,410	213,640	73,178	9,446
Consumer loans	16,774	1,146	15,628			1,889	5,989	77	7,955	235
Corporate loans ^{2,3}	120,750	40,959	79,791	1,574	20,008	28,921	9,086	59,589	10,900	31,102
Other loans and receivables - customers ⁴	11,093	3,791	7,302	360	3,440	2,714	159	6,673	2,028	2,657
Fair value adjustment from hedge accounting	4,399		4,399							4,399
Total Loans and receivables - customers¹	310,377	53,349	257,028	1,934	25,549	245,642	14,732	287,857	86,341	55,512
Other assets	2,182		2,182		2		33	35		2,147
Total on-balance sheet subject to netting and pledged agreements	390,823	69,465	321,358	18,288	46,357	245,642	14,765	325,052	90,179	86,485
Assets not subject to netting and pledged agreements	50,664		50,664							50,664
Total assets	441,487	69,465	372,022	18,288	46,357	245,642	14,765	325,052	90,179	137,149
Total off-balance sheet	101,524		101,524		247	1,898	2,173	4,318	306	97,512
Total on- and off-balance sheet	543,011	69,465	473,546	18,288	46,604	247,540	16,938	329,370	90,485	234,661

¹ As of year-end 2015, a refined methodology for collateral reporting has been applied. The 2014 and 2013 figures have not been adjusted.

² Carrying amount includes Loan impairment allowances.

³ As of 2014, a refined methodology for reporting of surplus collateral has been applied for ABN AMRO Clearing. This refinement has no impact on the net exposure amount. The historical information is adjusted for comparison purposes.

⁴ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

⁵ Collateral in the column Master netting agreement is mainly markets related and consists of Master netting agreements which also includes cash collateral as part of these agreements. Cash collateral not part of Master netting agreements has been reported under Financial instruments.

⁶ Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.

⁷ Net exposure represents the portfolio corrected for the surplus amount and gives a view on the potential shortfall in collateral on the total portfolio.

Total net exposure of Total Loans and receivables - customers decreased by EUR 6.7 billion to EUR 48.5 billion at 31 December 2015 compared with EUR 55.2 billion at 31 December 2014. This decrease was mainly the result of improved collateral reporting offset by the implementation of the NCV valuation method. Furthermore, the carrying amount decreased by EUR 2.6 billion in this period.

Total risk mitigation for Residential mortgages decreased to EUR 188.4 billion at 31 December 2015, down by EUR 22.5 billion from EUR 210.9 billion at 31 December 2014. This decrease was mainly the result of the implementation of the NCV valuation method. The net exposure increased by EUR 5.9 billion to EUR 14.5 billion. The effect of the NCV valuation method was most noticeable for existing

surplus collateral. Surplus collateral is over-collateralisation, serving as additional security in case the collateral value declines.

Total risk mitigation within Corporate loans rose by EUR 20.8 billion compared with 31 December 2014, arriving at EUR 89.3 billion at 31 December 2015. The rise was attributable to the effect of a number of improvement projects for collateral reporting offset by the implementation of the NCV valuation method.

The impact of the NCV valuation method on Other loans and receivables - customers is visible, as net exposure increased by EUR 1.9 billion to EUR 4.9 billion at 31 December 2015 compared with year-end 2014.

Financial liabilities: offsetting, netting and collateral & guarantees Audited

	31 December 2015							
	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement ¹	Financial instruments collateral	Surplus collateral	Total risk mitigation	
(in millions)								
Financial liabilities held for trading	459		459					459
Derivatives held for trading	12,958		12,958	10,318			10,318	2,640
Non-trading derivative liabilities	9,466		9,466	9,436			9,436	31
Derivatives	22,425		22,425	19,754			19,754	2,671
Securities financing	14,715	3,343	11,372	131	13,682	3,718	17,532	1,277
Deposits	15,053	449	14,604	3,849			3,849	10,756
Other	26		26					26
Due to banks	15,079	449	14,630	3,849			3,849	10,781
Deposits	256,308	26,172	230,136	3,483			3,483	226,653
Other borrowings	160		160					160
Due to customers	256,468	26,172	230,297	3,483			3,483	226,813
Other liabilities	5,729		5,729					5,729
Total liabilities subject to netting arrangements	314,876	29,964	284,912	27,217	13,682	3,718	44,617	247,730
Remaining liabilities not subject to netting	87,821		87,821					87,821
Total liabilities	402,697	29,964	372,733	27,217	13,682	3,718	44,617	335,551

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

Financial liabilities: offsetting, netting and collateral & guarantees

Audited

31 December 2014

(in millions)	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement ¹	Financial instruments collateral	Surplus collateral	Total risk mitigation	
Financial liabilities held for trading	3,759		3,759					3,759
Derivatives held for trading	45,754	27,551	18,203	15,155			15,155	3,048
Non-trading derivative liabilities	13,698	1,452	12,246	12,238			12,238	8
Derivatives	59,452	29,003	30,449	27,393			27,393	3,056
Securities financing	17,461	3,543	13,918	56	10,972	2,684	13,712	5,574
Deposits	16,261	562	15,699	3,786			3,786	11,913
Other	45		45					45
Due to banks	16,306	562	15,744	3,786			3,786	11,958
Deposits	253,017	37,151	215,867	3,176			3,176	212,690
Other borrowings	144		144					144
Due to customers	253,161	37,151	216,011	3,176			3,176	212,834
Other liabilities	5,470	-4	5,473					5,473
Total liabilities subject to netting arrangements	355,609	70,255	285,353	34,410	10,972	2,684	48,067	242,655
Remaining liabilities not subject to netting	86,637		86,637					86,637
Total liabilities	442,246	70,255	371,990	34,410	10,972	2,684	48,067	329,292

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

Financial liabilities: offsetting, netting and collateral & guarantees Audited

31 December 2013

	Offset in the statement of financial position			Not offset in the statement of financial position				Net exposure
	Carrying amount before balance sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement ¹	Financial instruments collateral	Surplus collateral	Total risk mitigation	
(in millions)								
Financial liabilities held for trading	4,399		4,399					4,399
Derivatives held for trading	22,211	12,362	9,849	7,113			7,113	2,736
Non-trading derivative liabilities	7,378		7,378	7,323			7,323	55
Derivatives	29,589	12,362	17,227	14,436			14,436	2,791
Securities financing	15,033	2,767	12,266	594	13,919	2,299	16,812	52
Deposits	12,720	1,143	11,577	1,782			1,782	9,795
Other	49		49					49
Due to banks	12,769	1,143	11,626	1,782			1,782	9,844
Deposits	260,415	53,178	207,237	1,476			1,476	205,761
Other borrowings	347		347					347
Due to customers	260,762	53,178	207,584	1,476			1,476	206,108
Other liabilities	7,128	15	7,113					7,113
Total liabilities subject to netting arrangements	329,680	69,465	260,215	18,288	13,919	2,299	34,506	230,307
Remaining liabilities not subject to netting	98,239		98,239					98,239
Total liabilities	427,919	69,465	358,454	18,288	13,919	2,299	34,506	328,546

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

Management of forborne, past due and impaired loans Audited
Forborne exposures

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

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

Overview of forborne assets Audited

31 December 2015

(in millions)	Gross carrying amount	Performing assets			Total performing forborne assets	Non-performing assets			Total non-performing forborne assets	Total forborne assets	Forbearance ratio
		Temporary modification	Permanent modification	Refinancing		Temporary modification	Permanent modification	Refinancing			
Loans and receivables - banks	15,682										0.0%
Loans and receivables - customers											
Residential mortgages ¹	146,932	1,122	23	204	1,349	354	14	39	408	1,757	1.2%
Consumer loans	15,147	174	77	174	426	105	72	47	223	648	4.3%
Corporate loans ¹	84,864	1,368	1,330	1,244	3,941	594	839	902	2,335	6,276	7.4%
Other loans and receivables - customers ²	11,881	110	39		148	109	124	2	235	383	3.2%
Total Loans and receivables - customers	258,824	2,775	1,468	1,622	5,865	1,162	1,049	990	3,201	9,065	3.5%
Total	274,506	2,775	1,468	1,622	5,865	1,162	1,049	990	3,201	9,065	3.3%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

² Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Overview of forborne assets Audited

31 December 2014

(in millions)	Gross carrying amount	Performing assets			Total performing forborne assets	Non-performing assets			Total non-performing forborne assets	Total forborne assets	Forbearance ratio
		Temporary modification	Permanent modification	Refinancing		Temporary modification	Permanent modification	Refinancing			
Loans and receivables - banks	21,680										0.0%
Loans and receivables - customers											
Residential mortgages ¹	148,402	1,027	28	122	1,177	606	3	29	638	1,814	1.2%
Consumer loans	16,052	92	68	126	286	99	32	52	184	470	2.9%
Corporate loans ¹	84,694	1,215	872	1,823	3,910	729	878	1,181	2,788	6,698	7.9%
Other loans and receivables - customers ²	11,799	23			24	64	4		68	92	0.8%
Total Loans and receivables - customers	260,947	2,358	968	2,071	5,397	1,498	917	1,262	3,677	9,074	3.5%
Total	282,627	2,358	968	2,071	5,397	1,498	917	1,262	3,677	9,074	3.2%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

² Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Overview of forborne assets Audited

31 December 2013

(in millions)	Gross carrying amount	Performing assets			Total performing forborne assets	Non-performing assets			Total non-performing forborne assets	Total forborne assets	Forbearance ratio
		Temporary modification	Permanent modification	Refinancing		Temporary modification	Permanent modification	Refinancing			
Loans and receivables - banks	23,967										0.0%
Loans and receivables - customers											
Residential mortgages ¹	150,493	961	8	15	984	1,373	4	60	1,437	2,421	1.6%
Consumer loans	16,241	45	61	107	213	60	7	57	124	337	2.1%
Corporate loans ¹	83,462	789	710	2,542	4,041	356	673	1,203	2,232	6,273	7.5%
Other loans and receivables - customers ²	7,408	40	36	15	91			69	69	160	2.2%
Total Loans and receivables - customers	257,604	1,835	815	2,679	5,329	1,789	684	1,389	3,862	9,191	3.6%
Total	281,571	1,835	815	2,679	5,329	1,789	684	1,389	3,862	9,191	3.3%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

² Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

The total forborne assets remained stable at year-end 2015 compared with year-end 2014.

Total forborne Residential mortgages remained fairly stable compared with year-end 2014 and was mainly related to temporary modifications within the performing portfolio. The performing forborne portfolio within Residential mortgages increased by EUR 0.2 billion to EUR 1.3 billion compared with year-end 2014, which was mainly due to non-performing forborne contracts returning to the performing portfolio.

Forborne Consumer loans increased to EUR 0.6 billion at 31 December 2015, compared with EUR 0.5 billion at 31 December 2014. This increase was mainly related to temporary modifications within the performing portfolio, which resulted from an inflow of new forborne clients.

Total forborne Corporate loans decreased by EUR 0.4 billion to EUR 6.3 billion at 31 December 2015 from EUR 6.7 billion at year-end 2014. This decline was mainly the result of debt repayments on existing forborne contracts with refinancing measures in the performing portfolio, primarily

related to one single client in the real estate sector. Refinanced forborne exposure also declined within the non-performing portfolio, which was mainly due to an outflow of forborne exposure. This outflow was observed primarily within the construction and materials industry.

Reductions in forborne assets within Corporate loans were partly offset by an increase in the performing forborne portfolio with permanent modification. Total performing forborne assets with permanent measures within Corporate loans increased to EUR 1.3 billion at year-end 2015 compared with EUR 0.9 billion at year-end 2014. This increase was mainly the result of an inflow of new forborne clients related to the industrial goods and services sector.

Forborne Other loans and receivables - customers increased to EUR 0.4 billion at 31 December 2015, compared with EUR 0.1 billion at year-end 2014. This increase was distributed equally between the performing and non-performing portfolio and was the result of an inflow of new forborne clients.

Past due exposures

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

Ageing of past due not classified as impaired Audited

31 December 2015

(in millions)	Carrying amount		Days past due				Total past due but not impaired	Past due ratio
	Gross	Assets not classified as impaired	<= 30	> 30 & <= 60	> 60 & <= 90	>90		
Securities financing	20,073	20,062						0.0%
Loans and receivables - banks	15,682	15,680						0.0%
Loans and receivables - customers								
Residential mortgage ¹	146,932	145,900	2,354	322	70	30	2,776	1.9%
Consumer loans ²	15,147	14,287	306	122	30	149	607	4.0%
Corporate loans ¹	84,864	79,992	610	134	9	323	1,076	1.3%
Other loans and receivables - customers ^{1,3}	11,881	11,671	187	36	17	160	400	3.4%
Total Loans and receivables - customers	258,824	251,852	3,457	614	126	662	4,858	1.9%
Other assets	1,903	1,894	180	33	20	11	245	12.9%
Total	296,482	289,488	3,637	647	146	673	5,103	1.7%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

² Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.

³ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Ageing of past due not classified as impaired Audited

31 December 2014

(in millions)	Carrying amount		Days past due				Total past due but not impaired	Past due ratio
	Gross	Assets not classified as impaired	<= 30	> 30 & <= 60	> 60 & <= 90	>90		
Securities financing	18,521	18,511						0.0%
Loans and receivables - banks	21,680	21,680						0.0%
Loans and receivables - customers								
Residential mortgage ¹	148,402	146,924	3,057	463	118		3,639	2.5%
Consumer loans ²	16,052	15,184	335	135	38	125	633	3.9%
Corporate loans ¹	84,694	79,704	924	182	51	590	1,747	2.1%
Other loans and receivables - customers ^{1,3}	11,799	11,533	72	8	3	12	94	0.8%
Total Loans and receivables - customers	260,947	253,346	4,388	788	210	727	6,114	2.3%
Other assets	1,932	1,920	202	19	8	24	253	13.1%
Total	303,080	295,458	4,590	807	218	750	6,366	2.1%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.² Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.³ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.Ageing of past due not classified as impaired Audited

31 December 2013

(in millions)	Carrying amount		Days past due				Total past due but not impaired	Past due ratio
	Gross	Assets not classified as impaired	<= 30	> 30 & <= 60	> 60 & <= 90	>90		
Securities financing	18,386	18,363						0.0%
Loans and receivables - banks	23,967	23,967						0.0%
Loans and receivables - customers								
Residential mortgage ¹	150,493	148,754	3,444	519	145		4,108	2.7%
Consumer loans ²	16,241	15,354	461	115	78	231	885	5.4%
Corporate loans ¹	83,462	78,424	1,426	219	140	565	2,350	2.8%
Other loans and receivables - customers ^{1,3}	7,408	7,271	31	2	1	2	36	0.5%
Total Loans and receivables - customers	257,604	249,803	5,362	855	364	798	7,379	2.9%
Other assets	2,187	2,174	48	25	7	9	89	4.1%
Total	302,144	294,307	5,410	880	371	807	7,468	2.5%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.² Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.³ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

Total past due but not impaired for total loans and receivables continued its downward trend arriving at EUR 4.9 billion at 31 December 2015 compared with EUR 6.1 billion at year-end 2014. This was mainly the result of effective credit monitoring and the improved Dutch economy.

Residential mortgages past due declined by EUR 0.9 billion to EUR 2.8 billion at 31 December 2015, as a result of improved economic conditions and a successful active management of the portfolio in arrears, coaching of clients that have a higher risk of running into arrears.

Corporate loans past due dropped EUR 0.7 billion to EUR 1.1 billion at 31 December 2015, as a result of a combination of the upturn of the economy and effective credit monitoring.

Other loans and receivables – customers increased by EUR 0.3 billion to EUR 0.4 billion at 31 December 2015. This increase was mainly due to the fact we aligned the reporting view for lease contracts with a bank wide view on past due.

Impaired exposures

Coverage and impaired ratio Audited

31 December 2015

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
Securities financing	20,073	11	-11	100.0%	0.1%
Loans and receivables - banks	15,682	2	-2	100.0%	0.0%
Loans and receivables - customers					
Residential mortgages ¹	146,932	1,031	-245	23.8%	0.7%
Consumer loans	15,147	860	-471	54.8%	5.7%
Corporate loans ^{1,2}	84,864	4,872	-3,098	63.6%	5.7%
Other loans and receivables - customers ^{1,3}	11,881	210	-78	37.4%	1.8%
Total Loans and receivables - customers	258,824	6,973	-3,892	55.8%	2.7%
Other assets	1,903	9	-4	47.7%	0.5%
Total on-balance sheet	296,482	6,994	-3,908	55.9%	2.4%
Total off-balance sheet	118,300	22		0.4%	0.0%
Total⁴	414,782	7,016	-3,909	55.7%	1.7%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

² Includes impaired exposures on Madoff.

³ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

⁴ Amounts excluding Incurred But Not Identified (IBNI).

Coverage and impaired ratio Audited

31 December 2014

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
Securities financing	18,521	10	-10	100.0%	0.1%
Loans and receivables - banks	21,680				
Loans and receivables - customers					
Residential mortgages ¹	148,402	1,478	-408	27.6%	1.0%
Consumer loans	16,052	868	-533	61.4%	5.4%
Corporate loans ^{1,2}	84,694	4,989	-3,017	60.5%	5.9%
Other loans and receivables - customers ^{1,3}	11,799	265	-115	43.2%	2.2%
Total Loans and receivables - customers	260,947	7,601	-4,073	53.6%	2.9%
Other assets	1,932	12	-5	43.7%	0.6%
Total on-balance sheet	303,080	7,622	-4,088	53.6%	2.5%
Total off-balance sheet	110,011	9		0.0%	0.0%
Total⁴	413,092	7,632	-4,089	53.6%	1.8%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

² Includes releases on Madoff and Greek government-guaranteed corporate exposures.

³ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

⁴ Amounts excluding Incurred But Not Identified (IBNI).

Coverage and impaired ratio Audited

31 December 2013

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
Securities financing	18,386	23	-23	100.0%	0.1%
Loans and receivables - banks	23,967				
Loans and receivables - customers					
Residential mortgages ¹	150,493	1,739	-472	27.1%	1.2%
Consumer loans	16,241	887	-512	57.7%	5.5%
Corporate loans ^{1,2}	83,462	5,038	-3,237	64.3%	6.0%
Other loans and receivables - customers ^{1,3}	7,408	137	-86	62.8%	1.8%
Total Loans and receivables - customers	257,604	7,801	-4,307	55.2%	3.0%
Other assets	2,187	13	-5	38.5%	0.6%
Total on-balance sheet	302,144	7,837	-4,335	55.3%	2.6%
Total off-balance sheet	101,525	8			0.0%
Total⁴	403,669	7,845	-4,335	55.3%	1.9%

¹ Gross carrying amount excludes fair value adjustments from hedge accounting.

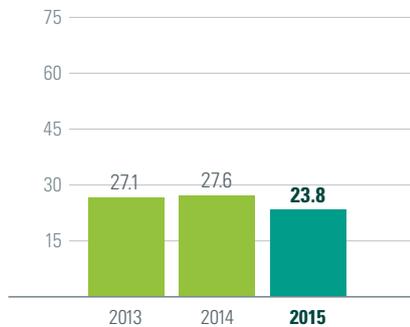
² Includes releases on Madoff and Greek government-guaranteed corporate exposures.

³ Other loans and receivables - customers consists of Government and official institutions, Financial lease receivables and Factoring.

⁴ Amounts excluding Incurred But Not Identified (IBNI).

Coverage ratio Audited

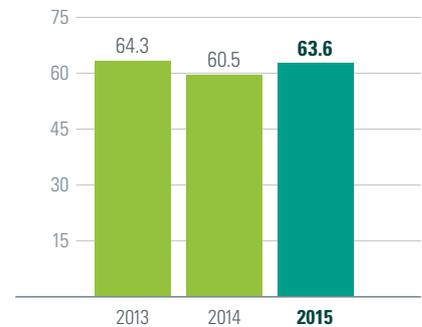
Residential mortgages (in %)



Consumer loans (in %)

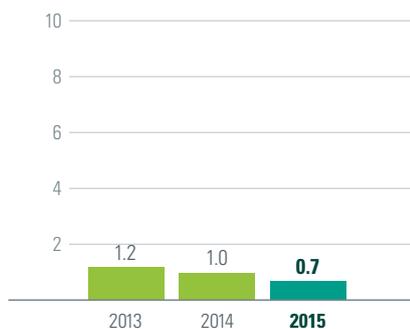


Corporate loans (in %)

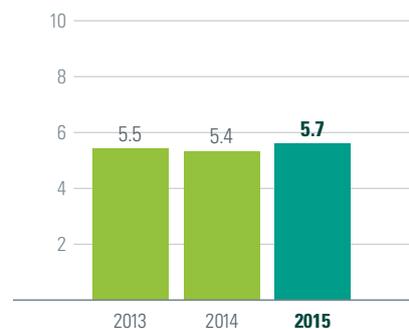


Impaired ratio Audited

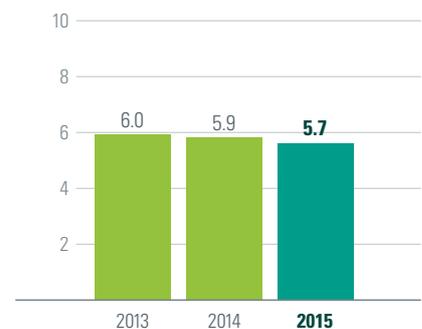
Residential mortgages (in %)



Consumer loans (in %)



Corporate loans (in %)



Impaired exposures decreased by EUR 0.6 billion to EUR 7.0 billion at 31 December 2015 and Allowances for impairments decreased by EUR 0.2 billion to EUR 3.9 billion at 31 December 2015, compared with 31 December 2014.

The outflow of loans managed in the restructuring portfolio back to the regular portfolio is gradually increasing in line with the improving Dutch economy. Nevertheless, some sectors still face issues of a more permanent nature, for example certain agri-sectors and the retail industry. The inflow into the non-performing portfolio is declining.

The coverage ratio for Total loans and receivables – customers increased to 55.8% at 31 December 2015 compared with 53.6% year-end 2014. The impaired ratio improved to 2.7% at 31 December 2015 compared with 2.9% at year-end 2014.

At portfolio level, the coverage ratio for residential mortgages decreased to 23.8% at 31 December 2015 from 27.6% at 31 December 2014. Allowances for impairments decreased even more steeply than the impaired exposures; as a result, the coverage ratio declined. The allowances decreased mainly due to the upswing in the housing market and continued improved economic circumstances, which led to a lower average loss on foreclosures. The impaired exposure dropped, as there was lower inflow into and higher outflow out of the impaired portfolio. The impaired ratio improved to 0.7% at year-end 2015 compared with 1.0% at year-end 2014, mainly as a result of the decreased impaired portfolio.

In 2015, Allowances for impairments for Consumer loans dropped by 11.6% compared with year-end 2014, thanks to the improved economy. The impaired exposure for the Consumer loan portfolio remained relatively stable in this period, where the gross carrying amount declined. These developments resulted in a higher impaired ratio of 5.7% at year-end 2015, compared with 5.4% at year-end 2014, and the Coverage ratio declined to 54.8% at 31 December 2015 compared with 61.4% at year-end 2014.

The coverage ratio for Corporate loans increased to 63.6% at 31 December 2015 compared with 60.5% at 31 December 2014, as a result of the gradually declining impaired portfolio, while Allowances for impairments rose slightly as a result of a few new files and an increase of allowances for impairments for existing clients.

Loan impairment charges and allowances Audited

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

Individual and collective loan impairment allowances Audited

31 December 2015

(in millions)	Securities financing	Banks	Corporate loans	Residential mortgages	Consumer loans	Other loans	Total
Individual impairment	11	2	2,860	16	197		3,085
Collective impairment		1	610	307	364	1	1,283
Balance at 31 December 2015	11	2	3,470	324	561	1	4,368
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	11	2	4,872	1,031	860	210	6,985

Loan impairment charges and allowances Audited

(in millions)	Securities financing	Banks	Corporate loans ¹	Residential mortgages	Consumer loans	Other loans	Total
Balance at 1 January 2014	24		3,672	585	612	106	4,999
Impairment charges for the period	1		1,289	436	340	70	2,135
Reversal of impairment allowances no longer required	-16		-562	-228	-81	-21	-908
Recoveries of amounts previously written off			-13	-11	-36		-60
Total impairment charges on loans and other receivables	-15		714	197	223	49	1,168
Amount recorded in interest income from unwinding of discounting			-47	-66	-11		-125
Currency translation differences	2		67			2	71
Amounts written off (net)			-984	-196	-182	-27	-1,389
Reserve for unearned interest accrued on impaired loans			37	39	-10		65
Other adjustments			-19	-20	22		-17
Balance at 31 December 2014	11		3,439	538	654	129	4,771
Total reported on-balance impairment charges on loans and other receivables	-15		714	197	223	49	1,168
Total underlying on-balance impairment charges on loans and other receivables	-15		714	197	223	49	1,168

Individual and collective loan impairment allowances Audited

31 December 2014

(in millions)	Securities financing	Banks	Corporate loans	Residential mortgages	Consumer loans	Other loans	Total
Individual impairment	10		2,733	26	223	114	3,106
Collective impairment	1		705	512	431	16	1,665
Balance at 31 December 2014	11		3,439	538	654	129	4,771
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	10		4,989	1,478	868	265	7,611

Loan impairment charges and allowances Audited

(in millions)	Securities financing	Banks	Corporate loans ¹	Residential mortgages	Consumer loans	Other loans	Total
Balance at 1 January 2013	28		4,594	370	445	103	5,540
Impairment charges for the period			1,547	496	462	41	2,546
Reversal of impairment allowances no longer required	-4		-1,230	-135	-130	-15	-1,514
Recoveries of amounts previously written off			-6	-5	-39		-50
Total impairment charges on loans and other receivables	-4		311	356	293	26	982
Amount recorded in interest income from unwinding of discounting			-30	-14	-9		-53
Currency translation differences			-32				-32
Amounts written off (net)			-1,259	-165	-152	-22	-1,598
Reserve for unearned interest accrued on impaired loans			84	31	35		150
Other adjustments			4	7		-1	10
Balance as at 31 December 2012	24		3,672	585	612	106	4,999
Total reported on-balance impairment charges on loans and other receivables	-4		311	356	293	26	982
Greek releases			432				432
Madoff releases			252				252
Total underlying on-balance impairment charges on loans and other receivables	-4		995	356	293	26	1,666

¹ Corporate loans includes a release for the Greek government-guaranteed corporate exposures and a release for Madoff-related collateral.

Individual and collective loan impairment allowances Audited

	31 December 2013						
(in millions)	Securities financing	Banks	Corporate loans	Residential mortgages	Consumer loans	Other loans	Total
Individual impairment	23		2,911	78	228	85	3,325
Collective impairment	1		761	507	384	21	1,674
Balance at 31 December 2013	24		3,672	585	612	106	4,999
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	23		5,038	1,739	887	137	7,824

Loan impairment charges on- and off-balance sheet Audited

(in millions)	2015	2014	2013
On-balance sheet	502	1,168	982
Off-balance sheet	3	3	1
Total impairment charges on loans and other receivables	505	1,171	983

The on-balance sheet impairment charges in 2015 declined by EUR 666 million, coming to EUR 502 million at 31 December 2015, compared with EUR 1,168 million at 31 December 2014. Lower impairment charges were noted across all of the portfolios and were partly due to IBNI releases. ABN AMRO Bank bases its IBNI levels on recent losses in the portfolio. Decreasing loss levels resulted in an IBNI release of EUR 221 million in 2015, representing around a third of the decline in impairment charges.

Impairment charges for the Corporate loans portfolio dropped by EUR 268 million, totalling EUR 446 million in 2015, compared with EUR 714 million in 2014. This decline was due mainly to a decrease in impairment charges in the Commercial Clients portfolio, which was the result of a combination of a continued upturn of the economy, strict credit monitoring, and a well-balanced portfolio intake. The decline was partly offset by an increase in the International Clients segment. Impairment charges for the Corporate loans portfolio included an IBNI release of EUR 138 million.

Other adjustments within Corporate loans increased as a result of a restatement from Other loans related to ABN AMRO Lease and Factoring.

Impairment charges for the Residential mortgages portfolio dropped by EUR 183 million in 2015, coming to EUR 14 million at 31 December 2015. This material decrease was due to improvements in the housing market and the Dutch economy, which resulted in a lower impaired volume. The impairment charges for the Residential mortgage portfolio included an IBNI release of EUR 52 million.

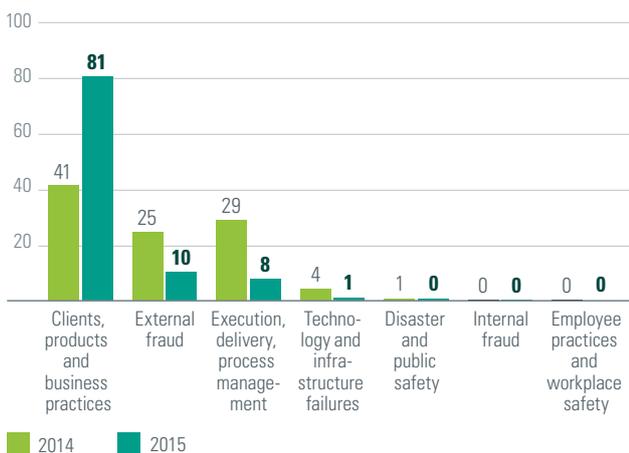
Impairment charges for Consumer loans declined to EUR 43 million in 2015, compared with EUR 223 million in 2014. The decline was also the result of the upward trend of the Dutch economy and an IBNI release of EUR 31 million.

Operational risk

Operational risk by type

Operational losses by event category¹

Distribution (% of total loss amount)



¹ Due to recoveries and the development of loss amounts over time, the figures of previous years can be subject to change.

The total operational net loss increased in 2015. However, excluding the settlement of one single claim (Vestia) for the sale of interest rate derivatives contracts, the bank's total loss decreased. In addition to the losses, ABN AMRO Bank provisioned for litigation of historical claims against the bank. These claims are accounted for in the balance sheet under Provisions (more information on provisions is included in note 27 to the Annual Financial Statements).

The development of the loss amounts for each event category shows an increase compared with 2014 for Clients, products and business practices due to the aforementioned settlement. For the other main event categories, loss amounts decreased in 2015.

Cybercrime

ABN AMRO Bank is faced with the constant threat of cybercrime by organised crime groups, activists and/or ill-intentioned employees. We therefore continuously monitor this threat and adjust the bank's defences where necessary. The volume of phishing, malware and card theft attacks was higher in 2015 than it was in 2014.

The bank further strengthened its security controls throughout the year, resulting in very low losses despite the persistent volume of attacks, and our clients did not experience a decrease in service availability due to cybercrime. Operational losses as a result of external fraud through digital client channels in 2015 remained at the low level of 2014. Compared with 2012 (baseline: 100), the level of fraud losses in 2014 and in 2015 was 7.

Dutch banks cooperate, through the Dutch Banking Association and the Dutch Payments Association, to guarantee Dutch society's shared interest in secure payments. Dutch banks have agreed not to compete in matters of security. Individual banks do not report figures on losses due to fraud related to internet banking, skimming and debit cards; these figures are reported jointly.

Business continuity

To address incidents/crises threatening the continuity of critical business processes, business continuity mitigation controls are in place, such as crisis management, business relocation plans and IT disaster recovery plans. During 2015, ABN AMRO Bank's crisis management organisation proved to be stable and able to respond to incidents to assure recovery of these business processes within an acceptable timeframe, while the number of 'code red' escalations was lower than in 2014.

Stability of digital service

Availability of the bank's internet banking services during peak hours was 99.5% on average in 2015.

Market risk

Market risk in the trading book

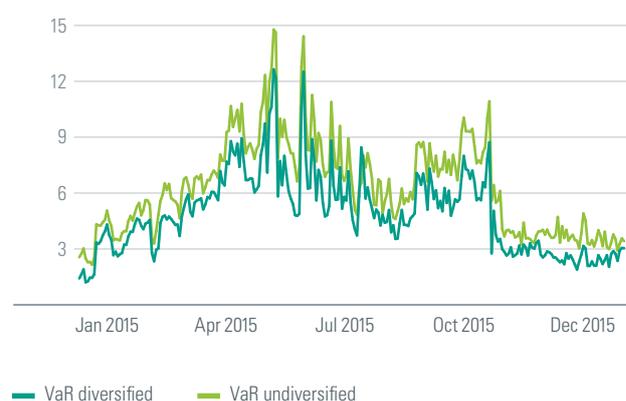
Market risk exposure

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

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

VaR diversified and undiversified

(in millions)



Internal aggregated diversified and undiversified VaR for all trading positions Audited

(in millions)	2015		2014		2013	
	Diversified	Undiversified	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	3.0	3.4	1.4	2.5	1.4	2.4
Highest VaR	12.7	14.8	3.8	5.1	5.4	7.1
Lowest VaR	1.1	2.1	0.8	1.6	0.7	1.6
Average VaR	4.9	6.3	1.4	2.5	2.0	3.0

During 2015, the average diversified 1-day VaR at a 99% confidence level increased by EUR 3.5 million to EUR 4.9 million compared with EUR 1.4 million in 2014. The highest VaR in 2015 was EUR 12.7 million compared with EUR 3.8 million in 2014. Average undiversified VaR, being the sum of VaR across the FX, Equity, Interest Rates and Commodity risk factors, increased from EUR 2.5 million in 2014 to EUR 6.3 million in 2015. While the risk profile remained stable and moderate, this increase was driven by a low interest rate environment related to ECB quantitative easing in Q1 2015 and the VaR methodology. The VaR methodology was enhanced in Q4 2015 to handle low interest rate movements.

Market risk in the banking book Audited

Market risk in the banking book is the risk that the value or the earnings of the bank decline because of unfavourable market movements. The market risk of the banking book consists predominantly of interest rate risk. Interest rate risk arises from holding loans with different interest rate maturities than the interest rate maturities of the savings and funding of the bank. The assets have on average a longer behavioural maturity than the liabilities, especially savings.

ABN AMRO Bank uses a combination of portfolio (macro) hedges and specific asset or liability (micro) hedges to swap fixed interest rates to a floating interest rate



position. The resulting interest rate position, after the application of interest rate hedges, is in line with the bank's strategy and risk appetite.

Interest rate risk metrics

	31 December 2015	31 December 2014	31 December 2013
NII-at-risk (in %)	1.3	2.2	5.4
Duration of equity (in years)	3.6	4.0	4.3

NII-at-Risk is defined as the worst outcome of two scenarios: a gradual increase in interest rates and a gradual decline in interest rates by 200bps. A floor on interest rates is assumed in the falling rates scenario. NII-at-Risk in 2015 decreased to 1.3% (approximately EUR 80 million) and reflects a reduction of NII

Market risk exposure

The table below shows the interest rate risk metrics at year-end 2015 and 2014.

of approximately EUR 80 million in the falling rates scenario. In a scenario in which interest rates rise, NII would increase by 2.0% (approximately EUR 120 million).

Duration of equity showed a moderate decrease to 3.6 years.

Liquidity risk

Liquidity risk management

Liquidity risk indicators

	31 December 2015	31 December 2014	31 December 2013
Going concern liquidity management			
Survival period (moderate stress)	> 12 months	>12 months	>12 months
Loan-to-Deposit ratio (in %)	108.9%	116.5%	120.6%
Contingency liquidity risk management			
Available liquidity buffer (in billions)	82.8	73.9	75.9
Basel III			
LCR ratio	>100%	>100%	100%
NSFR ratio	>100%	>100%	>100%

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% during 2015. This is in line with the bank's targeted early compliance with future regulatory requirements.

The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internal stress scenario in which wholesale funding markets deteriorate and retail and commercial clients withdraw a proportion of their deposits. The survival period was consistently >12 months during 2015.

The Loan-to-Deposit (LtD) ratio decreased to 109% at 31 December 2015 compared with 117% at 31 December 2014. This was caused chiefly by a large increase in client deposits across all business segments, particularly in the first half of the year.

The following table shows the development of the LtD ratio over the last three years.

Loan-to-Deposit ratio Audited

(in millions)	31 December 2015	31 December 2014	31 December 2013
Loans and receivables - customers¹	259,319	261,910	257,028
Gross up savings in mortgage linked saving products	7,911	7,571	7,236
Deductions			
Selected current accounts related to ABN AMRO Clearing Bank	4,799	4,806	2,030
Fair value adjustment from hedge accounting	4,849	5,739	4,422
Total deductions	-9,648	-10,546	-6,452
Adjusted Loans and receivables - customers	257,582	258,935	257,812
Due to customers¹	230,297	216,011	207,584
Gross up savings in mortgage linked saving products	7,911	7,571	7,236
Debt certificates issued through Groenbank BV	55	103	227
Fiduciary deposits		422	749
Deductions			
Deposits from Dutch State Treasury Agency (DSTA)	-1,750	-1,900	-2,100
Adjusted Due to customers	236,513	222,207	213,696
Loan-to-Deposit ratio (LtD)	108.9%	116.5%	120.6%

¹ Excluding securities financing.

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and retained RMBS. Most of the securities in the liquidity buffer, with the exception of the retained RMBS, are eligible for the LCR. The internal assessment of the eligibility and haircut for several liquidity instruments deviates from the Basel III regulation, which explains the differences between the liquidity values. For government bonds, the internal haircut is higher. This explains why the liquidity buffer value for government bonds is lower than the LCR eligible amount.

The liquidity buffer increased by EUR 8.9 billion to EUR 82.8 billion at 31 December 2015 compared with EUR 73.9 billion at 31 December 2014. The increase

in the buffer was primarily driven by a higher cash position due to an improved LtD ratio.

The increase in cash allowed for further optimisation of the liquidity buffer. This is reflected in the decrease of the retained RMBS portfolio. Retained RMBS have liquidity value for internal stress testing purposes, but are not eligible for the LCR. Cash and government bonds, on the other hand, have liquidity value both for internal and regulatory purposes.

Further information on the composition of the government bond portfolio is provided in note 15 to the Consolidated Annual Financial Statements.

Liquidity buffer composition Audited

(in billions, liquidity value)	31 December 2015			31 December 2014			31 December 2013		
	Liquidity buffer	of which LCR eligible		Liquidity buffer	of which LCR eligible		Liquidity buffer	of which LCR eligible	
		Level 1	Level 2		Level 1	Level 2		Level 1	Level 2
Cash & Central Bank deposits ¹	24.4	24.4		5.3	5.3		16.8	16.8	
Government bonds	26.0	26.9		27.3	28.3		18.0	18.8	
Covered bonds	1.4		1.3	2.0		1.8	2.2		1.9
RMBS retained	24.0			31.8			33.1		
Third party RMBS	0.7		0.6	1.0		0.8	1.1		0.9
Other	6.3	2.5	0.8	6.5	1.9	1.8	4.7	0.6	2.1
Total	82.8	53.8	2.7	73.9	35.6	4.4	75.9	36.2	4.9

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

The following table shows the breakdown per currency of the liquidity buffer. The main currencies are EUR and USD, in line with the composition of our balance sheet.

Liquidity buffer currency diversification Audited

(in billions, liquidity value)	31 December 2015	31 December 2014	31 December 2013
EUR	77.9	68.5	73.1
USD	2.4	2.1	1.7
GBP	0.3	0.3	0.2
CHF		0.6	0.2
Other	2.2	2.4	0.7
Total	82.8	73.9	75.9

The monthly averages for 2015, 2014 and 2013 are shown in the table below:

Liquidity buffer composition - monthly average Audited

(in billions, liquidity value)	2015	2014	2013
Cash & Central Bank deposits	11.1	5.6	14.5
Government bonds	26.8	23.3	14.8
Covered bonds	1.7	2.2	2.3
RMBS retained	29.8	32.1	32.1
Third party RMBS	0.8	1.0	1.1
Other	7.0	6.6	4.8
Total	77.2	70.9	69.6

Funding

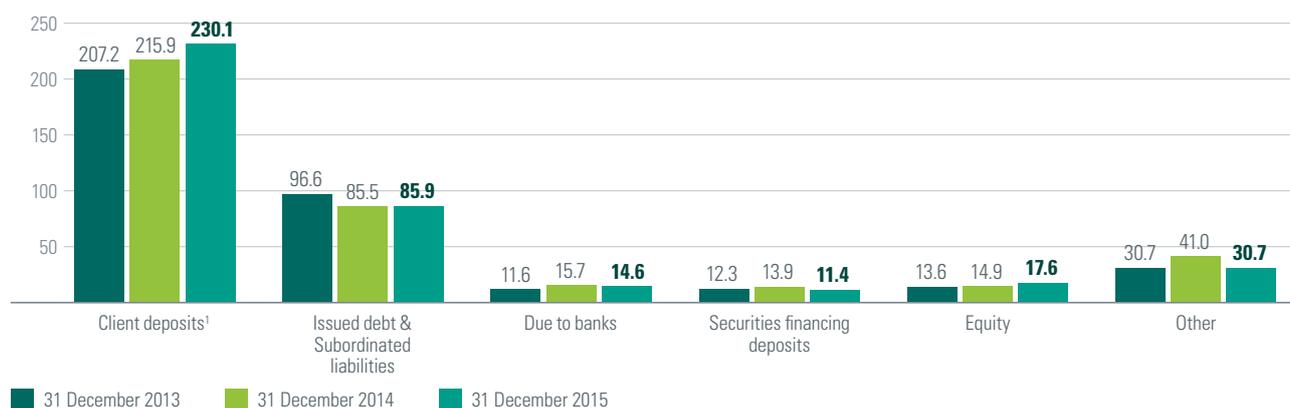
Liability and equity breakdown Audited

Client deposits are our main source of funding, complemented by a well-diversified book of wholesale funding. Client deposits increased by EUR 14.3 billion in 2015. This increase in deposits improved the Loan-to-Deposit ratio (LtD ratio) to 108.9% at 31 December 2015 from 116.5% at 31 December 2014. The resulting increase in Cash and balances at central banks was used to further strengthen the liquidity buffer.

For full-year 2015, the share of client deposits as a percentage of the total balance sheet increased to 59% from 56% in 2014. Total wholesale funding remained stable at 22% of the total balance sheet.

The graph below shows the liability and equity breakdown for the full balance sheet. The increase in client deposits was offset by a decrease in other liabilities, mainly due to a decrease in the trading book.

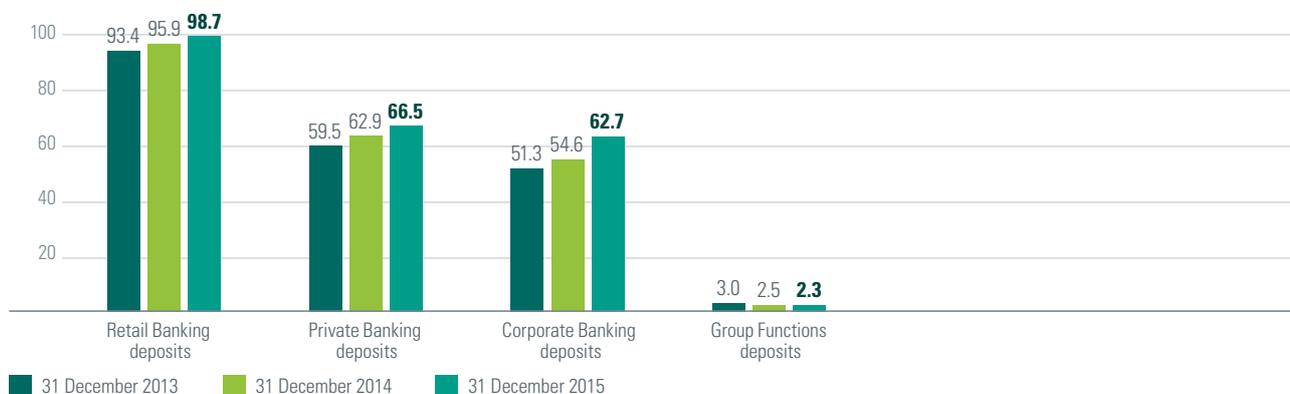
Liability and equity breakdown Audited (in billions)



¹ A part of due to banks is reclassified as securities financing. Comparative figures have been amended accordingly.

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

Breakdown of client deposits Audited (in billions)



The inflow of EUR 6.3 billion in Retail Banking and Private Banking deposits was predominantly caused by an increase of deposits at MoneYou and the increase of Private Banking deposits both in the Netherlands and internationally. The increase of EUR 8.1 billion in Corporate Banking deposits was due to an increase across all segments.

Available funding instruments Audited

A key goal of the funding strategy is to diversify funding sources. To this end, the set of funding instruments includes a broad set of funding programmes in different currencies, markets, maturities and investor bases. A description of capital and funding instruments issued by ABN AMRO Bank is provided on our website, abnamro.com. We continuously assess our wholesale funding base in order to determine the optimum use of funding sources. The main wholesale funding types can be specified as follows:

Overview of funding types Audited

(in millions)	31 December 2015	31 December 2014	31 December 2013
Euro Commercial Paper	1,326	1,706	2,054
London Certificates of Deposit	3,744	1,436	5,258
French Certificats de Dépôt	164	1,517	4,668
US Commercial Paper	4,585	4,070	3,630
Total Commercial Paper/Certificates of Deposit	9,820	8,729	15,610
Senior guaranteed (medium-term notes Dutch State)¹			1,423
Senior unsecured (medium-term notes)	37,404	32,252	33,089
Covered bonds	25,956	27,077	25,913
Securitisations	2,968	9,001	12,295
Saving certificates	59	72	352
Total issued debt	76,207	77,131	88,682
Subordinated liabilities	9,708	8,328	7,917
Total wholesale funding	85,915	85,458	96,599
Other long-term funding²	6,813	6,900	4,500
Total funding instruments³	92,728	92,358	101,099
<i>- of which issued debt matures within one year</i>	19,607	20,194	30,719

¹ The Dutch State guaranteed medium-term notes matured in May 2014.

² Includes long-term repo (recorded in Securities financing), TLTRO funding (recorded in Due to banks) and funding with the Dutch State as counterparty (recorded in Due to customers).

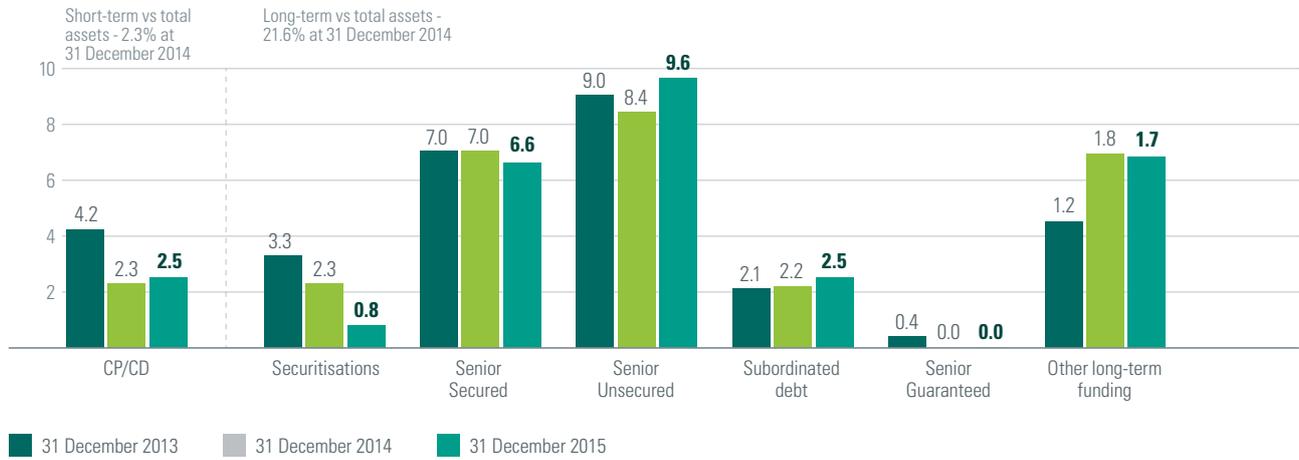
³ Includes FX effects, fair value adjustments and interest movements.

Total wholesale funding increased to EUR 85.9 billion on 31 December 2015, compared with EUR 85.5 billion at 31 December 2014. The amount of short-term funding (CP/CD) increased to EUR 9.8 billion at 31 December 2015, compared with EUR 8.7 billion at 31 December 2014.

The following graph shows the development of wholesale funding types relative to the balance sheet total at 31 December 2015 and 31 December 2014.

Funding vs balance sheet total Audited

(as % of total assets)



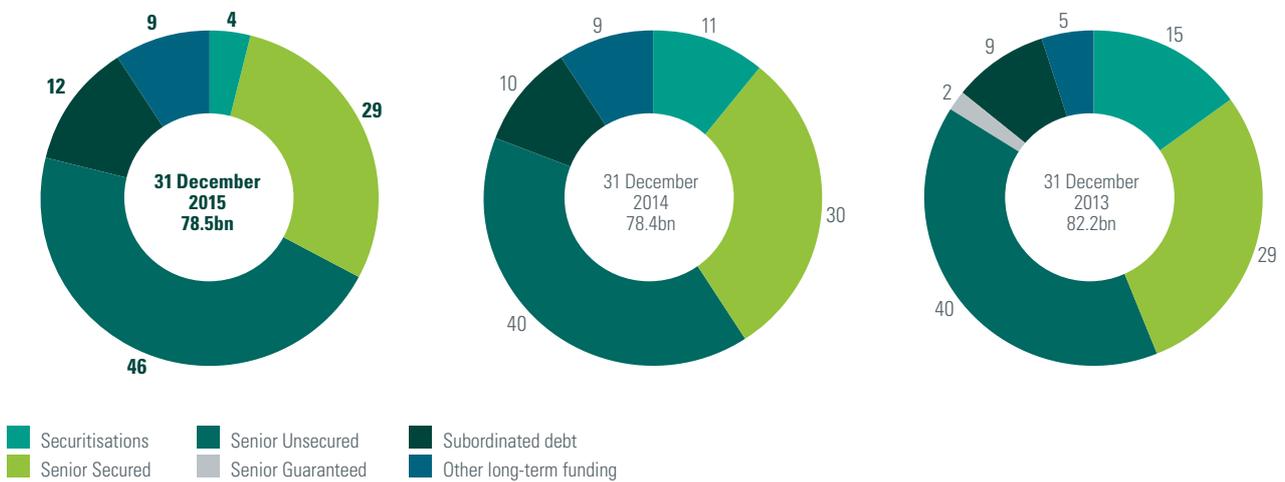
Long-term funding components

The following graph shows an overview of the outstanding long-term funding at 31 December 2015 and 31 December 2014. The information presented

is based on notional values and therefore differs from the information above due to discrepancies between notional value and issue price and fair value hedge accounting adjustments.

Long-term funding components Audited

(in %)



Funding issuance in 2015 Audited

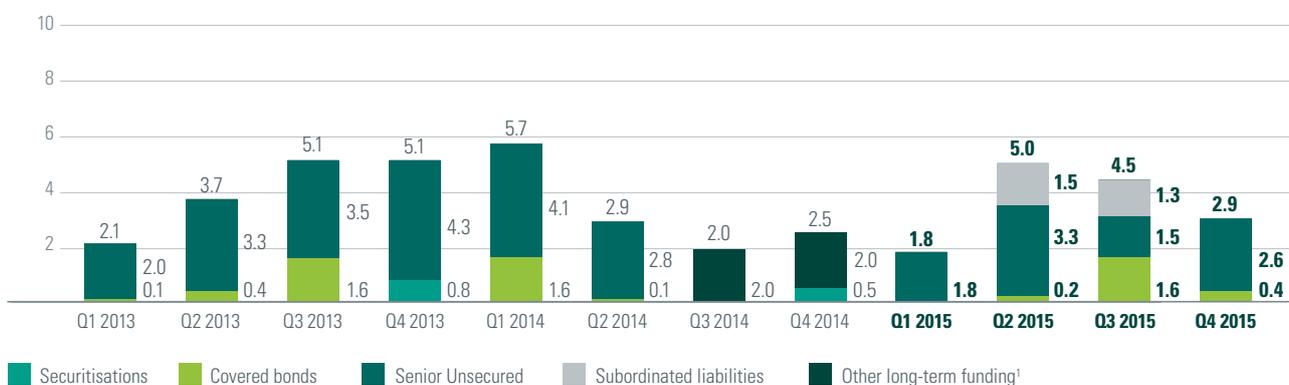
ABN AMRO Bank executed a successful funding strategy in 2015, reflected in issuance in more than ten currencies and a presence in almost all funding and capital markets. We raised EUR 14.3 billion in long-term wholesale funding (including EUR 2.8 billion in subordinated debt) compared with EUR 9.2 billion in 2014. The majority was issued as senior unsecured wholesale funding. This includes our first Green senior bond. We further diversified our funding

profile by issuing, among other things, a 15-year covered bond. Furthermore, EUR 1 billion of Additional Tier 1 capital instruments were issued in September 2015.

A large part of our wholesale funding was raised through private placements. The remainder of funding was raised through benchmark transactions and taps on existing instruments.

Long-term funding raised in 2013, 2014 and 2015 Audited

(notional amounts, in billions)

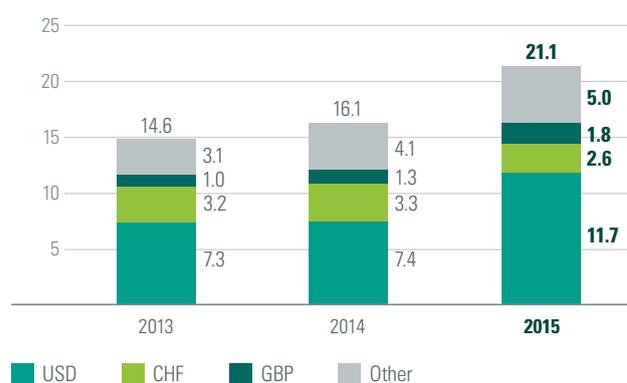


¹ Other long-term funding includes long-term repos, TLTRO funding and funding with the Dutch State as counterparty.

As a result of our diversification strategy, the long-term funding in non-euro currencies rose to 27% of total outstanding long-term funding compared with 21% at year-end 2014. In 2015, the bank raised 63% of long-term funding in EUR and the remainder mainly in USD, GBP, JPY, AUD, NOK, CHF, CAD and NZD. Diversification of the outstanding long-term funding in non-euro currencies is shown in the following graph.

Non-euro currency diversification of total outstanding long-term funding Audited

(in billions)



Maturity calendar Audited

We enhanced the maturity profile of our long-term wholesale funding predominantly by spreading out redemptions of funding instruments over time. For the coming years, ABN AMRO Bank will focus on further optimising its wholesale maturity profile and on maintaining its diverse funding base.

The average maturity of newly issued funding increased to 7.5 years (up from 5.5 years in 2014), while the average maturity of outstanding long-term funding increased to 4.6 years at year-end 2015 (up from 4.3 years at year-end 2014). This was caused mainly by the issuance of long-term secured funding in the third quarter of 2015.

The stated maturity calendar assumes redemption on the earliest possible call date or otherwise the legal maturity

date, as early redemption of subordinated instruments is subject to the approval of the regulators. However, this does not mean that the instruments will be called at the earliest possible call date.

In 2014, ABN AMRO Bank participated in the Targeted Long-Term Refinancing Operations (TLTRO) programme, which is the European Central Bank's programme to support lending to the real economy (particularly for SMEs). ABN AMRO Bank participated in the TLTRO for a total amount of EUR 4.0 billion. The contractual maturity date is 2018. However, depending on developments in the eligible lending activities underlying the TLTRO programme, early repayment could be mandatory. Given expected developments, early repayment in the second half of 2016 is considered likely.

Maturity calendar at 31 December 2015 Audited

(notional amounts, in billions)



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

31 December 2015

(notional amounts, in billions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	≥ 2026	Total
Senior unsecured	8.5	7.5	3.6	5.0	4.6	0.8	2.5	1.1	0.2	1.6	0.9	36.5
Covered bonds	0.6	2.1	1.9	1.8	2.3	2.4	2.6	1.8	1.7	0.3	5.5	23.1
Securitisations	0.6	1.1	0.8	0.5								3.0
Subordinated liabilities	1.2	2.1			1.6	1.2	1.5	0.1		1.4		9.2
Other long-term funding ¹	1.0	1.0	4.0		0.1	0.3					0.5	6.8
Total	11.8	13.9	10.3	7.3	8.7	4.7	6.7	3.1	1.9	3.3	6.8	78.5

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

Capital

Capital structure Audited

ABN AMRO Bank's solid capital position ensures that the bank is already compliant with the fully-loaded capital requirements of the Capital Requirements Directive IV (CRD IV). The overall capital base increased over the year, primarily due to profit accumulation, a decrease in RWA

(REA) and capital issuances. The bank strives to optimise its capital structure in anticipation of pending regulatory requirements. The capital structure consists mainly of common equity and highly loss-absorbing capital to cover unexpected losses. The subordination of specific capital instruments provides further protection to senior creditors.

Regulatory capital structure Audited

(in millions)	31 December 2015	31 December 2014	Basel III	Basel II
			31 December 2013 pro-forma ¹	31 December 2013
Total Equity - EU IFRS	17,584	14,877	13,568	13,568
Participations in financial institutions >10%				-336
Cash flow hedge reserve	1,056	1,223	1,467	1,467
Dividend reserve	-414	-275	-200	-200
Capital securities	-993			
Other regulatory adjustments	-466	-399	1,183	1,199
Common Equity Tier 1/Core Tier 1 capital	16,768	15,426	16,018	15,698
Innovative hybrid capital instruments	700	800	800	1,000
Capital securities	993			
Other regulatory adjustments	-234	-241	-317	
Tier 1 capital	18,226	15,985	16,501	16,698
Subordinated liabilities Tier 2	4,938	5,502	5,607	5,610
Excess Tier 1 instrument recognised as Tier 2 capital	300	200		
Participations in financial institutions >10%				-336
Other regulatory adjustments	-33	-39	-164	25
Total regulatory capital²	23,431	21,648	21,944	21,997

¹ Pro-forma figures are not audited.

² DNB requires Dutch banks to disclose the Basel I floor in accordance with CRR article 500. The Basel I floor is calculated by multiplying Basel I RWA (REA) of EUR 184 billion by 8% times 80% resulting in a minimum required amount of own funds of EUR 11.8 billion as per 31 December 2015. ABN AMRO Bank comfortably meets this requirement.

Regulatory capital flow statement Audited

(in millions)	2015	2014	Basel III 2013 pro-forma ¹	Basel II 2013
Common Equity Tier 1 capital/Core Tier 1 capital				
Balance at 1 January	15,426	16,018	14,700	14,700
Addition of net profit attributable to shareholders	1,919	1,134	1,160	1,160
Reserved dividend	-414	-275	-200	-200
Interim dividend paid	-350	-125	-150	-150
Change in pension scheme (excluding impact on P&L)		-1,682		
Other, including regulatory adjustments	186	356	508	188
Balance at end of period	16,768	15,426	16,018	15,698
Additional Tier 1 capital				
Balance at 1 January	559	483	800	997
New issued Tier 1 eligible capital instruments	993			
Redeemed Tier 1 eligible capital instruments				
Other, including regulatory adjustments	-93	76	-317	3
Balance at end of period	1,459	559	483	1,000
Tier 1 capital	18,226	15,985	16,501	16,698
Tier 2 capital				
Balance at 1 January	5,663	5,443	6,703	6,703
New issued Tier 2 eligible capital instruments	2,859			
Redeemed Tier 2 ineligible capital instruments	-759		-1,399	-1,399
Other, including regulatory adjustments	-2,559	220	139	-5
Balance at end of period	5,205	5,663	5,443	5,299
Total regulatory capital	23,431	21,648	21,944	21,997

¹ Pro-forma figures are not audited.

RWA (REA) Audited

(in millions)	31 December 2015	31 December 2014	Basel III 31 December 2013 pro-forma ¹	Basel II 31 December 2013
Credit risk	86,063	87,667	92,631	86,201
- of which standardised	7,110	7,834	13,392	10,731
- of which advanced	78,953	79,833	79,239	75,470
Operational risk	16,227	16,168	16,415	16,415
- of which standardised	16,227	16,168	16,415	16,415
- of which advanced				
Market risk	5,710	5,811	6,396	6,396
- of which standardised	5,710	5,811	6,396	6,396
- of which advanced				
Total RWA (REA)	108,001	109,647	115,442	109,012

¹ Pro-forma figures are not audited.



Capital instruments Audited

Capital instruments Audited

(in millions)	ISIN/CUSIP	Maturity date	First possible call date	31 December 2015		31 December 2014		31 December 2013	
				Nominal amount	Carrying amount	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Tier 1									
EUR 1,000 million 4.31% per annum ¹	XS0246487457	Perpetual	March 2016	1,000	1,042	1,000	1,077	1,000	1,103
EUR 1,000 million 5.75% per annum	XS1278718686	Perpetual	September 2020	1,000	993				
Total Tier 1 capital instruments				2,000	2,035	1,000	1,077	1,000	1,103
Tier 2									
GBP 150 million (originally GBP 750 million) 5.00% per annum ²	XS0244754254	Perpetual	February 2016	204	213	192	208	179	200
EUR 1,650 million (originally EUR 2,000 million)			October 2017			1,650	1,654	1,650	1,654
EUR 1,228 million 6.375% per annum	XS0619548216		April 2021	1,228	1,489	1,228	1,524	1,228	1,443
USD 595 million 6.250% per annum	XS0619547838		April 2022	546	606	489	543	432	462
USD 113 million 7.75% per annum	00080QAD7/ N0028HAP0		May 2023	93	101	93	82	82	83
EUR 1,000 million 7.125% per annum	XS0802995166		July 2022	1,000	1,121	1,000	1,128	1,000	1,024
USD 1,500 million 6.25% per annum	XS0827817650		September 2022	1,377	1,392	1,234	1,246	1,090	1,094
SGD 1,000 million 4.7% per annum	XS0848055991		October 2022	649	640	623	617	575	569
EUR 1,500 million 2.875% per annum	XS1253955469		June 2025	1,500	1,537				
USD 1,500 million 4.75% per annum	US00080QAF28		July 2025	1,204	1,250				
EUR various smaller instruments			2015 - 2020	313	316	226	250	281	285
Total Tier 2 capital instruments				8,113	8,666	6,735	7,251	6,517	6,814
<i>Of which eligible for regulatory capital:</i>									
Basel III, Tier 1						800		800	
Basel III, Tier 2				4,938		5,502		5,607	
Basel III, Excess Tier 1 instrument recognised as Tier 2 capital				2,000		200			

¹ The EUR 1,000 million instrument will be redeemed in full on 10 March 2016.

² The GBP 150 million instrument will be redeemed in full on 17 February 2016.

**Movements in subordinated liabilities** Audited

(in millions)	2015	2014	2013
	Carrying amount	Carrying amount	Carrying amount
Balance as at 1 January	8,328	7,917	9,736
Issuance	2,839		
Redemption	-1,740	-51	-1,497
Foreign exchange differences	271	277	-114
Other	11	185	-209
Balance as at 31 December	9,708	8,328	7,917

Minimum capital requirement Audited

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

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

Minimum capital requirements Audited

(in millions)	Basel III				Basel II	
	31 December 2015		31 December 2014		31 December 2013	
	Capital requirement	RWA (REA)	Capital requirement	RWA (REA)	Capital requirement	RWA (REA)
Credit risk IRB						
Central governments and central banks	78	978	162	2,020	42	528
Institutions ¹	231	2,887	398	4,972	336	4,201
Corporates	3,247	40,592	2,927	36,586	3,122	39,020
Retail	2,130	26,631	2,292	28,646	2,177	27,212
- of which secured by immovable property/retail mortgages	1,622	20,269	1,722	21,521	1,546	19,326
- of which qualifying revolving exposures	240	3,005	296	3,702	296	3,700
- of which other retail	269	3,357	274	3,423	335	4,186
Equities not held for trading	415	5,185	401	5,009	219	2,733
Securitisation positions	7	84	19	237	23	286
Credit valuation adjustment ²	88	1,105	101	1,264		
Other ³	119	1,491	88	1,099	119	1,490
Total credit risk IRB	6,316	78,953	6,387	79,833	6,038	75,470
Credit risk SA						
Central governments and central banks	11	132	12	154	6	80
Institutions ¹	12	153	28	344	34	425
Corporates	283	3,535	301	3,758	474	5,930
Retail	63	793	78	974	109	1,364
Secured by mortgages on immovable property	41	510	43	541		
Exposures in default	7	88	13	156		
Other ³	152	1,900	153	1,907	235	2,932
Total credit risk SA	569	7,110	627	7,834	858	10,731
Other risks						
Market risk	457	5,710	465	5,811	512	6,396
- of which Standardised Approach	457	5,710	465	5,811	512	6,396
- of which Internal Model Approach						
Operational risk	1,298	16,227	1,293	16,168	1,313	16,415
- of which Standardised Approach	1,298	16,227	1,293	16,168	1,313	16,415
Total other risks	1,755	21,938	1,758	21,979	1,825	22,811
Total	8,640	108,001	8,772	109,647	8,721	109,012

¹ Institutions include exposures to banks and investment companies, regional and local governments and pension funds.

² The 2014 Capital requirement on Credit valuation adjustment has been restated.

³ Other includes non-credit obligations.

Additional risk, funding & capital disclosures

Credit risk exposure Audited

The following table presents the EU IFRS view on maximum exposure to credit risk. The financial instruments subject to credit risk are presented

in accordance with EU IFRS at carrying amounts, without consideration of collateral or other credit enhancements. As such, the table does not represent ABN AMRO Bank's risk management view.

Maximum exposure to credit risk EU IFRS Audited

(in millions)	31 December 2015	31 December 2014	31 December 2013
Cash and balances at central banks	26,195	706	9,523
Financial assets held for trading	1,706	9,017	12,019
Less: equity securities	19	4,946	6,471
Financial assets held for trading	1,687	4,071	5,548
Derivatives	19,138	25,285	14,271
Financial investments	40,542	41,466	28,111
Less: equity instruments	367	225	209
Less: private equities and venture capital	577	246	121
Less: Equity securities	54	78	182
Financial investments	39,543	40,918	27,599
Securities financing	20,062	18,511	18,362
Loans and receivables - banks	15,680	21,680	23,967
Loans and receivables - customers	259,319	261,910	257,028
Other assets	4,925	4,986	5,128
Less: Unit-linked investments	2,543	2,453	2,171
Less: Assets held for sale	32	25	29
Less: Other	452	582	746
Other assets	1,899	1,926	2,182
On-balance sheet maximum exposure to credit risk	383,522	375,007	358,480
Off-balance sheet			
Committed credit facilities	21,559	16,164	13,764
Guarantees and other commitments	13,868	15,335	16,103
Revocable credit facilities ¹	82,865	78,508	71,657
Off-balance sheet credit facilities and guarantees	118,292	110,007	101,524
Maximum exposure to credit risk	501,814	485,014	460,004

¹ Although not committed, ABN AMRO Bank has the opinion that revocable credit facilities give rise to credit risk. These are not included as committed credit facilities in note 32.

European government and government-guaranteed exposures Audited

(in billions)	31 December 2015			31 December 2014			31 December 2013		
	Government	Government guaranteed	Gross carrying amount	Government	Government guaranteed	Gross carrying amount	Government	Government guaranteed	Gross carrying amount
Netherlands	8.5		8.5	10.5		10.5	11.2		11.2
France	4.7		4.7	4.9		4.9	5.1		5.1
Germany	4.5		4.5	4.5		4.5	2.4		2.4
Austria	1.8		1.8	2.0		2.0	1.6		1.6
Belgium	3.2		3.2	3.2		3.2	2.6		2.6
European Union	1.6		1.6	1.6		1.6	1.3		1.3
Finland	2.1		2.1	2.2		2.2	1.1		1.1
Italy	0.4		0.4	1.0		1.0	0.5		0.5
Denmark	0.3		0.3	0.2		0.2	0.2		0.2
Poland	0.4		0.4	0.4		0.4	0.3		0.3
United Kingdom	0.3		0.3	0.3		0.3	0.2		0.2
Spain	0.6		0.6	0.6		0.6	0.2		0.2
Luxembourg	0.1		0.1	0.2		0.2	0.1		0.1
Sweden	0.4		0.4	0.3		0.3	0.1		0.1
Switzerland				0.6		0.6	0.3		0.3
Total	29.0		29.0	32.6		32.6	27.2		27.2

Forbearance credit quality Audited

(in millions)	31 December 2015						
	Total forbore assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forbore assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	1,757	1,101	394	263	27	36	63
Consumer loans	648	419	106	123	31	27	57
Corporate loans	6,276	4,159	337	1,780	764	73	837
Other loans and receivables - customers	383	168	60	156	36		36
Total Loans and receivables - customers	9,065	5,847	897	2,321	857	136	993
Total	9,065	5,847	897	2,321	857	136	993

Forbearance credit quality Audited

31 December 2014

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	1,814	872	490	453	28	81	109
Other consumer loans	470	270	65	135	23	41	64
Corporate loans	6,698	4,295	500	1,903	824	59	883
Other loans and receivables - customers	92	30	33	29	8		8
Total Loans and receivables - customers	9,074	5,466	1,088	2,520	884	181	1,065
Total	9,074	5,466	1,088	2,520	884	181	1,065

Forbearance credit quality Audited

31 December 2013

(in millions)	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	2,421	589	401	1,431	20	430	450
Other consumer loans	337	244	6	87	9	26	35
Corporate loans	6,273	4,433	194	1,646	754	57	811
Other loans and receivables - customers	160	25	135				
Total Loans and receivables - customers	9,191	5,291	736	3,164	783	513	1,296
Total	9,191	5,291	736	3,164	783	513	1,296

Forborne assets by geography Audited

31 December 2015

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	1,722	32			2	1,757
Consumer loans	603	43		1	1	648
Corporate loans	5,167	402	72	188	447	6,276
Other loans and receivables - customers	361	23				383
Total Loans and receivables - customers	7,853	500	72	189	451	9,065
Total	7,853	500	72	189	451	9,065

Forborne assets by geography Audited

	31 December 2014					
(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	1,770	30			14	1,814
Other consumer loans	456	13				470
Corporate loans	5,812	464	17	104	300	6,698
Other loans and receivables - customers	81	11				92
Total Loans and receivables - customers	8,120	518	17	104	314	9,074
Total	8,120	518	17	104	314	9,074

Forborne assets by geography Audited

	31 December 2013					
(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	2,331	90				2,421
Other consumer loans	316	20			1	337
Corporate loans	5,380	516	15	46	316	6,273
Other loans and receivables - customers	138	22				160
Total Loans and receivables - customers	8,165	648	15	46	317	9,191
Total	8,165	648	15	46	317	9,191

Forborne assets by business segment Audited

(in millions)	31 December 2015	31 December 2014	31 December 2013
Retail Banking	2,157	2,092	2,536
Private Banking	375	276	311
Corporate Banking	6,533	6,706	6,344
Total	9,065	9,074	9,191

Maturity analysis of assets and liabilities Audited

The following table shows the financial assets and liabilities arranged by the earliest possible contractual maturity. This picture is not consistent with how we view and manage liquidity, as it does not take expected client behaviour and other factors into account. Most notably, this table does not reflect prepayment of mortgages

and other loans and the fact that the behavioural maturities of client deposits are not in line with the contractual maturities. Financial investments relate to the liquidity buffer and can be liquidated quickly despite the longer contractual maturity.

Contractual maturity of assets and liabilities Audited

31 December 2015

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	26,195								26,195
Financial assets held for trading ¹	1,706								1,706
Derivatives	720	845	349	409	1,192	3,847	11,777		19,138
Financial investments	980	3,898	1,924	1,028	3,050	9,039	19,641	981	40,542
Securities financing	17,006	2,335	96			625			20,062
Loans and receivables - banks ²	5,192	2,151	198	205	413	291	7,229		15,680
Loans and receivables - customers ²	27,306	6,645	2,623	7,362	29,267	21,090	165,026		259,319
Other assets ¹	3,463	44	6	33	350	211	1,116	2,454	7,676
Total assets	82,568	15,918	5,195	9,037	34,272	35,104	204,789	3,435	390,317
Liabilities									
Financial liabilities held for trading ¹	459								459
Derivatives	743	793	423	387	1,175	3,291	15,613		22,425
Securities financing	10,252	79	1		1,028	11			11,372
Due to banks ²	4,342	1,077	541	401	32	4,446	3,790		14,630
Due to customers ²	203,662	16,514	1,751	2,240	924	1,495	3,710		230,297
Issued debt	4,745	6,045	4,340	4,472	11,015	21,570	24,020		76,207
- of which senior secured			135	439	2,282	6,664	16,436		25,956
- of which senior unsecured	1,325	649	3,331	3,301	7,628	13,607	7,563		37,404
- of which securitisation				600	1,100	1,250	18		2,968
- of which other	3,420	5,396	874	132	5	49	3		9,879
Subordinated liabilities			5		82	114	9,507		9,708
Other liabilities ¹	2,581	681	287	525	663	7	181	2,710	7,635
Total liabilities	226,784	25,190	7,348	8,025	14,919	30,934	56,822	2,710	372,733
Total equity								17,584	17,584
Total liabilities and equity	226,784	25,190	7,348	8,025	14,919	30,934	56,822	20,295	390,317
Off-balance sheet liabilities									
Committed credit facilities	21,559								21,559
Guarantees	2,440								2,440
Irrevocable facilities	5,737								5,737
Recourse risks arising from discounted bills	5,691								5,691
Total off-balance sheet liabilities	35,427								35,427

¹ Excluding Derivatives.² Excluding Securities financing.

Contractual maturity of assets and liabilities Audited

31 December 2014

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	706								706
Financial assets held for trading ¹	9,017								9,017
Derivatives	19,826	11	34	293	167	959	3,995		25,285
Financial investments	637	1,336	4,119	3,399	2,510	8,305	20,628	531	41,466
Securities financing	14,856	2,316	628		96	615			18,511
Loans and receivables - banks ²	10,672	556	262	402	154	331	9,303		21,680
Loans and receivables - customers ²	18,218	13,324	3,788	14,468	20,952	21,307	169,851		261,910
Other assets ¹	2,978	199	1,585	596	223	205	1,393	1,112	8,292
Total assets	76,911	17,742	10,417	19,158	24,101	31,723	205,171	1,643	386,867
Liabilities									
Financial liabilities held for trading ¹	3,759								3,759
Derivatives	18,262	20	71	145	387	1,813	9,750		30,449
Securities financing	11,285	1,551	82			1,000			13,918
Due to banks ²	5,910	925	441	258	105	4,372	3,732		15,744
Due to customers ²	193,014	11,564	1,957	2,314	1,577	1,681	3,904		216,011
Issued debt	3,499	8,195	3,688	4,995	11,554	21,340	23,859		77,131
- of which senior secured				2,961	558	6,387	17,171		27,077
- of which senior unsecured	1,139	2,172	473	782	8,396	12,603	6,687		32,252
- of which securitisation		3,171	378	500	2,600	2,350			9,000
- of which other	2,360	2,852	2,837	753					8,802
Subordinated liabilities	3				1,304	3,605	3,415		8,328
Other liabilities ¹	1,969	150	439	479	580	5	335	2,695	6,652
Total liabilities	237,701	22,405	6,679	8,191	15,508	33,816	44,995	2,695	371,990
Total equity								14,877	14,877
Total liabilities and equity	237,701	22,405	6,679	8,191	15,508	33,816	44,995	17,572	386,867
Off-balance sheet liabilities									
Committed credit facilities	16,164								16,164
Guarantees	2,592								2,592
Irrevocable facilities	5,499								5,499
Recourse risks arising from discounted bills	7,243								7,243
Total off-balance sheet liabilities	31,498								31,498

¹ Excluding Derivatives.

² Excluding Securities financing.

Contractual maturity of assets and liabilities Audited

31 December 2013

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	9,523								9,523
Financial assets held for trading ¹	12,019								12,019
Derivatives	11,880	11	19	48	354	631	1,328		14,271
Financial investments	455	935	610	1,302	2,173	6,761	15,374	501	28,111
Securities financing	14,593	1,959	869	301		98	542		18,362
Loans and receivables - banks ²	16,448	491	227	133	18	137	6,513		23,967
Loans and receivables - customers ²	21,809	7,790	1,799	12,809	24,799	20,324	167,698		257,028
Other assets ¹	2,335	79	109	583	51	176	1,687	3,721	8,741
Total assets	89,062	11,265	3,633	15,176	27,395	28,127	193,142	4,222	372,022
Liabilities									
Financial liabilities held for trading ¹	4,399								4,399
Derivatives	9,863	15	33	47	318	1,710	5,241		17,227
Securities financing	9,449	321	1,460	1	25	1,002	8		12,266
Due to banks ²	6,035	2,576	390	180	251	166	2,028		11,626
Due to customers ²	182,749	13,606	2,176	1,684	884	2,250	4,235		207,584
Issued debt	6,974	7,720	7,156	8,869	11,715	22,007	24,241		88,682
- of which senior secured			75	2,071	3,006	5,016	15,745		25,913
- of which senior unsecured	3,918	350	2,309	4,103	4,477	12,050	7,306		34,513
- of which securitisation		2,040	40	80	4,221	4,930	982		12,293
- of which other	3,056	5,330	4,732	2,615	11	11	208		15,963
Subordinated liabilities		51			3	3,053	4,810		7,917
Other liabilities ¹	1,017	2,489	881	795	4	5	698	2,864	8,753
Total liabilities	220,486	26,778	12,096	11,576	13,200	30,193	41,261	2,864	358,454
Total equity								13,568	13,568
Total liabilities and equity	220,486	26,778	12,096	11,576	13,200	30,193	41,261	16,432	372,022
Off-balance sheet liabilities									
Committed credit facilities	13,764								13,764
Guarantees	3,534								3,534
Irrevocable facilities	5,415								5,415
Recourse risks arising from discounted bills	7,154								7,154
Total off-balance sheet liabilities	29,867								29,867

¹ Excluding Derivatives.² Excluding Securities financing.



The following table provides a maturity analysis of the earliest contractual undiscounted cash flows for financial assets and liabilities. Financial assets and liabilities held for trading are recorded under On demand, at fair value.

We believe this best represents the short-term nature and the cash flows of these activities. The contractual maturity of the instruments may be extended over significantly longer periods.

Maturity based on contractual undiscounted cash flows Audited

31 December 2015

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets:											
Cash and balances at central banks	26,195										26,195
Financial assets held for trading ¹	1,706										1,706
Derivatives		223	275	393	541	889	1,923	4,184	4,083	77	12,588
Financial investments	50		957	4,003	2,157	1,448	3,769	10,613	20,810	981	44,789
Securities financing	12,781		4,227	2,339	98	4	8	639			20,097
Loans and receivables - banks ²	2,859		2,340	2,174	246	294	571	657	7,591		16,731
Loans and receivables - customers ²	13,885		13,798	8,062	6,067	13,697	39,657	44,637	186,843		326,644
Other assets	2,570		894	46	11	43	365	245	1,147	2,377	7,698
Total undiscounted assets	60,046	223	22,491	17,016	9,120	16,376	46,292	60,975	220,473	3,435	456,446
Gross settled derivatives not held for trading:											
Contractual amounts receivable			33	41	41	107	190	355	184		951
Contractual amounts payable			3	9	6	15	26	50	10		120
Total undiscounted gross settled derivatives not held for trading			30	32	35	92	165	305	174		832
Net settled derivatives not held for trading			245	362	506	797	1,756	3,878	3,836		11,379
Liabilities:											
Financial liabilities held for trading ¹	459										459
Derivatives		249	258	203	507	902	1,698	3,465	8,230	1,313	16,824
Securities financing	9,521		732	81	5	6	1,029	11			11,385
Due to banks ²	1,979		2,371	1,100	590	490	197	4,795	3,972		15,493
Due to customers ²	147,728		55,963	16,546	1,784	2,285	992	1,643	3,824		230,765
Issued debt	2,082		2,726	6,284	4,879	5,403	12,430	24,553	25,775		84,132
Subordinated liabilities			20	79	201	374	784	1,749	11,165		14,372
Other liabilities	1,218		1,364	682	288	527	664	8	182	2,710	7,642
Total liabilities	162,987	249	63,433	24,974	8,256	9,986	17,794	36,223	53,148	4,023	381,073

**Maturity based on contractual undiscounted cash flows (continued)** Audited

31 December 2015

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Gross settled derivatives not held for trading:											
Contractual amounts receivable							1	3	1		6
Contractual amounts payable			10	3	11	68	88	66	16		260
Total undiscounted gross settled derivatives not held for trading			10	2	11	67	86	63	15		254
Net settled derivatives not held for trading			248	201	481	794	1,547	3,340	7,084		13,695
Net liquidity gap	-102,941	-26	-40,941	-7,958	864	6,390	28,498	24,751	167,325	-588	75,373
Off balance sheet liabilities											
Committed credit facilities	21,559										21,559
Guarantees	2,440										2,440
Irrevocable facilities	5,737										5,737
Recourse risks arising from discounted bills	5,691										5,691
Total off-balance sheet liabilities	35,427										35,427

¹ Excluding Derivatives.² Excluding Securities financing.

**Maturity based on contractual undiscounted cash flows** Audited

31 December 2014

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets											
Cash and balances at central banks	611		95								706
Financial assets held for trading ¹	9,017										9,017
Derivatives		19,730	84	219	83	582	786	1,857	2,195		25,535
Financial investments			668	1,456	4,395	3,857	3,294	10,036	22,499		46,205
Securities financing	126		14,740	2,323	634	8	109	639			18,579
Loans and receivables - banks ²	8,372		2,305	574	304	479	296	660	9,630		22,620
Loans and receivables - customers ²	315		18,331	14,899	7,530	21,165	32,294	47,090	193,785		335,411
Other assets	352		2,627	203	1,592	604	235	234	1,419	1,113	8,380
Total undiscounted assets	18,794	19,730	38,851	19,674	14,539	26,694	37,014	60,515	229,529	1,113	466,453
Gross settled derivatives not held for trading:											
Contractual amounts receivable			25	42	29	77	142	301	174		790
Contractual amounts payable			6	13	17	28	57	110	29		260
Total undiscounted gross settled derivatives not held for trading			19	28	12	49	85	191	145		530
Net settled derivatives not held for trading			65	191	58	529	693	1,653	1,990		5,178
Liabilities											
Financial liabilities held for trading ¹	3,759										3,759
Derivatives		18,203	115	162	475	593	1,163	2,562	6,323		29,597
Securities financing	49		11,243	1,555	88	10	19	1,036			13,999
Due to banks ²	1,974		3,943	946	489	345	267	4,712	3,910		16,586
Due to customers ²	64,330		128,752	11,600	2,003	2,378	1,668	1,878	4,053		216,662
Issued debt	63		3,512	8,477	4,312	6,072	13,169	24,741	25,864		86,210
Subordinated liabilities			19	62	156	296	1,781	4,602	3,949		10,864
Other liabilities	1,341		629	151	442	482	582	9	339	2,696	6,670
Total liabilities	71,517	18,203	148,212	22,954	7,965	10,176	18,648	39,540	44,439	2,696	384,348

Maturity based on contractual undiscounted cash flows (continued) Audited

31 December 2014											
(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	1	8	17	31	30	5		100
Contractual amounts payable			4	2	2	30	34	34	7		112
Total undiscounted gross settled derivatives not held for trading			-4		-6	14	3	4	1		12
Net settled derivatives not held for trading			119	158	455	548	1,098	2,459	5,270		10,106
Net liquidity gap	-52,723	1,527	-109,361	-3,280	6,574	16,518	18,367	20,975	185,090	-1,583	82,105
Off balance sheet liabilities											
Committed credit facilities	16,164										16,164
Guarantees	2,592										2,592
Irrevocable facilities	5,499										5,499
Recourse risks arising from discounted bills	7,243										7,243
Total off-balance sheet liabilities	31,498										31,498

1. Excluding Derivatives.

2. Excluding Securities financing.

**Maturity based on contractual undiscounted cash flows** Audited

31 December 2013

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets											
Cash and balances at central banks	9,523										9,523
Financial assets held for trading ¹	11,840		20								11,860
Derivatives		11,998	59	178	73	491	932	2,146	1,959		17,836
Financial investments			464	971	696	1,457	2,438	7,343	15,771	542	29,682
Securities financing	7,021		7,579	1,967	878	310	15	131	596		18,497
Loans and receivables - banks ²	3,751		12,704	502	257	171	124	384	6,757		24,650
Loans and receivables - customers ²	2		22,240	9,335	5,532	19,573	36,035	45,848	191,451		330,016
Other assets	389		1,980	148	214	790	245	115	1,658	3,730	9,269
Total undiscounted assets	32,526	11,998	45,046	13,101	7,650	22,792	39,789	55,967	218,192	4,272	451,333
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	21	34	57	117	299	165		701
Contractual amounts payable			5	5	11	20	40	119	29		229
Total undiscounted gross settled derivatives not held for trading			3	16	23	37	77	180	136		472
Net settled derivatives not held for trading			32	154	33	447	622	1,895	1,650		4,833
Liabilities											
Financial liabilities held for trading ¹	4,378		21								4,399
Derivatives		9,849	117	199	483	554	1,306	4,001	6,587		23,096
Securities financing	3,064		6,391	328	1,471	13	47	1,044	8		12,366
Due to banks ²	1,942		4,102	2,597	422	230	336	357	2,189		12,175
Due to customers ²	60,916		121,913	13,653	2,231	1,763	1,012	2,527	4,434		208,449
Issued debt			7,020	7,886	7,523	9,463	12,597	23,862	25,330		93,681
Subordinated liabilities			12	101	125	238	453	4,030	5,467		10,426
Other liabilities	639		393	2,511	1,029	1,106	32	44	482	2,744	8,980
Total liabilities	70,939	9,849	139,969	27,275	13,284	13,367	15,783	35,865	44,497	2,744	373,572

**Maturity based on contractual undiscounted cash flows (continued)** Audited

31 December 2013

(in millions)	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Gross settled derivatives not held for trading:											
Contractual amounts receivable			3	3	16	21	40	72	8		163
Contractual amounts payable			11	4	13	29	54	97	12		220
Total undiscounted gross settled derivatives not held for trading			8	1	-3	8	14	25	4		57
Net settled derivatives not held for trading			97	182	454	525	1,235	3,687	6,099		12,279
Net liquidity gap	-38,413	2,149	-94,923	-14,174	-5,634	9,425	24,006	20,102	173,695	1,528	77,761
Off balance sheet liabilities											
Committed credit facilities	13,764										13,764
Guarantees	3,534										3,534
Irrevocable facilities	5,415										5,415
Recourse risks arising from discounted bills	7,154										7,154
Total off-balance sheet liabilities	29,867										29,867

¹ Excluding Derivatives.² Excluding Securities financing.



Governance Report

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

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Corporate governance

This section provides an overview of corporate governance at ABN AMRO Bank, including the composition of the Managing Board and the Supervisory Board.

Overview

Good corporate governance is critical for us to realise our strategic ambition of being a trusted and professional partner for all our stakeholders, including customers, savers and deposit holders, investors, holders of depositary receipts, employees and the society in which we carry out our activities. Corporate governance gives meaning to who we are, what we stand for, what we aim for, how we make and implement decisions, and how we connect with each other and the world around us. The Managing Board and Supervisory Board underpin the importance of good corporate governance and exert every effort to be a frontrunner in this area.

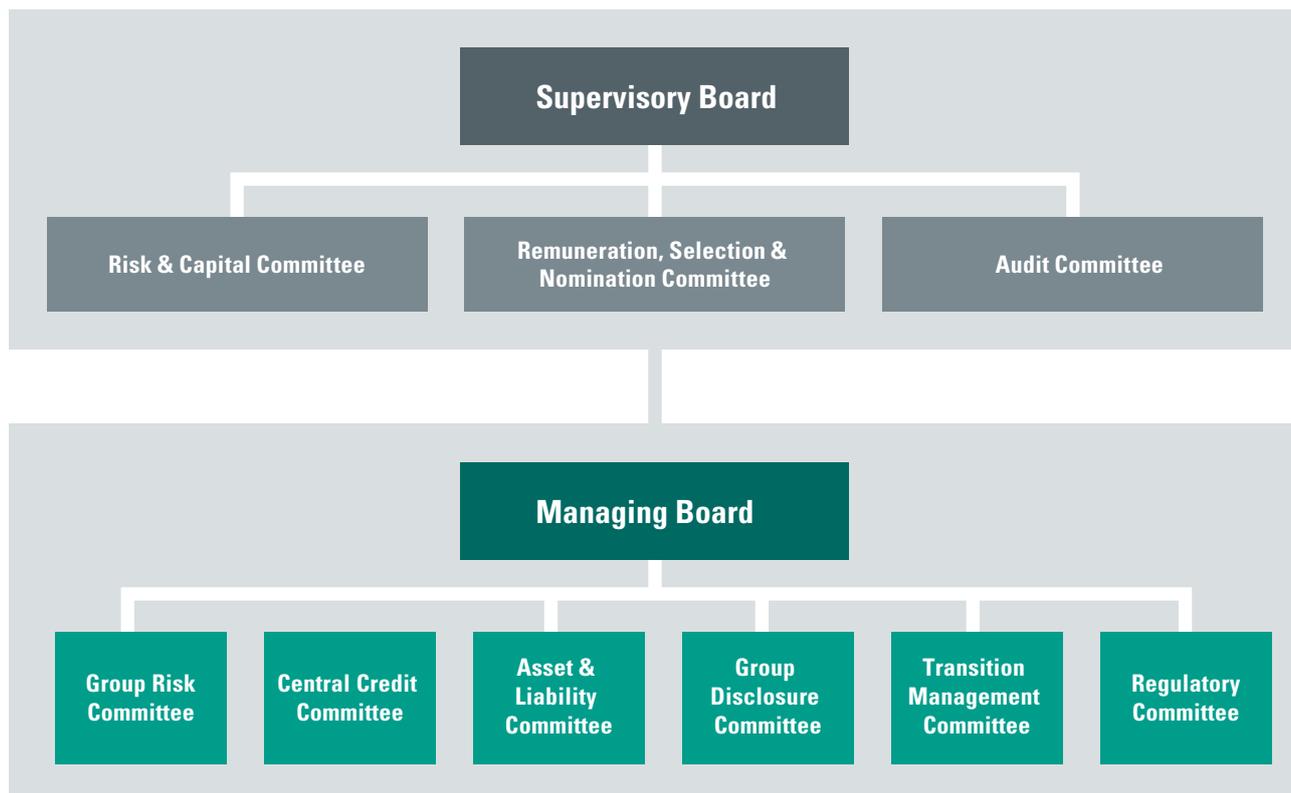
In 2015, we launched a number of initiatives to further strengthen our corporate governance ahead of the IPO

of ABN AMRO Group. Among other things, we updated the Rules of Procedure for both the Supervisory Board and the Managing Board to implement and comply with Dutch Corporate Governance Code, Banking Code, CRD IV, the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) and other regulatory principles. We changed the risk governance and the related decision-making framework by adopting an updated Risk Governance Charter and other policies (more information on ABN AMRO Bank's risk governance is provided in the Risk, funding & capital Report). We also took important steps towards integrated reporting, which is partly reflected in the Annual Report of ABN AMRO Group.

Corporate structure

ABN AMRO Bank is a public company with limited liability incorporated on 9 April 2009 under Dutch law. The company has a two-tier board consisting of a Managing Board and a Supervisory Board. The composition of the

Supervisory Boards of ABN AMRO Group and ABN AMRO Bank are identical, as are the composition of the Managing Boards of ABN AMRO Group and ABN AMRO Bank and of the committees of these boards.



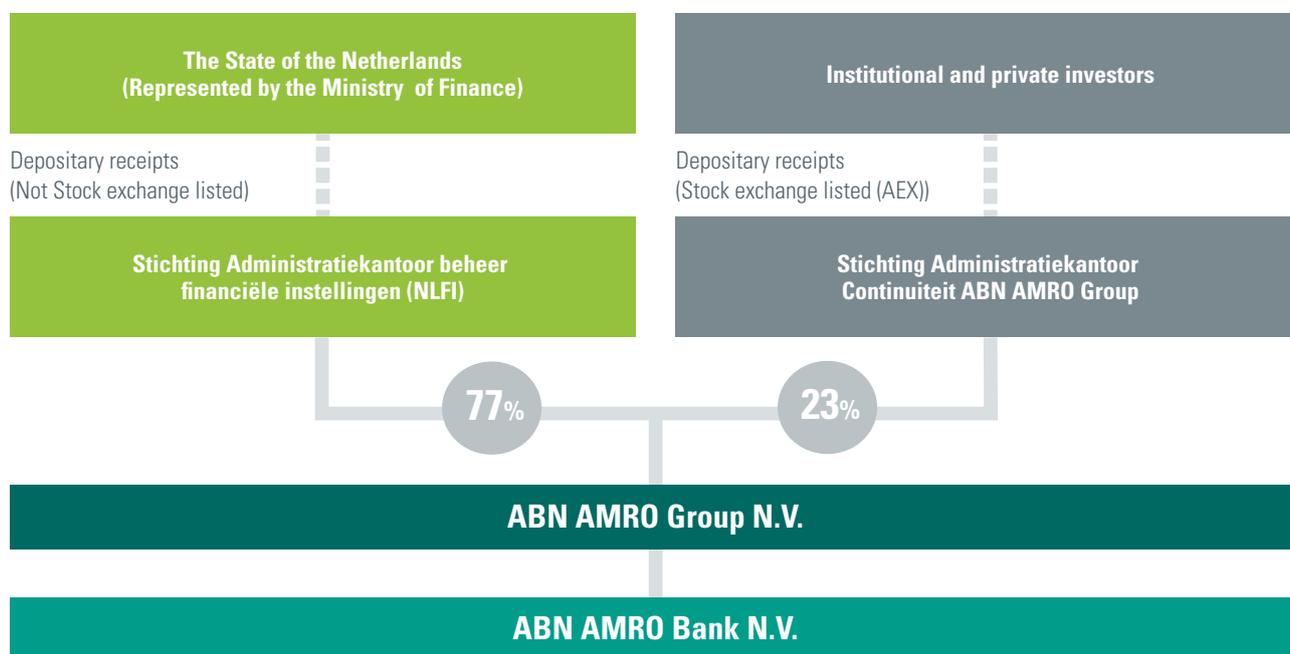
General Meeting and shareholder structure

General Meeting

The annual General Meeting is held each year within six months of the close of the financial year. The agenda for the annual General Meeting must contain certain matters as specified in ABN AMRO Bank's Articles of Association and under Dutch law, including the adoption of the Annual Financial Statements. The General Meeting is also entitled to approve important decisions regarding the identity or character of ABN AMRO Bank, including major acquisitions and divestments. The Supervisory Board, the Managing Board or a shareholder may convene additional extraordinary General Meetings at any time subject to a 15-day notice period.

The annual General Meeting of ABN AMRO Bank was held on 13 April 2015. Agenda items included adoption of the 2014 Annual Financial Statements, adoption of the dividend policy and the proposed dividend for the year 2014, the reappointment of Mr De Haan as a member of the Supervisory Board, and discharge of the members of the Managing Board and of the Supervisory Board for the performance of their duties in 2014. In 2015, the General Meeting passed one resolution outside a meeting in order to approve the amendment of the Supervisory Board Rules of Procedure.

Shareholder structure



At 31 December 2015, all shares in the capital of ABN AMRO Bank were held by ABN AMRO Group.

Supervisory Board

Composition

The General Meeting determines the minimum number of members of the Supervisory Board, which must in any case be at least three people. The Supervisory Board has drawn up a profile for its size, its composition and taking into account the nature of its business, its activities and the desired expertise and background of its members. This profile was discussed in the General Meeting and with the central works council (also referred to as the Employee Council). The full profile of the Supervisory Board is available on abnamro.com, as an annex to the Rules of Procedure of the Supervisory Board. The Supervisory Board has adopted a retirement and reappointment schedule, which is published on abnamro.com.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members at ABN AMRO Bank are appointed for a maximum of three 4-year terms (which terms end at the close of the first general meeting of ABN AMRO Group that is held after four years have passed since his or her last appointment). Mr De Haan was reappointed in 2015 until the general meeting of ABN AMRO Group of 2016. To allow for more diversity in the expiry dates of the appointments, Ms Roobeek and Mr Wakkie were reappointed in 2014 until the general meeting of ABN AMRO Group of 2017 and Mr Ten Have, Mr Meerstadt and Ms Oudeman until the general meeting of ABN AMRO Group of 2018, respectively. Mr Wakkie resigned from his position as a member of the Supervisory Board in March 2015 and Ms Oudeman resigned in September 2015. Mr Van Slingelandt was reappointed in 2014 as a member of the Supervisory Board until the general meeting of ABN AMRO Group of 2016 and was appointed as Chair of the Supervisory Board for the same period. Ms Zoutendijk was appointed as a member of the Supervisory Board, effective as from 1 July 2014, and as Vice-Chair as from 20 August 2015.

The suitability and integrity screening procedure by DNB and ECB has been completed for three candidates to fill current vacancies on the Supervisory Board following the resignations of Mr Wakkie and Ms Oudeman and because Mr De Haan has indicated that he will not apply for re-appointment at the end of his current term at the general meeting of ABN AMRO Group in May 2016. The Supervisory Board has granted the general meeting of ABN AMRO Group and the Employee Council the opportunity to recommend people to the Supervisory Board for nomination. The Supervisory Board will nominate Mr Arjen Dorland, Ms Frederieke Leeftang and Mr Tjalling Tiemstra for appointment to the Supervisory Board of ABN AMRO Bank for a period of four years. The general meeting will decide on their nominations on 18 May 2016. The Employee Council has confirmed its support for all nominations.

Mr De Haan will resign from the Supervisory Board on 18 May 2016, in accordance with the rotation schedule. In addition, Mr Van Slingelandt has announced that he will not be available for reappointment at the end of his current term at the General Meeting in May 2016. The Chairman to be appointed by the Supervisory Board as of the General Meeting will be announced prior to that meeting as soon as all regulatory approvals have been obtained. In addition, ABN AMRO Bank is in the regulatory approval process to add further banking expertise to the Supervisory Board.



The Supervisory Board evaluates its own functioning and that of its individual members on an annual basis and is of the opinion that its composition, including the abovementioned appointments, matches the Supervisory Board profile in terms of combined experience and expertise, independence and variety of ages and genders. The Supervisory Board carried out a review of its own performance and that of its members over 2015 which was completed in the first quarter of 2016. The self-assessments include an evaluation of the effectiveness of the introductory and lifelong learning programmes.

Important topics covered in the evaluation are the Supervisory Board's role with respect to strategy, risk management and internal control, culture and behaviour within the organisation, the dynamics between the Supervisory Board members, the composition and expertise of the Supervisory Board, the functioning of the members of the Supervisory Board and of the Committees and their members and the search process followed for new members to the Supervisory Board. The effectiveness of the procedures for the meetings of the Supervisory Board are also part of the evaluation. The self-assessments are supported by an independent corporate advisory firm.

The Supervisory Board has at its disposal expertise relating to strategy, management and organisation, cost management, accountancy and business economics, the Dutch and international banking sectors, risk management, remuneration and human resources management, sustainability and corporate social responsibility, international issues, the development of products and services, and the markets in which the bank is active. The Supervisory Board has at least one financial expert. The appointments of Mr Dorland, Ms Leeftang and Mr Tiemstra will increase the IT, financial and legal expertise, respectively of the Supervisory Board. An overview of the current composition of the Supervisory Board, including key information on the backgrounds and the terms of office of each Board member, is provided on the next page and on abnamro.com.

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

CV Supervisory Board



Rik van Slingelandt (Dutch, male, 1946)

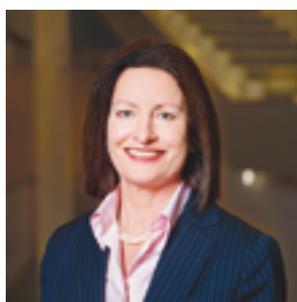
Chairman

Rik van Slingelandt was appointed to the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank on 27 October 2010 and was then appointed Vice-Chairman with effect from 1 January 2011.

Rik van Slingelandt was appointed Chairman of the Supervisory Board as from the General Meeting of 10 April 2014. His present term expires in 2016.

Last executive position held: Member of Managing Board of Rabobank.

Supervisory Positions: Chairman Supervisory Board, Kahn Holding B.V; Member Supervisory Board, Anthos Bank B.V.



Olga Zoutendijk (Dutch, female, 1961)

Vice-Chair

Olga Zoutendijk was appointed to the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank on 1 July 2014. Olga Zoutendijk was appointed Vice-Chair as from 20 August 2015. Her present term expires in 2018.

Last executive position held: Senior Managing Director and Group Head of Wholesale Banking, Asia and member of the Wholesale Banking Global Executive Committee, Standard Chartered Bank.



Hans de Haan (Dutch, male, 1944)

Member

Hans de Haan was appointed to the Supervisory Board of ABN AMRO Group on 18 December 2009 and, as from 1 April 2010, to the Supervisory Boards of ABN AMRO Bank and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank). His present term expires in 2016.

Last executive position held: Chartered accountant and partner with Ernst & Young Accountants.

Other Positions: Board Member, Stichting Trustee Achmea Hypotheekbank (until June 2015); Chairman of Board, Stichting Lehman Brothers Treasury Co.



Steven ten Have (Dutch, male, 1967)

Member

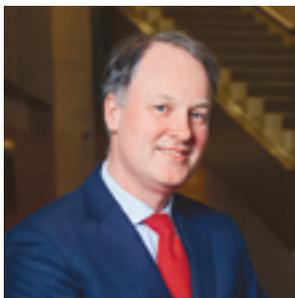
Steven ten Have was appointed to the Supervisory Board of ABN AMRO Group on 30 March 2010 and, as from 1 April 2010, to the Supervisory Boards of ABN AMRO Bank and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank). His present term expires in 2018.

Current positions: Partner with Ten Have Change Management; full professor of Strategy &

Change Management/Director of the MSc. Change Management programme at Vrije Universiteit Amsterdam.

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

Supervisory positions: Member of the Education Council of the Netherlands (Onderwijsraad); Board Member, Dutch Quality Institute (Stichting Instituut Nederlandse Kwaliteit, or INK, until March 2016); Chairman, Stichting Center for Evidence-Based Management.


Bert Meerstadt (Dutch, male, 1961)

Member

Bert Meerstadt was appointed to the Supervisory Board of ABN AMRO Group on 30 March 2010 and, as from 1 April 2010, to the Supervisory Boards of ABN AMRO Bank and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank). His present term expires in 2018.

Current position: Board advisor.

Supervisory Positions: Vice-Chairman Supervisory Board, Lucas Bols Holding N.V.; Non-executive director, Talgo.

Other positions: Chairman of Board, Vereniging Friends of Concertgebouw and Royal Concertgebouw Orchestra; Board Member, Stichting Maatschappij tot Redding van Drenkelingen (Society for Prevention and Saving of Drowning Victims); Chairman of Board, Stichting Blinden Penning (Foundation for the Blind and Visually Impaired).


Annemieke Roobeek (Dutch, female, 1958)

Member

Annemieke Roobeek was appointed to the Supervisory Board of ABN AMRO Group on 30 March 2010 and, as from 1 April 2010, to the Supervisory Boards of ABN AMRO Bank and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank). Her present term expires in 2017.

Current positions: Professor of Strategy and Transformation Management at Nyenrode Business Universiteit; Director and owner of MeetingMoreMinds B.V.; Owner of Open Dialogue B.V.; Co-owner of XL Labs B.V.

Supervisory Positions: Member Supervisory Board, Abbott Healthcare Products B.V.; Member Supervisory Board, KLM N.V.

Other positions: Board Member, Vereniging REFILL (until September 2015); Member Advisory Board, Vereniging Koninklijke Horeca Nederland; Chairperson, PGGM Advisory Board for Responsible Investment; Chairperson, Stichting INSID, Institute for Sustainable Innovation & Development directed by His Royal Highness Prince Carlos de Bourbon Parme; Member, "Raad van Eigen Wijzen" (Advisory Board), CPI Governance; Member, International Advisory Board of Howaldt & Co, Hamburg, Germany.

Responsibilities

The Supervisory Board supervises the Managing Board as well as ABN AMRO Bank's general course of affairs and its business. In addition, it supports the Managing Board by providing advice. In performing their duties, the members of the Supervisory Board are guided by the interests of ABN AMRO Bank, which include the interests of the business associated with it (including but not limited to the legitimate interests of all of ABN AMRO Bank's stakeholders, such as its customers, savers and deposit holders, shareholders, holders of depositary receipts (*certificaten*), employees and the society in which ABN AMRO Bank carries out its activities). Specific powers are vested in the Supervisory Board, including the approval of certain decisions taken by the Managing Board.

More information on the activities of the Supervisory Board in 2015 is provided in the Supervisory Board report as included in this and ABN AMRO Group's Annual Report.

The Rules of Procedure of the Supervisory Board are available on abnamro.com.

Appointment, suspension and dismissal

The members of the Supervisory Board are appointed by the General Meeting. Only candidates who have passed the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The Supervisory Board must be granted the opportunity to recommend a candidate for appointment. The General Meeting may suspend any member of the Supervisory Board at all times.

Supervisory Board committees

Composition

The Supervisory Board has established three regular committees to prepare its decision-making and to advise the Supervisory Board on certain matters: the Audit Committee, the Remuneration, Selection & Nomination Committee and the Risk & Capital Committee. The Rules of Procedure of the Supervisory Board include the terms of reference of these committees of the Supervisory Board and are available on abnamro.com. Furthermore, the Supervisory Board installed a special committee relating to the preparations for the IPO.

Audit Committee

The Audit Committee is tasked with the direct supervision of all matters relating to financial reporting and controlling. In doing so, it is responsible for supervising (and advising the complete Supervisory Board) in respect of, among other things, (i) the assessment of the principles of valuation and determination of results for the financial statements, (ii) internal control and financial reporting functions, (iii) internal and external audit, (iv) risk assessment of issues that could impact the financial reporting, (v) compliance with applicable laws and regulations, (vi) mediation between internal or external auditors and/or management, and (vii) reporting to the Supervisory Board. The Audit Committee is chaired by Mr De Haan, Mr Meerstadt, Mr Van Slingelandt and Ms Zoutendijk and Mr Meerstadt were members on 31 December 2015.

Remuneration, Selection & Nomination Committee

The Remuneration, Selection & Nomination Committee is responsible for supervising (and advising the complete Supervisory Board) with regard to, among other things, (i) remuneration policies and execution thereof for members of the Managing Board, the Supervisory Board and selected members of senior management, (ii) the selection, appointments and reappointments regarding the Supervisory Board and the Managing Board, (iii) succession plans for the Supervisory Board and the Managing Board, (iv) the knowledge, skills, experience, performance, size, composition and profile of both boards, (v) the performance of the members of both boards, and (vi) reporting on the execution of the remuneration policies through a remuneration report. Mr Ten Have chairs the Remuneration, Selection & Nomination Committee, and Mr Meerstadt en Mr Van Slingelandt were members on 31 December 2015. There is currently one open position in the Remuneration, Selection & Nomination Committee, which will be filled when the nominated candidates for the Supervisory Board have been appointed by the General Meeting. Until that time, all decisions on the aforementioned topics will be adopted by the complete Supervisory Board, since the quorum for Remuneration, Selection & Nomination Committee meetings is not met.

Risk & Capital Committee

The Risk & Capital Committee is responsible for supervising and advising the complete Supervisory Board

with respect to, among other things, (i) risk management and risk control, including pricing policies, (ii) compliance, (iii) the allocation of capital and liquidity, (iv) the bank's risk appetite, (v) compliance with applicable laws and regulations (including codes of conduct and internal procedures), (vi) risk awareness within the bank, (vii) sound remuneration policies and practices in light of risk, capital, liquidity and expected earnings, (viii) proposing corrective and/or disciplinary measures against members of the Managing Board in the event of breach of applicable laws and regulations, and (ix) periodic review of the Group's actual risk profile. Ms Zoutendijk is the Chair of the Risk & Capital Committee. Mr De Haan, Ms Roobeek and Mr Van Slingelandt were members on 31 December 2015.

IPO Special Committee

In order to advise the complete Supervisory Board on recurring topics regarding the IPO and to prepare related decisions, the Supervisory Board established an additional committee chaired by Mr Van Slingelandt and of which Mr De Haan, Mr Ten Have and, until his resignation, Mr Wakkie were members. This committee ceased to exist after the IPO was launched.

Maximum Number of Positions of Members of the Managing Board and Supervisory Board

Under CRD IV, all members of the management body of a bank (including non-executive members or supervisory board members acting in their role of overseeing and monitoring management decision-making), must commit sufficient time to allow them to perform their duties and to be able to understand the bank's business. In respect of significant banks, such as ABN AMRO Bank, Article 91 of CRD IV contains a specific regulation for the limitation of the number of executive and non-executive directorships such members may hold (which rules have been implemented in Dutch law through Section 3:8-3 Dutch Financial Markets Supervision Act).

All members of the Managing Board and Supervisory Board currently comply with the aforementioned rules under CRD IV and the Dutch Corporate Governance Code. It is noted that with respect to Supervisory Board member Ms Roobeek and nominated Supervisory Board member

Mr Tiemstra, requests for authorisation of one additional non-executive directorship that each of them currently holds have been approved by the ECB

Introductory programme and lifelong learning programme

Introductory programme

Upon their appointment, all members of the Supervisory Board follow an introductory programme designed to ensure that they have the relevant knowledge to fulfil their duties, including thorough knowledge of ABN AMRO Bank. The programme provides the information needed for participation in the lifelong learning programme. As the knowledge, background and experience of newly appointed members of the Supervisory Board differ, the curriculum of the introductory programme is tailor-made.

Lifelong learning programme

A lifelong learning programme for the Supervisory Board and the Managing Board has been put in place at ABN AMRO Bank and is designed to keep the members' expertise up to date and to broaden and deepen their knowledge where necessary. In most cases, members of the Supervisory Board and Managing Board participate in the same courses to foster knowledge-sharing between the boards.

The curriculum is being developed and updated continuously to ensure a balanced programme which covers all relevant aspects of the bank's performance and takes into account current developments in the financial industry. Topics covered in 2015 include a workshop on IPO valuation (including the various valuation methods generally used for banks, the main drivers in valuation, the market context and the manner in which a purchase price range for a (soon to be listed) company is determined.) Other workshops provided for detailed sessions on information security and data management, including an explanation on relevant developments in cloud computing and a visit to ABN AMRO Bank's data centre, interest rate swaps (including an explanation of a bank's duty of care, re-evaluations of interest rate swaps and lessons learned) and the ECT Clients market (including its clients, market developments and the related risk management).

Managing Board

Composition

The Supervisory Board determines the number of members of the Managing Board, the minimum being two people. At 31 December 2015, the Managing Board consisted of seven members.

With the exception of Mr Van Dijkhuizen, who was appointed in 2013 for a period of four years, all members of the Managing Board were reappointed on 10 April 2014. The Managing Board members were reappointed, taking into due consideration their performance during the previous four-year term and the strategic goals of ABN AMRO Bank in the upcoming years. Each reappointment was for a term which ends at the close of the first general meeting of ABN AMRO Group that is held after four years have passed since his or her last appointment, which is the maximum period for appointments and reappointments according to the best practice provision II.1.1 of the Dutch Corporate Governance Code.

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

The composition of the Managing Board matches the Managing Board profile in terms of combined experience and expertise, and mixture of age. The members of the Managing Board have thorough knowledge of the financial sector in general and the banking sector in particular, and they collectively have broad experience in the fields of governance, regulatory affairs, organisation and communication, products, services and markets within ABN AMRO Bank's scope of activities. They also have profound knowledge of sound and controlled operational policies and processes, enabling them to make balanced and consistent decisions.

In line with the group's diversity policy, ABN AMRO Bank strives to meet the gender target of 30% for both the Supervisory Board and the Managing Board.

ABN AMRO Bank currently meets the requirements for the Supervisory Board. For the Managing Board, where 14% (1 out of 7) of its members is female, the diversity target was not met in 2015. Since all current Managing Board members were either appointed in 2013 or reappointed in 2014 for a four-year period, the percentage of female Managing Board members will likely remain unaffected until any member of the Managing Board resigns or any appointment period expires. Upon such resignation or expiration, ABN AMRO Bank will give due consideration to any then applicable gender requirements when seeking to find suitable new members for those open positions who meet the fit and proper requirements under the Dutch Financial Markets Supervision Act. In addition, ABN AMRO Bank continues to encourage greater diversity at other levels.

Responsibilities

The members of the Managing Board collectively manage ABN AMRO Bank and are responsible for its strategy, structure and performance. In carrying out their duties, the members of the Managing Board are guided by the interests of ABN AMRO Bank, which include the interests of the business associated with it (including but not limited to the legitimate interests of all of ABN AMRO Bank's stakeholders, such as its customers, savers and deposit holders, its shareholders, holders of depositary receipts (*certificaten*), employees and the society in which ABN AMRO Bank carries out its activities). To support the members in carrying out these responsibilities, the Managing Board holds weekly Board meetings. The Managing Board is accountable for the performance of its duties to the Supervisory Board and to the General Meeting of Shareholders (the General Meeting).

The Rules of Procedure of the Managing Board are available on abnamro.com.

Appointment, suspension and dismissal

Managing Board members are appointed by the General Meeting out of candidates nominated by the Supervisory Board. If the candidate nominated by the Supervisory Board is not appointed, the Supervisory Board is asked to nominate a new candidate. If this nominated person is not appointed, the General Meeting will be free to appoint another member to the Supervisory Board. The General Meeting can only reject a nomination if there are serious reasons relating to the person of the Management Board member which are not related to the commercial policy of ABN AMRO Bank. Only candidates found to meet the fit and proper test under the Dutch Financial Markets Supervision Act are eligible for appointment. The Supervisory Board may appoint one of the members of the Managing Board as chairman.

The Supervisory Board and the General Meeting may at all times suspend a member of the Managing Board. If the General Meeting fails to adopt a resolution on his or her dismissal within three months of suspension of a member of the Managing Board, the suspension will be terminated. The suspended member will be given the opportunity to account for his or her actions at the General Meeting and he or she may arrange for an adviser to be present for assistance in that meeting. Members of the Managing Board can only be dismissed by the General Meeting.

Managing Board committees

The Managing Board has established a number of committees that are responsible for decision-making on certain subjects and for advising the Managing Board on certain matters. These committees include three risk-related committees: the Group Risk Committee, the Group Asset & Liability Committee and the Central Credit Committee. More information on the delegated authority of these risk-related committees is provided in the Risk, funding & capital Report. In addition, the Managing Board has installed a Group Disclosure Committee, a Group Transition Management Committee and a Group Regulatory Committee. The Group Disclosure Committee is responsible for, among other things, advising and supporting the Managing Board in relation to (i) supervision on the accuracy and timeliness of public disclosures by the group and (ii) integrity with regard to the financial statements and other public disclosure. The Group Transition Management Committee has been attributed responsibility for, among other things, tactical management of the Group-wide transition programmes. The Group Regulatory Committee is responsible for, among other things, (i) ensuring a good understanding and an adequate overview of, (ii) regularly informing and consulting the Managing Board about and (iii) making strategic choices and taking decisions on matters relating to changing national and international laws and regulations affecting the group. With regard to preparation of ABN AMRO Group's IPO, the Managing Board installed the IPO Steering Committee, which was mandated to monitor, assess and manage the progress, overall planning and timelines for the preparation and execution of the IPO. This committee ceased to exist following the IPO.

CV Managing Board



Gerrit Zalm (Dutch, male, 1952)

Chairman

Gerrit Zalm was appointed to the Managing Board of the former ABN AMRO Bank N.V. (later renamed RBS N.V.) on 1 December 2008 in the role of Vice-Chairman, and on 28 February 2009 he became Chairman until 1 April 2010. Additionally, from 28 February 2009 to 1 April 2010, he was Chairman of the Managing Board of ABN AMRO Holding N.V. He was Chairman of the Managing Board of ABN AMRO Bank on 9 April 2009. He has been Chairman of the Managing Boards of ABN AMRO Group and

Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank) since 1 April 2010. His present term expires in 2018.

Supervisory positions: Non-executive Director, Royal Dutch Shell; Member Supervisory Council, Stichting VUmc Fonds (as of January 2016).

Other positions: Chairman Advisory Council, 'Wigo-4it', a cooperative effort of the social assistance organisations of the four largest cities in the Netherlands; Board Member, Dutch Banking Association; Chairman, Board of Governors National Academy for Finance and Economics.



Johan van Hall (Dutch, male, 1960)

Chief Operating Officer/Vice-Chairman

Johan van Hall was appointed to the Managing Board of ABN AMRO Bank on 9 April 2009, to the Managing Board of ABN AMRO Group on 18 December 2009 and to the Managing Board of Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank) on 1 April 2010. Johan van Hall is the Chief Operating Officer responsible for Technology, Operations & Property Services (TOPS). He has been Vice-Chairman of the Managing Board since 1 June 2013. His present term expires in 2018.

Supervisory positions: Member Supervisory Board, Equens SE (pan-European Payment Processor); Vice-Chairman, Central Committee for Statistics (CCS); Member Supervisory Council, Christelijk Voortgezet Onderwijs Baarn/Soest.

Other positions: Board Member, Nyenrode International Advisory Board; Member, NBA Signaleringsraad (Dutch professional organisation for accountants); Chairman, Stichting ABN AMRO Support for SUPPORT.



Chris Vogelzang (Dutch, male, 1962)

Retail Banking and Private Banking

Chris Vogelzang was appointed to the Managing Board of ABN AMRO Bank on 9 April 2009. He was appointed to the Managing Boards of ABN AMRO Group and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank) on 1 April 2010. Chris Vogelzang is responsible for Retail Banking and Private Banking. His present term expires in 2018.

Supervisory positions: Member Supervisory Board, Hespri Holding B.V.; Member Supervisory Council, Stichting Prins Bernhard Cultuurfonds; Member Supervisory Council, Rijksmuseum.

Other positions: Board Member, Dutch Banking Association; Board Member, Alumnifonds (Ubbo Emmius Fonds) Rijksuniversiteit Groningen; Treasurer, Stichting Aanwending Loterijgelden Nederland (until February 2016).


Joop Wijn (Dutch, male, 1969)

Corporate Banking

Joop Wijn was appointed to the Managing Boards of ABN AMRO Group, ABN AMRO Bank and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank) on 1 April 2010 and is responsible for Corporate Banking.

His present term expires in 2018.

Supervisory positions: Member Supervisory Board, Schiphol Group; Member Supervisory Board,

Jaarbeurs Utrecht (Congress and Meeting Centre, Fairs and Events); Member Supervisory Board, Stadsherstel Amsterdam N.V.

Other positions: Chairman of the Board, Stichting Oranje Fonds; Member Executive Board, Vereniging VNO-NCW (Confederation of Netherlands Industry and Employers); Chairman, Stichting Kunst & Historisch Bezit ABN AMRO (Art & History Foundation).


Kees van Dijkhuizen (Dutch, male, 1955)

Chief Financial Officer

Kees van Dijkhuizen was appointed to the Managing Boards of ABN AMRO Group and ABN AMRO Bank on 1 May 2013. Kees van Dijkhuizen has been Chief Financial Officer since 1 June 2013. His present term expires in 2017.

Supervisory positions: Member Supervisory Council, Museum Meermanno.

Other positions: Chairman, Government Committee on Export, Import and Investment Guarantees; Chairman, Committee on Supervision of Dutch Banking Association; Board Member, Stichting Duisenberg School of Finance; Board Member, Stichting Bewind (Protector and administrator, testamentary duties, regarding separated capital for part of the House of Oranje-Nassau); Member, AFM Capital Market Committee.


Caroline Princen (Dutch, female, 1966)

People, Regulations & Identity

Caroline Princen was appointed to the Managing Boards of ABN AMRO Group, ABN AMRO Bank and Fortis Bank (Nederland) N.V. (as from 1 July 2010 merged with ABN AMRO Bank) on 1 April 2010. Caroline Princen is responsible for People, Regulations & Identity. Her present term expires in 2018.

Supervisory positions: Member Supervisory Council, EYE Film Institute; Member Supervisory

Council, UMC (Universitair Medisch Centrum Utrecht); Member Supervisory Board, Koninklijke Coöperatieve Bloemenvelling FloraHolland U.A.

Other positions: Member Executive Board, Stichting Steun Alzheimercentrum VUmc; Chairperson, Stichting ABN AMRO Foundation; Member IMD Foundation Board; Chairperson, Commissie Monitoring Talent naar de Top (as from February 2016).


Wietze Reehoorn (Dutch, male, 1962)

Chief Risk Officer

Wietze Reehoorn was appointed to the Managing Boards of ABN AMRO Group, ABN AMRO Bank and Fortis Bank Nederland N.V. (as from 1 July 2010 merged with ABN AMRO Bank) on 1 April 2010.

As Chief Risk Officer, Wietze Reehoorn is responsible for Risk Management & Group Strategy.

His present term expires in 2018.

Supervisory positions: Member Supervisory Council, Rijksuniversiteit Groningen; Member Supervisory Board, Stichting Amsterdam Institute of Finance (AIF); Member Supervisory Council, Stichting Topsport Community.

Other positions: Board Member, Abe Bonnema Stichting.

Corporate governance codes and regulations

ABN AMRO Bank is required to comply with a wide variety of governance codes and regulations. This includes the Banking Code and CRD IV. This section explains how ABN AMRO Bank complies with these codes and regulations. More comprehensive overviews of ABN AMRO Bank's compliance with such codes and regulations are published under the Corporate Governance section of abnamro.com. In that section it is also explained how ABN AMRO Group, as a listed company on a government-recognised stock exchange, complies with the Dutch Corporate Governance Code.

Dutch Banking Code

The Dutch Banking Code was introduced in 2010 to ensure that banks commit to and account for treating their customers with care while balancing the interests of various stakeholders. An updated Dutch Banking Code came into effect on 1 January 2015, along with the Social Charter (*Maatschappelijk Statuut*) which is complementary to the Dutch Banking Code. The updated Dutch Banking Code takes into account the recommendations of the Banking Code Monitoring Commission, the report of the Committee on the Structure of Banks, the government's view of the Dutch banking industry and the vision of the Dutch Banking Association. The new Dutch Banking Code, along with the introduction of the Social Charter and implementation of the Banker's Oath (together with the associated rules of conduct and disciplinary rules), applies to all employees of financial institutions in the Netherlands and emphasises the social role of banks and their commitment to meeting the expectations of society at large. The updated Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands should observe in terms of corporate governance, risk management, audit and remuneration.

We are committed to complying with the Dutch Banking Code and devote a great deal of effort to ensuring that the spirit of the code is reflected in the behaviour of employees and in the culture of the bank. As such, we are pleased to confirm that ABN AMRO Bank complies with the principles of the Dutch Banking Code 2015.

A principle-by-principle overview of the manner in which ABN AMRO Bank complies with the Dutch Banking Code 2015 is published on abnamro.com. Throughout 2015, we continued to improve the manner in which we apply the principles of the Dutch Banking Code, taking into account the focus areas indicated by the Dutch Banking Code Monitoring Committee.

All members of the Supervisory Board and Managing Board of ABN AMRO Bank took the Banker's Oath on 4 July 2013. Taking the oath has been required by law since 1 January 2013. The oath is a confirmation of ABN AMRO Bank's existing policy, which is fully in line with the bank's business principles and core values. Along with the introduction of a Social Charter and the update of the Dutch Banking Code, the Dutch banking industry has taken the initiative to have all employees take the Banker's Oath. Employees take the oath so that they will be personally responsible for complying with these rules of conduct and may be held accountable for non-compliance in the near future. At 31 December 2015, over 97% of our employees had taken the Banker's Oath. All employees of a bank in the Netherlands must have taken the Banker's Oath by 1 April 2016.

Subsidiaries of ABN AMRO Bank and the Dutch Banking Code

On 31 December 2015, ABN AMRO Bank had four Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all of these Dutch bank subsidiaries on a consolidated basis. An explanation of the manner in which the Dutch bank subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

CRD IV

Article 96 of CRD IV requires financial institutions to explain on their website how they comply with the requirements of Articles 88 through 95 of CRD IV. These Articles set out governance, disclosure, remuneration and nomination requirements for financial institutions. The obligation to publish such an overview was implemented in Dutch law by Article 134b of the Decree on prudential measures FMSA (*Besluit prudentiële regels Wft*). On abnamro.com an overview of how ABN AMRO Group and ABN AMRO Bank comply with Article 134b of the Prudential Measures Decree and Article 96 of CRD IV is published.

Subsidiaries and international governance

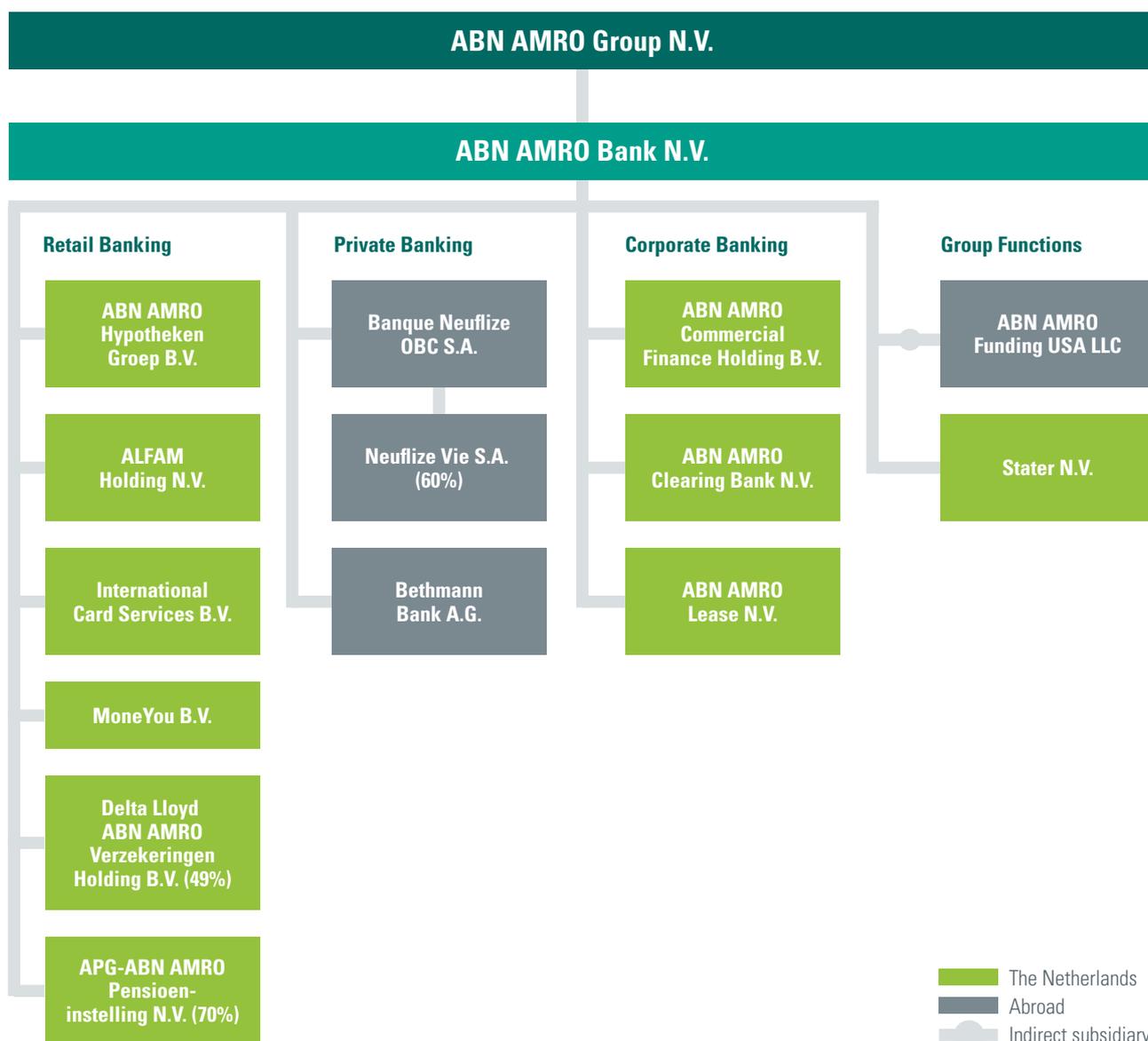
ABN AMRO Bank has designed bank-wide policies and standards to ensure that all relevant parts of the organisation adhere to governance principles and requirements. Considering the varying business activities, local regulatory requirements, organisations and risk frameworks of subsidiaries and branches, actual implementation of the group-wide policies and standards may differ between the subsidiaries and branches. All entities in the international network adhere to ABN AMRO Bank's principles of risk governance and a moderate risk profile.

International governance is in place which meets the requirements of our international organisation and both the home and host regulators. An annual review was performed in 2015 to ensure alignment with the international growth plans and changes in the regulatory environment, and measures have been implemented to further improve such alignment. These measures include changes to the second line of defence reporting lines and budget approval processes for ABN AMRO Bank's international branches and subsidiaries (which became effective on 1 January 2016). The primary objective is to strengthen the reporting lines between Group Functions at the head office and Functions in the international branches and subsidiaries.

Legal structure

Global structure of ABN AMRO Bank N.V.

The full list of subsidiaries and participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.



An overview of ABN AMRO Bank's main operating companies and a description of their activities is provided on the next page. A more comprehensive

overview of ABN AMRO Bank's subsidiaries is provided in the Other information section of the Consolidated Annual Financial Statements.

Main subsidiaries

Retail Banking

The Retail Banking business of ABN AMRO Bank is supported by the following subsidiaries (this list is not exhaustive):

ABN AMRO Hypotheken Groep B.V. offers all ABN AMRO labelled residential mortgage products, including Direktbank, Florius and MoneYou brands;

ALFAM Holding N.V. provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans.

International Card Services B.V. (ICS) issues, promotes, manages and processes more than 25 different credit cards in partnership with companies, including credit card transactions and offers other financial services, such as revolving credit facilities;

MoneYou B.V. operates as an internet bank offering savings accounts and mortgages and is active in the Netherlands, Belgium, Germany and Austria.

Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen) is an associate of ABN AMRO Bank N.V. (49%). Delta Lloyd N.V. holds a 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO Bank brand.

APG-ABN AMRO Pensioeninstelling N.V. (ABN AMRO Pensions) is a joint venture of ABN AMRO Bank (70%) and APG (30%), the largest pension institution in the Netherlands. ABN AMRO Pensions is a premium pension institution ('PPI') which offers pension schemes without insurance based on long life or death.

Private Banking

The Private Banking business of ABN AMRO Bank is supported in France and Germany by the following subsidiaries (this list is not exhaustive):

Banque Neuflyze OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth articulated around dedicated advisory and product offers.

Bethmann Bank AG is a private bank and enjoys a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany and offers all Private Banking and Private Wealth Management related services;

Neuflyze Vie S.A. is a joint venture of Banque Neuflyze OBC (60%) and AXA (40%). Neuflyze Vie is a life insurance

company and was created to offer life insurance products for (ultra) high net-worth individuals and has developed customised solutions with a focus on unit-linked contracts.

Corporate Banking

The Corporate Banking business of ABN AMRO Bank is supported by the following subsidiaries (this list is not exhaustive):

ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe.

ABN AMRO Commercial Finance Holding B.V. is active via subsidiaries in the Netherlands, France, Germany and the United Kingdom, providing working capital funding on debtors and inventory.

ABN AMRO Lease N.V. delivers asset-based solutions (equipment lease and finance) and is active in the Netherlands, Belgium, Germany and the United Kingdom.

Group Functions

The Functions business of ABN AMRO Bank is supported by the following subsidiaries (this list is not exhaustive):

ABN AMRO Funding USA LLC is active in the US market, issuing ABN AMRO Bank's US Dollar Commercial Paper funding for clients operating in the US and for clients with US dollar loans.

Stater N.V. offers administrative services related to mortgage loans. Stater works for ABN AMRO Bank and other parties supplying mortgage loans.



Supervisory Board report

A description of the duties, responsibilities and current composition of the Supervisory Board as well as the procedures for appointment, suspension and dismissal of its members is provided in the Corporate Governance section of this Annual Report. The same applies to the gender, age, profession, nationality, principal position, other positions insofar they are relevant to the performance of their duties, the date of initial appointment and the current term of office of the members of the Supervisory Board, as well as to the current composition of its committees. The principal points of the remuneration report concerning the bank's remuneration policy are included in the Remuneration Report of this Annual Report. These subjects are deemed to be incorporated by reference into this Supervisory Board report.

The Supervisory Board held seven plenary meetings, four executive meetings, four additional meetings and conferred twice by conference call in 2015. In addition to recurring topics, focus areas included:

- ▶ the composition and succession planning of the Supervisory Board;
- ▶ the impact of laws and regulations on the organisation;
- ▶ the remuneration discussion;
- ▶ and the preparations for the IPO of ABN AMRO Group, resulting in the listing of the first tranche of depositary receipts for shares on the stock exchange on 20 November 2015.

The committees of the Supervisory Board discussed various topics in order to prepare the decision-making process of the Supervisory Board, such as ABN AMRO Bank's capital structure and funding strategy, the effectiveness of risk management and control systems, the appointment of the external auditor, topics with regard to remuneration, selection and appointment, and human resources-related topics.

The Supervisory Board reviewed the Annual Report 2015, the Annual Financial Statements 2015 and all annexed information of ABN AMRO Bank. The Annual Report 2015, the Annual Financial Statements 2015 and all annexed information of ABN AMRO Bank were subsequently approved by the Supervisory Board on 15 March 2016. The Supervisory Board furthermore approved the Managing Board's proposal to the Annual General Meeting on the final dividend over 2015.

ABN AMRO Bank N.V. and ABN AMRO Group N.V. aspire to a Personal Union through cross-membership of the supervisory boards. A more extensive Supervisory Board report is therefore included in the Annual Report 2015 of ABN AMRO Group N.V.



Remuneration report

This report provides an overview of the remuneration principles at ABN AMRO Bank, including those of the Managing Board and Identified Staff.

Overview

After various changes to the applicable guidelines for financial institutions with respect to remuneration became effective in 2014, more changes followed in 2015. These new regulations specify more limitations to variable remuneration for all employees in the Dutch financial industry and an extension of the bonus prohibition for a specific group of senior employees. All relevant guidelines

have been timely incorporated into ABN AMRO Bank's own policies and practices. This report sets out our remuneration philosophy and principles for all ABN AMRO Bank employees. The remuneration policy and practices for the Managing Board, Supervisory Board and so-called Identified Staff are discussed in greater detail in the subsequent sections of this report.

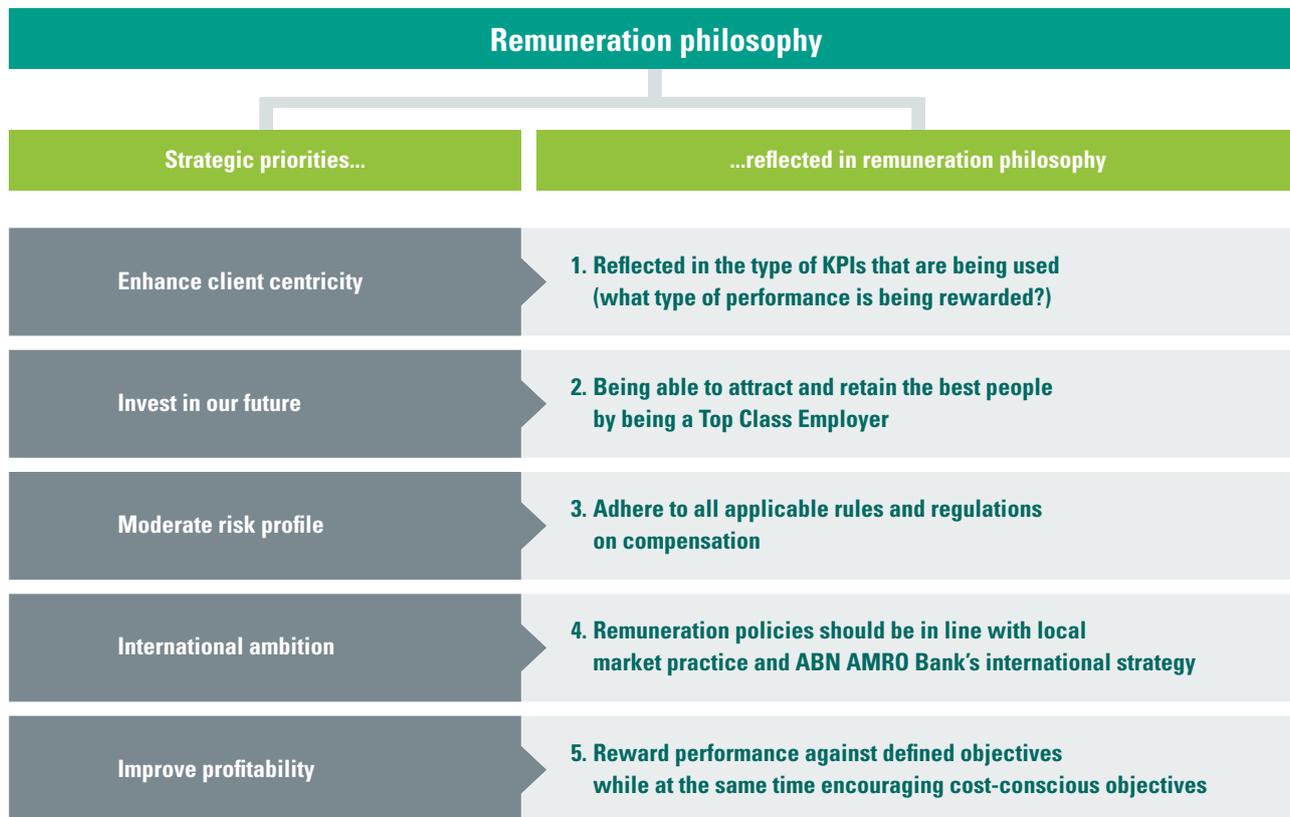
Philosophy, policies and principles

Remuneration compass

As a bank with Dutch roots, we have an enterprising spirit and a strong drive to succeed, while being prudent and pragmatic. We set high standards and expect our employees to be professional, passionate about their work and to have a strong moral compass. Reward is one of the instruments in a balanced set of instruments we use to attract, retain and develop the best people. We offer

meaningful work, a climate in which people can master their profession and personalised working conditions.

ABN AMRO Bank's corporate strategy is based on five strategic priorities (see the Strategic Report in this Annual Report). Our reward philosophy centres around these priorities.



Client centricity: We put our clients' interests centre stage in our performance management cycle

ABN AMRO Bank wants to be a bank that creates sustainable value and that puts its clients' interests centre stage. In pursuing this goal, we use a set of core values and business principles, which we include in our performance management cycle in Key Performance Indicators (KPIs). We use both financial and non-financial targets, which are always aligned with and serve to strengthen our strategy.

Our business principles guide us in how we engage with each other and with our clients. The principles are derived from our core values, our aim to put clients' interests centre stage and the competencies we require of our people.

We use one appraisal philosophy based on a uniform model and process for all employees. Accountability for performance is one of the starting points. This means that our employees take responsibility for, and commit themselves to, the bank's targets and the framework in which it operates. The bank devotes extra effort to ensuring that the KPIs and performance assessments take

into account not only financial and non-financial results, but also how the results are achieved. This refers to the employee's behaviour, their alignment with business principles and their leadership qualities. Mid-year and end-of-year performance appraisals are held by managers with their staff.

Invest in our future: We attract and retain the best people

One of the key elements of ABN AMRO Bank's long-term corporate strategy is our ambition to become a Top Class Employer. Our HR and Reward strategies are designed to help us attract and retain the best people over the coming years.

Moderate risk profile: We adhere to applicable rules and regulations and use appropriate risk adjustments

We contribute to our bank's moderate risk profile by complying with applicable rules and regulations that regulate remuneration in the financial sector. In the Netherlands, these include:

- ▶ the Dutch Banking Code;
- ▶ Guidelines on Remuneration Policies and Practices as formally adopted on 10 December 2010 by the Committee of European Banking Supervisors (CEBS Guidelines);
- ▶ the fourth amended European Capital Requirements Directive (CRDIV), which replaced the former Directive (CRD III) on 1 January 2014;
- ▶ as a result of the implementation of CRD IV, the Dutch Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 was replaced by an updated Remuneration Policy Regulation (*Regeling Beheerst Beloningsbeleid 2014 – RBB*). Together with the Remuneration Policy Decree (*Besluit beheerst beloningsbeleid*, Wft) these form the specific Dutch framework;
- ▶ the Dutch act on limitation of liability DNB and AFM and bonus prohibition for state-supported enterprises (*Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen*, or Bonus Prohibition Act); and
- ▶ as from 7 February 2015, the Act on the Remuneration Policy for Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*, Wbfo)

In addition, we adhere to rules and guidelines in other countries where the bank is active, while always aiming to strike a good balance between local market practice and the bank's international strategy. We also make sure that we use appropriate risk adjustments in our remuneration process, in part by:

- ▶ safeguarding an adequate focus on performance by means of our remuneration schemes;
- ▶ striking the right balance between financial and non-financial KPIs as well as qualitative and quantitative KPIs;
- ▶ including KPIs relating to risk mitigation measures;
- ▶ following strict governance processes and setting a cap on maximum remuneration.

International ambition: We are flexible and in control

Our strategic ambition to selectively grow our international business implies that we need to attract, motivate, develop and retain high-performing, engaged staff in markets that differ from the Netherlands. Factors we take into account include the labour market and applicable rules

and regulations in the various countries in which we operate. Our remuneration policy, while remaining constrained and sound, gives us enough flexibility to operate effectively in each local market.

We aim to align our reward programmes across organisational and country boundaries, while acknowledging the need for variation to accommodate local differences. This provides flexibility to local business in adapting reward policies to local situations varying according to relative size, competitive positioning (dominant player, growth strategy, new entrant) and external market situations.

Improving profitability: We are cost conscious

Our annual performance management cycle creates a link between performance (realistic, sustainable results) and reward in such a way that costs change in line with employees' and the bank's performance.

In principle, we position pay packages around the median of the relevant labour market. We focus strongly on keeping labour costs under control. Where relevant, we take account of remuneration benchmarks. These benchmarks are, however, only used to support decisions, not to determine them. This allows us to respond effectively to changes in the financial markets and economic circumstances.

Remuneration policy

Global reward policy

The remuneration principles described above are embedded in ABN AMRO Bank's Global Reward Policy. This policy is designed to support ABN AMRO Bank's business strategy, objectives, values and long-term interests. It provides a framework to effectively manage reward and performance across the bank.

The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy and assesses the general principles and exceptions that relate to the applicable governance and/or international structures. As a result of the many changes in the applicable guidelines and regulations within the financial sector, the Global Reward Policy must be kept aligned

with all relevant developments. All changes in applicable rules and regulations need to be implemented in the Global Reward Policy. The Supervisory Board therefore reviews the policy regularly, considering the company's strategy, risk awareness, targets and corporate values as well as relevant market practice. It also takes into account external requirements with respect to governance, the international context and relevant market data.

The Global Reward Policy applies globally within ABN AMRO Bank at all levels and in all countries (including branch offices). The Global Reward Policy also specifies rules with respect to those staff whose professional activities could have a material impact on the bank's risk profile. Within ABN AMRO Bank this group is referred to as Identified Staff. A separate Reward Policy, adopted in 2010, applies to members of the Managing Board as agreed by the Supervisory Board and the then shareholder.

Changes in 2015

Collective labour agreement

Following negotiations, the bank reached agreement with the trade unions on both a new collective labour agreement and a new collective social plan (redundancy scheme) on 17 December 2015 in the Netherlands. Both agreements focus more on employability. The new collective labour agreement (effective from 1 January 2016 to 1 January 2018) specifies a freeze on salaries during 2016 and an increase on salaries of 1.5% on 1 January 2017. The new collective social plan (effective from 1 January 2016 to 1 January 2020) specifies a reduction of time in the Redeployment Centre from twelve months to six months and a reduction in the level of redundancy pay, both with effect from 1 January 2017.

New regulations

European Remuneration Guidelines such as CRD IV became effective and relevant Dutch regulations such as the Remuneration Policy Decree (*Besluit beheerst beloningsbeleid, Wft*) and the Remuneration Policy Regulation (*Regeling beheerst beloningsbeleid, Wft 2011- RBB 2011*) were updated with effect from 2014 (RBB 2014). CRD IV introduced further restrictions with respect to remuneration in the financial sector, such as the introduction of a bonus maximum of 100% (or, under certain conditions, 200%) of the annual fixed income.

The Dutch government has introduced further restrictions on remuneration in the financial industry by means of the Act on the Remuneration Policy for Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen, Wbfo*), which came into force on 7 February 2015 and which amended the Financial Markets Supervision Act (*Wet op het financieel toezicht*). These new restrictions include the introduction of a new maximum variable remuneration and an extension of the provisions and target group of the Bonus Prohibition Act for State-supported Enterprises. The Wbfo has a broader scope than the European remuneration rules under CRD IV. For example, the bonus cap introduced by the Wbfo does not only apply to Identified Staff, but to all people working at ABN AMRO Bank. With respect to the maximum variable remuneration, the Wbfo is stricter than CRD IV in the Netherlands, where variable remuneration is limited to (an average of) 20%.

We updated the Global Reward Policy in 2015 in response to internal developments and the external remuneration restrictions described above.

Expected changes in 2016

In alignment with the remuneration guidelines ABN AMRO Bank's Variable Compensation Plan for Identified Staff provides for a non-cash instrument portion in the form of performance certificates. As from the 2016 performance year and as a result of ABN AMRO Group being a listed company again, the Variable Compensation Plan will provide for depositary receipts (DRs) instead of performance certificates in order to achieve shareholder alignment. The use of the non-cash instrument portion in the form of performance certificates will be continued until 2016. All outstanding performance certificates will be phased out over time.

Further guidelines from supervisors such as the ECB and DNB are expected. The EBA has issued an update of the Guidelines on Sound Remuneration Policies that will become effective as from 1 January 2017. During 2016 we will amend our remuneration policies and practices to bring them in line with the new guidelines.

Remuneration principles for Managing Board and Identified Staff

The following section provides details on the remuneration principles for the Managing Board and for employees that qualify as Identified Staff.

Managing Board remuneration policy

The Global Reward Policy principles apply to all employees of the bank worldwide. A different governance applies to the Managing Board. The Supervisory Board is responsible for proposing the policy and principles, which are subject to shareholder approval. In addition to setting policy, the Supervisory Board executes the remuneration policy for the Managing Board members.

For the Managing Board, ABN AMRO Bank has always aimed for a level of total compensation slightly below the median of the relevant markets. ABN AMRO Bank used to define a peer group of companies, i.e. both financial and non-financial companies in the Netherlands and Europe, against which remuneration proposals for the Managing Board were assessed. Developments in previous years, however, make it difficult to properly assess the Managing Board's remuneration packages considering the many changes that have occurred in the banking industry in the Netherlands. These changes have not necessarily impacted companies in the general industry or financial institutions outside the Netherlands. This currently makes benchmark comparisons difficult, if not impossible.

As mentioned in the 2012 Remuneration Report and pursuant to the Bonus Prohibition Act that became effective as from 2011, remuneration restrictions for the members of the Managing Board have become applicable. As a result, Managing Board members would not be eligible to receive the contractually agreed variable remuneration during the period of government ownership.

After careful consideration and with due observance of the one-off transition arrangement included in the Bonus Prohibition Act, the Supervisory Board decided in 2012 to award the members of the Managing Board, except for the Chairman, a temporary fixed allowance. This allowance of EUR 100,000 (gross) which represents 16.67% of the 2011 annual salary, applies effectively as from 1 January 2012 for as long as the Bonus Prohibition Act is applicable

to ABN AMRO Bank. For the calendar years 2012 and 2013, respectively, all eligible Managing Board members waived their entitlement to this allowance. In 2014 the Supervisory Board decided to pay out this allowance, effective from 1 January 2014, to the six eligible Managing Board Members. On 29 March 2015 the members of the Managing Board decided to waive their entitlement to the allowance and the related pension contributions irrevocably for the year 2014 and beyond.

Details on remuneration of Managing Board

Details on the remuneration of the individual Managing Board members are provided in note 34 to the Annual Financial Statements.

Annual fixed remuneration 2015

The annual base salary for the Managing Board follows the developments in the collective labour agreement for the banking industry (*CAO Banken*). This resulted in a 1% increase for 2015. The annual base salary in 2015 amounted to EUR 613,575 for the members of the Managing Board and EUR 766,969 for the Chairman of the Managing Board.

Variable remuneration

Although the remuneration package for the members of the Managing Board provides for a variable compensation component, the Bonus Prohibition Act, which became effective in 2011, does not allow such compensation for board members of financial institutions that fall under the scope of this Act during the period of state support through shareholding by the Dutch State. The members of the Managing Board are therefore not entitled to receive variable compensation with respect to the 2015 performance year. As a consequence, Board members do not participate in the Variable Compensation Plan that applies to all Identified Staff within ABN AMRO Bank.

Benefits

The Chairman and members of the Managing Board participate in the ABN AMRO Bank pension schemes as applicable to all Dutch employees. The changes made to the pension arrangement as agreed between the collective labour agreement partners in 2014 therefore also apply to all seven Managing Board members. The pensionable salary includes frozen compensation for pension contribution for all employees that were

employed before 2011. For pensionable salary up to EUR 100,000, a collective defined contribution (CDC) pension scheme applies. The standard retirement age is 67 years, the average income accrual is 1.875% and the employee pension contribution is 5.5%. For pensionable salary in excess of EUR 100,000, employees will receive an allowance which can be used to build up a net pension in a defined contribution (DC) plan. The allowance in 2015 amounted to 30% and will be set annually using the year-end interest of the preceding calendar year.

In addition to pension benefits, the Managing Board members are eligible for benefits such as the use of a company car and a chauffeur.

Severance

In the event of redundancy, a severance payment equal to one gross annual salary will apply.

Appointment period

All Managing Board members, except for Kees van Dijkhuizen, who was appointed on 1 May 2013, were re-appointed for a four-year term with effect from 10 April 2014.

Managing Board 2015 performance

ABN AMRO Bank's performance management framework supports the performance of the Managing Board. In 2015, three company-wide financial and three non-financial targets were set for all Managing Board members. All six targets have an equal weight and form 80% of the total target framework. The remaining 20% of KPIs are linked to individual performance and are also divided into financial and non-financial components relating to the Managing Board member's area of responsibility, their individual leadership and cooperation between business lines.

The Supervisory Board assessed the Managing Board members' performance and decided that all members delivered on-target performance in 2015. As a consequence of the Bonus Prohibition Act, the members of the Managing Board are not eligible to receive a variable remuneration linked to their 2015 performance.

Details on remuneration of Identified Staff

Remuneration restrictions apply not only to the Managing Board, but also to those staff whose professional activities could have a material impact on the bank's risk profile (Identified Staff). Within ABN AMRO Bank the group of Identified Staff consists of:

- ▶ Members of the Managing and Supervisory Boards;
- ▶ Members of the Management Group;
- ▶ Staff responsible for independent control functions;
- ▶ Other risk takers. The definition of the group of other risk takers follows from credit, market and liquidity risk analyses as undertaken annually by the Group Risk Management Team on the basis of RWA thresholds, membership of certain Risk Committees, the level of P&L budget and responsibilities;
- ▶ Other employees whose total remuneration takes them into the same remuneration bracket as senior managers and risk takers;
- ▶ Employees who qualify on the basis of the additional qualitative and quantitative criteria as laid down in the EBA Guideline that has applied since 1 January 2014.

Composition of remuneration package for Identified Staff

In general, the remuneration packages for Identified Staff employees have been structured in accordance with the various regulations and restrictions for the financial sector as described above. A typical remuneration package for Identified Staff consists of the following components:

- ▶ Annual base salary
- ▶ Annual variable remuneration (with deferred payout);
- ▶ Benefits and other entitlements.

ABN AMRO Bank strives to position the level of total direct compensation for Management Group members just below market median levels. With effect from 2014, the variable compensation for Management Group members was capped at 20% of base salary in anticipation of the Act on the Remuneration Policy for Financial Undertakings (Wbfo), which came into force in 2015. With effect from 2015, the remuneration restrictions under the Bonus Prohibition Act were extended to senior management as defined in the Wbfo. Accordingly, these senior managers, being people who have leading positions immediately below the echelon of the day-to-day

policymakers and who are responsible for natural persons whose work may have a material impact on the risk profile of the bank in the period in which support is or was received, may also not be granted any variable compensation. For the Managing Board members and the senior management described above, the prohibition on payment of variable remuneration will apply until the Dutch State no longer has an interest in ABN AMRO Group.

ABN AMRO Bank's collective labour agreement governs the remuneration packages for Identified Staff based in the Netherlands who are not Management Group

members. For Identified Staff outside the Netherlands, ABN AMRO Bank takes the relevant business dynamics (e.g. market conditions, local labour and tax legislation) into account when deciding on the composition of the reward packages. For the last two categories of employees, the total direct compensation is aimed to be positioned around market median levels.

Performance is measured during a one-year performance period at three levels: group, business unit and individual level, and by means of (partly) risk-adjusted financial and non-financial performance indicators.

Performance indicators Identified Staff

	Weight Managing Board	Weight Management Group (Commercial business lines ¹)	Weight Management Group (Group Functions)	Weight non-Management Group (Commercial business lines ¹)	Weight non-Management Group (Group Functions)
Financial: RARORAC, C/I ratio, Common Equity Tier 1 ratio	40%	10%	10%	10%	10%
Non-financial: Net Promoter Score, Enhance Client Centricity, Employee engagement	40%	10%	10%	10%	10%
Personal financial: Financial performance business line	10%				
Personal financial: RARORAC business line		5%		5%	
Personal financial: Cost ceiling business line		5%	10%	5%	10%
Personal non-financial: No specific KPIs prescribed		10%	10%	10%	10%
Individual: No specific KPIs prescribed, individual leadership ²	10%	60%	60%	60%	60%
Total	100%	100%	100%	100%	100%

¹ Commercial business segments consist of Retail Banking, Private Banking and Corporate Banking.

² For all categories with the exception of the Managing Board: minimum weight individual leadership 30%

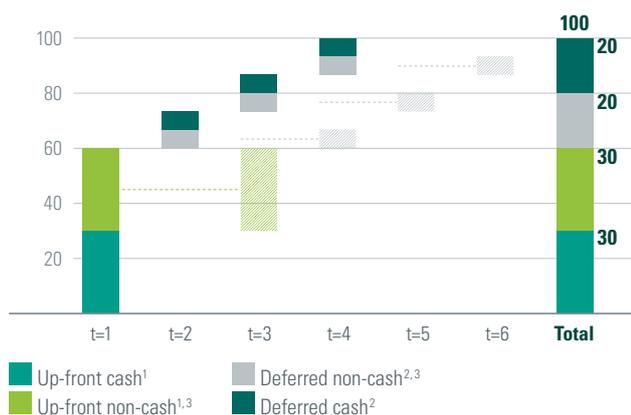
All variable remuneration awards for Identified Staff are subject to, and structured in accordance with, the Variable Compensation Plan. Before any variable remuneration is granted, ABN AMRO Bank applies an ex-ante risk assessment consisting of collective quantitative risk adjustment mechanisms (such as the solvability check) and a qualitative individual check (the gatekeeper). The gatekeeper procedure forms part of the performance

management framework and provides for an assessment of each individual Identified Staff member by the Control Functions (Risk, Compliance and Audit) on the basis of several behavioural elements. This assessment results in advice to the Managing Board, which ultimately decides on whether variable compensation can indeed be granted to the Identified Staff member concerned. The Managing Board's decision must be formally approved by the

Supervisory Board based on the advice by the Remuneration, Selection & Nomination Committee. Furthermore, the variable remuneration is awarded over time and split between an up-front portion (60%) and a deferred portion (40%), with all portions equally divided between a cash and a non-cash instrument as shown in the following scheme.

Variable remuneration

(in %)



¹ The up-front payment (60% in total) is awarded in March following the relevant performance year.

² The deferred award (40% in total) vests in three separate tranches respectively 1, 2 and 3 years after the end of the relevant performance year.

³ All non-cash awards are subject to a two year retention period.

Up-front variable remuneration is awarded in the first quarter of the year following the relevant performance year.

Deferred variable remuneration vests in equal instalments in the three years following the first payment.

Furthermore, this remuneration will only vest after an explicit ex post risk-assessment: the 'malus assessment' (see the Malus paragraph).

Specific conditions are attached to the non-cash instrument. Firstly, it fluctuates in line with the net asset value of ABN AMRO Bank. Secondly, a two-year retention period is applied to the non-cash instrument, so that any unconditional instrument will need to be retained for an additional two years. For a specific group of Identified Staff, the settlement in cash of the non-cash instruments can be capped.

As from 2016, as a consequence of ABN AMRO Group being a listed company, the non-cash instrument portion will be expressed in the form of DRs. The value then fluctuates with the market price of the DRs and its use will result in an increased alignment between

remuneration and shareholder value for all participants in the Variable Compensation Plan. The applicable retention periods will continue to apply.

Ex post risk adjustment tools

ABN AMRO Bank also makes use of several ex post risk-adjustment tools, which are described below.

Malus

The malus assessment is conducted by the control functions Risk, Compliance, HR, Finance and Audit and any outcome is subject to the approval of the Managing Board and Supervisory Board. During the malus assessment, it is determined whether any new information is available which should prevent the vesting of deferred parts, e.g. relating to:

- ▶ Evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules, especially concerning risks);
- ▶ The institution and/or the business unit subsequently suffers a significant downturn in its financial performance (specific indicators are to be used);
- ▶ The institution and/or the business unit in which the staff member works suffers a significant failure of risk management;
- ▶ Significant changes in the institution's economic or regulatory capital base.

The Supervisory Board decided that on the basis of the reassessment as performed by the Control Functions there was no reason to apply a collective or individual malus with respect to the vesting of:

- ▶ The third tranche of deferred variable compensation with respect to the 2012 performance period;
- ▶ The second tranche of the deferred variable compensation with respect to the 2013 performance period;
- ▶ The first tranche of the deferred variable compensation with respect to the 2014 performance period.

This means that one-third of each of the deferred variable compensation awards with respect to the three performance years mentioned above will now be granted to the relevant Identified Staff members.



Clawback

The Supervisory Board has discretionary power to adjust any variable compensation downwards to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board is also authorised to reclaim any variable remuneration over any performance period if the award, calculation or payment was based on incorrect data or if the performance conditions were not achieved in hindsight. The recipient will then be obliged to repay the amount to the bank.

Personal hedging or insurance

Personal hedging or insurance linked to remuneration and liability in order to circumvent the risk control effects that have been embedded in the variable compensation plan are not permitted.

Remuneration of Supervisory Board members

The remuneration of members of the Supervisory Board is set by the General Meeting of Shareholders based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is proportional to the time required to perform their duties linked to the membership of the Supervisory Board and the relevant Board committees and is independent of ABN AMRO Bank's financial results. ABN AMRO Bank does not grant any variable remuneration or shares or options to Supervisory Board members in lieu of remuneration. The remuneration has not changed since 2010. Since 10 April 2014, remuneration for Supervisory Board committee memberships is limited to two such memberships. Details on the remuneration of members of the Supervisory Board in 2015 are provided in note 34 to the Annual Financial Statements.



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Certain IFRS disclosures in the Risk, funding & capital information section are labelled as 'Audited' in the respective headings. These disclosures are an integral part of these Annual Financial Statements and are covered by the Audit opinion.

Consolidated income statement

(in millions)	Note	2015	2014	2013
Income				
Interest income		13,207	13,376	13,383
Interest expense		7,130	7,353	8,003
Net interest income	4	6,076	6,023	5,380
Fee and commission income		3,061	2,693	2,639
Fee and commission expense		1,233	1,002	996
Net fee and commission income	5	1,829	1,691	1,643
Net trading income	6	99	174	106
Share of result in equity accounted investments		1	51	46
Other operating income	7	450	117	149
Operating income		8,455	8,055	7,324
Expenses				
Personnel expenses	8	2,492	2,684	2,357
General and administrative expenses	9	2,559	2,450	2,171
Depreciation and amortisation of tangible and intangible assets	22	177	204	242
Operating expenses		5,228	5,338	4,770
Impairment charges on loans and other receivables		505	1,171	983
Total expenses		5,734	6,509	5,753
Operating profit/(loss) before taxation		2,722	1,546	1,571
Income tax expense	10	798	412	411
Profit/(loss) for the year		1,924	1,134	1,160
<i>Attributable to:</i>				
<i>Owners of the company</i>		1,919	1,134	1,162
<i>- of which available for AT 1 capital securities</i>		11		
<i>Non-controlling interests</i>		5		-2

Consolidated statement of comprehensive income

(in millions)	2015	2014	2013
Profit/(loss) for the year	1,924	1,134	1,160
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement gains/(losses) on defined benefit plans	-6	-179	-291
Items that will not be reclassified to the income statement before taxation	-6	-179	-291
Income tax relating to items that will not be reclassified to the income statement	-4	-44	-73
Items that will not be reclassified to the income statement after taxation	-2	-135	-218
Items that may be reclassified to the income statement			
Currency translation reserve	101	96	-68
Available-for-sale reserve	189	360	45
Cash flow hedge reserve	222	326	541
Share of other comprehensive income of associates	11	17	4
Other changes	-4	5	-4
Other comprehensive income for the period before taxation	519	804	518
Income tax relating to components of other comprehensive income	101	168	146
Other comprehensive income for the period after taxation	418	636	372
Total comprehensive income/(expense) for the period after taxation¹	2,340	1,635	1,314
Total comprehensive income attributable to:			
Owners of the company	2,335	1,635	1,316
- of which available for AT 1 capital securities	11		
Non-controlling interests	5		-2

¹ Including EUR -4 million related to Other reserves in 2015 (2014: EUR 5 million; 2013: EUR -4 million).

Consolidated statement of financial position

(in millions)	Note	31 December 2015	31 December 2014	31 December 2013
Assets				
Cash and balances at central banks	11	26,195	706	9,523
Financial assets held for trading	12	1,706	9,017	12,019
Derivatives	13	19,138	25,285	14,271
Financial investments	15	40,542	41,466	28,111
Securities financing	16	20,062	18,511	18,362
Loans and receivables - banks	18	15,680	21,680	23,967
Residential mortgages	19	150,009	151,998	153,439
Consumer loans	19	14,587	15,398	15,629
Corporate loans	19	88,367	87,866	85,268
Other loans and receivables - customers	19	6,357	6,648	2,692
Equity accounted investments	21	778	1,136	1,082
Property and equipment	22	1,366	1,412	1,426
Goodwill and other intangible assets	22	263	255	195
Tax assets	10	345	504	910
Other assets	23	4,925	4,986	5,128
Total assets		390,317	386,867	372,022
Liabilities				
Financial liabilities held for trading	12	459	3,759	4,399
Derivatives	13	22,425	30,449	17,227
Securities financing	16	11,372	13,918	12,266
Due to banks	24	14,630	15,744	11,626
Demand deposits	25	119,109	109,753	100,151
Saving deposits	25	92,472	88,655	87,448
Time deposits	25	18,555	17,459	19,638
Other due to customers	25	160	144	347
Issued debt	26	76,207	77,131	88,682
Subordinated liabilities	26	9,708	8,328	7,917
Provisions	27	1,256	1,003	1,550
Tax liabilities	10	650	175	90
Other liabilities	29	5,729	5,473	7,113
Total liabilities		372,733	371,990	358,454
Equity				
Share capital		800	800	800
Share premium		4,041	4,041	4,041
Other reserves (incl. retained earnings/profit for the period)		12,128	10,838	13,623
Other comprehensive income		-394	-814	-4,909
Equity attributable to owners of the parent company	30	16,575	14,865	13,555
Capital securities		993		
Equity attributable to non-controlling interests		17	12	13
Total equity		17,584	14,877	13,568
Total liabilities and equity		390,317	386,867	372,022
Committed credit facilities	32	21,559	16,164	13,764
Guarantees and other commitments	32	13,868	15,335	16,103

Consolidated statement of changes in equity

(in millions)	Share capital	Share premium reserve	Other reserves including retained earnings	Other comprehensive income	Net profit/(loss) attributable to shareholders	Total	Capital securities	Non-controlling interests	Total equity
Balance at 1 January 2013	875	4,176	11,727	-5,067	1,153	12,864		19	12,883
Total comprehensive income ¹			-4	158	1,162	1,316		-2	1,314
Transfer			1,153		-1,153				
Dividend			-412			-412			-412
Increase/(decrease) of capital	-75	-135	-3			-213			-213
Other changes in equity								-4	-4
Balance at 31 December 2013	800	4,041	12,461	-4,909	1,162	13,555		13	13,568
Total comprehensive income ¹			5	496	1,134	1,635			1,635
Transfer			1,162		-1,162				
Dividend			-325			-325			-325
Reclassification post-employment benefit plan ²			-3,599	3,599					
Other changes in equity									
Balance at 31 December 2014	800	4,041	9,704	-814	1,134	14,865		12	14,877
Total comprehensive income ¹			-4	420	1,919	2,335		5	2,340
Transfer			1,134		-1,134				
Dividend			-625			-625			-625
Increase/(decrease) of capital							993		993
Other changes in equity								-1	-1
Balance at 31 December 2015	800	4,041	10,209	-394	1,919	16,575	993	17	17,584

¹ Including EUR -4 million related to Other reserves in 2015 (2014: EUR 5 million; 2013: EUR -4 million)

² Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

Other comprehensive income is specified as follows:

(in millions)	Remeasure- ment gains/ (losses) on post-retirement benefit plans	Currency translation reserve	Available- for-sale reserve	Cash flow hedge reserve	Share of OCI of associates and joint ventures	Total
Balance at 1 January 2013	-3,284	5	24	-1,873	61	-5,067
Net gains/(losses) arising during the period	-291	-68	88	416	4	149
Less: Net realised gains/(losses) included in income statement			43	-125		-82
Net gains/(losses) in equity	-291	-68	45	541	4	231
Related income tax	-73	1	10	135		73
Balance at 31 December 2013	-3,502	-64	59	-1,467	65	-4,909
Reclassification post-employment benefit plan ¹	3,599					3,599
Net gains/(losses) arising during the period	-179	96	357	274	17	566
Less: Net realised gains/(losses) included in income statement			-2	-52		-54
Net gains/(losses) in equity	-179	96	360	326	17	620
Related income tax	-44	-3	89	81		124
Balance at 31 December 2014	-38	36	329	-1,223	82	-814
Net gains/(losses) arising during the period	-6	101	206	190	11	502
Less: Net realised gains/(losses) included in income statement			17	-32		-15
Net gains/(losses) in equity	-6	101	189	222	11	517
Related income tax	-4		45	55		97
Balance at 31 December 2015	-41	137	473	-1,056	93	-394

¹ Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

2015

Total comprehensive income includes EUR 1,924 million profit for 2015.

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

A final dividend of EUR 275 million was paid out to ordinary shareholders, bringing the total dividend for full-year 2014 to EUR 400 million. An interim dividend of EUR 350 million was paid to ordinary shareholders in August 2015.



2014

Total comprehensive income includes EUR 1,134 million profit for 2014.

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

A final dividend of EUR 200 million was paid out to the shareholder, bringing the total dividend for full-year 2013 to EUR 350 million. An interim dividend of EUR 125 million was paid to the shareholder in November 2014.

2013

In 2013, a final dividend of EUR 250 million for the year 2012 was paid to the shareholder and EUR 12 million to holders of preference shares A. An interim dividend of EUR 150 million was paid to the shareholder in 2013.

In the first half of 2013, EUR 210 million of class A non-cumulative preference shares were repurchased and cancelled, resulting in a decline in share capital and share premium of EUR 75 million and EUR 135 million respectively. In addition, EUR 3 million was paid to preference share A holders for accrued rights in the first half of 2013 due to the repurchase of the preference shares.

Share of Other comprehensive income of associates and joint ventures is related to the movement in Other comprehensive income of the associates and joint ventures of ABN AMRO Bank.

Consolidated statement of cash flows

(in millions)	2015	2014	2013
Profit/(loss) for the period	1,924	1,134	1,160
Adjustments on non-cash items included in profit:			
(Un)realised gains/(losses)	-101	152	-591
Share of profits in associates and joint ventures	-29	-73	-55
Depreciation, amortisation and accretion	314	357	372
Provisions and impairment losses	993	1,334	1,128
Income tax expense	798	412	411
Changes in operating assets and liabilities:			
Assets held for trading	7,409	3,150	-4,995
Derivatives - assets	6,053	-10,994	7,072
Securities financing - assets	-159	1,258	9,940
Loans and receivables - banks	6,880	-1	9,715
Residential mortgages	2,032	1,310	4,833
Consumer loans	926	326	158
Corporate loans	214	-1,361	-118
Other loans and receivables - customers	664	-3,721	-1,596
Other assets	15	-17	872
Liabilities held for trading	-3,490	-872	747
Derivatives - liabilities	-8,014	13,209	-10,276
Securities financing - liabilities	-3,359	818	-6,963
Due to banks	-1,220	4,018	-5,007
Demand deposits	8,462	7,844	6,864
Saving deposits	3,765	1,147	6,085
Time deposits	806	-2,575	-6,394
Other due to customers	17	-210	21
Liabilities arising from insurance and investment contracts	-142	-140	-263
Net changes in all other operational assets and liabilities	849	-1,428	1,795
Dividend received from associates	56	104	58
Income tax paid	-268	-56	73
Cash flow from operating activities	25,395	15,121	15,046

continued >

(in millions)	2015	2014	2013
Investing activities:			
Purchases of financial investments	-17,123	-22,986	-14,308
Proceeds from sales and redemptions of financial investments	18,446	12,206	7,150
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	-25	241	-95
Divestments of subsidiaries (net of cash sold), associates and joint ventures	132	82	-187
Purchases of property and equipment	-282	-258	-238
Proceeds from sales of property and equipment	127	73	110
Purchases of intangible assets	-42	-120	-21
Cash flow from investing activities	1,233	-10,762	-7,589
Financing activities:			
Proceeds from the issuance of debt	35,244	23,890	43,881
Repayment of issued debt	-37,126	-39,108	-47,919
Proceeds from subordinated liabilities issued	2,839		
Repayment of subordinated liabilities issued	-1,740	-51	-1,497
Proceeds from capital securities	993		
Preference shares settlement			-210
Dividends paid to the owners of the parent company	-625	-325	-412
Repayment of capital (including non-controlling interests)	-1		-3
Cash flow from financing activities	-416	-15,595	-6,160
Net increase/(decrease) of cash and cash equivalents	26,212	-11,235	1,297
Cash and cash equivalents as at 1 January	4,212	15,319	14,091
Effect of exchange rate differences on cash and cash equivalents	127	128	-69
Cash and cash equivalents as at 31 December	30,551	4,212	15,319
Supplementary disclosure of operating cash flow information			
Interest paid	6,904	7,519	7,697
Interest received	14,024	13,259	12,466
Dividend received from investments	55	71	38

The following table shows the determination of cash and cash equivalents at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Cash and balances at central banks	26,195	706	9,523
Loans and receivables banks (less than 3 months) ¹	4,357	3,506	5,796
Total cash and cash equivalents	30,551	4,212	15,319

¹ Loans and receivables banks with a original maturity less than 3 months is included in Loans and receivables - banks. See note 18 Loans and receivables - banks.



Notes to the Consolidated Annual financial statements

1 Accounting policies

The notes to the Consolidated Annual Financial Statements including the audited sections in the Risk, funding & capital Report are an integral part of these Annual Financial Statements.

This section describes ABN AMRO Bank's significant accounting policies and critical accounting estimates or judgements relating to the Financial Statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note, it is included within the relevant note.

Corporate information

ABN AMRO Bank N.V. (referred to as 'ABN AMRO Bank') is a leading Dutch bank, providing financial services in the Netherlands and abroad, together with its consolidated group of entities.

ABN AMRO Bank is a public limited liability company, incorporated under Dutch law on 9 April 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

All ordinary shares in ABN AMRO Bank N.V., representing 100% of the voting rights, have been held by ABN AMRO Group N.V. since 9 April 2009. As at 31 December 2015, all shares in the capital of ABN AMRO Group are held by two foundations: NLFI and STAK AAG. On that date, NLFI held 77% and STAK AAG held 23% of the shares in the issued capital of ABN AMRO Group. Both foundations have issued depositary receipts for shares in ABN AMRO Group. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group and traded on Euronext Amsterdam.

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

The Consolidated Annual Financial Statements of ABN AMRO Bank for the annual period ended 31 December 2015 incorporate financial information of ABN AMRO Bank N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 15 March 2015.

Statement of compliance

The Consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Basis of preparation

The Consolidated Annual Financial Statements are prepared on the basis of a mixed valuation model as follows:

- ▶ Derivative financial instruments;
- ▶ Financial assets and liabilities held for trading or designated as measured at fair value through profit or loss;
- ▶ Available-for-sale financial assets;
- ▶ Investments in associates of a private equity nature;
- ▶ Other financial assets (including loans and receivables) and liabilities are valued at amortised cost less any impairment, if applicable;
- ▶ The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- ▶ Non-financial assets and liabilities are generally stated at historical cost;
- ▶ Associates and Joint Ventures are accounted for using the net equity method.

The Annual Financial Statements are prepared under the going concern assumption. The Annual Financial Statements are presented in euros, which is the reporting currency of ABN AMRO Bank, rounded to the nearest million (unless otherwise stated).

Disclosures

To combine disclosures where possible and to reduce duplication, we have integrated some IFRS disclosures into our Managing Board Report. These are:

- ▶ IFRS 7 Risk disclosures of financial instruments. These are disclosed in the Risk, funding and capital section;
- ▶ IAS 1 Risk and financial instrument disclosures. These are part of the Risk, funding and capital section.

IFRS disclosures in the Risk, funding and capital section on pages 36 to 132 are labelled as 'audited'. These disclosures are an integral part of the Consolidated Annual Financial Statements and are covered by the Audit opinion.

Changes in accounting policies

In 2015 ABN AMRO Bank adopted the following amendments to IFRS:

IAS 19 Defined Benefit Plans: Employee Contributions. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for these contributions. The standard became effective on 1 July 2014 and was adopted by the EU on 1 February 2015. The amendments have no significant impact on the Annual Financial Statements.

Annual Improvements to IFRSs 2010-2012 Cycle. This cycle of annual improvements comprises a total of eight amendments related to seven standards. The amendments to IFRS 3 Business Combinations: Accounting for Contingent Consideration in a Business Combination, IFRS 8 Operating Segments: Aggregation of Operating Segments. Reconciliation of the total of reportable segments' assets to the entity's assets, and IFRS 13 Fair Value Measurement: Short-term Receivables and Payables, are the most relevant for ABN AMRO Bank. These amendments have no significant impact on the Annual Financial Statements. The requirements of this set of amendments are to be applied for annual periods beginning on or after 1 July 2014 and were endorsed by the EU on 1 February 2015.



Annual Improvements to IFRSs 2011-2013 Cycle. This cycle of annual improvements consists of amendments to four standards. Two of these are relevant for ABN AMRO Bank. These are the amendments to IFRS 3 Business Combinations: Scope Exceptions for Joint Ventures and IFRS 13 Fair Value Measurement: Scope of Paragraph 52 (portfolio exception). None of these amendments has a significant impact on the Annual Financial Statements. The effective date of this cycle of improvements is 1 July 2014 and the improvements were endorsed by the EU on 1 January 2015.

New standards, amendments and interpretations not yet effective

The following amendments to IFRSs are issued by the IASB and endorsed by the EU, but are not yet effective. The amendments are required to be applied from 1 January 2016. Note that only the amendments to IFRSs that are relevant for ABN AMRO Bank are discussed below.

IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements.

The objective of this amendment is to include the option to use the equity method of accounting in separate financial statements. Since ABN AMRO Bank values participating interests in its companies at net asset value in accordance with Book 2, title 9 of the Dutch Civil Code option 3 in the statutory financial statements, this amendment has no impact.

IAS 1 Presentation of Financial Statements: Disclosure Initiative. This amendment is part of the Disclosure Initiative of the IASB. A portfolio of projects with the objective to improve the effectiveness of disclosures in financial statements. The amendments to IAS 1 are a further clarification of concepts such as aggregation, materiality, and understandability and comparability of information. The amendment does not have a significant impact on the Annual Financial Statements.

IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment does not have a significant impact on the Annual Financial Statements.

Annual improvements to IFRSs 2012-2014 Cycle. This cycle of improvements contains amendments to four standards of which two are relevant for ABN AMRO Bank. These are IFRS 7 Financial Instruments: Disclosures: 'Continuing Involvement' for Servicing Contracts and Offsetting Disclosures in Condensed Interim Financial Statements, IAS 34 Interim Financial Reporting: Disclosure of Information 'Elsewhere in the Interim Financial Report'. None of these amendments has a significant impact on the Annual Financial Statements.

New standards, amendments and interpretations not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRSs that are relevant for ABN AMRO Bank are discussed below.

IFRS 9 Financial Instruments: In July 2014 the IASB published the final version of the new standard that replaces IAS 39 Financial instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. IFRS 9 has changed requirements for Classification and measurement, Impairment and Hedge accounting, in addition to containing extensive new disclosure requirements. During the year 2015 ABN AMRO Bank put considerable effort into interpreting and implementing IFRS 9. A project was established with work

streams that focus on the three areas of IFRS 9 (Classification & Measurement, Impairment and Hedge Accounting). Although significant steps have been taken in implementing IFRS 9, ABN AMRO Bank still has several key steps to take. ABN AMRO Bank expects that the main impact of implementing IFRS 9 arises from the significant changes to the impairment model. IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model'. The main difference is that IFRS 9 requires entities to recognise expected credit losses in profit and loss for all financial assets not measured at fair value through profit and loss, even for those that are newly originated or acquired. IAS 39 only allows the recognition of a loss if a loss event has occurred. The main impact of implementing this new impairment model is that credit risk losses will be recognised earlier and that forward-looking information will be incorporated in the loss calculation. This difference in approach will result in higher loan loss impairments and corresponding lower equity.

IFRS 15 Revenue from contracts with customers. This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. It is effective for annual periods beginning on or after 1 January 2018. ABN AMRO Bank is currently assessing the impact of the new standard.

IFRS 16 Leases. The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'Operational' and 'Financial' lease for lessees. The requirements for lessor accounting remain mostly unchanged. ABN AMRO Bank will start its impact assessment in 2016.

IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. ABN AMRO Bank will start its impact assessment in 2016.

IAS 7 Statement of Cash Flows: Disclosure Initiative. The objective of the amendment is to improve information provided about financing activities and disclosure that help to understand the liquidity of an entity. The amendment does not have a significant impact on the annual financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to exercise its judgement in the process of applying ABN AMRO Bank's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those estimates and assumptions. Accounting policies for most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are made in the following sections:

Impairment losses on loans and receivables	Risk, funding & capital Report
Fair value of financial instruments	note 17
Income taxes	note 10
Impairment of available-for-sale instruments	note 15
Provisions	note 27

Assessment of risk and rewards

Whenever ABN AMRO Bank is required to assess risks and rewards, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation



of subsidiaries, ABN AMRO Bank may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks and rewards may ultimately differ.

Significant accounting policies

Basis of consolidation

The Consolidated Financial Statements of ABN AMRO Bank N.V. include the financial statements of the parent company and its controlled entities. It incorporates the assets, liabilities, revenues and expenses of ABN AMRO Bank N.V. and its subsidiaries. Non-controlling interests (held by third parties) in both equity and results of ABN AMRO Bank group companies are presented separately in the Consolidated Financial Statements.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses, are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO Bank's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the presentation and functional currency of ABN AMRO Bank.

Foreign currency differences

ABN AMRO Bank applies IAS 21 The effect of changes in foreign exchange rates. Transactions in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances of monetary items are translated into euros at the period end exchange rates. Exchange gains and losses on such balances are recognised in the income statement. ABN AMRO Bank's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated at the closing rate and items of the income statement and other comprehensive income are translated into euros at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when ABN AMRO Bank loses control, joint control or significant influence over the foreign operation.

Financial assets and liabilities

ABN AMRO Bank classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Classification of financial assets

Financial assets are classified as assets held for trading, financial investments or loans and receivables and are based on the criteria in IAS 39 Financial Instruments: Recognition and measurement.

Their measurement and income recognition depends on the classification of the financial assets.

The following four groups are identified:

- ▶ Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a customer with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement;
- ▶ Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement;
- ▶ Financial assets at fair value through profit or loss include:
 - ▶ financial assets held for trading;
 - ▶ financial assets that ABN AMRO Bank irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.
- ▶ Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments or financial assets designated at fair value through profit or loss. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

If ABN AMRO Bank reclassifies a financial asset out of held for trading, the financial asset is reclassified at its fair value and this fair value becomes the new amortised cost. On the same date a new effective interest is calculated.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities.

- ▶ Financial liabilities at fair value through profit or loss include:
 - ▶ financial liabilities held for trading;
 - ▶ financial liabilities that ABN AMRO Bank has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Other financial liabilities are initially measured at fair value (including transaction costs). Subsequent changes are measured at amortised cost using the effective interest rate method with the periodic amortisation recorded in the income statement.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- ▶ acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ▶ part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- ▶ a trading derivative (except for a derivative that is a designated and effective hedging instrument).

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which ABN AMRO Bank commits to purchase or sell the underlying instrument. In the event that settlement terms are non-standard, the commitment is accounted for as a derivative between trade and settlement date. Loans and receivables are recognised when they are acquired or funded by ABN AMRO Bank and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with ABN AMRO Bank. Other financial assets and liabilities, including derivatives, are recognised in the Statement of financial position when ABN AMRO Bank becomes a party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when ABN AMRO Bank loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Financial assets are also derecognised in the case that the bank has neither transferred nor retained substantially all risks and rewards of ownership but control has passed to the transferee.

Financial instruments continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and rewards and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

ABN AMRO Bank has protected assets through synthetic securitisations. Through a synthetic securitisation a substantial part of the credit risk related to these assets is transferred, while actual ownership of the assets remains with ABN AMRO Bank.

A restructuring of a financial asset with the same lender on substantially different terms, qualitative and quantitative - generally a 10% difference in the present value of the cash flows - is accounted for as an expiration of the financial asset and recognition of a new financial asset. The difference between the former carrying amount and the carrying amount of the new financial asset is included is recognised in the income statement.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitative and quantitative - generally a 10% difference in the present value of the cash flows - is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former carrying amount and the consideration paid is recognised in the income statement. Any subsequent resale is treated as a new issuance.

Client clearing

As a general clearing member, ABN AMRO Bank provides clearing and settlement services to its clients. During 2015, ABN AMRO Bank reconfirmed its accounting treatment of exchange traded derivatives cleared on behalf of clients. A comprehensive analysis was performed focusing on the extent to which ABN AMRO Bank becomes party to one or more derivative instrument(s) and to the specific legal and economic facts and circumstances around its clearing operations in different jurisdictions.

In its capacity as clearing member, ABN AMRO Bank guarantees the fulfilment of obligations towards CCPs of clients' transactions. ABN AMRO Bank is not liable to clients for the non-performance of the CCP. In the event of a client defaulting, ABN AMRO Bank has the legal obligation to settle all the clients' positions with the relevant CCPs, possibly at a loss. Possible losses arising from this guarantee might relate not only to the clients' current positions but also to the future trades of the client. Unlike a financial guarantee contract as defined in IAS 39 Financial Instruments, the guarantee provided by ABN AMRO Bank does not relate to specific debt instruments. Therefore, we consider this guarantee to be in the scope of IAS 37 Provisions since the possible outflow of resources stem from the clearing arrangement with the CCP. ABN AMRO Bank receives and collects (cash) margins from clients, and remits these margins to the relevant CCP in whole or in part. Given the stringent margin requirements set by the CCPs, possible future outflows of resources for new clearing transactions are considered close to zero.

As a consequence, ABN AMRO Bank does not reflect the exchange traded derivatives cleared on behalf of clients in its financial statements. Under normal circumstances, the guarantee has no fair value and is not recognised in the financial statements. The loss recognition in case of non-performance of a client will be in the scope of IAS 37 including disclosures.

Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, net credit balances on current accounts with other banks, with less than three months maturity from the date of acquisition. The Statement of cash flows, based on the indirect method of calculating operating cash flows, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arise from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

2 Segment reporting

Accounting policy for segment reporting

The segment reporting is in accordance with IFRS 8 Operating Segments. The segments are reported in a manner consistent with the internal reporting provided to the Managing Board, which is responsible for allocating resources and assessing performance and has been identified as chief operating decision-maker. All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions.

Geographical data is presented according to management view.

In 2014 ABN AMRO Bank has made a number of changes to its client segmentation in order to better cater to clients' needs, resulting in four reporting segments: Retail Banking, Private Banking, Corporate Banking and Group Functions. The comparative figures of 2013 have been adjusted accordingly.

Segment assets, liabilities, income and results are measured based on our accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Interest income is reported as net interest income as management primarily relies on net interest income as a performance measure, not gross income and expense.

There was no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2015, 2014 or 2013.

Retail Banking

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

Private Banking

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

Corporate Banking

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

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

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

Group Functions

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

Segment income statement for the year 2015

						2015
(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divestments	Total
Net interest income	3,302	589	2,142	44		6,076
Net fee and commission income	527	619	751	-68		1,829
Net trading income	7	58	127	-92		99
Share of result in equity accounted investments	21	17	-40	3		1
Other operating income	-3	27	141	286		450
Operating income	3,853	1,310	3,120	172		8,455
Personnel expenses	487	501	676	828		2,492
General and administrative expenses	445	287	408	1,420		2,559
Depreciation and amortisation of tangible and intangible assets	7	24	19	127		177
Intersegment revenues/expenses	1,167	238	837	-2,242		
Operating expenses	2,106	1,050	1,940	133		5,228
Impairment charges on loans and other receivables	99	-4	419	-8		505
Total expenses	2,205	1,046	2,358	125		5,734
Operating profit/(loss) before taxation	1,649	264	762	48		2,722
Income tax expense	423	49	165	160		798
Underlying profit/(loss) for the period	1,226	214	596	-112		
Special items and divestments						
Profit/(loss) for the year	1,226	214	596	-112		1,924
<i>Attributable to:</i>						
Owners of the company	1,226	214	592	-113		1,919
Non-controlling interests			5			5

Retail Banking

Net interest income, at EUR 3,302 million, declined by EUR 77 million compared with 2014. This was largely driven by provisions related to legal claims (including Euribor mortgages) and inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products in 2015 and positive one-off results in 2014.



Margins on residential mortgages improved as a result of the gradual repricing of the mortgage book. This was partly offset by lower average residential mortgages volumes. Consumer lending volumes and margins decreased in 2015. Interest income on deposits remained stable. Higher average savings volumes were offset by lower margins as market rates declined at a faster pace than client savings rates.

Net fee and commission income, at EUR 527 million in 2015, was marginally higher than in the previous year.

Personnel expenses decreased by EUR 73 million or 13% due mainly to a restructuring provision of EUR 60 million in 2014. Excluding this provision, personnel expenses were EUR 13 million lower due to lower average FTE levels following a further reduction of the number of branches. This was partly offset by higher pension expenses.

General and administrative expenses rose EUR 49 million, due mainly to EUR 48 million higher regulatory levies.

Intersegment revenues/expenses rose by EUR 96 million, which is mainly attributable to higher external staffing costs due to increased mortgage production and higher allocation of project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes).

Impairment charges on loans and other receivables fell by EUR 361 million, compared with 2014, to EUR 99 million in 2015. The decline in impairments is visible in both the consumer loan portfolio and the mortgage portfolio. Mortgage impairments decreased on the back of improved conditions in the housing market, and the recovery of the Dutch economy contributed to a lower inflow of mortgages in the impaired portfolio, increased outflow and an improvement of the portfolio's risk profile. Consumer loans also benefited from improved economic conditions and active risk management of the portfolio of clients in arrears, leading to sharply lower loan impairments. In addition, impairment charges benefited from releases of the IBNI allowances (EUR 85 million in 2015). Included in 2014 were EUR 50 million of IBNI additions.

Private Banking

Net fee and commission income increased by EUR 75 million, or 14%, to EUR 619 million in 2015. Net fees increased due to higher average client assets, almost fully attributable to the stock market performance. Private Banking also generated additional fee income in 2015 from the full-year contribution of the acquired German activities.

Personnel expenses increased by EUR 41 million to EUR 501 million in 2015. The increase in the international entities was mainly attributable to the acquired German activities, the restructuring provision for the announced integration of Jersey into ABN AMRO Guernsey and FTE growth.

Impairment charges on loans and other receivables showed a net release of EUR 4 million, versus EUR 23 million impairment additions in 2014. The release in impairments is partially explained by a EUR 12 million IBNI release in 2015.

Corporate Banking

Net interest income increased by EUR 123 million to EUR 2,142 million.

Commercial Clients posted a modest rise in net interest income of EUR 30 million to EUR 1,305 million. Margins on loans and average deposit volumes increased, while deposit margins decreased compared with 2014. Average loan volumes decreased partly due to the reallocation of a portfolio to Group Functions.

Net interest income in International Clients increased by EUR 61 million to EUR 709 million, benefiting from growth in the ECT Clients loan portfolio which was partly due to the depreciation of the euro. This was partly offset by lower margins on deposits.

Net interest income in Capital Markets Solutions improved by EUR 31 million to EUR 127 million, mainly in Clearing.

Net fee and commission increased by EUR 105 million compared with the same period in 2014 to EUR 751 million. Fee growth was mainly driven by higher transaction volumes in Capital Markets Solutions and higher fees received from Group Functions related to Securities Financing activities.

Net trading income went up by EUR 10 million. The increase was driven by a EUR 116 million higher CVA/DVA/FVA impact compared with 2014 (EUR 49 million positive in 2015 versus EUR 67 million negative in 2014), which included first-time application of the FVA. This was largely offset by a provision for possible derivative-related issues for a group of SMEs.

Other operating income went up by EUR 54 million due largely to increased tax-exempt results on the Equity Participations portfolio on the back of improved market conditions in 2015. Clearing recorded a EUR 40 million gain in 2014 on the partial sale of the share in Holland Clearing House.

Personnel expenses amounted to EUR 676 million in 2015, up by EUR 58 million compared with 2014. Personnel expenses increased due to pension expenses, restructuring provisions and increased personnel expenses for our international activities driven by growth in the number of FTEs and the depreciation of the euro. General and administrative expenses were up EUR 110 million due partly to EUR 73 million higher regulatory levies. Intersegment revenues/expenses grew by EUR 37 million mainly due to higher project costs for continuous improvement of products, services and IT processes (including TOPS 2020).

Impairment charges amounted to EUR 419 million, down by EUR 298 million compared with 2014. The decrease of impairment charges at Commercial Clients in 2015 was partly offset by the increase at International Clients. In 2015 an IBNI release of EUR 125 million was included for Corporate Banking, compared with a EUR 25 million release in 2014.

Group Functions

Net interest income increased by EUR 16 million compared with last year. The increase was mainly driven by lower funding costs due to lower spread levels paid on funding. This was partly offset by a higher cash level in the liquidity buffer, higher client funding volumes and a tax-exempt non-recurring provision related to the part of the Securities Financing activities discontinued in 2009.

Personnel expenses, at EUR 828 million in 2015, went up by EUR 70 million compared with 2014. This increase was driven by an increase in the number of FTEs and higher additions to restructuring provisions, and the fact that 2014 was positively impacted by adjustments to employee benefits. General and administrative expenses increased by EUR 117 million. This was due to higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes). In addition, a lower release related to the Deposit Guarantee Scheme provision for DSB was recorded in 2015 compared with 2014 (EUR 35 million release in 2015 versus EUR 66 million release in 2014). Expenses in 2015 were also impacted by a considerable VAT refund, which was the result of discussions with the tax authorities related to the period 2007-2014. This was partly offset by the EUR 55 million settlement with Vestia. These costs were, however, largely allocated to the commercial segments.

Special items and divestments

In 2015 there were no special items or divestments.

Segment income statement for the year 2014

						2014
(in millions)	Retail Bank- ing	Private Banking	Corporate Banking	Group Functions	Special items and divestments	Total
Net interest income	3,379	597	2,019	28		6,023
Net fee and commission income	522	544	646	-21		1,691
Net trading income	7	40	117	10		174
Share of result in equity accounted investments	51	19	-30	11		51
Other operating income	-16	-8	87	54		117
Operating income	3,942	1,193	2,839	82		8,055
Personnel expenses	560	460	618	758	288	2,684
General and administrative expenses	396	251	298	1,303	201	2,450
Depreciation and amortisation of tangible and intangible assets	8	48	18	131		204
Intersegment revenues/expenses	1,071	205	800	-2,075		
Operating expenses	2,035	964	1,734	117	489	5,338
Impairment charges on loans and other receivables	460	23	717	-28		1,171
Total expenses	2,495	986	2,450	89	489	6,509
Operating profit/(loss) before taxation	1,447	206	388	-7	-489	1,546
Income tax expense	368	46	91	-21	-72	412
Underlying profit/(loss) for the period	1,079	160	298	14	-417	
Special items and divestments				-417	417	
Profit/(loss) for the year	1,079	160	298	-402		1,134
<i>Attributable to:</i>						
Owners of the company	1,079	160	298	-402		1,134
Non-controlling interests						



Retail Banking

Net interest income increased by EUR 264 million to EUR 3,379 million driven by margins on deposits and, to a lesser extent, increased deposit volumes. Net interest income on mortgages improved due to gradual repricing of the mortgage book at higher margins as mortgages originated pre-crisis had lower margins. In addition, 2013 was negatively impacted by a correction for interest accruals. Net interest income on consumer lending decreased as lower average lending volumes more than offset the higher margins.

Net fee and commission showed a limited decline of EUR 25 million to EUR 522 million. The decline was largely attributable to the switch to an all-in fee model for investment products in the Netherlands.

Personnel expenses increased by EUR 44 million to EUR 560 million due to a restructuring provision of EUR 60 million. Excluding the restructuring provision, personnel expenses decreased modestly resulting from a decline in the number of FTEs following a further reduction in the number of branches in the Netherlands.

Intersegment revenues/expenses rose by EUR 44 million, which is mainly attributable to higher allocation of IT project costs incurred for the planned improvement of core IT systems and processes in the coming years.

Impairment charges on loans and other receivables were considerably lower, dropping EUR 219 million to EUR 460 million. The decline was driven by lower impairments on mortgages and, to a lesser extent, lower impairments on the consumer lending portfolio. The improved conditions in the housing market and recovery of the Dutch economy contributed to lower inflow of clients in the impaired portfolio, increased outflow of clients to the performing portfolio and more final settlements of impaired exposures, all of which had a positive impact on the impairment level of mortgages in 2014.

Private Banking

Net interest income amounted to EUR 597 million, up by 13%. This increase was largely driven by higher volume and improved margins on deposits in the Netherlands. Margins of the international activities improved as well.

Net fee and commission rose by 2% to EUR 544 million. Net fees internationally increased mainly as a result of the acquisition of private banking activities in Germany and higher assets under management. Net fees in the Netherlands declined primarily due to the switch to an all-in fee model for investment products, despite the growth in assets under management.

Personnel expenses increased by EUR 18 million and general and administrative expenses increased by EUR 30 million. The increase was mainly related to the integration of the private banking activities in Germany. Depreciation and amortisation of tangible and intangible assets rose by EUR 28 million, mainly due to a goodwill impairment of EUR 28 million. Intersegment revenues/expenses increased by EUR 30 million, partly due to higher allocation of IT costs incurred for the improvement of the core IT systems and processes in the coming years.

Impairment charges at EUR 23 million improved sharply compared with 2013. In 2013, the international portfolio was impacted by several large impairment charges.



Corporate Banking

Net interest income showed a marked increase of EUR 167 million to EUR 2,019 million. Commercial Clients grew due to margin improvements from repricing abilities on both loans and deposits. Average lending volumes showed a limited decline, while average deposit volumes were virtually flat. International Clients benefited from growth in the ECT Clients loan portfolio. Capital Markets Solutions grew, among other things, at Clearing.

Net fee and commission increased by EUR 46 million to EUR 646 million mainly due to higher commitment fees at ECT Clients and Commercial Clients as well as higher M&A fees at Corporate Finance.

Net trading income decreased to EUR 117 million. The FVA impact, recorded for the first time this year, amounted to EUR 52 million negative. CVA/DVA results were EUR 18 million lower compared with 2013 (EUR 3 million positive in 2013 and EUR 15 million negative in 2014). Other operating income increased to EUR 87 million driven by Clearing recording a gain of EUR 40 million resulting from the partial sale of its share in Holland Clearing House.

Personnel expenses came to EUR 618 million, rising by EUR 18 million mainly due to a restructuring provision following the strategic review of Capital Markets Solutions. Intersegment revenues/expenses showed an increase of EUR 57 million mainly due to higher allocated IT project costs.

Impairment charges on loans and other receivables amounted to EUR 717 million, a significant decrease of 16%, or EUR 134 million. Commercial Clients recorded substantially lower loan impairments at small clients (turnover of EUR 1 million to EUR 30 million), while loan impairments on medium-sized and large clients (turnover of EUR 30 million to EUR 250 million) increased. Loan impairments at International Clients increased and loan impairments at Capital Markets Solutions remain negligible.

Group Functions

Net interest income increased sharply by EUR 143 million compared with 2013. The rise was largely attributable to the improved ALM interest result, in part as a result of reallocation of the liquidity buffer costs (approximately EUR 80 million mainly allocated to Corporate Banking and for a small part to Retail Banking).

Personnel expenses remained virtually stable compared with 2013. General and administrative expenses increased by EUR 17 million partly due to expenses incurred in connection with the Asset Quality Review. This was offset by a higher release related to the DSB deposit guarantee scheme (EUR 66 million release in 2014 versus EUR 31 million release in 2013).

Depreciation and amortisation of tangible and intangible assets decreased by EUR 64 million, mainly due to accelerated depreciations in 2013 of EUR 52 million. Intersegment revenues grew by EUR 129 million. The increase was mainly driven by a change in allocation method of IT costs, as all IT costs are now allocated to the business segments (approximately EUR 100 million, of which 50% is allocated to Retail Banking, 40% to Corporate Banking and 10% to Private Banking).

Special items and divestments

Special items in 2014 included a EUR 288 million charge for the transition to a new pension scheme, and the levy for the nationalisation of SNS Reaal amounted to a total of EUR 201 million in operating expenses.

Segment income statement for the year 2013

(in millions)						2013
	Retail Banking	Private Banking	Corporate Banking	Group Functions	Special items and divestments	Total reported
Net interest income	3,115	529	1,852	-115		5,380
Net fee and commission income	547	532	600	-37		1,643
Net trading income		30	219	-21	-122	106
Share of result in equity accounted investments	39	14	-9	3		46
Other operating income	-10	13	68	77		149
Operating income	3,691	1,118	2,730	-93	-122	7,324
Personnel expenses	516	442	600	762	37	2,357
General and administrative expenses	376	221	288	1,286		2,171
Depreciation and amortisation of tangible and intangible assets	9	20	18	195		242
Intersegment revenues/expenses	1,027	175	743	-1,946		
Operating expenses	1,929	858	1,649	297	37	4,770
Impairment charges on loans and other receivables	679	141	851	-4	-684	983
Total expenses	2,608	998	2,500	293	-647	5,753
Operating profit/(loss) before taxation	1,082	119	230	-386	525	1,571
Income tax expense	282	16	83	-87	117	411
Underlying profit/(loss) for the period	800	104	147	-299	408	
Special items and divestments			-109	517	-408	
Profit/(loss) for the year	800	104	38	218		1,160
<i>Attributable to:</i>						
Owners of the company	800	104	40	218		1,162
Non-controlling interests			-2			-2

Selected assets and liabilities by segment

31 December 2015

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Assets					
Financial assets held for trading			1,706		1,706
Derivatives		94	15,340	3,704	19,138
Securities financing		20	4,591	15,451	20,062
Residential mortgages	143,525	3,072	12	3,401	150,009
Consumer loans	8,105	5,858	624		14,587
Corporate loans	2,615	7,671	73,816	4,265	88,367
Other loans and receivables - customers	-1		6,143	215	6,357
Other	1,553	7,457	15,125	65,958	90,092
Total assets	155,797	24,171	117,355	92,994	390,317
Liabilities					
Financial liabilities held for trading			459		459
Derivatives		85	13,560	8,780	22,425
Securities financing		8	1,155	10,209	11,372
Demand deposits	23,579	41,435	53,784	311	119,109
Saving deposits	69,952	18,498	4,022		92,472
Time deposits	5,142	6,533	4,884	1,996	18,555
Other due to customers			160		160
Other	57,123	-42,387	39,331	54,112	108,180
Total liabilities	155,797	24,171	117,355	75,410	372,733

31 December 2014

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



31 December 2013

(in millions)	Retail Banking	Private Banking	Corporate Banking	Group Functions	Total
Assets					
Financial assets held for trading			12,138	-119	12,019
Derivatives	39	171	11,710	2,351	14,271
Securities financing		8	3,024	15,330	18,362
Residential mortgages	146,670	3,221	17	3,531	153,439
Consumer loans	9,437	5,291	901		15,629
Corporate loans	2,851	6,975	75,290	152	85,268
Other loans and receivables - customers		9	2,678	5	2,692
Other	1,633	4,942	12,051	51,716	70,342
Total assets	160,630	20,617	117,809	72,966	372,022
Liabilities					
Financial liabilities held for trading			4,399		4,399
Derivatives	38	130	10,636	6,423	17,227
Securities financing		3	1,176	11,087	12,266
Demand deposits	20,933	33,888	44,894	436	100,151
Saving deposits	68,802	17,331	1,315		87,448
Time deposits	3,669	8,245	5,111	2,613	19,638
Other due to customers			346	1	347
Other	67,188	-38,980	49,932	38,838	116,978
Total liabilities	160,630	20,617	117,809	59,398	358,454

Geographical segments

						2015
(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Net interest income	5,109	577	156	178	57	6,076
Net fee and commission income	1,186	363	104	163	13	1,829
Net trading income	105	-30	5	20	-1	99
Share of result in equity accounted investments	-16	17				1
Other operating income	417	26		6		450
Operating income	6,801	953	265	367	69	8,455
Personnel expenses	1,905	354	85	129	19	2,492
General and administrative expenses	2,195	248	41	61	14	2,559
Depreciation and amortisation of tangible and intangible assets	138	27	5	5	2	177
Intercountry revenues/expenses	-20	-3	8	21	-6	
Operating expenses	4,217	626	139	217	29	5,228
Impairment charges on loans and other receivables	383	29	11	47	35	505
Total expenses	4,600	656	150	264	64	5,734
Operating profit/(loss) before taxation	2,201	298	115	102	5	2,722
Income tax expense	665	88	34	11	-1	798
Profit/(loss) for the year	1,536	210	81	91	7	1,924
<i>Attributable to:</i>						
Owners of the company	1,531	210	81	91	7	1,919
Non-controlling interests	5					5

2014

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Net interest income	5,162	568	103	157	33	6,023
Net fee and commission income	1,115	321	87	153	14	1,691
Net trading income	135	17	3	18		174
Share of result in equity accounted investments	32	17			2	51
Other operating income	112	1		3		117
Operating income	6,556	925	194	331	48	8,055
Personnel expenses	2,157	338	61	109	19	2,684
General and administrative expenses	2,112	243	31	49	14	2,450
Depreciation and amortisation of tangible and intangible assets	143	49	4	4	4	204
Intercountry revenues/expenses	-8	-8	4	19	-8	
Operating expenses	4,405	623	99	181	30	5,338
Impairment charges on loans and other receivables	1,085	65	9	8	3	1,171
Total expenses	5,490	688	109	190	33	6,509
Operating profit/(loss) before taxation	1,066	237	86	141	16	1,546
Income tax expense	286	73	28	20	6	412
Profit/(loss) for the year	780	165	58	121	10	1,134
<i>Attributable to:</i>						
Owners of the company	781	165	58	121	10	1,134
Non-controlling interests						



2013

(in millions)	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Net interest income	4,639	511	72	132	26	5,380
Net fee and commission income	1,109	306	83	131	14	1,643
Net trading income	138	-55	3	20		106
Share of result in equity accounted investments	31	13		2		46
Other operating income	119	22	1	1	6	149
Operating income	6,036	797	159	286	46	7,324
Personnel expenses	1,856	328	54	96	23	2,357
General and administrative expenses	1,855	233	29	43	11	2,171
Depreciation and amortisation of tangible and intangible assets	208	23	4	5	2	242
Intercompany revenues/expenses	-1	-18	4	19	-4	
Operating expenses	3,918	566	91	163	32	4,770
Impairment charges on loans and other receivables	981	-5	-1	6	2	983
Total expenses	4,899	561	90	169	34	5,753
Operating profit/(loss) before taxation	1,137	236	69	117	12	1,571
Income tax expense	291	81	18	17	4	411
Profit/(loss) for the year	846	155	51	100	8	1,160
<i>Attributable to:</i>						
Owners of the company	848	155	51	100	8	1,162
Non-controlling interests	-2					-2

3 Overview of financial assets and liabilities by measurement base

31 December 2015

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Available for sale financial assets	Total
Financial assets					
Cash and balances at central banks	26,195				26,195
Financial assets held for trading		1,706			1,706
Derivatives		15,495	3,644		19,138
Financial investments			770	39,772	40,542
Securities financing	20,062				20,062
Loans and receivables - banks	15,680				15,680
Loans and receivables - customers	259,319				259,319
Other assets			2,543		2,543
Total financial assets	321,255	17,200	6,956	39,772	385,183
Financial Liabilities					
Financial liabilities held for trading		459			459
Derivatives		13,725	8,700		22,425
Securities financing	11,372				11,372
Due to banks	14,630				14,630
Due to customers	230,297				230,297
Issued debt	74,492		1,715		76,207
Subordinated liabilities	9,708				9,708
Other liabilities			2,543		2,543
Total financial liabilities	340,499	14,184	12,958		367,641

31 December 2014

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Available for sale financial assets	Total
Financial assets					
Cash and balances at central banks	706				706
Financial assets held for trading		9,017			9,017
Derivatives		20,243	5,043		25,285
Financial investments			589	40,877	41,466
Securities financing	18,511				18,511
Loans and receivables - banks	21,680				21,680
Loans and receivables - customers	261,910				261,910
Other assets			2,453		2,453
Total financial assets	302,807	29,259	8,084	40,877	381,028
Financial Liabilities					
Financial liabilities held for trading		3,759			3,759
Derivatives		18,891	11,558		30,449
Securities financing	13,918				13,918
Due to banks	15,744				15,744
Due to customers	216,011				216,011
Issued debt	75,150		1,981		77,131
Subordinated liabilities	8,328				8,328
Other liabilities			2,453		2,453
Total financial liabilities	329,150	22,650	15,991		367,791

31 December 2013

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Available for sale financial assets	Total
Financial assets					
Cash and balances at central banks	9,523				9,523
Financial assets held for trading		12,019			12,019
Derivatives		12,208	2,063		14,271
Financial investments			530	27,581	28,111
Securities financing	18,362				18,362
Loans and receivables - banks	23,967				23,967
Loans and receivables - customers	257,028				257,028
Other assets			2,171		2,171
Total financial assets	308,880	24,227	4,764	27,581	365,452
Financial Liabilities					
Financial liabilities held for trading		4,399			4,399
Derivatives		10,436	6,791		17,227
Securities financing	12,266				12,266
Due to banks	11,626				11,626
Due to customers	207,584				207,584
Issued debt	86,611		2,071		88,682
Subordinated liabilities	7,917				7,917
Other liabilities			2,171		2,171
Total financial liabilities	326,004	14,835	11,033		351,872

4 Net interest income

Accounting policy for net interest income and expense

ABN AMRO Bank applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method except for those financial instruments held for trading. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities. The effective interest method requires ABN AMRO Bank to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as expected lives of the assets and liabilities. Due to the large number of products, there are no individual estimates that are material to the results or financial position. Interest income and expenses of trading balances are included in net trading income.

(in millions)	2015	2014	2013
Interest income	13,207	13,376	13,383
Interest expense	7,130	7,353	8,003
Net interest income	6,076	6,023	5,380

Net interest income

ABN AMRO Bank applies fair value hedge accounting on individual hedged items (micro fair value hedging). As from 2014 these hedged items are based on gross amounts.

Net interest income for full-year 2015 amounted to EUR 6,076 million, an increase of EUR 53 million compared with EUR 6,023 million in 2014.

The underlying increase was primarily driven by improved margins on loans (mainly mortgages and, to a lesser extent, corporate loans) and higher average corporate loan volumes. The average volume of residential mortgages, however, was lower. In addition, lower funding costs due to lower credit spreads were partly offset by higher liquidity buffer costs.

Interest income

The breakdown of Interest income by type of product for the years ended 31 December is shown in the following table.

(in millions)	2015	2014	2013
Interest income from:			
Financial investments available-for-sale	692	734	693
Securities financing	295	256	270
Loans and receivables - banks	263	212	194
Loans and receivables - customers	9,770	10,281	10,490
Other	2,186	1,893	1,736
Total interest income	13,207	13,376	13,383

Interest income amounted to EUR 13,207 million in 2015, a decrease of EUR 169 million compared with EUR 13,376 million in 2014, mainly due to lower interest income in Loans and receivables – customers.

The decrease in Interest income from Loans and receivables – customers was mainly due to lower interest revenues as a result of a slight decrease in the volume of the mortgage portfolio. In addition, the decrease resulted from several non-recurring interest provisions recorded in 2015.

Other includes interest income on hedging instruments for an amount of EUR 1,855 million (in 2014: EUR 1,621 million).

Interest expense

The breakdown of Interest expenses by type of product for the years ended 31 December is shown in the following table.

(in millions)	2015	2014	2013
Interest expenses from:			
Securities financing	187	173	181
Due to banks	242	209	263
Due to customers	1,940	2,328	2,726
Issued debt	1,646	1,819	1,903
Subordinated liabilities	451	374	422
Other	2,664	2,450	2,508
Total interest expense	7,130	7,353	8,003

Interest expense for the full year 2015 amounted to EUR 7,130 million, a decrease of EUR 223 million, or 3.0%, compared with EUR 7,353 million in 2014. This decrease was caused by the lower Interest expense related to Due to customers (EUR 388 million) and to Issued debt (EUR 173 million). This was partly offset by higher Interest expense - Other (EUR 214 million).

The decrease in Interest expense from Due to customers resulted from lower interest paid for client savings following a decrease in the market interest rate in 2015.

Interest expense from Issued debt was lower in 2015 compared with 2014 as a result of lower funding costs determined by lower credit spreads.

Other includes interest expense on hedging instruments for an amount of EUR 2,120 million (in 2014: EUR 1,977 million).

5 Net fee and commission income

Accounting policy for net fee and commission income

ABN AMRO Bank applies IAS 18 Revenue. Fees and commissions are recognised as the services are provided. The following fee types are identified:

- ▶ Service fees are recognised on a straight-line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts;
- ▶ Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the relevant criteria have been met.

(in millions)	2015	2014	2013
Fee and commission income	3,061	2,693	2,639
Fee and commission expense	1,233	1,002	996
Net fee and commission income	1,829	1,691	1,643

Net fee and commission income increased by EUR 138 million in 2015 compared with 2014. The increase was primarily recorded in Private Banking due to favourable stock market performance, and in Corporate Banking as a result of higher transaction volumes at Clearing.

Fee and commission income

Fee and commission income for the years ended 31 December is specified in the following table.

(in millions)	2015	2014	2013
Fee and commission income from:			
Securities and custodian services	1,344	1,100	1,144
Payment services	691	667	680
Portfolio management and trust fees	586	521	452
Guarantees and commitment fees	179	171	142
Insurance and investment fees	86	80	79
Other service fees	174	153	142
Total fee and commission income	3,061	2,693	2,639

Securities and custodian services fee income was higher due to market volatility in 2015 resulting in more transactions within the Clearing business (EUR 255 million, or 33%, compared with year-end 2014).

Payment services fees were slightly higher within Retail Banking and Commercial Clients (EUR 25 million).

Portfolio management and trust fee income increased mainly following higher client assets volume in the Private Banking business in the Netherlands and France (EUR 34 million). Moreover, this increase was driven by the acquisition of German activities from Credit Suisse in Q3 2014 (EUR 20 million).

Fee and commission expense

The components of Fee and commission expenses for the years ended 31 December are as follows:

(in millions)	2015	2014	2013
Fee and commission expenses from:			
Securities and custodian services	953	757	705
Payment services	150	153	162
Portfolio management and trust fees	74	58	68
Guarantees and commitment fees	8	8	8
Insurance and investment fees	28	25	23
Other service fees	20	2	30
Total fee and commission expense	1,233	1,002	996

Securities and custodian services fee expenses were higher due to market volatility in 2015, resulting in more transactions in the Clearing business (EUR 196 million, or 25.9%, compared with 31 December 2014).

Portfolio management and trust fee expenses increased due to an increase in transactions volume in 2015 in the Private Banking business in France (EUR 15 million).

6 Net trading income

Accounting policy for net trading income

In accordance with IAS 39, trading positions are held at fair value and Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income and expenses related to trading balances, the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IAS 39 for hedge accounting, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in own credit spreads where these impact the value of our trading liabilities. The Funding Value Adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives. The charge related to the write-off of trading instruments is included in Net trading income.

(in millions)	2015	2014	2013
Interest instruments trading	-99	26	148
Equity trading	-84	-9	-200
Foreign exchange transaction results	319	272	239
Other	-37	-116	-81
Total net trading income	99	174	106

Net trading income decreased by EUR 75 million at EUR 99 million in 2015 compared with EUR 174 million in 2014.

Interest instruments trading income decreased by EUR 127 million in 2015 compared with 2014 because of higher losses related to the IRS portfolio which was used to hedge the interest component of the cross currency swap positions. Moreover, the decrease was driven by a provision in Corporate Banking for an identified group of SMEs with possible interest rate derivatives-related issues. This was partly offset by the favourable effect of CVA and DVA results (EUR 69 million positive in 2015 versus EUR 6 million negative in the previous year).

Equity trading income was lower in 2015 compared with the previous year mainly as a result of a one-off tax-exempt provision in Group Functions and by the termination of part of the Capital Markets Solutions activities following the strategic review in 2014.

Foreign exchange transaction results increased by EUR 47 million to EUR 319 million in 2015 compared with 2014. This increase was due to higher valuation of cross-currency swaps as a result of the rise in the long-term market interest rate, which positively impacted the interest component of these contracts.

Other trading increased due to improved FVA results in Capital Markets Solutions in 2015 compared with 2014 (EUR 7 million positive in 2015 versus EUR 52 million negative in the previous year). Moreover, realised and unrealised gains on trading book loans were higher in 2015 compared with 2014.

7 Other operating income

Accounting policy for other income

Other income includes all other banking activities such as leasing activities and results on the disposal of assets. It also includes gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in own credit spreads. Dividend income from non-trading equity investments is recognised when entitlement is established.

(in millions)	2015	2014	2013
Leasing activities	22	22	21
Disposal of operating activities and equity accounted investments	28	60	28
Result from financial transactions	286	-41	-12
Other	114	76	112
Total other income	450	117	149

Total other income increased by EUR 333 million to EUR 450 million in 2015 compared with the previous year, mainly due to a higher Result from financial transactions.

Result from financial transactions increased by EUR 327 million in 2015 compared with 2014 mainly due to favourable hedge accounting-related results at Group Functions. In addition, the increase resulted from gains on Private Investments Products and the revaluation and divestments results at Equity Participations.

8 Personnel expenses

Accounting policy for personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate. The accounting policies for pensions and other post-retirement benefits are included in note 28.

(in millions)	2015	2014	2013
Salaries and wages	1,717	1,661	1,661
Social security charges	244	240	227
Pension expenses relating to defined benefit plans	3	405	224
Defined contribution plan expenses	322	170	33
Other	206	208	212
Total personnel expenses	2,492	2,684	2,357

Total personnel expenses for 2015 amounted to EUR 2,492 million, a decrease of EUR 192 million, or 7.1%, compared with EUR 2,684 million in 2014. The total Pension expenses, without taking into consideration the one-off settlement cost in 2014 of EUR 297 million, increased by EUR 46 million, mainly due to a decrease of the discount rate in 2015 compared with 2014 which resulted in higher interest cost.

Other personnel expenses consist mainly of additions and settlements of restructuring staff provisions and a release from the provision for employee benefits.

9 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period in which services have been provided and to which the payment relates.

(in millions)	2015	2014	2013
Agency staff, contractors and consultancy costs	764	643	537
Staff related costs	90	87	81
Information technology costs	950	879	848
Housing	199	199	200
Post, telephone and transport	66	68	77
Marketing and public relations costs	127	130	123
Regulatory charges	241	317	120
Other	123	126	185
Total general and administrative expenses	2,559	2,450	2,171

General and administrative expenses for full-year 2015 grew by EUR 109 million, or 4.5%, to EUR 2,559 million, compared with 2014.

This increase was mainly due to higher Agency staff, contractors and consultancy costs, and an increase in IT expenses related to projects and IT expenses.

Regulatory charges were lower in 2015 compared with the previous year primarily due to the SNS levy recorded in 2014 (EUR 201 million). This decline was partly offset by the contribution to the National Resolution Fund in 2015 (EUR 119 million).

Other was mainly impacted by a VAT refund related to the period 2007-2014. This was partly offset by a lower release with respect to DSB and the settlement of a legal claim with Vestia in the third quarter of 2015.

A specification of the regulatory charges is as follows:

(in millions)	2015	2014	2013
Bank tax	98	91	106
Deposit Guarantee Scheme	3		
SNS Levy		201	
National resolution funds	119		
Other regulatory charges	20	25	14
Total regulatory charges	241	317	120

Fees paid to KPMG are included under Agency staff, contractors and consultancy costs. These fees are specified in the following table.

(in millions)	2015	2014	2013
Financial statements audit fees	7	7	6
Audit related fees	4	4	4
Total auditor's fee	11	11	10

10 Income tax expense, tax assets and tax liabilities

Accounting policy for income tax expense, tax assets and tax liabilities

ABN AMRO Bank applies IAS 12 Income Taxes in accounting for taxes on income.

ABN AMRO Bank is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior period. Current tax is measured using tax rates enacted at the balance sheet date.

Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are only offset when there is both a legal right to offset and an intention to settle on a net basis.

(in millions)	2015	2014	2013
Recognised in income statement:			
Current tax expenses for the current period	737	282	11
Adjustments recognised in the period for current tax of prior periods	-7	-24	7
Previously unrecognised tax losses, tax credits and temporary differences increasing (reducing) current tax expenses	-5		2
Total current tax expense	725	257	20
Deferred tax arising from the current period	49	151	399
Impact of changes in tax rates on deferred taxes	-4		
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	-16	14	-6
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	45	-10	-2
Total deferred tax expense	73	155	391
Total income tax expense	798	412	411

Reconciliation of the total tax charge

The effective tax rate was 29.3% in 2015 (2014: 26.7%; 2013: 26.2%) and differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained as follows:

(in millions)	2015	2014	2013
Profit/(loss) before taxation	2,722	1,546	1,571
Applicable tax rate	25.0%	25.0%	25.0%
Expected income tax expense	680	386	393
Increase/(decrease) in taxes resulting from:			
Tax exempt income	26	-43	-37
Share in result of associates and joint ventures	-24	-13	-6
Non deductible Dutch bank tax	25	23	26
Other non deductible expenses	4	53	4
Previously unrecognised tax losses and temporary differences	95	-8	4
Write-down and reversal of write-down of deferred tax assets	-12	11	-6
Impact of changes in tax rates on temporary differences	-4		
Foreign tax rate differential	9	18	25
Adjustments for current tax of prior years	-7	-24	7
Other	6	9	1
Actual income tax expense	798	412	411

The effective tax rate in 2015 was mainly affected by our reassessment of our tax position, a significant amount of non-deductible bank tax, non-taxable gains and losses, and adjustments to prior years due to the fact that we continued to settle open issues with the tax authorities.

Tax assets and liabilities

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, allowances for loan impairment, provisions for pensions and business combinations and investments.

The following table summarises the tax position at 31 December.

(in millions)	31 December 2015		31 December 2014		31 December 2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current tax	36	627	30	156	165	69
Deferred tax	309	23	473	19	745	21
Total tax assets and liabilities	345	650	504	175	910	90

The significant components and annual movements of deferred tax assets and deferred tax liabilities at 31 December are shown in the following tables.

(in millions)	As at 1 January 2015	Income statement	Equity	Other	As at 31 December 2015
Deferred tax assets:					
Assets held for trading and derivatives	410		-55		356
Investments (Available-for-sale)	14	1	1	-1	16
Property and equipment	20	1		1	22
Intangible assets (excluding goodwill)	2				2
Insurance policy and claim reserves	-2	-1			-2
Loans and receivables - customers	4	-1			3
Impairments on loans	22	10			33
Provisions for pensions and post-retirement benefits	34	-15	5		24
Accrued expenses and deferred income	54	12		1	68
Unused tax losses and unused tax credits	11	1	-1		11
Other	36	16		-1	50
Total deferred tax assets before offsetting	605	26	-50	1	581
Offsetting DTA	132				272
Total deferred tax assets	473				309
Deferred tax liabilities related to:					
Assets held for trading and derivatives	3			-3	
Investments (Available-for-sale)	121	92	47	1	261
Property and equipment	1	-1		2	2
Intangible assets (excluding goodwill)	2				2
Loans and receivables - customers	10	-2			8
Impairments on loans					
Issued debt and subordinated liabilities					
Deferred policy acquisition costs	1				1
Other	13	8		-1	20
Total deferred tax liabilities before offsetting	151	98	46		295
Offsetting DTL	132				272
Total deferred tax liabilities	19				23
Net deferred tax	454				286
Deferred tax through income statement and equity		73	97		



(in millions)	As at 1 January 2014	Income statement	Equity	Other	As at 31 December 2014
Deferred tax assets:					
Assets held for trading and derivatives	501		-81	-9	410
Investments (Available-for-sale)	26	1	-24	11	14
Property and equipment	19	1		1	20
Intangible assets (excluding goodwill)	1	1			2
Insurance policy and claim reserves		-2			-2
Loans and receivables - customers	4				4
Impairments on loans	25	-3			22
Issued debt and subordinated liabilities	1				
Provisions for pensions and post-retirement benefits	118	-132	48		34
Accrued expenses and deferred income	43	9		2	54
Unused tax losses and unused tax credits	37	-26	-1		11
Other	31	-4	2	6	36
Total deferred tax assets before offsetting	807	-155	-57	10	605
Offsetting DTA	62				132
Total deferred tax assets	745				473
Deferred tax liabilities related to:					
Assets held for trading and derivatives	3				3
Investments (Available-for-sale)	50	2	65	5	121
Property and equipment	3	-1		-1	1
Intangible assets (excluding goodwill)	3	-1			2
Loans and receivables - customers	11	-4		2	10
Issued debt and subordinated liabilities	1				
Deferred policy acquisition costs	1				1
Other	10	5	2	-5	13
Total deferred tax liabilities before offsetting	83		67	1	151
Offsetting DTL	62				132
Total deferred tax liabilities	21				19
Net deferred tax	724				454
Deferred tax through income statement and equity		155	124		

(in millions)	As at 1 January 2013	Income statement	Equity	Other	As at 31 December 2013
Deferred tax assets:					
Assets held for trading and derivatives	643	1	-143		501
Investments (Available-for-sale)	43		-16	-1	26
Property and equipment	18	1			19
Intangible assets (excluding goodwill)	1				1
Loans and receivables - customers	2	1		1	4
Impairments on loans	66	-41			25
Provisions for pensions and post-retirement benefits	396	-352	73	1	118
Accrued expenses and deferred income	77	-34			43
Unused tax losses and unused tax credits	271	-237		4	38
Other	38	-11	5	-1	31
Total deferred tax assets before offsetting	1,555	-671	-81	4	807
Offsetting DTA	314				62
Total deferred tax assets	1,241				745
Deferred tax liabilities related to:					
Assets held for trading and derivatives	2			1	3
Investments (Available-for-sale)	49		1		50
Property and equipment		3			3
Intangible assets (excluding goodwill)	3				3
Loans and receivables - customers	11				11
Issued debt and subordinated liabilities	16	-15			1
Provisions for pensions and post-retirement benefits	225	-225			
Deferred policy acquisition costs	1	1	-1		1
Other	54	-44		1	11
Total deferred tax liabilities before offsetting	361	-280		2	83
Offsetting DTL	314				62
Total deferred tax liabilities	47				21
Net deferred tax	1,194				724
Deferred tax through income statement and equity		391	81		

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO Bank operates, available tax planning opportunities, and the period over which deferred tax assets are recoverable. Management considers this more likely than not. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that ABN AMRO Bank may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

Tax losses

The total accumulated losses available for carry-forward at 31 December 2015 amounted to EUR 1,542 million (2014: EUR 1,415 million), of which EUR 32 million (2014: EUR 32 million) could be recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 11 million (2014: EUR 11 million).

Unrecognised tax assets

Deferred tax assets of EUR 278 million (2014: EUR 258 million) have not been recognised in respect of gross tax losses of EUR 1,510 million (2014: EUR 1,383 million) because future taxable profits are not considered probable. These deferred tax assets are mainly related to positions outside the Netherlands.

Tax credits and unrecognised tax credits

ABN AMRO Bank had carry-forward tax credits of EUR 3 million at 31 December 2015 (2014: EUR 4 million) which have not been recognised because offset to future tax benefits is not expected.

The following tables show when the operating losses and tax credits as at 31 December 2015 will expire.

Loss carry-forward 2015:

(in millions)	2016	2017	2018	2019	2020	After 5 years	No expiration	Total
Loss carry forward recognised							32	32
Loss carry forward not recognised					29	12	1,469	1,510
Total tax losses carry forward (gross)					29	12	1,501	1,542

Tax credits 2015:

(in millions)	2016	2017	2018	2019	2020	After 5 years	No expiration	Total
Tax credits recognised								
Tax credits not recognised		2					1	3
Total tax credits carry forward (gross)		2					1	3

As from 31 December 2015, ABN AMRO Bank recognised net deferred tax assets of EUR 13 million (2014: EUR 43 million) that exceed deferred tax liabilities in entities which have suffered a loss in either 2015 or 2014.

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and in the Consolidated statements of changes in equity. As a result of the amended pension accounting standard IAS 19 in 2014, the total deferred tax impact on equity is not equal to the tax impact on Other comprehensive income as shown in the Consolidated statement of comprehensive income. More information is provided in note 28 Pension and other post-retirement employee benefits.

Income tax consequences of dividend

The Managing Board proposes, subject to the approval of the Supervisory Board, a final dividend of EUR 414 million for the ordinary shares. The dividend will be subject to a withholding tax of EUR 62 million.

Country-by-country reporting

The following table provides an overview of total operating income, average number of FTEs, net profit/(loss) for the year, income tax expense and received government grants per country. In addition, the following table shows the principal subsidiary and main activity for each country. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

As this regulation is only applicable as from 1 January 2014, no previous reporting dates are shown in this table.

31 December 2015						
	Principal subsidiary	Main activity	Total operating income (in millions)	Average number of FTEs	Operating profit/(loss) before taxation (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	6,896	18,112	2,227	671
- of which international activities			95	23	25	6
France	Banque Neufilze OBC S.A.	Private Banking	332	966	77	27
Germany	Bethmann Bank AG	Private Banking	293	730	100	15
Belgium	ABN AMRO Bank N.V. Branch Belgium	Private Banking	90	230	17	11
Great Britain	ABN AMRO Commercial Finance Plc	Corporate Banking	76	373	44	10
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	47	166	6	1
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate Banking	59	28	41	12
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	43	61	30	2
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	34	93	13	1
United States	ABN AMRO Clearing Chicago LLC	Corporate Banking	265	381	115	34
Brasil	ABN AMRO Brasil Participações	Corporate Banking	24	80	-12	-6
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate Banking	178	465	87	12
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	127	295	31	4
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate Banking	17	14	10	2
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	29	92	3	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate Banking	16	54	6	2
Other			-72	2	-72	
Total			8,455	22,142	2,722	798



31 December 2014

	Principal subsidiary	Main activity	Total operating income (in millions)	Average number of FTEs	Net profit/(loss) for the year (in millions)	Income tax expense (in millions)
Netherlands	ABN AMRO Bank N.V.	Retail Banking	6,622	18,371	1,111	297
- of which international activities			66	159	45	11
France	Banque Neuflyze OBC S.A.	Private Banking	316	972	68	20
Germany	Bethmann Bank AG	Private Banking	264	590	82	11
Belgium	ABN AMRO Bank N.V. Branch Belgium ID&JG	Private Banking	84	236	9	19
Great Britain	ABN AMRO Commercial Finance Plc	Corporate Banking	61	364	-1	
Luxembourg	ABN AMRO Bank (Luxembourg) S.A.	Private Banking	52	158	10	5
Norway	ABN AMRO Bank N.V. Oslo Branch	Corporate Banking	50	22	39	11
Jersey	ABN AMRO Bank N.V. Jersey Branch	Private Banking	44	63	24	
Guernsey	ABN AMRO (Guernsey) Ltd.	Private Banking	24	93	-17	
United States	ABN AMRO Clearing Chicago LLC	Corporate Banking	194	352	86	28
Brazil	ABN AMRO Brasil Participações	Corporate Banking	13	66	6	3
Singapore	ABN AMRO Bank N.V. Branch Singapore	Corporate Banking	149	430	72	10
Hong Kong	ABN AMRO Bank N.V. Branch Hong Kong	Private Banking	114	294	37	6
Japan	ABN AMRO Clearing Tokyo Co. Ltd.	Corporate Banking	13	13	6	1
United Arab Emirates	ABN AMRO Bank N.V. Branch UAE/DIFC	Private Banking	35	85	14	
Australia	ABN AMRO Clearing Sydney Pty Ltd.	Corporate Banking	16	49	8	3
Other			2	22	-6	-1
Total			8,055	22,179	1,546	412

No material government grants were received in 2015.

11 Cash and balances at central banks

This item includes cash on hand and available demand balances with central banks in countries in which the bank has a presence. Mandatory reserve deposits are disclosed in note 18 Loans and receivables – banks.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Cash on hand and other cash equivalents	535	617	596
Balances with central banks readily convertible in cash other than mandatory reserve deposits	25,660	89	8,927
Total cash and balances at central banks	26,195	706	9,523

Cash and balances at central banks increased by EUR 25.5 billion to EUR 26.2 billion in December 2015 compared with EUR 706 million in 2014 due to higher outstanding of overnight positions placed at DNB.

12 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IAS 39, all assets and liabilities held for trading are held at fair value with gains and losses in the changes of the fair value taken to Net trading income in the income statement.

Financial assets held for trading

The following table shows the composition of assets held for trading.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Trading securities:			
Government bonds	1,333	2,326	2,906
Corporate debt securities	335	924	873
Equity securities	19	4,946	6,471
Total trading securities	1,686	8,196	10,250
Trading book loans	19	821	1,032
Commodities			737
Total assets held for trading	1,706	9,017	12,019

Financial assets held for trading as at 31 December 2015 amounted to EUR 1.7 billion, down by EUR 7.3 billion compared with 31 December 2014. This decrease was mainly due to the discontinuation of the equity derivatives activities (EUR 4.9 billion), lower Government bonds (EUR 1.0 billion) and a decline in Trading book loans (EUR 0.8 billion).

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

As a result of the wind-down of activities resulting from the strategic review of Capital Markets Solutions, significant equity security portfolios were sold in 2014 (EUR 4.9 billion). The main portfolios sold were FTSE equities (EUR 2.1 billion) in equities relating to the EURO STOXX 50 index derivatives basket (EUR 1.2 billion) and in equities relating to the closure of the equity derivatives desk in the US (EUR 1.0 billion).

Contracts related to the Trading book loans have been reassessed and reclassified to Corporate loans in 2015.

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Bonds	417	1,710	1,988
Equity securities	19	2,016	1,787
Total short security positions	435	3,725	3,775
Other liabilities held for trading	24	34	624
Total liabilities held for trading	459	3,759	4,399

Financial liabilities held for trading amounted to EUR 0.5 billion at 31 December 2015, a decrease of EUR 3.3 billion compared with 31 December 2014. This decline was mainly due to the wind-down of the equity derivatives portfolio (EUR 2.0 billion) in the US resulting from the strategic review of Capital Markets Solutions. The decrease also resulted from lower short positions in Bonds (EUR 1.3 billion), mainly related to Dutch, Belgian, German and French Government bonds and Corporate debt securities.

The fair value of assets pledged as security is shown in note 31.

13 Derivatives

Accounting policy for Derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes. Derivatives held for trading are closely related to facilitating the needs of our clients. A significant part of the derivatives in the trading portfolio is related to serving clients in their risk management to hedge, for example, currency or interest rate exposures. Furthermore, ABN AMRO Bank offers products that are traded on the financial markets to institutional and individual clients and governments. Derivatives held for risk management purposes include the fair value of all derivatives qualifying as hedging instruments in fair value hedges and in cash flow hedges, hedge accounting derivatives, as well as the fair value of derivatives related to assets and liabilities designated as at fair value through profit or loss, economic hedges. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. From a risk perspective, the gross amount of trading assets must be associated together with the gross amount of trading liabilities, which are presented separately on the statement of financial position. However, IFRS does not allow netting of these positions in the statement of financial position.

Derivatives comprise the following:

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

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

(in millions)	31 December 2013									Total deriv- atives	
	Derivatives held for trading			Economic hedges			Hedge accounting				
	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	Currency	Other		
Exchange traded											
Fair value assets	2		144			23					169
Fair value liabilities	2	1	143			30					176
Notionals	115	16	212			391					734
Over-the-counter											
Central counterparties											
Fair value assets											
Fair value liabilities											
Notionals	505,461	946					25				506,432
Other bilateral											
Fair value assets	10,628	920	154	217	83	37	1,693	370			14,102
Fair value liabilities	8,713	767	223	152	381	24	6,787	4			17,051
Notionals	191,621	79,638	10,489	4,143	12,474	341	123,004	1,534			423,244
Total											
Fair value assets	10,630	920	298	217	83	60	1,693	370			14,271
Fair value liabilities	8,715	768	366	152	381	54	6,787	4			17,227
Notionals	697,198	80,600	10,701	4,143	12,474	732	123,029	1,534			930,411

Over-the-counter derivatives are cleared with a CCP and there is no value on our Statement of financial position.

The notional amount of the interest derivatives held for trading as at 31 December 2015 amounted to EUR 885.2 billion, an increase of EUR 127.1 billion, or 16.8 %, compared with EUR 758.1 billion at 31 December 2014. This increase was chiefly due to higher client activity mainly within Financial institutions. As at 31 December 2015, the fair value of these interest rate derivatives decreased compared with year-end 2014, mainly due to the increase in long-term interest rates.

The notional of currency derivatives held for trading at 31 December 2015 amounted to EUR 181.5 billion, an increase of EUR 18.2 billion, or 11.1 %, compared with EUR 163.3 billion at 31 December 2014. This increase was mainly due to the growth in client activity caused by increased volatility of the foreign exchange market in anticipation of and following the ECB's Quantitative Easing announcement.

The total notional amount of Derivatives held for trading – other as at 31 December 2015 amounted to EUR 2.2 billion, a decrease of EUR 6.7 billion compared with EUR 8.9 billion at 31 December 2014. This decrease was mainly due to the wind-down of the equity derivatives portfolio resulting from the strategic review of Capital Markets Solutions.

The hedging strategies are explained in greater detail in note 14.

14 Hedge accounting

Accounting policy for hedge accounting (IAS 39)

ABN AMRO Bank enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities, forecasted cash flows and net investments. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting.

Qualifying hedges may be designated as either fair value hedges, cash flow hedges or hedges of net investments. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates.

The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risks being hedged (the hedged risks) are typically changes in interest rates or foreign currency rates. ABN AMRO Bank may also enter into credit risk derivatives (sometimes referred to as credit default swaps) for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO Bank formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item, by assessing and measuring whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in Results from financial transactions as part of Other income. ABN AMRO Bank discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Adoption of EU carved out version IAS 39

Micro fair value hedges is hedging of separate hedged items which can be assets and liabilities. For micro fair value hedging, ABN AMRO Bank uses the 'carved out' version of IAS 39 as adopted by the European Union, which means that negative credit spreads are excluded in the hedge relationship for micro fair value hedging.

Macro fair value hedging implies that a group of financial assets is reviewed in combination and jointly designated as the hedged item. However, the portfolio may, for risk management purposes, include assets and liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at the designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro fair value hedging, ABN AMRO Bank uses the carved out version of IAS 39 as adopted by the European Union, which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. In this context, the impact of changes in the estimates of the re-pricing dates is only considered ineffective if it leads to over-hedging.

Fair value hedges

Where a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the Income statement within Results from financial transactions as part of Other income. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to profit or loss over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. Hedge effectiveness for cash flow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cash flow in the cash flow hedge. Any ineffective part of the cash flow hedge is recognised in Other income immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gains or losses recognised in equity is transferred to the income statement at the time when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recognised in the Income statement immediately.

Forecasted transactions

When the hedging instrument effectively hedges a forecasted transaction or firm commitment, the changes in fair value of the hedging instrument are recognised in equity. Amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur, hedge accounting is discontinued prospectively.

Hedging of net investments in foreign operations

ABN AMRO Bank may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in equity, insofar as they are effective. The cumulative gain or loss recognised in equity is transferred to the Income statement on the disposal of the foreign operation.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly through profit or loss.

Derivatives designated and accounted for as hedging instruments

The following results from ineffectiveness are recognised in Other income:

(in millions)	2015	2014	2013
Fair value hedges	63	-62	-5
Cash flow hedges	6	1	9
Net investment hedging	1		1
Total hedging results	71	-62	5

The gain of EUR 63 million for the fair value hedges in 2015 was due to an increase of the hedge ineffectiveness as well as a refined methodology to measure this (in)effectiveness.

Overview of the fair value and notionals of hedging instruments

(in millions)	Fair value hedges			Cash flow hedges			Economic hedges		
	Notional amount	Fair value		Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities			Assets
31 December 2015									
Derivatives for risk management purposes									
Interest rate	94,377	2,265	7,234	53,712	1,074	1,440	4,014	242	136
Currency	560	304	26				26,356	499	604
Other							2,749	19	27
Total	94,937	2,569	7,260	53,712	1,074	1,440	33,118	760	767
31 December 2014									
Derivatives for risk management purposes									
Interest rate	87,970	2,602	8,594	46,292	1,989	2,949	3,853	254	191
Currency	1,399	452	15				27,794	215	469
Other							2,512	43	28
Total	89,369	3,054	8,609	46,292	1,989	2,949	34,159	513	688
31 December 2013									
Derivatives for risk management purposes									
Interest rate	84,687	1,190	5,119	38,342	503	1,668	4,143	217	152
Currency	1,414	370	4	120			12,474	83	381
Other							732	60	54
Total	86,101	1,560	5,123	38,462	503	1,668	17,349	360	587

The fair value hedges increased by EUR 5.6 billion to EUR 94.9 billion at 31 December 2015 compared with 2014 due to new funding (fixed), the cash flow hedges increased by EUR 7.4 billion to EUR 53.7 billion due to new steering actions.

In 2015 the fair value of the economic hedges was influenced by changed interest rates, declining USD FX rates and CHF decoupling from the EUR.

Fair value hedge accounting

ABN AMRO Bank applies fair value hedge accounting on individual hedged items (micro fair value hedging) as well as on a portfolio of hedged items (macro fair value hedging).

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relationships principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed rate assets and fixed rate liabilities due to changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Net effect of gains/(losses) arising from fair value hedge accounting:

(in millions)	2015	2014	2013
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-704	1,859	-870
Gains/(losses) on hedging instruments used for the hedged assets	726	-1,947	848
Gains/(losses) on the hedged liabilities attributable to the fair value hedged risk	691	-2,210	1,427
Gains/(losses) on hedging instruments used for the hedged liabilities	-728	2,252	-1,427
Net effect micro fair value hedge	-15	-46	-22

Due to an increase in the long end of the interest curve (from the 5-year bucket and further), the gains and losses on hedged items and hedging instruments in 2015 are opposite to those reported in 2014.

Macro fair value hedge accounting

ABN AMRO Bank hedges interest rate exposures of fixed-rate mortgages on a portfolio basis using interest rate swaps. ABN AMRO Bank applies a portfolio fair value hedge ('macro fair value hedge accounting') in which it designates interest rate swaps as hedging instruments and fixed-rate mortgages as hedged items. The hedge accounting relationship is reviewed and redesignated on a monthly basis.

As a result of the hedge, changes in the hedged item's fair value due to changes in the appropriate benchmark interest rate will be booked to the income statement and will be offset by changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are fixed-rate mortgages with the following features:

- ▶ denominated in local currency (euro);
- ▶ fixed term to maturity or repricing;
- ▶ pre-payable amortising or fixed principal amounts;
- ▶ fixed interest payment dates;
- ▶ no interest rate options;
- ▶ accounted for on an amortised cost basis.

Mortgages with these features form a portfolio of which the hedged item is designated in a fair value hedge accounting relationship. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. Hedged items are designated on a monthly basis to maintain an effective hedge accounting relationship.

Mortgage cash flows are allocated to monthly time buckets based on expected maturity dates. ABN AMRO Bank models the maturity dates of mortgages taking into account a prepayment rate applied to the contractual cash flows and maturity dates of the mortgage portfolio. If the swap notional exceeds 95% of the expected mortgage notional in any given month, then mortgages that mature one month earlier or one month later are designated to the swaps.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value attributable to the hedged interest rate risk and the carrying value of the hedged mortgages at de-designation of the hedge relationship is amortised over the remaining life of the hedged item.

(in millions)	2015	2014	2013
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-408	948	-1,200
Gains/(losses) on hedging instruments used for the hedged assets	487	-964	1,217
Net effect macro fair value hedge	79	-16	17

The net effect macro hedge fair value increased by EUR 94 million up to EUR 79 million in 2015 compared with 2014 mainly as a result of a refined methodology to measure the ineffectiveness. In addition the gains and losses on hedged items and hedging instruments in 2015 were opposite to those reported in 2014 due to the increase in the long end of the curve (from the 5-year bucket and further).

Cash flow hedge accounting

ABN AMRO Bank applies macro cash flow hedge accounting by which it designates interest rate swaps as hedging instruments and future cash flows on non-trading assets and liabilities as hedged items. The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated if necessary to maintain an effective hedge accounting relationship.

Future cash flows are derived from the projected balance sheet. This projected balance sheet is produced by Asset and Liability Management models and forms the basis for the management of interest rate risk. The model behind the projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, growth rates and interest scenarios, based on statistical market and client data and an economic outlook. The primary interest-sensitive positions in the balance sheet stemming from the non-trading book are Loans and receivables, Liabilities due to banks and customers and Issued debt securities.

Within the projected balance sheet, new assets and liabilities and the future re-pricing of existing assets and liabilities are grouped based on their specific interest rate index on which they reprice

(i.e. one month, three months, six months, one year). Per repricing index all assets and liabilities are allocated to monthly clusters in which they reprice up until their maturity. Interest rate swaps are designated to these clusters based on their repricing index and maturity.

The notional amounts of pay- or receive-floating swaps are designated to repricing all or a portion of current and forecasted assets and liabilities, respectively, in the clusters described above. These swap transactions are designated for hedge accounting purposes as a hedge of a gross position of a cluster of projected cash flows. In addition, the swap will only hedge the applicable floating swap rate portion of the interest repricing and reinvestment risk of the cluster. The availability of projected cash flows in the clusters is not constant over time and therefore evaluated on a monthly basis. Changes in cash flow projections could lead to revision of the designation. Furthermore, back testing is performed on the interest rate risk sensitivity models. Historical data are used to review the assumptions applied.

Hedge accounting ineffectiveness recognised in the income statement related to cash flow hedging amounted to a profit of EUR 6 million in 2015 (2014: profit of EUR 1 million).

The maturity profile of forecast principal balances designated in the cash flow hedge is as follows:

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years
31 December 2015					
Assets	21,155	21,155	21,155		
Liabilities	24,382	18,965	9,135	9,135	2,500
Net assets/liabilities	-3,227	2,190	12,020	-9,135	-2,500
31 December 2014					
Assets	21,810	21,810	20,780		
Liabilities	24,302	20,835	6,585	6,585	3,500
Net assets/liabilities	-2,492	975	14,195	-6,585	-3,500
31 December 2013					
Assets	15,860	15,860	15,830		
Liabilities	22,482	22,482	6,585	6,585	3,500
Net assets/liabilities	-6,622	-6,622	9,245	-6,585	-3,500

Net gains/(losses) on cash flow hedges transferred from equity to the income statement is as follows:

(in millions)	2015	2014	2013
Interest income	493	344	134
Interest expense	525	396	259
Subtotal	-32	-52	-125
Tax expense	-8	-13	-31
Total gains/(losses) on cash flow hedges	-24	-39	-94

Hedges of net investments in foreign operations

ABN AMRO Bank limits its exposure to certain investments in foreign operations by hedging its net investment in its foreign operations with forward contracts.

15 Financial investments

Financial investments are classified as Available-for-sale or as held at fair value through profit or loss.

Accounting policy for available for sale investments

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in Other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest earning available-for-sale assets are amortised to income on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired, the cumulative gain or loss recognised in Other comprehensive income is transferred to other income in the income statement.

Accounting policy for assets designated through profit and loss

Financial investments managed on a fair value through profit or loss basis are designated at fair value through profit or loss when the instruments:

- ▶ are held to reduce an accounting mismatch;
- ▶ include terms that have substantive derivative characteristics in nature or;
- ▶ are investments to which the venture capital exemption applies.

The composition of financial investments is as follows:

(in millions)	31 December 2015	31 December 2014	31 December 2013
Financial investments:			
Available-for-sale	39,795	40,898	27,596
Held at fair value through profit or loss	770	589	530
Total, gross	40,564	41,487	28,126
Less: Available-for-sale impairment allowance	23	21	15
Total financial investments	40,542	41,466	28,111

Financial investments amounted to EUR 40.5 billion at 31 December 2015, a decrease of EUR 0.9 billion or 2.2% compared with EUR 41.5 billion at 31 December 2014. This decrease was mainly caused by redemptions and sales of securities issued by financial institutions (EUR 1.0 billion) and Mortgage and other asset-backed securities (EUR 0.8 billion).

An amount of EUR 0.3 billion in venture capital investments was reclassified from Equity accounted associates to Financial investments in 2015. Since initial recognition, these investments are accounted for at fair value through profit or loss by use of the venture capital exemption for investments that otherwise would be classified as associates.

Investments available for sale

The fair value of the Available-for-sale investments (including gross unrealised gains and losses) is specified as follows:

(in millions)	31 December 2015	31 December 2014	31 December 2013
Interest-earning securities:			
Dutch government	6,540	6,884	5,666
US Treasury and US government	3,481	1,939	1,495
Other OECD government	20,265	20,779	13,449
Non OECD government	348	471	201
European Union	1,637	1,494	1,282
Mortgage- and other asset-backed securities	2,318	3,243	3,544
Financial institutions	4,805	5,824	1,657
Non-financial institutions	28	37	89
Subtotal	39,422	40,670	27,383
Equity instruments	373	228	213
Total investments available-for-sale	39,795	40,898	27,596

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. More information on the liquidity buffer composition can be found in the Risk, funding and capital review section of this Annual Report

The increase in equity instruments of EUR 145 million is mainly due to the revaluation of Visa Europe Ltd.

Government bonds by country of origin

(in millions)	31 December 2015			31 December 2014			31 December 2013		
	Gross unre- alised gains/ (losses) and fair value hedges gains/ (losses) ¹	Impair- ments	Fair value	Gross unre- alised gains/ (losses) and fair value hedges gains/ (losses) ¹	Impair- ments	Fair value	Gross unre- alised gains/ (losses) and fair value hedges gains/ (losses) ¹	Impair- ments	Fair value
Dutch national government	760		6,540	869		6,884	369		5,666
French national government	334		4,273	402		4,420	184		4,734
German national government	468		4,246	553		4,016	208		1,654
Belgian national government	326		3,077	364		2,672	110		2,006
Finnish national government	212		2,170	233		2,165	25		1,044
Austrian national government	340		1,771	477		1,994	251		1,562
USA national government	-3		3,481	8		1,939	9		1,495
Japanese national government			1,968			1,880			519
European Union bonds	180		1,637	192		1,494	82		1,282
Italian national government	43		408	122		974	29		534
Swiss national government						643			245
Spanish national government			503			500			75
Polish national government	118		442	119		410	54		345
Swedish national government	5		356	6		314			93
Great Britain national government	72		276	79		313	28		245
Danish national government			269			209			205
Hong Kong			60			194			76
Luxembourg national government	17		148	16		148			81
Brazil national government			109			143			64
Singapore national government			178			134			61
Canadian national government	2		356	8		120			107
Total government bonds	2,875		32,271	3,449		31,567	1,349		22,093

¹ Of the total gross unrealised gains (losses), fair value hedge accounting was applied for an amount of EUR 2,5 billion as at 31 December 2015 (2014: EUR 3.1 billion; 2013: EUR 1.4 billion). Gain/loss of EUR 342 million (2014: gains EUR 288 million; 2013: loss EUR 61 million) were recognised in Equity.

No impairment charges were recorded on these government bonds.

More information on country risk positions is provided in the Credit risk management section of this Annual Report.

Critical accounting estimates and judgements

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities this review considers factors such as the credit standing and prospects of the issuer, any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, triggers used for a significant or prolonged decline in the fair value below cost are 20% and 9 months respectively. An interest-bearing security is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.

If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the income statement.

Impairment losses recognised on equity instruments can never be reversed through the income statement.

The following table provides information on impairments on available-for-sale investments.

(in millions)	2015	2014	2013
Balance as at 1 January	21	15	19
Increase in impairments	2		3
Reversal on sale/disposal		-1	-7
Foreign exchange differences and other adjustments		7	
Balance as at 31 December	23	21	15

No material movements are recorded in impairments on available-for-sale investments.

Investments designated at fair value through profit or loss

The following table provides information at 31 December 2015 about the investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Government bonds	134	263	214
Corporate debt securities	4	2	13
Private equities and venture capital	577	246	121
Equity securities	54	78	182
Total investments held at fair value through profit or loss	770	589	530

In Corporate Banking, some private equity investments are measured at fair value through profit or loss, reflecting the business of investing in financial assets to benefit from their total return in the form of interest or dividend and changes in fair value.

The decrease in Government bonds is mainly related to Dutch government bonds, as a result of primary dealership in the Netherlands and of client facilitation.

In 2015 an amount of EUR 280 million in investments in venture capital was reclassified to Financial investments from Equity accounted associates. See also note 21 Bank structure.

16 Securities financing

Accounting policy for securities financing

Securities financing consists of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the statement of financial position unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in Loans and receivables) or received (Due to banks or customers). The market value of the securities borrowed or lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the Statement of financial position. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

(in millions)	31 December 2015		31 December 2014		31 December 2013	
	Banks	Customers	Banks	Customers	Banks	Customers
Assets						
Reverse repurchase agreements	2,415	8,185	936	6,518	2,374	3,558
Securities borrowing transactions	4,445	3,970	3,363	6,116	4,570	5,710
Unsettled securities transactions	131	916	163	1,415	299	1,851
Total	6,991	13,071	4,462	14,049	7,243	11,119
Liabilities						
Repurchase agreements	1,877	6,153	1,736	7,457	3,032	5,500
Securities lending transactions	1,138	1,536	672	2,779	779	1,690
Unsettled securities transactions	117	552	256	1,018	396	869
Total	3,132	8,240	2,663	11,254	4,207	8,059

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

The increase in securities financing transactions was mainly related to the reverse repurchase agreements with banks as a result of the cyclical nature of the business as clients build up their positions in the first quarter.

Items of securities financing transactions which ABN AMRO Bank can repledge or resell are included in note 31 Transferred, pledged, encumbered and restricted assets.

17 Fair value of financial instruments carried at fair value

Accounting policy for fair value of financial instruments

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

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is high objectivity in the determination of the fair value. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculation or option pricing models (e.g. Black Scholes).

If portfolios of financial assets and liabilities are measured on the basis of the net exposure to market risks, then judgements are applied in determining appropriate portfolio level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, then any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty) are taken into account.

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to profit or loss at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. Where inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:

- ▶ Bid-ask adjustments. Bid-ask prices are derived from market sources, such as broker data;
- ▶ Credit and debit valuation adjustments. In addition to credit valuation for loans valued as at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and own credit quality respectively;
- ▶ Funding Valuation Adjustment. The Funding Value Adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partially collateralised derivatives;
- ▶ Own credit adjustment. An own credit adjustment is applied to positions where it is believed that counterparties will consider ABN AMRO Bank's creditworthiness when pricing trades;
- ▶ Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of the fair value are adequate. However, the use of different models or assumptions could result in changes to our reported results.

Internal controls over fair value

ABN AMRO Bank has designated controls and processes for determining the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls over the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed, and if necessary amended, by the independent price verification process. This process involves a team independent of those trading the financial instruments performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments the process is performed daily. The minimum frequency of review is monthly for trading positions, and six-monthly for non-trading positions. The independent price verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of our exposure to the model.

Valuation techniques

A number of methodologies is used to determine the fair value of financial instruments for which observable prices in active markets for identical instruments are not available.

Values between and beyond available data points are obtained by interpolation and/or extrapolation. When using valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amount and timing of cash flows, discount rates and credit risk. The principal inputs to these valuation techniques are listed below:

- ▶ bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products;
- ▶ credit spreads – where available, these are derived from prices of credit default swaps (CDS) or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services;
- ▶ interest rates – these are principally benchmark interest rates such as the interbank rates and quoted interest rates in the swap, bond and futures markets;
- ▶ foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies;
- ▶ equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares;
- ▶ commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres;
- ▶ price volatilities and correlations – volatility is a measure of the tendency of a price to change with time. Correlation measures the degree to which two or more prices or other variables are observed to move together. If they move in the same direction there is positive correlation; if they move in opposite directions there is negative correlation. Volatility is a key input in valuing options and the valuation of certain products such as derivatives with more than one underlying variable that are correlation dependent. Volatility and correlation values are obtained from broker quotations, pricing services or derived from option prices;
- ▶ prepayment rates – the fair value of a financial instrument that can be prepaid by the issuer or borrower differs from that of an instrument that cannot be prepaid. In valuing pre-payable instruments that are not quoted in active markets, ABN AMRO Bank considers the value of the prepayment option;
- ▶ counterparty credit spreads – adjustments are made to market prices (or parameters) when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameters);
- ▶ recovery rates/loss given default – these are used as an input to valuation models and reserves for asset-backed securities as an indicator of severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.

ABN AMRO Bank refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO Bank believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of the fair value at the reporting date.



Fair value hierarchy

ABN AMRO Bank analyses financial instruments held at fair value in the three categories as described below.

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

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

Level 3 financial instruments are those valued using a valuation technique where at least one input, which has a significant effect on the instrument's valuation, is not based on observable market data. A significant effect on the instrument's valuation is considered to be present when the unobservable input accounts for at least 10% of the total instrument's fair value. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

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

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



31 December 2015

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



31 December 2014

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

31 December 2013

(in millions)	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
Assets				
Financial assets held for trading	10,987	1,032		12,019
- of which <i>Government bonds and Corporate debt securities</i>	3,779			3,779
- of which <i>Equity securities</i>	6,471			6,471
- of which <i>Other financial assets held for trading</i>	737	1,032		1,769
Derivatives held for trading	146	11,702		11,848
Derivatives not held for trading		2,348	75	2,423
Available-for-sale interest earning securities	25,734	586	1,063	27,383
Available-for-sale equities	119	17	62	198
Financial investments designated at fair value through profit or loss	409		121	530
Unit-linked investments	1,557	614		2,171
Total financial assets	38,952	16,299	1,321	56,572
Liabilities				
Financial liabilities held for trading	3,775	624		4,399
- of which <i>Bonds</i>	1,988			1,988
- of which <i>Equity securities</i>	1,787			1,787
- of which <i>Other financial liabilities held for trading</i>		624		624
Derivatives held for trading	146	9,703		9,849
Derivatives not held for trading		7,305	73	7,378
Issued debt		2,071		2,071
Unit-linked for policyholders	1,557	614		2,171
Total financial liabilities	5,478	20,317	73	25,868

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into 3

In 2015, EUR 40 million in OTC derivatives (Derivatives held for trading) were transferred from level 2 to level 3 (see the following table). This transfer took place because one of the unobservable inputs to the fair value measurement became significant.

Other transfers

In 2015, EUR 781 million of loans originally classified as held for trading were reclassified to loans and receivables. As a result of this reclassification these loans are no longer measured at fair value but at amortised cost. For further details of the reclassification and its cause refer to note 19 Loans and receivables – customers.

Movements in level 3 financial instruments measured at fair value

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

(in millions)	Assets				Liabilities
	Financial investments available for sale	Financial investments designated at fair value through profit or loss	Derivatives held for trading	Derivatives not held for trading	Derivatives not held for trading
Balance at 1 January 2013	1,078	134		103	100
Purchases	6	21			
Sales		-7			
Redemptions	-8				
Unrealised gains/(losses)	26	-27		-28	-27
Other movements	23				
Balance at 31 December 2013	1,125	121		75	73
Balance at 1 January 2014	1,125	121		75	73
Purchases	5	174			
Sales		-20			
Redemptions	-116				
Gains/(losses) recorded in profit and loss ¹		1			
Unrealised gains/(losses)	6	-6		-9	-9
Other movements ¹	648	2			
Balance at 31 December 2014	1,668	271		66	64
Purchases	1	68			
Sales	-104	-119	-9		
Redemptions	-204	-28			
Gains/(losses) recorded in profit and loss		24			
Unrealised gains/(losses)	-13	59	-12	-26	-26
Transfer between levels	5		40		
Other movements ²	1	302			
Balance at 31 December 2015	1,354	577	18	39	39

¹ During 2014 the interest earning securities were reassessed and consequently an amount of EUR 648 million was transferred from level 2 to level 3.

² In 2015 an amount of EUR 280 million investments in venture capital was reclassified from Equity accounted associates to Financial investments.

Level 3 sensitivity information

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

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

Equity shares

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

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

- ▶ Using comparable pricing in accordance with the European Private Equity and Venture Capitalist Association (EVCA) guidelines. This valuation technique is based on earnings multiples of comparable listed and unlisted companies.
The fair value calculation of an investment is strongly linked with movements on the public (share) markets;
- ▶ Net Asset Value (NAV) for Fund Investments and asset backed investments. This is determined by using audited and unaudited company financial statements and any other information available, public or otherwise. As a consequence, the net asset value calculation of an investment is strongly linked with movements in the quarterly performance of the company. No other quantitative information (e.g. future cash flow information) is available and is therefore not included.

New investments are valued at cost for the first year of investment. Thereafter, the fair value technique, either EVCA technique or NAV calculation, will be applied for direct investments.

The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based upon the quarterly performance cannot be applied.

Interest earning securities

Government bonds

ABN AMRO Bank has a position in a Polish bond, denominated in euros (in note 15 Financial investments part of Other OECD government), for which the market is relatively illiquid. The bond is valued using a discounted cash flow model. The main inputs are the interest rate curve, liquidity spread and credit spread. The valuation spread is determined using an internal model. The sensitivity analysis is performed by using a range of reasonable valuation spreads.

Other

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

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



Derivatives

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

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

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



	Valuation technique	Unobservable data	Carrying value			Weighted average	Reasonably possible alternative assumptions	
				Minimum range	Maximum range		Increase in fair value	Decrease in fair value
(in millions)								
31 December 2015								
Equity shares	Private equity-valuation	EBITDA multiples	47	5.0	6.5	5.9	12	-12
Equity shares	Private equity-valuation	Net asset value	609				32	-32
Interest earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	409	59 bps	90 bps	80 bps	13	-4
Interest earning securities - other	Discounted cash flow	Prepayment rate	865	7.3%	10.1%	9.1%	7	-3
Derivatives held for trading	Discounted cash flow	Probability of default	18	0.6%	100.0%	52.1%		-4
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	1	7.3%	10.1%	9.1%		
31 December 2014								
Equity shares	Private equity-valuation	EBITDA multiples	65	5.0	9.8	7.0	20	-20
Equity shares	Private equity-valuation	Net asset value	286					
Interest earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	410	77 bps	145 bps	111 bps	17	-17
Interest earning securities - other	Discounted cash flow	Prepayment rate	1,178	0.0%	10.0%	8.0%	52	-9
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	2	0.0%	10.0%	8.0%		
31 December 2013								
Equity shares	Private equity-valuation	EBITDA multiples	75	5.0	10.0	7.6	21	-21
Equity shares	Private equity-valuation	Net asset value	108					
Interest earnings securities	Discounted cash flow	Prepayment rate	1,063	0.0%	10.0%	5.0%	34	-34
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate	2	0.0%	10.0%	5.0%	2	-2

18 Loans and receivables - banks

Accounting policy for loans and receivables from banks and customers

According to IAS 39 Financial Instruments, Loans and receivables from banks and customers are held at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Interest-bearing deposits	4,841	3,560	15,971
Loans and advances	8,114	11,382	7,621
Mandatory reserve deposits with central banks	313	6,724	221
Other	2,414	15	154
Subtotal	15,682	21,680	23,967
Less: loan impairment allowance	2		
Loans and receivables - banks	15,680	21,680	23,967

Loans and receivables – banks decreased by EUR 6.0 billion to EUR 15.7 billion at 31 December 2015, mainly as a result of a decrease in the Mandatory reserve deposits with central banks.

Interest-bearing deposits increased by EUR 1.3 billion to EUR 4.8 billion at 31 December 2015 mainly due to higher outstanding balances held by international financial institutions.

Loans and advances decreased by EUR 3.3 billion to EUR 8.1 billion at 31 December 2015 mainly due to lower pledged cash collateral related to derivatives contracts.

Mandatory reserve deposits with central banks decreased by EUR 6.4 billion to EUR 0.3 billion at 31 December 2015. Mandatory reserve deposits with central banks are not available for use in the bank's day-to-day operations. The excess balance on the Mandatory reserve deposits with central banks is included in Cash and balances at central banks.

Other loans and receivables – banks increased by EUR 2.4 billion at 31 December 2015 mainly due to a reclassification of trade bills.

19 Loans and receivables - customers

The accounting policy for loans and receivables is included in note 18.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Residential mortgages (excluding fair value adjustment)	146,932	148,402	150,493
Fair value adjustment from hedge accounting on residential mortgages	3,401	4,134	3,531
Residential mortgages, gross	150,333	152,536	154,024
Less: loan impairment allowances - residential mortgage loans	324	538	585
Residential mortgages	150,009	151,998	153,439
Consumer loans, gross	15,147	16,052	16,241
Less: loan impairment allowances - consumer loans	561	654	613
Consumer loans	14,587	15,398	15,628
Corporate loans	84,864	84,694	83,462
Fair value adjustment from hedge accounting on corporate loans	1,448	1,605	891
Financial lease receivables	3,659	3,357	3,184
Factoring	1,866	1,648	1,403
Corporate loans, gross	91,837	91,305	88,940
Less: loan impairment allowances - corporate loans	3,470	3,439	3,672
Corporate loans	88,367	87,866	85,268
Government and official institutions	1,558	1,971	768
Other loans	4,799	4,806	2,030
Other loans and receivables customers, gross	6,357	6,777	2,798
Less: loan impairment allowances - other	1	129	105
Other loans and receivables customers	6,357	6,648	2,693
Loans and receivables - customers	259,319	261,910	257,028

Loans and receivables - customers decreased by EUR 2.6 billion to EUR 259.3 billion at 31 December 2015.

Residential mortgages (excluding fair value adjustment) decreased by EUR 1.5 billion to EUR 146.9 billion at 31 December 2015 as a result of mortgage redemptions and voluntary repayments. This decrease was partly offset by a higher inflow of new Residential mortgages reflecting the improvement of the housing market in the Netherlands.

Consumer loans, gross decreased by EUR 0.9 billion to EUR 15.1 billion, mainly driven by lower volumes held within Retail Banking (EUR 0.8 billion).

Corporate loans increased slightly by EUR 0.5 billion to EUR 88.4 billion. The increase would have been EUR 3.1 billion if the reclassification of Trade bills portfolio to Loans and receivables - banks had not been taken into account. The increase was mainly driven by higher volumes in term loans. Furthermore, part of the Trading book loans initially classified as assets held for trading were reclassified to Corporate loans in 2015.

The following table shows the reclassified financial assets and their carrying and fair values:

(in millions)	2015		
	Amounts reclassified	Carrying value	Fair value
Trading assets reclassified to loans and receivables			
Trading book loans	781	780	770

There were no reclassifications of financial assets in previous reporting periods.

Other loans and receivable customers decreased by EUR 0.3 billion to EUR 6.4 billion, mainly as a result of lower cash collateral pledged within Commercial Clients.

Details on loan impairments are provided in the Credit risk section. See note 14 for details on fair value from hedge accounting.

The following table shows the profit or loss actually recognised in profit or loss for the year ended 31 December 2015 in respect of financial assets reclassified out of the trading category. It also sets out the fair value gains and losses in respect of financial assets reclassified out of the trading category that would have been recognised in profit or loss if no reclassification had taken place:

(in millions)	2015	
	Financial assets reclassified in 2015	Financial assets reclassified prior to 2015
Fair value gains or losses recognised in Net trading income	26	
Interest income recognised in Net interest income	3	
Fair value gains or losses that would have been recognised in Net trading income if the financial assets had not been reclassified	15	

There were no reclassifications of financial assets in previous reporting periods.

With effect from November 2015 ABN AMRO Bank reclassified a portfolio of loans originally classified as Held for trading to the Loans and receivables category. The reclassification between both classification categories took place at the fair value of the loans on the date of reclassification. Any gain or loss already recognised in profit or loss has not been reversed. The fair value of the loans on the date of reclassification has become the new amortized cost value.

The reason for this reclassification was that these loans were no longer deemed to be held for trading as a result of a revised governance in which management of the loans has been transferred from the trading department to the central Treasury department. Subsequent to the reclassification of this portfolio to the Loans and receivables category, ABN AMRO Bank has applied fair value hedge accounting to minimise the volatility in the income statement.

Until the reclassification of this loan portfolio, ABN AMRO Bank N.V. had no reclassifications from the Held for trading category to the Loans and receivables category. ABN AMRO Bank does not expect to apply other reclassifications of financial assets from the Held for trading category to the Loans and receivables category.

20 Fair value of financial instruments not carried at fair value

The classification of financial instruments is determined in accordance with the accounting policies set out in note 17.

The following methods and significant assumptions have been applied to estimate the fair values for the disclosures of financial instruments carried at amortised cost:

- ▶ The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within six months of the reporting date are assumed to approximate their carrying amounts. The fair value estimate of these financial instruments does not reflect changes in credit quality, as the main impact of credit risk is already recognised separately through the deduction of the allowances for credit losses from the carrying amount. Neither does the fair value of these financial instruments reflect changes in liquidity spreads or bid-ask adjustments. The fair value of fixed-rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The prepayment options are not included in the fair value;
- ▶ The fair value of demand deposits and savings accounts (both included under Due to customers) with no specific maturity is assumed to be the amount payable on demand at the reporting date;
- ▶ The fair value of the other loans to customers and loans to banks is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The carrying amount equals the fair value;
- ▶ The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, the fair value is based on independent quotes from market participants for the debt issuance spreads above average interbank offered rates (at a range of tenors) which the market would demand when purchasing new senior or sub-debt issuances from ABN AMRO Bank. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices.

The following table presents, on the one hand, the valuation methods used in determining the fair value of financial instruments carried at amortised cost and, on the other hand, the carrying amount of financial assets and liabilities recorded at amortised cost to their estimated fair value, based on the abovementioned assumptions.



31 December 2015

	Carrying value			Total fair value	Difference
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
(in millions)					
Assets					
Cash and balances at central banks	26,195	26,195		26,195	
Securities financing	20,062	20,062		20,062	
Loans and receivables - banks	15,680		15,679	15,679	
Loans and receivables - customers	259,319	5,570	263,104	268,674	9,355
Total	321,255	51,827	278,783	330,610	9,355
Liabilities					
Securities financing	11,372	11,372		11,372	
Due to banks	14,630		14,630	14,630	
Due to customers	230,297		230,297	230,297	
Issued debt	74,492	31,638	43,810	75,448	-957
Subordinated liabilities	9,708	5,285	4,789	10,074	-366
Total	340,499	36,923	59,972	341,821	-1,322

31 December 2014

	Carrying value			Total fair value	Difference
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
(in millions)					
Assets					
Cash and balances at central banks	706	706		706	
Securities financing	18,511	18,511		18,511	
Loans and receivables - banks	21,680		21,680	21,680	
Loans and receivables - customers	261,910	2,346	266,819	269,164	7,254
Total	302,807	21,563	288,499	310,062	7,254
Liabilities					
Securities financing	13,918	13,918		13,918	
Due to banks	15,744		15,744	15,744	
Due to customers	216,011		216,011	216,011	
Issued debt	75,150	18,632	57,961	76,593	-1,443
Subordinated liabilities	8,328	6,588	2,232	8,820	-493
Total	329,150	25,220	74,111	331,085	-1,935

	Carrying value			31 December 2013	
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value	Difference
(in millions)					
Assets					
Cash and balances at central banks	9,523	9,523		9,523	
Securities financing	18,362	18,362		18,362	
Loans and receivables - banks	23,967		23,967	23,967	
Loans and receivables - customers	257,028		260,931	260,931	3,903
Total	308,880	27,885	284,898	312,783	3,903
Liabilities					
Securities financing	12,266	12,266		12,266	
Due to banks	11,626		11,626	11,626	
Due to customers	207,584		207,584	207,584	
Issued debt	86,611	38,475	48,811	87,286	-675
Subordinated liabilities	7,917	6,023	2,418	8,441	-524
Total	326,004	44,498	63,495	327,203	-1,199

21 Bank structure

Accounting policy for business combinations

ABN AMRO Bank accounts for business combinations using the acquisition method when control is transferred to ABN AMRO Bank. All items of consideration, including contingent consideration, transferred by ABN AMRO Bank are measured and recognised at fair value as of the acquisition date. Transaction costs incurred by ABN AMRO Bank in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO Bank's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill. ABN AMRO Bank measures the identifiable assets acquired and the liabilities assumed at the fair value at the date of acquisition.

In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Assets and liabilities of acquisitions and divestments

The following table provides details on the assets and liabilities resulting from the acquisitions or disposals of subsidiaries and equity-accounted investments at the date of acquisition or disposal.

(in millions)	31 December 2015		31 December 2014		31 December 2013	
	Acquisitions	Divestments	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments						
Cash and balances at central banks				-26		-4
Financial assets held for trading						
Derivatives						
Financial investments						
Securities financing					11	-22
Loans and receivables - banks				-22	2	-269
Loans and receivables - customers			554			
Equity accounted investments	25	-103	105	-58	85	-41
Goodwill and other intangible assets					1	
Other assets					24	-3
Due to banks				24		180
Due to customers			-900	12	-7	92
Tax liabilities						
Other liabilities				1	-18	4
Non-controlling interests					-1	5
Net assets acquired/Net assets divested	25	-103	-241	-70	97	-58
Result on divestments, gross		28		60		28
Cash used for acquisitions/received from divestments:						
Total purchase consideration/Proceeds from sale	-25	132	241	130	-97	86
Cash and cash equivalents acquired/divested				-48	2	-273
Cash used for acquisitions/received from divestments	-25	132	241	82	-95	-187

Acquisitions and divestments include increases and decreases in the investments in several equity-accounted investments for 2015, 2014 and 2013.

Acquisitions in 2015

In 2015 no major assets and liabilities were acquired.

On 3 November 2015 Equens SE and Worldline SA announced that they had entered into an agreement with the aim to become one of the leading and most innovative payment service providers for financial institutions and corporates in Europe. Worldline is to contribute the main part of its Financial Processing & Software Licensing activities to Equens. As a result of the proposed transaction, Worldline will become a majority shareholder in the new combined entity. ABN AMRO Bank's participating interest in Equens is expected to be diluted from 18.4% to 7.0%. The transaction is expected to close during the first half of 2016, subject to works council consultation processes and the approval of regulatory and anti-trust authorities' approvals. Closing of this transaction could result in a solid positive financial impact for ABN AMRO Bank, the size of which depends on a number of circumstances at the time of closing.

Divestments in 2015

ABN AMRO Bank no longer has an associate interest in RFS Holdings B.V., as the underlying assets and liabilities have been sold.

Acquisitions in 2014

On 27 March 2014 ABN AMRO Bank obtained the beneficial title to certain assets and liabilities in RFS Holdings B.V.

On 31 Augustus 2014 (the acquisition date), ABN AMRO Bank completed the acquisition of the domestic private banking activities from Credit Suisse AG in Germany. The asset and liabilities purchase agreement between Bethmann Bank AG and Credit Suisse AG was signed in December 2013. With the acquisition of the assets and liabilities from Credit Suisse AG, ABN AMRO Bank has further strengthened its private banking activities in Europe and positions Bethmann Bank, ABN AMRO Bank's private bank in Germany, as the third largest private bank in Germany. Following this transaction Bethmann Bank will serve about 20,000 clients with approximately EUR 34 billion in Assets under Management.

The asset purchase consists of EUR 550 million of client receivables (loan book) and EUR 900 million of client liabilities (deposit and saving accounts). These assets and liabilities were settled in cash with Credit Suisse AG. On 31 Augustus 2014 ABN AMRO Bank completed the acquisition of the domestic private banking activities from Credit Suisse AG in Germany. The integration of these activities was finalised in 2015.

Divestments in 2014

The sale of Alcover A.G. to Royal Bank of Scotland N.V. was completed on 1 July 2014. Divestments in 2014 consist of the decrease of ownership in Holland Clearing House B.V. from 100% to 25%. This divestment was completed on 3 December 2014. The remaining 25% interest in Holland Clearing House B.V. was accounted for as an associate.

Acquisitions in 2013

ABN AMRO Bank completed the acquisition of Banco CR2 S.A. in Brazil on 31 July 2013.

Divestments in 2013

Divestments in 2013 consist of the decrease of ownership of European Multilateral Clearing Facility from 78% to 25% due to equal ownership of Depository Trust & Clearing Corporation, BATS Chi-X, Nasdaq OMX and ABN AMRO Clearing Bank in European Multilateral Clearing Facility. This divestment was completed on 5 December 2013.

Composition of ABN AMRO Bank

Accounting policy for subsidiaries

ABN AMRO Bank's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by ABN AMRO Bank's ability to exercise its power in order to affect the variable returns that ABN AMRO Bank is exposed to through its involvement with the entity. The existence and effect of potential voting rights that are currently exercisable are taken into account when assessing whether control exists.

The assessment of control is based on the consideration of all facts and circumstances. ABN AMRO Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control (power, exposure to variability in returns and a link between the two).

ABN AMRO Bank sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well defined objectives. Particularly in the case of securitisations, these entities may acquire assets from ABN AMRO Bank companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO Bank or its subsidiaries. These entities are consolidated in ABN AMRO Bank's financial statements when the substance of the relationship between ABN AMRO Bank and the entity indicates that control is held by ABN AMRO Bank.

ABN AMRO Bank is mainly involved in securitisations of own originated assets such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO Bank's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interest. In many cases, these retained interests convey control such that the SPE is consolidated and the securitised assets continue to be recognised in the Consolidated Statement of Financial Position.

The financial statements of subsidiaries and special purpose entities are included in the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Accounting policy for associates and joint ventures

Associates are those entities in which ABN AMRO Bank has significant influence, but no control or joint control, over the operating and financial policies. Significant influence is generally presumed when ABN AMRO Bank holds between 20% and 50% of the voting rights. Potential voting rights that are currently exercisable are considered in assessing whether ABN AMRO Bank has significant influence. Among other factors that are considered to determine significant influence, representation on the board of directors, participation in the policy-making process and material transactions between the entity and the investee are considered.

A joint venture is an investment in which two or more parties have contractually agreed to share the control over the investment. Joint control only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. The activities conducted through joint ventures include cash transfer, insurance, finance and leasing.

Investments in associates and joint ventures, including strategic investments, are accounted for using the equity method. Under this method the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. ABN AMRO Bank's share of the profit or loss of the investee is recognised in Other income in the income statement. When ABN AMRO Bank's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO Bank has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence which are not held for trading or not designated at fair value through profit or loss are classified as Available-for-sale.

The following table provides an overview of the most significant investments in associates and joint ventures at 31 December.

(in millions)	Principle place of business	Business line	31 December 2015		31 December 2014		31 December 2013	
			Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)	Carrying amount	Equity interest (in %)
Joint ventures:								
Neuflyze Vie	France	Private banking	215	60%	212	60%	206	60%
Richmond Preferente Aandelen C. B.V.	The Netherlands	Corporate banking	25	50%	25	50%	25	50%
Car Carriers Management B.V. ¹	The Netherlands	Corporate banking			27	50%	37	50%
Aline Holding S.A. ¹	Marshall Islands	Corporate banking			35	50%	20	50%
CM Bulk Ltd. ¹	Bahamas	Corporate banking			15	50%	14	50%
Associates:								
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail banking	221	49%	235	49%	252	49%
Equens S.E.	The Netherlands	Group functions	60	18%	63	18%	62	18%
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	The Netherlands	Group functions	60	20%	48	20%	45	20%
European Merchant Services B.V.	The Netherlands	Corporate banking ²	20	49%	17	49%	15	49%
RFS Holdings B.V.	The Netherlands	Group functions			77	0%		
Alma Maritime Ltd. ¹	Marshall Islands	Corporate banking			71	39%	74	39%
Safe Ship Inv. Comp. S.C.A. SICAR ¹	Luxembourg	Corporate banking			24	48%	24	48%
Poseidon Containers LLC ¹	Marshall Islands	Corporate banking			24	6%	21	6%
Edda Accomodations DIS ¹	Norway	Corporate banking			29	20%	15	20%
Alcover A.G.	Switzerland	Group functions					52	34%
Private Equity Investments			116		116		128	
Other			61		118		92	
Total equity accounted investments			778		1,136		1,082	

¹ Reclassification to financial investments.

² Reclassification from Retail Banking.

Neuflyze Vie is a joint venture whereby the power to govern the financial and operating policies of the economic activity is subject to joint control.

Although ABN AMRO Bank had no legal ownership, the contribution in RFS Holdings B.V. was identified as an associate resulting from the beneficial title to certain assets and liabilities in RFS Holdings B.V. obtained as per 27 March 2014. The underlying assets and liabilities were sold to Indusind Bank Limited in 2015.

Although ABN AMRO Bank has an 18% interest in Equens S.E., ABN AMRO Bank has significant influence in Equens S.E. because of representation in the Supervisory Board. ABN AMRO Bank therefore accounts for Equens S.E. as an associate.

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

Other investments in associates and joint ventures represents a large number of associates and joint ventures with an individual carrying amount of less than EUR 15 million.

The combined financial information of the associates and joint ventures include the following assets and liabilities, income and expenses, and represent the proportionate share:

(in millions)	31 December 2015			31 December 2014			31 December 2013		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Assets									
Financial assets held for trading	2,528		2,528	2,722		2,722	2,916		2,916
Financial investments	342	6,771	7,113	301	6,609	6,910	2,603	6,321	8,924
Loans and receivables-banks and customers	1,473	235	1,708	1,853	172	2,025	932	166	1,098
Property and equipment	90	165	255	557	242	799	527	200	727
Other assets	420	326	745	584	89	673	528	98	626
Total assets	4,852	7,497	12,349	6,017	7,112	13,129	7,506	6,785	14,291
Liabilities									
Financial liabilities held for trading					33	33	24	24	48
Due to banks and customers	1,290	51	1,341	1,764	114	1,878	3,423	206	3,629
Provisions	2,424	3,624	6,048	2,637	3,578	6,215	2,652	3,407	6,059
Other Liabilities	258	3,575	3,833	469	3,069	3,538	596	2,864	3,460
Total liabilities	3,973	7,250	11,223	4,870	6,794	11,664	6,695	6,501	13,196
Total operating income	562	51	613	774	56	830	452	43	495
Operating expenses	503	26	529	677	38	715	395	28	423
Operating profit/(loss)	60	25	85	97	18	115	57	15	72
Income tax expense	19	9	28	31	11	42	10	9	19
Profit/(loss) for the period	41	16	57	66	7	73	47	6	53

The majority of all assets of associates is held by Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (EUR 2,737 million compared with EUR 2,949 million in 2014) and by Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (EUR 1,418 million compared with EUR 1,213 million in 2014).

Neuflyze Vie holds the majority of assets under joint ventures (EUR 7,208 million compared with EUR 6,920 million in 2014).

The profit for the period regarding the Associates decreased partly due to the reclassification of some investments and relates further mainly to the above mentioned associates.

Impairments on equity accounted investments

The following table shows the changes in impairments on equity-accounted investments.

(in millions)	2015	2014	2013
Balance as at 1 January	16		11
Increase in impairments	28	24	7
Release of impairments		-1	
Reversal of impairment allowances			-11
Other	-41	-6	-7
Balance as at 31 December	4	16	

The majority of the largest equity-accounted investments are regulated entities. Their ability to transfer funds to ABN AMRO Bank is therefore subject to regulatory approval.

Due to the reclassification from Equity accounted associates to Financial investments there has been a transfer between the lines Increase in impairments and Others.

The increase in impaired assets was due mainly to the fact that the carrying value of the primary assets of some of ABN AMRO Bank's associates was lower than their fair value.

Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity has some or all of the following features or attributes:

- ▶ restricted activities;
- ▶ a narrow and well defined objective;
- ▶ insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- ▶ financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks;
- ▶ relevant activities are directed by contractual arrangements.

ABN AMRO Bank is mainly involved in one type of structured entities: securitisations.

ABN AMRO Bank uses securitisation transactions primarily to diversify its funding sources and to manage its liquidity profile. ABN AMRO Bank is mainly involved in securitisation transactions of its own originated assets. Financial assets included in these transactions are residential mortgages and loans to small and medium-sized enterprises (SME). All securitised assets were originated in the Netherlands by ABN AMRO Bank (or one of its predecessors).

Consolidated structured entities

The total amount of assets securitised in true sale securitisations decreased to EUR 52.2 billion at 31 December 2015 (31 December 2014: EUR 66.5 billion; 31 December 2013: EUR 71.4 billion).

The amount of notes sold to external parties totalled EUR 3.0 billion at 31 December 2015, compared with EUR 9.0 billion at year-end 2014 (year-end 2013: EUR 12.3 billion). The difference was primarily caused by the calling of several securitisation transactions including SMILE (SME loans).

At 31 December 2015, there were no securitisations with SME loans (year-end 2014: EUR 1.0 billion; year-end 2013: EUR 1.2 billion).

The securitisation transactions are primarily used for funding and liquidity. There was no RWA (REA) relief at year-end 2015 (year-end 2014: EUR 0.2 billion; year-end 2013: EUR 0.3 billion).

The bank had only true sale (traditional) securitisation transactions outstanding in 2015. In a true sale securitisation transaction a foundation (*stichting*) incorporates a structured entity resulting in a bankruptcy remote structure. ABN AMRO Bank sells a portfolio of receivables to the structured entity. The structured entity funds the purchase by issuing notes. In all securitisation transactions, ABN AMRO Bank provides key ancillary roles such as swap counterparty.

Risks associated with the roles in the securitisation process

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO Bank retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable regulation.

Liquidity risk

Liquidity risk relates to the risk that ABN AMRO Bank might incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios where required. This includes the potential impact of the liquidity facilities or swap agreements which are part of a number of securitisation transactions, most of which relate to transactions for which ABN AMRO Bank is the originator of the underlying assets.

Approaches to calculating risk exposure amount

ABN AMRO Bank does not achieve significant risk transfers for any of the mortgage securitisations. Therefore, the look-through approach is used and REA reduction is not applied.

Monitoring process

ABN AMRO Bank periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test. For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which downgrade and default risk under stressed market conditions is assessed.

Overview of securitisation positions and securitised assets

The total amount of assets securitised in true sale securitisations decreased to EUR 52.2 billion (2014: EUR 66.5 billion; 2013: EUR 71.4 billion). Securitisation transactions for the purpose of capital relief were not originated in 2015.

Securitisation overview of own originated assets (overall pool size)

(in millions)	31 December 2015				31 December 2014		31 December 2013	
	True sale securitisations		Total	True sale securitisations		Total	True sale securitisations	
	Mortgage loans	SME loans		Mortgage loans	SME loans		Mortgage loans	SME loans
Total assets securitised reported under the CRD framework				1,033	1,033		1,206	1,206
Total assets securitised not reported under the CRD framework	52,177	52,177	65,467	65,467	70,203		70,203	70,203
Total assets securitised	52,177	52,177	65,467	1,033	66,499	70,203	1,206	71,409

Details on retained and purchased securitisation positions

The tables in the following sections contain data of securitisation positions in which ABN AMRO Bank acts as originator and/or investor. This table shows securitisations that are reported in accordance with the CRD framework; therefore, securitisations with own originated mortgages are not included. Amounts reported are based on the regulatory exposure values calculated in accordance with the regulatory guidelines. Note that this not only includes the notes issued under the securitisation, but also the credit equivalent of interest rate swaps and first loss positions. The following table outlines the total amount of ABN AMRO Bank's exposure value on securitisation positions in which ABN AMRO Bank acts as originator and/or investor. The total securitisation position decreased to EUR 1.1 billion at 31 December 2015 (31 December 2014: EUR 2.4 billion; 2013: EUR 2.5 billion).

Overview of retained, transferred and purchased securitisation positions

(in millions, Exposure at Default)	31 December 2015				31 December 2014		31 December 2013	
	True sale securitisations		Total	True sale securitisations		Total	True sale securitisations	
	Mortgage loans	SME loans		Mortgage loans	SME loans		Mortgage loans	SME loans
Securitisation position in own originated transactions				1,150	1,150		1,369	1,369
Securitisation positions transferred				-171	-171		-171	-171
Retained securitisation positions				979	979		1,198	1,198
Securitisation position in purchased securitisations	1,125		1,125	1,456	1,456	1,313		1,313
Total securitisation positions	1,125		1,125	1,456	979	2,434	1,313	1,198
							1,198	2,511

Of the EUR 1.1 billion purchased securitisation positions as per 31 December 2015, the full position is risk-weighted at 7%. Of the EUR 2.4 billion retained and purchased securitisation positions as per 31 December 2014, EUR 1.5 billion is risk-weighted at 7% and EUR 0.9 billion is risk-weighted at 20%. Of the EUR 2.5 billion retained and purchased securitisation positions as per 31 December 2013, EUR 1.3 billion is risk-weighted at 7%.

Details on total notes outstanding per structured entity

The following table provides details on the outstanding notes issued by consolidated structured entities which were established by ABN AMRO Bank for securitisation purposes, exceeding 0.1% of the bank's total assets.

(in millions)	31 December 2015		31 December 2014		31 December 2013	
	Total notes issued	% of total assets	Total notes issued	% of total assets	Total notes issued	% of total assets
Category						
Dolphin Master Issuer B.V.	30,472	7.81%	30,472	7.88%	30,472	8.19%
Goldfish Master Issuer B.V.	12,407	3.18%	13,900	3.59%	15,000	4.03%
Fishbowl Master Issuer B.V.	7,139	1.83%	7,139	1.85%	8,839	2.38%
Beluga Master Issuer B.V.	3,136	0.80%	3,136	0.81%	3,136	0.84%
SMILE Securitisation Company 2007 B.V.	18	0.00%	1,065	0.28%	1,270	0.34%
Oceanarium Master Issuer B.V.			12,146	3.14%	12,146	3.26%
European Mortgage Securities VIII B.V.					1,782	0.48%
Total	53,172		67,857		72,645	

At present, there are no material, consolidated structured entities – not related to securitisation activities – exceeding 0.1% of the bank's total assets.

Support to consolidated structured entities

ABN AMRO Bank did not provide support, financial or otherwise, to a consolidated structured entity including when ABN AMRO Bank was not contractually obligated to do so, nor does ABN AMRO Bank intend to do so in the future.

Unconsolidated structured entities

ABN AMRO Bank has invested EUR 0.8 billion in securitisations which were not set up by ABN AMRO Bank (2014: EUR 1.5 billion; 2013: EUR 1.3 billion). These securitisation notes are part of the liquidity buffer. ABN AMRO Bank does not consolidate the structured entities as the bank does not have control over these entities. As ABN AMRO Bank has not engaged in any additional contractual obligations with these entities, the maximum exposure to these structured entities is the same as the invested amount.

To raise funding, ABN AMRO Bank has interests in two structured entities: Simba Finance B.V. (Simba) and Pumbaa Finance B.V. (Pumbaa). Simba and Pumbaa are unconsolidated structured entities as ABN AMRO Bank does not have the power to govern the variable returns of these entities. Although ABN AMRO Bank is the main shareholder of these entities, it is not significantly exposed to the variability of these entities' returns as this is contractually diverted to third-party investors.

Sponsoring of unconsolidated structured entities.

An entity is considered a sponsor of an unconsolidated structured entity if it had a key role in establishing that entity so that the transaction, which is the purpose of the entity, could occur. No material sponsoring occurred in 2015.

22 Property and equipment, goodwill and other intangible assets

Accounting policy for property and equipment

In accordance with IAS 16, Property and equipment is stated at cost less accumulated depreciation and any amount for impairment. At each balance sheet date an assessment is performed to determine whether there is any indication of impairment. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO Bank generally uses the following useful lives in calculating depreciation:

- ▶ Land: not depreciated;
- ▶ Buildings: 30 years;
- ▶ Leasehold improvements: 10 years;
- ▶ Equipment: 5 years;
- ▶ Computer installations: 2 to 5 years.

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

Depreciation rates and residual values are reviewed at least periodically to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.

Assets for which the bank acts as a lessor in an operational lease contract are included in Property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value.

Accounting policy for intangible assets

Goodwill

Goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairments of Assets. Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO Bank's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. Goodwill is not amortised, but is reviewed annually for impairment or more frequently if there are indications that impairment may have occurred. In the test the carrying amount of goodwill is compared with the highest of the fair value less costs to sell and the value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense and are irreversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years unless the software is classified as core application software, which is depreciated over its estimated useful lifetime set at a maximum of seven years. Only the development phase is capitalised for own developed software.

Other intangible assets include separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general, the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

The following table shows the carrying amount for each category of Property and equipment at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Land and buildings held for own use	781	820	852
Leasehold improvements	43	38	38
Equipment	539	522	505
Other	3	32	31
Total property and equipment	1,366	1,412	1,426

Total Property and equipment decreased by EUR 46 million or 3% to EUR 1,366 million at 31 December 2015 compared with EUR 1,412 million at 31 December 2014, mainly due to the sale of buildings in Guernsey during 2015 (EUR 54 million).



The following table shows the carrying amount for Goodwill and other intangible assets at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Goodwill	149	147	138
Purchased software	54	41	39
Internally developed software	6	5	8
Other	54	62	10
Total goodwill and other intangible assets	263	255	195

The book value of Property, equipment, intangible assets and goodwill changed as follows for the years 2015, 2014 and 2013.

(in millions)	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	2015 Total goodwill and other intangible assets
Acquisition costs as at 1 January	1,742	203	1,451	36	3,432	198	1,162	1,360
Additions	56	17	210		282		41	42
Reversal of cost due to disposals	-86	-3	-198	-38	-324		-3	-3
Foreign exchange differences	3	2	7	3	14	4	2	7
Other	-32		-6	2	-36		-1	-2
Acquisition costs as at 31 December	1,683	218	1,464	3	3,368	202	1,202	1,403
Accumulated depreciation/amortisation as at 1 January	-911	-165	-927	-4	-2,007		-1,034	-1,034
Depreciation/amortisation	-51	-12	-154		-217		-34	-34
Reversal of depreciation/amortisation due to disposals	41	3	161	5	209		4	4
Foreign exchange differences	-1	-1	-4		-6		-2	-2
Other	30				29			
Accumulated depreciation/amortisation as at 31 December	-891	-176	-924		-1,991		-1,066	-1,066
Impairments as at 1 January	-11		-2		-13	-51	-21	-71
Increase of impairments charged to the income statement	-4				-4		-1	-1
Reversal of impairments due to disposals	6		1		7			
Foreign exchange differences						-3		-3
Other	-1				-1	1		1
Impairments as at 31 December	-10		-1		-11	-53	-22	-75
Total as at 31 December	781	43	539	3	1,366	149	114	263



2014

(in millions)	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	Total goodwill and other intangible assets
Acquisition costs as at 1 January	1,759	201	1,394	34	3,388	164	1,079	1,243
Additions	43	10	205		258	35	85	120
Reversal of cost due to disposals	-52	-11	-151	-6	-219		-3	-3
Foreign exchange differences	3	2	7	2	14	6	2	9
Other	-12		-4	6	-10	-7	-1	-8
Acquisition costs as at 31 December	1,742	203	1,451	36	3,432	198	1,162	1,360
Accumulated depreciation/amortisation as at 1 January	-880	-163	-887	-3	-1,933		-1,003	-1,003
Depreciation/amortisation	-52	-11	-148	-1	-212		-31	-31
Reversal of depreciation/amortisation due to disposals	31	11	108		150		3	3
Foreign exchange differences	-1	-1	-4		-6		-2	-2
Other	-9		4		-5		-1	-1
Accumulated depreciation/amortisation as at 31 December	-911	-165	-927	-4	-2,007		-1,034	-1,034
Impairments as at 1 January	-27		-2		-29	-26	-19	-45
Increase of impairments charged to the income statement	-8				-8	-28	-2	-30
Reversal of impairments due to disposals	5				6			
Foreign exchange differences						-3		-3
Other	19				19	6		6
Impairments as at 31 December	-11		-2		-13	-51	-21	-71
Total as at 31 December	820	38	522	32	1,412	147	108	255

(in millions)	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total property and equipment	Goodwill	Other intangible assets	2013 Total goodwill and other intangible assets
Acquisition costs as at 1 January	1,790	201	1,405	34	3,430	161	1,089	1,250
Acquisitions/divestments of subsidiaries			-1		-1	1	-1	
Additions	35	7	196		238	5	16	21
Reversal of cost due to disposals	-88	-8	-200		-296		-24	-24
Foreign exchange differences	-1	-1	-4		-6	-3	-1	-4
Other	23	2	-2		23			
Acquisition costs as at 31 December	1,759	201	1,394	34	3,388	164	1,079	1,243
Accumulated depreciation/amortisation as at 1 January	-873	-131	-880	-3	-1,887		-981	-981
Acquisitions/divestments of subsidiaries			1		1		1	1
Depreciation/amortisation	-50	-40	-166	-1	-257		-48	-48
Reversal of depreciation/amortisation due to disposals	46	7	153		206		24	24
Foreign exchange differences		1	2		3		1	1
Other	-3		3	1	1			
Accumulated depreciation/amortisation as at 31 December	-880	-163	-887	-3	-1,933		-1,003	-1,003
Impairments as at 1 January	-22		-2		-24	-27	-19	-46
Increase of impairments charged to the income statement	-9				-9			
Reversal of impairments due to disposals	5				5			
Foreign exchange differences						1		1
Other	-1				-1			
Impairments as at 31 December	-27		-2		-29	-26	-19	-45
Total as at 31 December	852	38	505	31	1,426	138	57	195

The fair value of Land and buildings held for own use is estimated at EUR 694 million at 31 December 2015 (2014: EUR 691 million; 2013: EUR 936 million). Of this fair value, 96% is based on external valuations performed in 2015 or 2014 and 4% is based on Dutch local government property tax valuations with a discount of 0% to reflect the current market situation. There are some properties that have a lower fair value than the recorded carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Bank is sufficient to cover the total value of all these assets.

Additions at property and equipment increased by EUR 24 million, due to higher investments in Land and buildings held for own use and Leasehold improvements. Lower additions at Goodwill and other intangible assets are mainly due to the acquisition of the German Private Banking activities from Credit Suisse (Deutschland) AG by Bethmann Bank in 2014.

Lessor

In its capacity as lessor, ABN AMRO Bank leases out various assets, included in Equipment, under operating leases. Future minimum lease receipts under non-cancellable operating lease are EUR 380 million (2014: EUR 357 million; 2013: EUR 277 million), of which EUR 338 million (2014: EUR 295 million; 2013: EUR 207 million) matures within five years.

Impairment of goodwill

Impairment testing on goodwill is performed at least annually by comparing the recoverable amount of the cash-generating units (CGU) to their carrying amount. The CGU is the smallest identifiable group of assets that:

- ▶ generate cash inflows from continuing use; and
- ▶ are largely independent of the cash inflows from other assets or groups of assets.

Identification of an asset's cash-generating unit involves judgement. If the recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows. The recoverable amount is determined by the highest of the value in use or fair value less costs to sell. The type of the acquired entity determines the definition of the type of CGU.

The value in use of a CGU is assessed through a discounted cash flow model of the anticipated future cash flows of the CGU. The discounted cash flow model uses assumptions which depend on various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated. The values assigned to each key assumption reflect past experience that was modified based on management's expectation for the future and are consistent with external sources of information.

Besides the discount rates stated in the following table, calculation of the value in use was also based on cash flows, projected based on past experience, actual operating results and the 5-year budget plan. Cash flows for a further 5-year period were extrapolated using the long-term growth rate stated for the CGU.

(in millions)	Segment	Method used for recoverable amount	Discount rate	Long term growth rate	Impairment charges	31 December 2015	31 December 2014	31 December 2013
						Goodwill	Goodwill	Goodwill
Entity								
Bethmann Bank	Private Banking	Value in use	10.0%	1.0%		99	99	64
ABN AMRO (Guernsey)	Private Banking	Fair value	10.0%	1.0%		27	25	48
ABN AMRO Commercial Finance Holding	Corporate Banking	Value in use	10.0%	2.0%		11	10	10
Banque Neuflyze	Private Banking	Value in use	10.0%	0.0%		6	6	6
Banco ABN AMRO S.A.	Corporate Banking	Value in use	10.0%	2.0%		3	4	4
Other						2	2	6
Total goodwill and impairment charges						149	147	138

(in millions)	2015	2014	2013
Depreciation on tangible assets			
Land and buildings held for own use	51	52	50
Leasehold improvements	12	11	40
Equipment	74	71	90
Other		1	1
Amortisation on intangible assets			
Purchased software	23	23	40
Internally developed software	3	3	5
Other intangible assets	8	5	3
Impairment losses on tangible assets			
Land and buildings held for own use (incl. held for sale)	4	8	13
Impairment losses on intangible assets			
Goodwill		28	
Purchased software	1	2	
Total depreciation and amortisation	177	204	242

Total depreciation and amortisation decreased by EUR 27 million in 2015 (2014: decrease of EUR 38 million).

Impairment losses on Land and buildings held for own use include an impairment amount of EUR 4 million at 31 December 2015 (2014: EUR 0 million; 2013: EUR 4 million) for assets held for sale.

In 2015 no impairments charges on Goodwill were recorded, compared with a total of EUR 28 million in 2014.

23 Other assets

Accounting policy for non-current assets held for sale

In accordance with IFRS 5, non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held-for-sale assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held for sale are presented separately.

The following table shows the components of Other assets at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Accrued other income	490	567	698
Prepaid expenses	24	21	24
Assets held for sale	32	25	29
Unit-linked investments	2,543	2,453	2,171
Reinsurers share, trade and other receivables	1,385	1,339	1,460
Other	452	582	746
Total other assets	4,925	4,986	5,128

Unit-linked investments are investments on behalf of insurance contract policyholders who bear the investment risk. Minimum guaranteed rates are agreed for certain contracts.

Reinsurers share, trade and other receivables include the amount of the receivables purchased by ABN AMRO Bank (the factor) from its clients under contract of non-recourse factoring.

Other assets in 2015 include a net receivable of EUR 204 million mainly related to the bankruptcy of DSB Bank (2014: EUR 168 million).

24 Due to banks

Accounting policy for Due to banks and Due to customers

According to IAS 39 Financial Instruments, amounts due to banks and customers are held at amortised cost. That is, fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

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

(in millions)	31 December 2015	31 December 2014	31 December 2013
Deposits from banks:			
Demand deposits	2,728	3,024	2,769
Time deposits	1,332	3,399	5,013
Other deposits	10,544	9,276	3,795
Total deposits	14,604	15,699	11,577
Other Due to banks	26	45	49
Total due to banks	14,630	15,744	11,626

Due to banks decreased by EUR 1.1 billion to EUR 14.6 billion at 31 December 2015 mainly due to the decrease in Time deposits (EUR 2.1 billion), which is partly offset by the increase in Other deposits (EUR 1.3 billion).

25 Due to customers

The accounting policy for Due to customers is included in note 24.

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

(in millions)	31 December 2015	31 December 2014	31 December 2013
Demand deposits	119,109	109,753	100,151
Saving deposits	92,472	88,655	87,448
Time deposits	18,555	17,459	19,638
Total deposits	230,136	215,867	207,237
Other due to customers	160	144	347
Total due to customers	230,297	216,011	207,584

Due to customers rose by EUR 14.3 billion to EUR 230.3 billion at 31 December 2015, as a result of an increase in Demand deposits (EUR 9.4 billion), Saving accounts (EUR 3.8 billion) and Time deposits (EUR 1.1 billion), reflecting increased client demand for these products.

Demand deposits increased by EUR 9.4 billion to EUR 119.1 billion at 31 December 2015 due to higher outstanding of positions related to Corporate Banking (EUR 5.3 billion), Private Banking (EUR 3.1 billion) and Retail Banking (EUR 1.0 billion).

Saving deposits increased by EUR 3.8 billion to EUR 92.5 billion at 31 December 2015, mainly driven by higher volumes within Commercial Clients and Retail Banking. The increase in Retail Banking includes a growth in deposits at MoneYou outside the Netherlands.

Time deposits increased by EUR 1.1 billion to EUR 18.6 billion at 31 December 2015, primarily due to higher outstanding deposits held by insurance companies and other financial institutions within Corporate Banking (EUR 0.8 billion).

26 Issued debt and subordinated liabilities

Accounting policy for issued debt and subordinated liabilities

Issued debt securities and subordinated liabilities are recorded at amortised cost using the effective interest rate method, unless they are of a hybrid or structured nature and irrevocably designated at initial recognition to be held at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

ABN AMRO Bank applies IAS 32 Financial Instruments: Presentation to determine whether funding is either a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO Bank having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or at the option of the holder are classified as liabilities. The dividends and fees on preference shares classified as a liability are recognised as interest expense.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO Bank and its subsidiaries.

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where own credit risk would be considered by market participants. Exchange-traded own debt at fair value through profit or loss is valued against market prices.

The fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

The following table shows the types of debt certificates issued by ABN AMRO Bank and the amounts outstanding at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Bonds and notes issued	64,613	66,349	70,649
Certificates of deposit and commercial paper	9,820	8,729	15,610
Saving certificates	59	72	352
Total at amortised cost	74,492	75,150	86,611
Designated at fair value through profit or loss	1,715	1,981	2,071
Total issued debt	76,207	77,131	88,682
- of which matures within one year	25,844	20,347	30,719

Issued debt at 31 December 2015 amounted to 76.2 billion. This is a decline of EUR 0.9 billion or 1.2% compared with EUR 77.1 billion at 31 December 2014. This decline was due to a decrease of EUR 6.0 billion in external RMBS notes which were called and added to the liquidity buffer as retained. This was partly offset by EUR 1.1 billion higher Certificates of deposits and Commercial paper, and EUR 4.0 billion higher Unsecured medium-term notes. Movements in these debt instruments are a continuous process of redemption and issuance of long-term and short-term funding.

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

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

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2015	31 December 2014	31 December 2013
Cumulative change in fair value of the structured notes attributable to changes in credit risk	7	13	-3
Change during the year in fair value of the structured notes attributable to changes in credit risk	-6	16	7

The cumulative change of the fair value of the structured notes attributable to change in credit risk amounted to EUR 7 million (2014: EUR 13 million; 2013: EUR -3 million).

For all financial liabilities designated at fair value through profit or loss, the amount that would contractually be required to pay at maturity was EUR 1.7 billion (2014: EUR 1.9 billion; 2013: EUR 2.2 billion).

The following table specifies the issued and outstanding subordinated liabilities at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Perpetual loans	1,255	1,285	1,303
Other subordinated liabilities	8,453	7,043	6,614
Total subordinated liabilities	9,708	8,328	7,917

The subordinated liabilities at 31 December 2015 amounted to EUR 9.7 billion, up EUR 1.4 billion or 16.6% compared with EUR 8.3 billion at 31 December 2014. This increase was driven mainly by a newly issued EUR 1.5 billion 2.875% subordinated loan. The maturity date of this loan is June 2025. Furthermore, a new USD 1.5 billion 4.75% subordinated loan was issued. The maturity date of this loan is July 2025. A total of EUR 1.65 billion was redeemed in 2015.

The issued and outstanding loans qualifying as subordinated liabilities are subordinated to all other current and future liabilities.

Other subordinated liabilities

Other subordinated liabilities comprise a loan held by the Dutch State. This loan (EUR 1.65 billion), which has an interest rate of 1.019% and matures in 2017, was called in the third quarter 2015.

27 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO Bank has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO Bank has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement costs expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO Bank is responsible to pay upon default of payment.

The following table shows the breakdown of provisions at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Insurance fund liabilities	154	183	380
Provision for pension commitments	85	91	418
Restructuring	200	233	262
Other staff provision	144	182	174
Credit commitments	8	5	1
Legal provisions	292	112	78
Other	381	202	239
Total provisions	1,256	1,003	1,550



Insurance fund liabilities

Insurance fund liabilities include the insurance companies' actuarial reserves, premium and claims reserves. The expected cash outflow for 2016 is approximately EUR 60 million and approximately EUR 130 million for the 2017-2020 period.

Provision for pension commitments

Provision for pension commitments includes early retirement benefits payable to non-active employees. In 2014 the pension scheme was changed from a defined benefit plan to a defined contribution plan. Further details are provided in note 28.

Restructuring

Restructuring provisions cover the costs of restructuring plans for which implementation has been formally announced. Restructuring provisions are related to the integration and to further streamlining of the organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses. The pre-2014 restructuring programme is almost completed. The remaining balance relates to ongoing costs that are still payable based on the Social Plan. In 2014 ABN AMRO Bank announced a new restructuring plan for Retail Banking which is scheduled to be completed by the end of 2019. The financial settlement may take up to five years after completion.

Other staff provisions

Other staff provisions relate in particular to disability and other post-employee benefits.

Legal provisions

Legal provisions are based on best estimates available at year-end and taking into account the opinion of legal specialists. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

Interest rate derivatives to SME clients

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

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



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

The review revealed cases where a variable risk-based fee had been charged on the loans. Even though the provisions of the loans allow for such a risk-based fee (including an increase of the risk-based fee, in such cases the combination of the floating interest rate loan and interest rate derivative no longer resulted in a fixed interest rate for the client. The review also revealed cases of a mismatch between the loan and the interest rate derivative as a result of early prepayments of the loan or differences in tenor between the loan and the interest rate derivative. Such mismatches could lead to the relevant SME client being overhedged. To resolve an overhedge situation, the interest rate derivative has to be fully or partially unwound. However, as a result of the declining floating interest rates, the interest rate derivative has a negative mark-to-market value. Pursuant to the terms of the interest rate derivatives contract, the mark-to-market value has to be settled by the parties when unwinding interest rate derivatives. This settlement results in a payment obligation by the SME client, which is similar to the penalty paid upon early repayment of an equivalent fixed interest rate loan.

Following a case-by-case duty of care analysis, based on a framework as committed to the AFM, the bank has for a number of SME client files agreed to (i) fully or partially unwind the interest rate swap and/or (ii) partly compensate the SME client. ABN AMRO Bank aims to provide an appropriate solution, if applicable, to all other relevant SME clients. ABN AMRO Bank has recognised a provision for the anticipated compensation amounts based on the review of all relevant SME client files.

A contingent liability is disclosed in note 32 Commitments and contingent liabilities for elements that are not included in the provision at year-end 2015. Recognition of these elements in the provision is dependent on future events, such as a possible revision of the compensation framework as advised by the AFM on 1 March 2016. Further details are provided in note 32.

Other duty of care matters

Stichting Belangenbehartiging Gedupeerde Beleggers van den Berg represents victims of a large Ponzi scheme fraud set-up by Mr René van den Berg through his Fortis Bank Nederland accounts. Fortis Bank Nederland is one of the predecessors of ABN AMRO Bank. The victims of this fraud are claiming damages for ABN AMRO Bank by reason of breaching a public duty of care. ABN AMRO Bank has recognised a provision for partial compensation of the victims.

In 2012, a class action was brought by Stichting Stop de Banken in relation to mortgage agreements with a floating interest rate based on EURIBOR, alleging that ABN AMRO Bank was contractually not allowed to unilaterally increase the level of the applicable margin and violated its duty of care. On the same subject, ABN AMRO Bank was found to have violated its duty of care with respect to an individual out of court settlement proceeding by the appeals commission of Kifid. For these proceedings a provision is recognised at year-end.

In the meantime, multiple individual proceedings and an additional class action have been initiated against ABN AMRO Bank. The uncertainties are likely to continue for some time. In those cases where ABN AMRO Bank considers it probable that settlement of the claims will require a cash outflow, a provision is recognised at year-end. A contingent liability is disclosed for all other cases in which a probable cash outflow is not considered remote. Further details are provided in note 32 Commitments and contingent liabilities.

Other provisions

Other provisions include provisions for tax purposes. The tax provisions are based on best estimates available at year-end and taking into account the opinion of tax specialists. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved.

Discussions with tax authorities in Switzerland and Germany

The tax treatment of certain transactions related to discontinued securities financing activities in the international offices, that date back to the time before ABN AMRO Group assumed control of Fortis Bank Nederland (FBN), are currently the subject of discussion with the Swiss and German tax authorities.

In Switzerland, the discussion regards the beneficial ownership of shares held by subsidiaries of FBN. These subsidiaries executed equity derivative trading transactions and held long positions in Swiss traded equities. The subsidiaries reclaimed dividend withholding tax based on the applicable tax treaties. According to the Swiss tax authorities, the transactions were not carried out for valid business reasons and therefore the subsidiaries were not considered beneficial owners of the respective underlying dividends. In May 2015, in a decision of the Swiss Supreme Court in a proceeding involving a similar transaction, beneficial ownership was denied to the taxpayer. This could lead to an unfavourable result for ABN AMRO Bank in its discussions with the Swiss tax authorities and may have an impact on decisions of tax courts in other countries, for instance in Germany.

In 2012 the German tax authorities issued notices to a former German subsidiary of FBN stipulating that they intend to reclaim dividend withholding tax amounts claimed by the German company in the years 2007 through 2009. The German company was engaged in derivative trading transactions. The German tax authorities claim that the German company has not acquired beneficial ownership in certain transactions where the German company claimed a refund of dividend withholding tax. The German company has filed objections against these notices.

ABN AMRO Bank has recognised a provision that it currently considers sufficient to cover its exposure in relation to claims made by the Swiss and German tax authorities.

Mortgage administration inconsistencies

There have been inconsistencies in the administration of the bank and business partners with respect to one of our mortgage products. The result of these inconsistencies is a shortfall between actual saving values and guaranteed saving values relating to those mortgage products. The best estimate of this shortfall is recognised as a provision.

Credit commitments

Provisions for credit commitments are provisions covering credit risk on credit commitments recorded in off-balance sheet items that have been identified individually or on a portfolio basis as impaired. The amount of the impairment is the present value of the cash flows which ABN AMRO Bank expects to be required to settle its commitment.

Changes in provisions during the year are as follows:

(in millions)	Insurance fund liabilities	Provision for pension commitments	Restructuring	Other staff provision	Legal provisions	Other	Total
At 1 January 2013	401	560	360	182	96	317	1,915
Increase of provisions			120	12	14	33	179
Reversal of unused provisions			-58	-2	-2	-53	-115
Utilised during the year	-3		-166	-16	-32	-91	-308
Accretion of interest			2			1	3
Foreign exchange differences						-1	-1
Other	-18	-142	4	-2	2	33	-123
At 31 December 2013	380	418	262	174	78	239	1,550
Increase of provisions			133		26	21	180
Reversal of unused provisions			-41		-1	-2	-45
Utilised during the year			-125		-5	-219	-349
Accretion of interest			1		9		10
Foreign exchange differences						1	1
Other	-197	-327	4	7	5	163	-344
At 31 December 2014	183	91	233	182	112	202	1,003
Increase of provisions	3		75	1	178	163	420
Reversal of unused provisions	-1		-22	-1	-3	-20	-48
Utilised during the year			-86		-8	-50	-144
Accretion of interest			1		16	34	50
Foreign exchange differences						4	5
Other	-32	-7		-38	-1	48	-30
At 31 December 2015	154	85	200	144	292	381	1,256

Other and Legal provisions were higher in 2015 compared with the previous year due mainly to the recording of a tax provision, a provision for interest rate derivatives for SME clients, a provision related to Euribor mortgages legal claim and a provision for mortgage administration inconsistencies.

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

28 Pension and other post-retirement benefits

Accounting policy for pension and other post-retirement benefits

ABN AMRO Bank sponsors a number of pension and early retirement ('VUT') schemes in the Netherlands and abroad and IAS 19 applies to the accounting of these schemes. These schemes are mainly defined contribution plans. The majority of the beneficiaries of the plans are located in the Netherlands.

Defined contribution plans

For defined contribution plans, ABN AMRO Bank pays yearly contributions determined by a fixed method and has no legal or constructive obligation to pay any further contributions. Contributions are recognised directly in the income statement in the year to which they relate. Actuarial and investment risk are for the account of the participants in the plan.

Defined benefit plans

For defined benefit schemes, the net obligation of each plan is determined as the difference between the present value of the defined benefit obligations and the fair value of plan assets.

The actuarial assumptions used in calculating the present value of the defined benefit obligation include discount rates based on high-quality corporate bonds, inflation rate, future salary increases, employee contributions, mortality assumptions and rates of employee turnover. The assumptions are based on available market data and management expectations at the end of the reporting period.

Plan assets are measured at fair value at the balance sheet date and are netted against the defined benefit obligation.

Pension costs recognised in the income statement for defined benefit plans consist of:

- ▶ service costs;
- ▶ net interest costs determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments; and
- ▶ curtailments or plan amendments.

Differences between the pension costs and the contributions payable are accounted for as provisions or prepayments.

Remeasurement

Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover) and are recognised in Other comprehensive income and will not be recycled to profit or loss in later periods. In determining the actual return on plan assets, the costs of managing the plan assets and any tax payable by the plan itself are deducted.

Other post-retirement benefits

Some ABN AMRO Bank group companies provide post-retirement benefits to their retirees such as long-term service benefits, and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are calculated annually.

Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Pension and other post-retirement benefits

Dutch defined contribution plan

In 2014, ABN AMRO Bank introduced a new pension scheme for its employees in the Netherlands. This is a Collective Defined Contribution (CDC) plan. The Dutch CDC plan has an effective date of 12 June 2014 and is a defined contribution plan based on an average salary plan with a yearly accrual ambition of 1.875% as of 2015 (2.05% in 2014). The normal retirement age is set at 67 years. The contribution payable by pension fund participants is 5.5% as from 2015 (6.67% in 2014). The annual pension contributions are calculated according to a fixed contribution calculation mechanism. The annual pension contribution is maximised at 35% of the pensionable salary.

Amounts recognised in the income statement for pensions and other post-retirement benefits

(in millions)	2015	2014	2013
Current service cost	6	91	228
Interest cost	4	294	616
Interest income	-2	-288	-608
Administrative expenses impacting defined benefit obligations			
Administrative expenses impacting plan assets		6	13
Past service cost	-5		-18
Losses/(gains) on settlements and curtailment	-1	297	-8
Impact on asset due to asset ceiling			
Other	1	5	1
Pension expenses relating to defined benefit plans	3	405	224
Defined contribution plans	322	170	33
Total Pension expenses	324	575	257

The decrease in the total pension expenses of EUR 251 million in 2015 compared with 2014 was mainly due to the settlement of the Dutch pension plan. The increase excluding the settlement cost was EUR 46 million, mainly due to a decrease of the discount rate in 2015 compared with 2014 which resulted in higher interest cost.

The remaining pension expenses relating to defined benefit plans consist mainly of several small defined benefit plans outside the Netherlands.

Since the introduction of the Dutch Collective Defined Contribution plan the pension expenses for defined contribution plans consist mainly of the cash contributions.

Reconciliation to the statement of financial position and other comprehensive income

(in millions)	2015	2014	2013
Present value of defined benefit obligations - funded	134	140	18,125
Fair value of plan assets	94	91	17,719
	40	49	406
Present value of unfunded obligations	45	47	12
Other		-5	
Net recognised liabilities/(assets) at 31 December	85	91	418
Remeasurements arising from changes in demographic assumptions DBO	3	57	-159
Remeasurements arising from changes in financial assumptions DBO	-1	-1,765	294
Remeasurements arising from changes in financial assumptions Plan assets.	1	1,511	-392
Reclassification post-employment benefit plan ¹		3,599	
Other		-1	1
Remeasurements in Other comprehensive income	3	3,400	-256

¹ Reclassification of EUR 3,599 million (EUR 4,799 million gross and EUR 1,200 tax) from Remeasurement gains/(losses) to Other reserves including retained earnings following the change of pension scheme.

Change in defined benefit obligation

(in millions)	2015	2014	2013
Defined benefit obligation as at 1 January	187	18,137	17,881
Current service cost	6	91	228
Interest cost	4	294	616
Past service cost	-5		-18
Administrative expenses impacting defined benefit obligations			
Losses/(gains) on settlements and curtailment	-4	-19,845	
Participants' contributions	-3	24	57
Benefits paid	-3	-217	-466
Remeasurements arising from changes in demographic assumptions defined benefit obligation	-3	-57	159
Remeasurements arising from changes in financial assumptions defined benefit obligation	1	1,765	-294
Acquisitions and disposals of subsidiaries		2	-14
Foreign exchange differences	1	1	-1
Other	-1	-9	-11
Defined benefit obligation as at 31 December	179	187	18,137

The net defined benefit liabilities / (asset) balance as per December 2015 consist of VUT, pensioners with a profit share, the indexation of benefits insured at an insurance company and several small defined benefit plans outside the Netherlands.

The defined benefits obligation and fair value plan assets remained stable excluding the amounts related to the Dutch defined benefits pension plan compared with December 2014.

The decline in the defined benefit obligation in 2014 was due mainly to the settlement of the Dutch pension plan. Due to the change in discount rate from 3.6% to 3.12% for the period until

12 June 2014, the defined benefit obligation increased in 2014 by EUR 1,765 million. Furthermore, an experience gain of EUR 65 million was recognised in 2014 due to lower than expected indexation (1.4% versus 1.8% expected).

Change in fair value of plan assets

(in millions)	2015	2014	2013
Fair value of plan assets as at 1 January	91	17,719	17,281
Interest Income	2	288	608
Remeasurements arising from changes in financial assumptions plan assets	1	1,511	-392
Employer's contributions	6	173	649
Participants' contributions		25	60
Direct payments			-1
Administrative expenses impacting defined plan assets		-6	-13
Benefits paid	-3	-217	-466
Acquisitions and disposals of subsidiaries			-9
Asset distributed on settlements	-3	-19,404	
Foreign exchange differences	1	1	-2
Other		1	4
Fair value of plan assets as at 31 December	94	91	17,719

In 2014 the fair value of plan assets mainly declined due to the settlement of the Dutch pension plan. The return on plan assets was higher than the discount rate, which resulted in a gain of EUR 1,511 million in 2014.

Plan participants' contributions to the defined benefit plan in 2014 until 12 June 2014 amounted to EUR 25 million and is included in Salaries and wages.

Principal actuarial assumptions

	2015	2014	2013
Discount rate	2.2%	2.1%	3.6%
Indexation rate	1.8%	1.8%	1.8%
Expected return on plan assets as at 31 December	2.2%	2.1%	3.6%
Future salary increases	2.4%	2.5%	2.5%

The assumptions above are weighted by defined benefit obligations. The discount rate consists of a risk-free rate and a credit spread on AA-rated corporate bonds.

29 Other liabilities

The following table shows the components of Accrued expenses and other liabilities at 31 December.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Accrued other expenses	1,204	1,196	1,303
Liability to unit-linked policyholders	2,543	2,453	2,171
Sundry liabilities and other payables	1,982	1,824	3,639
Total other liabilities	5,729	5,473	7,113

Obligations to policyholders whose return is dependent on the return of unit-linked investments recognised in the balance sheet are measured at fair value with changes through income.

Sundry liabilities and other payables increased as a result of securities transactions that were to be settled as per 31 December 2015.

30 Equity attributable to shareholders and other components of equity

Share capital and other components of equity

Preference shares

Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the Company are classified as equity.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective areas of the Statement of financial position.

Other reserves

The other reserves mainly comprise retained earnings, the profit for the period and legal reserves.

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Available-for-sale reserve

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes, excluding impairment losses recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that will be recycled to the income statement when the hedged transactions affect profit or loss.

Net investment hedging reserve

The net investment hedging reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, insofar as they are effective.

Dividends

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

The following table shows the composition of Equity attributable to shareholders of the parent company at 31 December 2015, 31 December 2014 and 31 December 2013.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Share capital	800	800	800
Share premium	4,041	4,041	4,041
Other reserves (incl. retained earnings / profit for the period)	12,128	10,838	13,623
Other components of equity	-394	-814	-4,909
Equity attributable to shareholders of the parent company	16,575	14,865	13,555

As at 31 December 2015, the authorised share capital of ABN AMRO Bank N.V. amounted to EUR 800 million distributed over 800,000,000 ordinary shares with a nominal value of EUR 1.00 each.

Each ordinary share entitles the shareholder to one vote per share.

As at 31 December 2015, issued and paid-up capital by ABN AMRO Bank N.V. consisted of 800,000,000 ordinary shares (EUR 800 million).

In September 2015 ABN AMRO Bank N.V. issued EUR 1.0 billion in Capital Securities including a premium discount of EUR 7 million. The capital securities qualify as Additional Tier 1 as described in CRD IV and CRR. The capital securities are perpetual, unsecured and deeply subordinated. Redemption is discretionary to ABN AMRO Bank N.V. on the interest reset date in year 5 subject to regulatory approval. The securities can be called on a yearly basis after year 5. There is a fixed interest coupon of 5.75%, payable semi-annually. Interest is non-cumulative and fully at the discretion of ABN AMRO Bank N.V. No interest will be paid when there are insufficient distributable items and/or maximum distributable amount (MDA) restrictions are constraining. ABN AMRO Bank N.V. will give due consideration to the hierarchy of the instrument with regard to distribution.

In 2015, a final dividend of EUR 275 million was paid out to ordinary shareholders, bringing the total dividend for full-year 2014 to EUR 400 million. An interim dividend of EUR 350 million was paid to ordinary shareholders in August 2015.

In 2014 a final dividend of EUR 200 million was paid out to ordinary shareholders, bringing the total dividend for full-year 2013 to EUR 350 million. An interim dividend of EUR 125 million was paid to ordinary shareholders in November 2014.

As described in the Consolidated statement of changes in equity, the 75,000,000 class A non-cumulative preference shares were repurchased and cancelled in 2013, resulting in a decline in share capital and share premium of EUR 75 million and EUR 135 million respectively.

The following table shows the number of shares outstanding:

	Class A ordinary shares	Total shares outstanding
Number of shares at 31 December 2013	800,000,000	800,000,000
Number of shares at 31 December 2014	800,000,000	800,000,000
Number of shares at 31 December 2015	800,000,000	800,000,000

31 Transferred, pledged, encumbered and restricted assets

Accounting policy for transferred, pledged, encumbered and restricted assets

Transferred financial assets are arrangements/transactions for which ABN AMRO Bank has:

- ▶ transferred the contractual rights to receive the cash flows of the financial asset to a third party, or;
- ▶ retained the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to a third party, or;
- ▶ alternatively, transferred a financial asset when the counterparty has the right to re-pledge or to re-sell the asset.

Depending on the circumstances, these transfers may either result in financial assets that are not derecognised in their entirety or in assets that are derecognised in their entirety. More detailed information on our recognition and derecognition policy is provided in the paragraph Significant accounting policies under note 1 Accounting policies.

Pledged assets are assets pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to its pledge. Encumbered assets are those that are pledged or other assets which we believed to be restricted to secure, credit-enhance or collateralise a transaction.

In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO Bank:

- ▶ Encumbered assets include mandatory reserve requirements with central banks and unit-linked investments (see note 23 Other assets);
- ▶ Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

Significant restrictions on assets may arise from statutory, contractual or regulatory requirements such as:

- ▶ those that restrict the ability of the parent or its subsidiaries to transfer cash or other financial assets to (or from) other entities within ABN AMRO Bank;
- ▶ guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to other entities within ABN AMRO Bank;
- ▶ protective rights of noncontrolling interests might restrict the ability of ABN AMRO Bank to access and transfer assets freely to or from other entities within ABN AMRO Bank and to settle liabilities of ABN AMRO Bank.

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks the bank is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, ABN AMRO Bank is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

(in millions)	31 December 2015			31 December 2014			31 December 2013		
	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total
Securitisations									
Carrying amount Transferred assets	2,915		2,915	8,795		8,795	12,043		12,043
Carrying amount Associated liabilities	2,950		2,950	8,999		8,999	12,285		12,285
Fair value of assets	3,155		3,155	9,156		9,156	12,316		12,316
Fair value of associated liabilities	2,969		2,969	9,053		9,053	12,347		12,347
Net position	186		186	103		103	-31		-31
Securities financing									
Carrying amount Transferred assets					1,226	1,226		4,000	4,000
Carrying amount Associated liabilities					1,226	1,226		4,000	4,000
Fair value of assets					1,226	1,226		4,000	4,000
Fair value of associated liabilities					1,226	1,226		4,000	4,000
Net position									
Other									
Carrying amount Transferred assets		221	221		442	442		382	382
Carrying amount Associated liabilities		133	133		494	494		383	383
Fair value of assets		221	221		442	442		382	382
Fair value of associated liabilities		133	133		494	494		383	383
Net position		88	88		-52	-52		-1	-1
Totals									
Carrying amount Transferred assets	2,915	221	3,136	8,795	1,668	10,463	12,043	4,382	16,425
Carrying amount Associated liabilities	2,950	133	3,083	8,999	1,720	10,719	12,285	4,383	16,668
Fair value of assets	3,155	221	3,376	9,156	1,668	10,824	12,316	4,382	16,698
Fair value of associated liabilities	2,969	133	3,101	9,053	1,720	10,773	12,347	4,383	16,730
Net position	186	88	274	103	-52	51	-31	-1	-32

Securitisations

The bank uses securitisations as a source of funding whereby the Special Purpose Entity (SPE) issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, the bank transfers the title of the assets to SPEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (mainly residential mortgage loans) are considered to be transferred.

Securities financing

Securities financing transactions are entered into on a collateralised basis for mitigating the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO Bank gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO Bank. ABN AMRO Bank transfers the securities and, if the counterparty has the right to re-sell or re-pledge them, the bank considers these assets transferred assets.

Continuing involvement in transferred financial assets that are derecognised in their entirety

The bank does not have any material transferred assets that are derecognised in their entirety, but where ABN AMRO Bank has continuing involvement.

Pledged and Encumbered assets

Pledged and encumbered assets are no longer readily available to ABN AMRO Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. The following activities conducted by ABN AMRO Bank give rise to pledged assets:

- ▶ cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- ▶ mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- ▶ securities lent as part of repurchase and securities lending transactions.

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Assets pledged			
Cash and balances at central banks		253	253
Financial assets held for trading	106	5,062	4,446
Financial investments available-for-sale			160
Financial investments held at fair value through profit or loss			
Financial investments held to maturity			
Loans and receivables - banks			
- Interest bearing deposits	7,164	9,817	7,193
Loans and receivables - customers			
- Residential mortgages	87,874	102,646	111,596
- Commercial loans	5,298	5,644	6,208
Total assets pledged as security	100,442	123,422	129,856
Differences between pledged and encumbered assets			
Financial investments available-for-sale	410	133	
Loans and receivables – banks ¹	863	498	221
Loans and receivables – customers ²	-42,846	-52,928	-61,298
Other assets ³	2,543	2,453	2,171
Total differences between pledged and encumbered assets	-39,030	-49,844	-58,906
Total encumbered assets	61,412	73,578	70,950
Total assets	390,317	386,867	372,022
Total encumbered assets as percentage of total assets	15.7%	19.0%	19.1%

¹ Includes mandatory reserve deposits.

² Excludes mainly mortgage-backed securities.

³ Includes unit-linked investments.

We have aligned our definition for encumbered assets with the EBA, which provided guidance in 2014 stating that cash receivable in securities borrowing and reverse repurchase transactions are not encumbered. These are also no longer considered pledged. We have also adjusted the comparative figures to reflect the correct underlying trend.

The total of encumbered assets decreased by EUR 12,166 million mainly due the calling of several securitisation transactions.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO Bank obtains securities on terms which permit it to repledge or resell the securities to others. These transactions are conducted under terms that are usual and customary to standard professional securities transactions.

ABN AMRO Bank controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and requiring additional collateral to be deposited with or returned to ABN AMRO Bank when deemed necessary.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Fair value of securities received which can be sold or repledged	56,300	54,929	59,039
- of which: fair value of securities repledged/sold to others	33,894	27,988	28,463

ABN AMRO Bank has an obligation to return the securities accepted as collateral to its counterparties.

Significant restrictions on the ability to access or use ABN AMRO Bank's assets

The purpose of disclosing assets with significant restrictions is to provide information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of ABN AMRO Bank.

At balance sheet date, ABN AMRO Bank did not have any material non-controlling interests and therefore did not give rise to significant restrictions.

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and encumbered assets. Other restrictions impacting ABN AMRO Bank's ability to use assets:

- ▶ assets as a result of collateralising repurchase and borrowing agreements (2015: EUR 19,033 million, 2014: EUR 16,933 million, 2013: EUR 16,212 million);
- ▶ assets held in certain jurisdictions to comply with local liquidity requirements and are subject to restrictions in terms of their transferability within ABN AMRO Bank (2015: EUR 1,431 million, 2014: EUR 1,199 million, 2013: EUR 745 million).

ABN AMRO Bank in general is not subject to significant restrictions that would prevent the transfer of dividends and capital within ABN AMRO Bank; except for regulated subsidiaries which are required to maintain capital to comply with local regulations (2015: EUR 1,240 million, 2014: EUR 957 million, 2013: EUR 867 million).

32 Commitments and contingent liabilities

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO Bank to pay bills of exchange drawn on customers. ABN AMRO Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Financial guarantee contracts

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Initial recognition of financial guarantee contracts is at their fair value. Subsequent measurement is the higher of the amount initially recognised less cumulative amortisation, when appropriate, and the best estimate of the amount expected to settle the obligation.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

Committed credit facilities

Commitments to extend credit take the form of approved but undrawn loans, overdraft revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO Bank also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions. In addition, ABN AMRO Bank has entered into transactions to guarantee various liabilities with respect to insurance-related regulatory reserve financing transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Aside from the items which are included in the Guarantees and other commitments, specific non-quantified guarantees can be identified. The following contracts belong to the category of non-quantified guarantees:

- ▶ Guarantees that have been given for ABN AMRO Bank's securities custody operations
- ▶ Guarantees given to CCPs: In its capacity as clearing member, ABN AMRO Bank guarantees the settlement of obligations to CCPs of clients' transactions. In the event of a client defaulting, ABN AMRO Bank has the obligation to settle the clients' outstanding positions towards CCPs. ABN AMRO Bank collects (cash) margins from clients to minimise this settlement risk. Given the stringent margin requirements, possible future outflows of resources are considered to be close to zero.
- ▶ Guarantees provided for interbank bodies and institutions: ABN AMRO Bank or its companies participate in collective guarantee schemes (e.g. deposit guarantees) applicable or mandatory in various countries.

Furthermore, statements of liability within the meaning of Article 403 Book 2 of the Dutch Civil Code have been issued for a number of its affiliated companies.

The committed credit facilities, guarantees and other commitments at 31 December 2015, 2014 and 2013 are summarised in the following table.

(in millions)	Payments due by period				
	Less than one year	Between one and three years	Between three and five years	After five years	Total
31 December 2015					
Committed credit facilities	9,136	4,173	4,667	3,583	21,559
Guarantees and other commitments:					
Guarantees granted	299	124	70	1,947	2,440
Irrevocable letters of credit	3,675	1,042	407	613	5,737
Recourse risks arising from discounted bills	5,440	196	18	37	5,691
Total guarantees and other commitments	9,414	1,362	495	2,597	13,868
Total commitments and contingent liabilities	18,550	5,535	5,162	6,180	35,427
31 December 2014					
Committed credit facilities	6,558	2,907	4,261	2,436	16,164
Guarantees and other commitments:					
Guarantees granted	540	73	94	1,884	2,592
Irrevocable letters of credit	3,841	878	276	504	5,499
Recourse risks arising from discounted bills	6,940	275	16	12	7,243
Total guarantees and other commitments	11,322	1,227	386	2,401	15,335
Total commitments and contingent liabilities	17,880	4,134	4,647	4,837	31,498
31 December 2013					
Committed credit facilities	5,623	3,110	2,268	2,763	13,764
Guarantees and other commitments:					
Guarantees granted	440	1,091	102	1,901	3,534
Irrevocable letters of credit	4,125	772	186	332	5,415
Recourse risks arising from discounted bills	6,983	133	13	25	7,154
Total guarantees and other commitments	11,548	1,996	301	2,258	16,103
Total commitments and contingent liabilities	17,171	5,106	2,569	5,021	29,867

Commitments and contingent liabilities at 31 December 2015 amounted to EUR 35 billion, an increase of EUR 4 billion compared with EUR 31 billion at 31 December 2014. This increase was mainly caused by an increase of EUR 5 billion in the Committed credit facilities granted to corporate clients of which EUR 1.5 billion related to facilities given to ECT clients. This was partly offset by a decrease of EUR 1 billion in the recourse risks arising from discounted bills.

The increase in Committed credit facilities of EUR 5 billion to EUR 22 billion was mainly related to the credit lines granted to corporate clients.

Leasing

ABN AMRO Bank mainly enters into leases classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. If it is decided that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub leasing income) is recognised as an expense. If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised.

Operating lease commitments

ABN AMRO Bank leases various offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. ABN AMRO Bank also leases equipment under non-cancellable lease arrangements. Total operating lease agreements amounted to EUR 448 million (2014: EUR 467 million), of which EUR 376 million (2014: EUR 387 million) is due within five years.

Transactions involving the legal form of a lease

ABN AMRO Bank has entered into IT outsourcing arrangements that involve leases in form but not in substance. The contract periods of the arrangements vary between one and five years. The total amount of the lease payments was EUR 558 million for 2015 (2014: EUR 524 million).

Other contingencies

ABN AMRO Bank is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting consolidated financial information, management makes estimates regarding the outcome of legal, regulatory and arbitration matters, and takes provisions to the income statement when losses with respect to such matters are more likely than not.

Provisions are not recognised for matters for which expected cash outflow cannot be reasonably estimated or are not considered more likely than not to lead to a cash outflow. Some of these matters may be regarded as a contingency. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters as a class of contingent liabilities. On the basis of information currently available, and having taken counsel with legal advisors, ABN AMRO Bank is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated result of ABN AMRO Bank. In particular the following matters are regarded as contingencies:

- ▶ Certain hedge funds initiated proceedings in Belgium and claimed an amount of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 from four issuers, amongst which ABN AMRO Bank, in relation to the conversion of Ageas mandatory convertible securities. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims of the hedgefunds. This verdict underlines the verdict in the summary proceedings (kort geding) of November 2010. Certain hedge funds have filed an appeal against the verdict. ABN AMRO Bank remains confident that has acted within its rights and therefore also continues to be positive about the outcome of the currently pending appeal proceedings;



- ▶ As previously reported, ABN AMRO Bank, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. Provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. Certain ABN AMRO Bank subsidiaries are defendants in these proceedings. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO Bank's potential liability, if any. ABN AMRO Bank continues to investigate and implement strategies for recovering the losses suffered. As previously reported, a total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. In 2011, 2012 and 2013, one of ABN AMRO Bank's subsidiaries was able to sell shares and limited partnership interests that were provided to it as collateral or which it had bought to hedge its exposure in the context of the collateralized loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52 million, EUR 78 million and EUR 253 million respectively and an equivalent amount provided for in 2008 was subsequently released.

The Imtech N.V. group has been in financial difficulties ever since certain fraudulent events, perpetrated by certain managers and staff, were discovered a few years ago and was declared bankrupt in August 2015. ABN AMRO Bank has extended credit to the Imtech N.V. group of businesses and it holds shares in Imtech N.V. further to its underwriting commitment in the Imtech N.V. rights offering of October 2014. In April 2015, Stichting Imtechclaim threatened to initiate a collective action lawsuit against, among others, Imtech N.V. and the four underwriters (including ABN AMRO Bank) of the Imtech N.V. rights offering of October 2014. Since a claim has not yet been formally filed, the complaint is not entirely clear but ABN AMRO Bank expects that it would, among other complaints, appear to refer to prospectus liability and inappropriate behaviour as a result of conflicts of interest ("*dubieuze dubbelrol*"). The amount of damages that Stichting Imtechclaim can claim depends on the number of people in the class.

In 2007, ABN AMRO Bank (Luxembourg) SA ('AA Luxembourg') provided a EUR 50 million loan to a client, which was secured by real estate mortgages and pledges on an art collection. In 2009, the client received negative press coverage regarding a dispute with other international banks and the Belgian tax authorities. In order to strengthen its collateral position, AA Luxembourg executed its right with respect to the real estate mortgages. AA Luxembourg also took steps to ensure that the pledged art collection came into the custody of the bank. After AA Luxembourg discovered that the client had breached its obligations towards the bank, it started execution measures, eventually resulting in partial repayment of the loan. The Belgian public prosecutor initiated criminal proceedings against the client and 18 related parties, including AA Luxembourg, regarding suspicion of criminal acts in connection with alleged tax evasion by the client. All parties were summoned before the Council Chamber of the Court of Antwerp in December 2014. According to the writ, AA Luxembourg is suspected of money laundering. Allegedly, AA Luxembourg would have committed money laundering through the establishment of mortgages and pledges as security for the loan, the sale of certain pledged art work, the acceptance of partial repayment of the loan, the subsequent release of certain pledges and other related facts, as the client's property involved in those actions allegedly had an illegal origin. If AA Luxembourg is convicted for these allegations, the sanction could be a fine and the compulsory confiscation of the 'goods laundered', including confiscation of mortgaged and pledged goods (or their counter-value) and of the money used as repayment of the loan. The Council Chamber of the Antwerp Court decided on 1 October 2015 that several parties, including AA Luxembourg, will be formally brought to trial in the correctional court. AA Luxembourg has filed an appeal against this decision. The appeal is expected to be handled by the court in the first quarter of 2016.



In August 2007, Sentinel Management Group, Inc. ('Sentinel'), a futures commission merchant that managed customer segregated funds for the Company, filed for bankruptcy. Shortly before Sentinel filed for bankruptcy, Sentinel sold securities to Citadel Equity Fund, Ltd. The US Bankruptcy Court ordered funds from the sale to Citadel Equity Fund, Ltd be distributed to certain Sentinel customers. The Company received its pro rata share of in total USD 52,755,815. On or about 15 September 2008, the bankruptcy trustee filed an adversary proceeding against all of the recipients of the court-ordered distribution of funds from the Citadel Equity Fund, Ltd sale, including the Company, claiming the repayment of the amounts received. The complaint also includes a claim for other monies the Company received shortly before Sentinel filed for bankruptcy. This regards an amount of USD 4,000,399 and a claim for pre-judgement interest which could range from USD 443,000 to USD 9,720,000.

Duty of care matters

A number of proceedings have been initiated against ABN AMRO Bank for alleged breach of its duty of care in transparency-related standards and a larger number of proceedings have been threatened. Where applicable, provisions for these matters have been made.

There can be no assurance that additional proceedings will not be brought or that the amount demanded in claims brought to date will not rise. Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. The uncertainties are likely to continue for some time. As a result, although the consequences could be substantial for ABN AMRO Bank, with a potentially material adverse effect on ABN AMRO Bank's reputation, results of operations, financial condition and prospects, it is not possible to reliably estimate or quantify ABN AMRO Bank's exposure at this time. In conclusion, although claims in relation to alleged breach of the duty of care remain contingent, they have been (partly) provisioned.

Interest rate derivatives to SME clients

Since 2014, there has been a public debate in the Netherlands on a bank's duty of care towards SMEs with respect to interest rate derivatives.

As explained in note 27 Provisions, the bank has entered into interest rate derivatives with approximately 4,500 SME clients in combination with floating interest rate loans. These SME clients entered into an interest rate derivative with the purpose of fixing their interest rate risk on their floating rate notes. A combination of a floating interest rate loan together with an interest rate swap was less expensive for the clients than the alternative of a loan with a fixed interest rate.

As a result of the decline in interest rates, the interest rate swaps have a negative mark-to-market value. There are no negative consequences for clients as long as the loan is not repaid, in whole or in part, prior to its maturity date.

Individual or class action complaints and litigation

Some SME clients needed or wanted to repay their floating interest rate loans prior to their maturity date. As a consequence, the interest rate swap needed to be unwound in order to assure that no overhedge was created. In line with standard market practice, in such situations the SME clients had to pay the bank the negative mark-to market value of the interest rate swap. Such payment may be compared to the penalty interest on a fixed rate loan. The bank received several complaints and some clients and/or interest groups instigated legal proceedings about the bank's alleged violation

of its duty of care, for instance that the bank did not properly inform them of the risks associated with interest rate swaps. In some of these cases, the client's claim was denied. In some other cases, the bank paid compensation to the client.

For litigation in relation to SME derivatives, the bank does not recognise provisions for claims that do not meet the recognition and/or measurement criteria. There can be no assurance that additional proceedings will not be brought or that the amount demanded in claims brought to date will not rise. Current proceedings are pending and their outcome is uncertain. The uncertainties are likely to continue for some time. In conclusion, claims in relation to the alleged breach of duty of care remain contingent.

AFM supervision

At the request of the AFM, a dedicated project team within the bank, with the assistance of external specialists and in regular consultation with the AFM, has been reviewing our SME client files containing interest rate derivatives. The objective of this review is to determine whether the bank acted in accordance with the laws and regulations applicable at that time and, if necessary, offer the relevant clients a solution. Based on the outcome of this review ABN AMRO Bank recognised a provision at year-end, details of which are included in note 27 Provisions.

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a panel of independent experts. These experts, in cooperation with the banks involved, will try to determine a uniform recovery framework which will serve as a benchmark with which banks will need to re-perform all client file reviews. This may lead to revised compensation solutions for clients. The uniform recovery framework is expected to be finalised by mid-2016. ABN AMRO Bank will consult with the panel of independent experts to determine how these changes will affect ABN AMRO Bank's review process.

As a result, the future review process may change and parameters for future compensation levels may increase. This may impact the scope of the contracts that require compensation as well as the level of compensation per contract. As this is a possible liability dependent on a future event, there is no provision for this possible outflow of resources and it is therefore considered a contingency.

Cross-liability

A legal demerger may cause so-called cross-liabilities. Pursuant to section 2:334t of the Dutch Civil Code, the acquiring company or companies and the demerging company, if it continues to exist, are jointly and severally liable for the obligations of the demerging company at the time of the demerger. The acquiring companies and the continuing demerged company will remain fully liable for indivisible obligations. For divisible obligations (e.g. monetary obligations) the acquiring company to whom the obligation transferred or, if the obligation remained where it was, the company that continued to exist is fully liable. However, if an obligation has not been transferred to or remained with a company, that company's liability for divisible obligations will be limited to the value of the assets acquired or retained in the demerger. A cross-liability is of a secondary nature. The company that did not acquire or retain the obligation is not required to perform until the company that did acquire or retain the obligation has failed to perform.

On 6 February 2010, the former ABN AMRO Bank N.V. demerged into two entities: RBS N.V. and ABN AMRO Bank N.V. (the '2010 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the time of the 2010 Demerger, RBS N.V. is liable for the performance; if RBS N.V. fails to perform its obligations existing at the time of the 2010 Demerger, ABN AMRO Bank N.V. is liable. RBS N.V.'s contingent liability for divisible obligations as a result of the 2010 Demerger is limited to EUR 4 billion, whereas ABN AMRO Bank N.V.'s contingent liability is limited to EUR 1.8 billion (which amount remained unchanged as per 31 December 2015). ABN AMRO Bank N.V. has put in place arrangements to mitigate the risks of such contingent liability and received collateral from RBS Plc amounting to EUR 1,848 million (2014: EUR 949 million). ABN AMRO Bank N.V. did not post any collateral with RBS N.V. or RBS Plc.

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V. (the '2008 Demerger'), giving rise to cross-liabilities similar to the cross-liabilities as described above. If ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, New HBU II N.V. is liable for the performance; if New HBU II N.V. fails to perform its obligations existing at the date of the 2008 Demerger, ABN AMRO Bank N.V. is liable.

On 1 April 2010, New HBU II N.V. was transferred to Deutsche Bank AG and renamed Deutsche Bank Nederland N.V. As a result of the cross-liabilities described above, if RBS N.V. or ABN AMRO Bank N.V. fails to perform its obligations existing at the date of the 2008 Demerger, Deutsche Bank Nederland N.V. is liable for the performance. Deutsche Bank Nederland N.V.'s contingent liability in this regard is limited to EUR 950 million. On 27 September 2014, pursuant to a put option exercised by Deutsche Bank AG, the assets and liabilities of Deutsche Bank Nederland N.V., apart from the cross-liabilities created as a result of the 2008 Demerger, were demerged into a newly incorporated subsidiary of Deutsche Bank AG (the '2014 Demerger'). Deutsche Bank Nederland N.V. was subsequently acquired by ABN AMRO Bank and renamed Sumsare N.V. As a consequence, Deutsche Bank Nederland N.V.'s contingent liability under the 2008 Demerger is now held by Sumsare N.V., a wholly-owned subsidiary of ABN AMRO Bank N.V. Deutsche Bank AG indemnified Sumsare N.V. for any claims (including cross-liabilities) in connection with the 2014 Demerger.

33 Related parties

Parties related to ABN AMRO Bank N.V. include ABN AMRO Group N.V. with control, the Dutch State and NLFi with significant influence, associates, pension funds, joint ventures, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO Bank has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO Bank frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Total outstanding loans and advances to members of the Managing Board and Supervisory Board of ABN AMRO Bank amounted to EUR 4.4 million in 2015 (2014: EUR 5.8 million; 2013: EUR 6.1 million). The outstanding loans and advances to members of the Managing Board and the Supervisory Board mainly consist of residential mortgages granted under standard personnel conditions. Other loans and advances have client conditions (further information is provided in the Remuneration report).

Credits, loans and bank guarantees in the ordinary course of business may be granted by ABN AMRO Bank companies to executive managers or to close family members of Board members and close family members of executive managers. At 31 December 2015, there were no outstanding credits, loans or bank guarantees, other than the ones included in the ordinary course of business noted above.

(in millions)	Joint ventures	Associates	Other	Total
31 December 2015				
Assets	15	364		379
Liabilities	232	991		1,222
Guarantees given		15		15
Guarantees received	9	38		47
Irrevocable facilities		28		28
2015				
Income received	35	46		81
Expenses paid	15	9	281	305
31 December 2014				
Assets	20	325		345
Liabilities	161	749		910
Guarantees given		16		16
Guarantees received	2	42		44
Irrevocable facilities		40		40
2014				
Income received	33	47		80
Expenses paid ¹	15	10	247	272
31 December 2013				
Assets	13	372		385
Liabilities	178	2,156	357	2,691
Guarantees received	2	42		44
Guarantees given				
Irrevocable facilities		22		22
2013				
Income received	34	46		80
Expenses paid	14	9	241	264

¹ Expenses paid in the column Other are adjusted in 2014 reflecting pension expenses.

Liabilities with Associates increased by EUR 242 million at 31 December 2015 compared with 2014 due to higher balances with financial institutions.

Expenses paid with Other parties for 2015 were higher than in 2014 due to increased pension expenses as a result of lower discount rates (EUR 34 million).

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

No balances were held with ABN AMRO Group N.V. at 31 December 2015, except for the payment of dividend.

(in millions)	31 December 2015	31 December 2014	31 December 2013
Assets:			
Financial assets held for trading	423	897	1,262
Derivatives ¹	1,891	2,267	1,448
Financial investments - available for sale	6,540	6,884	5,666
Loans and receivables - customers	882	1,606	377
Other assets	99	22	30
Liabilities:			
Derivatives ¹	2,641	3,794	1,751
Due to customers	1,811	1,968	2,247
Financial liabilities held for trading ¹	204	573	541
Subordinated loans		1,654	1,654
	2015	2014	2013
Income statement:			
Interest income	150	147	142
Interest expense	107	106	112
Net trading income	-8	1	64
Net fee and commission income	1	-3	-26
Other income ¹	1	2	

¹ As from 2015 Derivatives, Financial liabilities held for trading and Other income are shown. The 2014 and 2013 figures have been adjusted accordingly.

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

Transactions and balances related to taxation are included in note 10 Income tax expense, tax assets and tax liabilities. Most of the tax items in this note consist of transactions and balances with the Dutch tax authorities.

The regulatory charges Bank tax, NRF (National Resolution Fund) and DGS (Deposit Guarantee Scheme) are included in note 9 General and administrative expenses.

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

Due to customers decreased by EUR 0.2 billion at 31 December 2015 compared with year-end 2014, due to the redemption of part of the loan (including accrued interest) acquired from the Dutch State related to Ageas on 3 October 2008.

Subordinated loans to the Dutch State were fully redeemed in July 2015 (EUR 1.6 billion).

Derivatives related to both Assets and Liabilities decreased by EUR 0.8 billion at 31 December 2015 compared with the previous year. Derivatives transactions with the Dutch State are related to the normal course of business.

34 Remuneration of Managing Board and Supervisory Board

Remuneration of Managing Board

ABN AMRO Bank's remuneration policy was formally approved by shareholders and adopted by the Supervisory Board.

The remuneration package for the Managing Board consists of the following components:

- ▶ annual base salary;
- ▶ benefits and other entitlements;
- ▶ severance payments.

The following statement summarises the income components for the individual Managing Board members for the year 2015.

									2015	
	Base salary ¹	Tempory fixed income ²	Variable remuneration ³	Total pension related contributions ⁴	Severance payments	Tempo-rary fixed income repayment ²	Total	Repay-ment tempo-rary fixed income	Repay-ment post-em-ployment pension	Total recog-nised in profit and loss
(In thousands)			Post employee pension (4a)	Short-term allowan-ces (4b)						
G. Zalm	767		31	252			1,050			1,050
J. van Hall	614		31	195			840	-100	-28	712
C. van Dijkhuizen	614		31	154			799	-100	-30	669
C.E. Princen	614		31	195			840	-100	-32	708
W. Reehoorn	614		31	195			840	-100	-28	712
C.F.H.H. Vogelzang	614		31	195			840	-100	-28	712
J.G. Wijn	614		31	195			840	-100	-31	709
Total	4,451		217	1,381			6,049	-600	-177	5,272

¹ The 2015 base salary includes 1% salary adjustment in accordance with the developments in the collective labour agreement for the banking industry ("CAO Banken")

² Allowance during the applicability of the Bonus Prohibition Act. The Board members who were eligible for this pensionable allowance decided to forego this entitlement retroactively to 2014 and for the future; the allowance that they received in 2014 was paid back to the bank.

³ As a consequence of the applicability of the Bonus Prohibition Act the Managing Board members are not entitled to receive variable compensation. This prohibition has applied since the performance year 2011.

⁴ The Managing Board members participate ABN AMRO Bank's pension plans as applicable to employees in the Netherlands. Total pension related contributions as applicable as of 2015 refer to (4a) the employer contribution to the pension fund (for the CDC pension scheme for pensionable income up to EUR 100,000) and (4b) the arrangement in accordance with the ABN AMRO collective labour agreement ("ABN AMRO CAO").

2014 corrected

	Base salary	Tempory fixed income ¹	Temporary fixed income repayment ^{1,3}	Variable remuneration ²	Total pension related costs corrected for the pension related contributions to the temporary fixed income ^{1,3,4}	Severance payments	Total
G. Zalm	759				303		1,062
J. van Hall	608	100	-100		194		802
C. van Dijkhuizen	608	100	-100		184		792
C.E. Princen	608	100	-100		220		828
W. Reehoorn	608	100	-100		196		804
C.F.H.H. Vogelzang	608	100	-100		198		806
J.G. Wijn	608	100	-100		223		831
Total	4,407	600	-600		1,518		5,925

2014 as published in annual report 2014

	Base salary	Temporary fixed income repayment ¹	Variable remuneration ²	Pension costs ⁴	Severance payments	Total
G. Zalm	759			303		1,062
J. van Hall	608	100		222		930
C. van Dijkhuizen	608	100		214		922
C.E. Princen	608	100		252		960
W. Reehoorn	608	100		224		932
C.F.H.H. Vogelzang	608	100		226		934
J.G. Wijn	608	100		254		962
Total	4,407	600		1,695		6,702

¹ Allowance during the applicability of the Bonus Prohibition Act. The Board members who were eligible for this pensionable allowance decided to forego this entitlement retroactively to 2014 and for the future; the allowance that they received in 2014 was paid back to the bank.

² As a consequence of the applicability of the Bonus Prohibition Act the Managing Board members are not entitled to receive variable compensation. This prohibition has applied since the performance year 2011.

³ The pension contributions related to the temporary fixed allowance were included in the originally tabled Pension Costs 2014 and have been corrected as a consequence of the repayment of the 2014 temporary fixed allowance.

⁴ Pension costs exclusively comprise service costs for the year computed on the basis of the amended pension accounting standard IAS 19 (for the DB pension scheme until 12 June 2014) and employer contribution to the pension fund (for the CDC pension scheme as of 12 June 2014).

Loans from ABN AMRO Bank to Managing Board members

The following table summarises outstanding loans to the members of the Managing Board at 31 December.

(In thousands)	2015		2014	
	Outstanding 31 December	Interest rate	Outstanding 31 December	Interest rate
G. Zalm				
C. van Dijkhuizen			308	2.8%
J. van Hall	69	3.5%	69	3.5%
C.E. Princen	794	3.0%	810	3.2%
W. Reehoorn	1,429	3.8%	1,429	3.8%
C.F.H.H. Vogelzang	1,415	1.9%	1,426	2.1%
J.G. Wijn	650	1.8%	761	2.1%

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

(In thousands)	2015 ¹	2014 ¹
D.J.M.G. van Slingelandt ²	91	91
J.H.M. Lindenberg ³		28
H.P. de Haan	78	78
S. ten Have	62	60
A. Meerstadt	65	63
M.J. Oudeman ⁴	54	68
J.M. Roobeek	63	63
P.N. Wakkie ⁵	19	75
O.L. Zoutendijk ⁶	77	38
Total	507	564

¹ Remuneration amounts excluding VAT.

² D.J.M.G. van Slingelandt was appointed as Chairman of the Supervisory Board as of 10 April 2014.

³ J.H.M. Lindenberg stepped down as Chairman and member of the Supervisory Board as of 10 April 2014.

⁴ M.J. Oudeman stepped down as member of the Supervisory Board as of 30 September 2015.

⁵ P.N. Wakkie stepped down as member of the Supervisory Board as of 1 April 2015.

⁶ O.L. Zoutendijk was appointed to the Supervisory Board as of 1 July 2014.

Loans from ABN AMRO Bank to Supervisory Board members

The following table summarises the outstanding loans to the members of the Supervisory Board at 31 December.

(In thousands)	2015		2014	
	Outstanding loan	Interest	Outstanding loan	Interest
S. ten Have ¹	600	3.8%	600	3.8%
J.M. Roobeek ¹	1,850	4.0%	1,850	4.0%
P.N. Wakkie ²			971	4.3%

¹ The loans to J.M. Roobeek and S. ten Have were not included in this table in 2014; these have been retrospectively corrected in 2015.

² P.N. Wakkie stepped down as member of the Supervisory Board as of 1 April 2015.

35 Employee share option and share purchase plans

No employee share option plans were in place for the years 2015, 2014 and 2013.

36 Post balance sheet events

There have been no significant events between the year-end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

Other information

Major subsidiaries and participating interests

The following table shows the Branches, major subsidiaries and participating interests at 31 December 2015.

ABN AMRO Bank N.V.		Amsterdam, The Netherlands
Retail Banking		
ABN AMRO Hypotheken Groep B.V. ¹		Amersfoort, The Netherlands
ALFAM Holding N.V. ¹		Bunnik, The Netherlands
APG - ABN AMRO Pensioeninstelling N.V.	70%	Amsterdam, The Netherlands
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
International Card Services B.V. ¹		Diemen, The Netherlands
MoneyYou B.V. ¹		Amsterdam, The Netherlands
Private Banking		
ABN AMRO Bank (Luxembourg) S.A.		Luxembourg, Luxembourg
ABN AMRO Life Capital Belgium N.V.		Brussels, Belgium
ABN AMRO Life S.A.		Luxembourg, Luxembourg
ABN AMRO Social Impact Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO (Guernsey) Ltd		St Peter Port, Guernsey, Channel Islands
Banque Neufilze OBC S.A.	99.86%	Paris, France
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschaft K.G.	50%	Frankfurt am Main, Germany
Cofiloisirs S.A.	45%	Paris, France
Neufilze Vie S.A.	60%	Paris, France
Triodos MeesPierson Sustainable Investment Management B.V.	50%	Zeist, The Netherlands
Corporate Banking		
ABN AMRO Capital USA LLC		New York, USA
ABN AMRO Clearing Bank N.V. ¹		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Pty		Sydney, Australia
ABN AMRO Clearing Tokyo Ltd		Tokyo, Japan
ABN AMRO Commercial Finance Holding B.V. ¹		s-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance (UK) Ltd		Haywards Heath, United Kingdom
ABN AMRO Commercial Finance GmbH		Köln, Germany
ABN AMRO Commercial Finance N.V. ¹		s-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance S.A.		Paris, France
ABN AMRO Effecten Compagnie B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Groenbank B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Investment Holding B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Lease N.V. ¹		Utrecht, The Netherlands
ABN AMRO Participaties Fund I B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund N.V. ¹		Amsterdam, The Netherlands
ABN AMRO Securities USA LLC		New York, USA



Aline Holding S.A.	50%	Majuro, Marshall Islands
Alma Maritime Ltd	42%	Majuro, Marshall Islands
Attema B.V.	93%	Gorinchem, The Netherlands
Banco ABN AMRO S.A.		São Paulo, Brazil
Bass Drill Alpha Ltd	26%	Hamilton, Bermuda
Car Carriers Management B.V.	50%	Breskens, The Netherlands
CM Bulk Ltd	50%	Nassau, Bahamas
Edda Accommodation Holding AS	20%	Oslo, Norway
European Merchant Services B.V.	49%	Diemen, The Netherlands
European Central Counterparty N.V.	25%	Amsterdam, The Netherlands
Graig MCI Ltd	49%	Cardiff, United Kingdom
Holland Ventures B.V.	45%	Amsterdam, The Netherlands
ICE Clear Netherlands B.V.	25%	Amsterdam, The Netherlands
Iceman IS	39%	Oslo, Norway
Icestar B.V.		Rotterdam, The Netherlands
Maas Capital Investments B.V. ¹		Rotterdam, The Netherlands
Maas Capital Offshore B.V.		Amsterdam, The Netherlands
MP Solar B.V.		Amsterdam, The Netherlands
Poseidon Containers Holdings LLC	6%	Majuro, Marshall Islands
Principal Finance Investments Holding B.V. ¹		Amsterdam, The Netherlands
Richmont Preferente aandelen C B.V.	50%	Amsterdam, The Netherlands
Safe Ship Investment Company S.C.A. SICAR	48%	Luxembourg, Luxembourg

Group Functions

ABN AMRO Arbo Services B.V. ¹		Amsterdam, The Netherlands
ABN AMRO Funding USA LLC		New York, USA
ABN AMRO Holding International AG		Zug, Switzerland
ABN AMRO Holdings USA LLC		New York, USA
Currence Holding B.V.	36%	Amsterdam, The Netherlands
Equens S.E.	18%	Utrecht, The Netherlands
Geldservices Nederland B.V.	33%	Amsterdam, The Netherlands
Nederlandse Financieringsmij voor Ontwikkelingslanden N.V.	20%	Den Haag, The Netherlands
Stater N.V.		Amersfoort, The Netherlands

Branches/Representative Offices

ABN AMRO Bank N.V. (Belgium) Branch		Berchem, Belgium
ABN AMRO Bank N.V. (Hong Kong) Branch		Hong Kong, China
ABN AMRO Bank N.V. (Jersey) Branch		St Helier, Jersey, Channel Islands
ABN AMRO Bank N.V. (Norway) Branch		Oslo, Norway
ABN AMRO Bank N.V. (Singapore) Branch		Singapore, Singapore
ABN AMRO Bank N.V. (UAE/DIFC) Branch		Dubai, United Arab Emirates
ABN AMRO Bank N.V. (UK) Branch		London, United Kingdom
ABN AMRO Bank N.V. Branch Spain		Marbella, Spain
ABN AMRO Bank N.V. Frankfurt Branch		Frankfurt am Main, Germany
ABN AMRO Bank N.V. Shanghai Branch		Shanghai, China
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)		Dubai, United Arab Emirates
ABN AMRO Bank N.V. Representative Office Greece		Piraeus, Greece
ABN AMRO Bank N.V. Representative Office Moscow		Moscow, Russia
ABN AMRO Bank N.V. Representative Office New York		New York, USA
ABN AMRO Bank N.V. Representative Office Shanghai		Shanghai, China
ABN AMRO Clearing Bank N.V. (Singapore) Branch		Singapore, Singapore

ABN AMRO Clearing Bank N.V. (UK) Branch	London, United Kingdom
ABN AMRO Clearing Bank N.V. Frankfurt Branch	Frankfurt am Main, Germany
ABN AMRO Lease N.V. (UK) Branch	London, United Kingdom
ABN AMRO Lease N.V. Branch Deutschland	Frankfurt am Main, Germany
International Card Services B.V. Branch Deutschland	Düsseldorf, Germany

¹ A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

The interest is 100%, unless otherwise stated.

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Provisions of the Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are included in Article 10 of the Articles of Association. In accordance with the reserve and dividend policy and subject to the approval of the Supervisory Board, the Managing Board proposes to the General Meeting of Shareholders which part of the profit is to be reserved. The remainder of the profit will be at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Management Board, subject to the approval of the Supervisory Board.

ABN AMRO Bank announced its dividend policy in September 2015, which targets a payout ratio of 40% of the reported net annual profit for 2015 to 50% of the 2017 net profit. This target was increased based on the expected strong capital generation, while allowing for a further build-up of capital. Even though ABN AMRO Bank remains well capitalised under Basel III, the bank would like to further build up additional capital buffers in order to execute its strategic ambitions and manage the impact of new regulations (Basel IV).

An interim dividend of EUR 350 million was paid on 27 August 2015.

Any distribution of dividend remains discretionary and deviations from the above policy may be proposed by the bank.

In accordance with Article 38.4 of the Articles of Association, the Managing Board proposes, subject to the approval of the Supervisory Board, paying out a final dividend of EUR 414 million on the shares of 2015.

As a result, the Managing Board proposes to the shareholders to pay out 40% (EUR 764 million) of the net reported profit of 2015 as dividend on the shares, with a dividend amount of EUR 0.81 per share.

Fiscal unity

ABN AMRO Bank N.V. forms part of the fiscal unity ABN AMRO Group N.V. for corporate income tax purposes. All the members of the fiscal unity become jointly and severally liable for the corporate income tax liabilities of the fiscal unity.



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Statutory income statement

(in millions)	2015	2014
Income:		
Share in net result from participating interests in group companies	1,203	1,065
Other operating result	1,118	133
Operating profit/(loss) before taxation	2,321	1,198
Income tax expense	402	64
Profit/(loss) for the period	1,919	1,134

Statutory statement of financial position

(in millions)	Note	31 December 2015	31 December 2014
Assets			
Cash and balances at central banks	2	25,628	679
Short-term government paper	3	32,240	32,912
Loans and receivables - banks	4	180,446	195,861
Loans and receivables - customers	5	156,294	163,324
Debt securities	6	7,072	9,764
Equity securities	7	60	4,973
Participating interests in group companies	8	9,372	9,888
Equity accounted investments	9	398	444
Intangible assets	10	26	15
Property and equipment	10	843	860
Other assets	11	20,276	27,516
Total assets		432,657	446,235
Liabilities			
Due to banks	12	92,469	117,047
Due to customers	13	218,842	205,874
Issued debt	14	68,571	63,956
Subordinated liabilities	15	9,708	8,328
Provisions	16	781	628
Other liabilities	17	24,718	35,537
Total liabilities		415,089	431,370
Equity			
Share capital	18	800	800
Share premium	18	4,041	4,041
Legal reserves ¹	18	-361	-780
Other reserves ²	18	10,175	9,670
Capital securities		993	
Profit/(loss) for the period		1,919	1,134
Total equity		17,568	14,865
Total liabilities and equity		432,657	446,235
Committed credit facilities	20	12,901	10,669
Guarantees and other commitments	20	29,441	30,546

¹ Consists of Currency translation reserve, Revaluation reserves (including Available-for-sale and Cash flow hedge reserve) and Reserve participations.

² Consists of Actuarial gains/(losses) on post-employee benefit plans and Retained earnings.

Statutory statement of changes in equity

(in millions)	Share capital	Share premium reserve	Currency translation reserve	Revaluation reserve ¹⁾	Reserve participations	Other reserves ²⁾	Capital securities	Total
Balance at 1 January 2014	800	4,041	-1	-1,500	91	10,123		13,554
Total comprehensive income			34	495	101	1,000		1,630
Dividend						-325		-325
Increase/(decrease) of capital								
Other changes in equity						5		5
Balance at 31 December 2014	800	4,041	33	-1,005	192	10,804		14,865
Balance at 1 January 2015	800	4,041	33	-1,005	192	10,804		14,865
Total comprehensive income			21	233	165	1,920		2,339
Dividend						-625		-625
Increase of capital							993	993
Other changes in equity						-4		-4
Balance at 31 December 2015	800	4,041	54	-772	358	12,094	993	17,568

¹⁾ Consists of Available-for-sale reserve and Cash flow hedge reserve.

²⁾ Consists of Actuarial gains/(losses) on post-employee benefit plans, Retained earnings and profit/(loss) for the period.

2015

Total comprehensive income includes EUR 1,919 million profit for 2015.

A final dividend of EUR 275 million was paid out to ordinary shareholders, bringing the total dividend for full-year 2014 to EUR 400 million. An interim dividend of EUR 350 million was paid to ordinary shareholders in August 2015.

2014

Total comprehensive income includes EUR 1,134 million profit for 2014.

A final dividend of EUR 200 million was paid out to ordinary shareholders, bringing the total dividend for full-year 2013 to EUR 350 million. An interim dividend of EUR 125 million was paid to ordinary shareholders in November 2014.

ABN AMRO Bank reached a negotiated result with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in the Netherlands as part of the new collective labour agreement (CLA). The new pension scheme is a collective defined contribution (CDC) plan. This scheme will cover all existing and future pension obligations of ABN AMRO Bank in the Netherlands.

Share of Other comprehensive income of associates and joint ventures is related to the movement in Other comprehensive income of the associates of ABN AMRO Bank.

Notes to the Statutory Annual Financial Statements

1 Accounting policies

Basis of presentation

The Statutory Annual Financial Statements of ABN AMRO Bank N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code.

ABN AMRO Bank N.V. applies the exemption as included in section 2:362 paragraph 8. ABN AMRO Bank N.V. prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). Participating interests in ABN AMRO Bank group companies are valued at net asset value determined on the basis of EU IFRS. The share in the results of participating interests in ABN AMRO Bank group companies is reported in accordance with the principles of valuation and profit determination that apply to the Consolidated Financial Statements. Reference is made to the accounting policies section in the Consolidated Financial Statements and the respective notes. The statement of income has been drawn up in accordance with Section 402, Book 2 of the Dutch Civil Code.

The financial statements are presented in euros, which is the presentation currency of the company, rounded to the nearest million (unless otherwise stated).

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

2 Cash and balances at central banks

Cash and balances at central banks increased by EUR 25.0 billion to EUR 25.6 billion at 31 December 2015 compared with EUR 679 million at 31 December 2014 due to an increase in overnight positions placed at DNB.

3 Short-dated government paper

(in millions)	31 December 2015	31 December 2014
Short-term government paper available-for-sale	30,773	30,323
Short-term government paper held at fair value through profit and loss	134	263
Short-term government paper held for trading	1,333	2,326
Short-term government paper	32,240	32,912

Short-dated government paper amounted to EUR 32.2 billion at 31 December 2015, down by EUR 0.7 billion, or 2.0%, compared with 31 December 2014. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Changes in Short-term government paper (available-for-sale)

(in millions)	2015	2014
Balance at 1 January	30,323	21,328
Purchases	13,241	16,282
Proceeds from sales and redemptions	-13,088	-9,852
Gains/(losses) recorded in profit and loss	-682	1,778
Unrealised gains/(losses)	61	340
Foreign exchange differences	556	302
Other	363	144
Balance at 31 December	30,773	30,323

4 Loans and receivables - banks

(in millions)	31 December 2015	31 December 2014
Group companies	162,943	173,283
Third parties	17,503	22,577
Loans and receivables - banks	180,446	195,861

(in millions)	31 December 2015	31 December 2014
Interest-bearing deposits	165,235	169,439
Loans and advances	8,165	13,725
Mandatory reserve deposits with central banks	164	6,635
Securities financing	4,549	6,047
Other	2,332	15
Loans and receivables - banks	180,446	195,861

(in millions)	31 December 2015	31 December 2014
The Netherlands	177,854	193,033
Rest of Europe	290	2,247
USA	499	223
Asia	1,802	358
Rest of the world		
Loans and receivables - banks	180,446	195,861

Loans and receivables – banks consists mainly of transactions with group companies. Loans and receivables – banks decreased by EUR 15.4 billion to EUR 180.4 billion at 31 December 2015, mainly due to a decrease of outstanding balances with third parties (EUR 5.1 billion).

5 Loans and receivables - customers

(in millions)	31 December 2015	31 December 2014
Group companies	69,162	77,131
Third parties	87,133	86,193
Loans and receivables - customers	156,294	163,324

(in millions)	31 December 2015	31 December 2014
Residential mortgages	2,949	3,096
Consumer loans	10,539	11,280
Corporate loans	132,993	138,313
Securities financing	8,213	8,638
Other loans and receivables customers	1,599	1,997
Loans and receivables - customers	156,294	163,324

(in millions)	31 December 2015	31 December 2014
The Netherlands	132,417	141,248
Rest of Europe	6,362	5,158
USA	8,013	5,776
Asia	8,344	10,549
Rest of the world	1,159	593
Loans and receivables - customers	156,294	163,324

Loans and receivables - customers decreased by EUR 7.0 billion to EUR 156.3 billion at 31 December 2015, primarily driven by lower outstanding balances with third parties which are mainly related to commercial loans within Corporate Banking.

Loans and receivables - customers by product includes subordinated loans of EUR 38.9 million (2014: EUR 9.6 million), reflected within Corporate Banking loans.

6 Debt securities

(in millions)	31 December 2015	31 December 2014
Group companies		
Third parties	7,072	9,764
Debt securities	7,072	9,764

(in millions)	31 December 2015	31 December 2014
Debt securities available-for-sale	6,734	8,838
Debt securities held for trading	335	924
Debt securities held at fair value through profit or loss	4	2
Debt securities	7,072	9,764

Debt securities amounted to EUR 7.1 billion at 31 December 2015, down by EUR 2.7 billion, or 27.6%, compared with 31 December 2014. Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes.

Changes in Debt securities (available-for-sale)

(in millions)	2015	2014
Balance at 1 January	8,838	5,084
Purchases	2,708	5,826
Proceeds from sales and redemptions	-4,412	-2,092
Gains/(losses) recorded in profit and loss	-86	143
Unrealised gains/(losses)	2	-9
Foreign exchange differences	47	30
Other	-362	-144
Balance at 31 December	6,734	8,838

7 Equity securities

(in millions)	31 December 2015	31 December 2014
Equity securities available-for-sale	52	30
Equity securities held for trading	9	4,924
Equity securities held at fair value through profit or loss		19
Equity securities	60	4,973

Equity securities amounted to EUR 0.1 billion at 31 December 2015, down by EUR 4.9 billion or 98.8% compared with 31 December 2014. This decrease was mainly due to the discontinuation of the equity derivatives activities.

8 Participating interest in group companies

(in millions)	2015	2014
Balance at 1 January	9,888	8,600
Increase/(decrease) of capital	-1	533
Proceeds from sales and redemptions	69	299
Result from participating interests	1,203	1,065
Dividends	-1,246	-1,332
Unrealised gains/(losses)	78	19
Foreign exchange differences	97	99
Other	-715	605
Balance at 31 December	9,372	9,888

At 31 December 2015, EUR 6,555 million of the participating interests in group companies was related to credit institutions (2014: EUR 7,219 million). Other includes changes in fair value related to hedge accounting. More information is provided in the Consolidated Annual Financial Statements, note 14 Hedge accounting.

ABN AMRO Bank does not hold any shares in listed companies that are being consolidated.

9 Equity accounted investments

(in millions)	Principle place of business	Business line	31 December 2015		31 December 2014	
			Carrying amount	Equity interest	Carrying amount	Equity interest
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	The Netherlands	Retail banking	221	49%	235	49%
Equens S.E.	The Netherlands	Group functions	60	18%	63	18%
Nederlandse Financieringsmaatschappij voor ontwikkelingslanden N.V.	The Netherlands	Group functions	60	20%	48	20%
European Merchant Services B.V.	The Netherlands	Corporate banking	37	49%		
RFS Holdings B.V.	The Netherlands	Group functions			77	0%
Other			20		21	
Equity accounted investments			398		444	

(in millions)	2015	2014
Balance at 1 January	444	429
Purchases	38	73
Proceeds from sales and redemptions		-51
Gains/(losses) recorded in profit and loss	-60	57
Dividends	-31	-78
Unrealised gains/(losses)	8	12
Other		2
Balance at 31 December	398	444

10 Property, equipment and intangible assets

(in millions)	2015		2014	
	Total property and equipment	Intangible assets	Total property and equipment	Intangible assets
Acquisition costs at 1 January	2,431	896	2,423	888
Additions	117	23	107	10
Reversal of cost due to disposals	-116		-92	-2
Foreign exchange differences	2	5	2	6
Other	-36	-5	-9	-6
Acquisition costs at 31 December	2,398	920	2,431	896
Accumulated depreciation/amortisation at 1 January	-1,562	-878	-1,516	-865
Depreciation/amortisation	-110	-12	-108	-14
Reversal of depreciation/amortisation due to disposals	97		67	2
Foreign exchange differences	-1	-1	-1	-1
Other	29		-3	
Accumulated depreciation at 31 December	-1,547	-891	-1,562	-878
Impairments at 1 January	-9	-4	-25	-4
Increase of impairments charged to the income statement	-4		-8	-28
Reversal of impairments due to disposals	6		5	
Foreign exchange differences		-3		-3
Other	-1	3	18	31
Impairments at 31 December	-8	-4	-9	-4
Total at 31 December	843	26	860	15

11 Other assets

(in millions)	31 December 2015	31 December 2014
Derivatives	19,091	25,203
Tax assets	327	666
Other	858	1,647
Other assets	20,276	27,516

The fair value of the interest rate derivatives was EUR 19.1 billion at 31 December 2015, down by EUR 6.1 billion compared with year-end 2014, due mainly to the lower long-term interest rates and a decrease in Fair value hedges and Cash flow hedges.

Tax assets increased due mainly to higher results in 2015 compared with the previous year.

Other decreased by EUR 0.8 billion to EUR 0.9 billion at 31 December 2015. This decline was mainly due to specific contracts related to Trading book loans, which were reassessed and reclassified to Corporate loans in 2015.

12 Due to banks

(in millions)	31 December 2015	31 December 2014
Group companies	76,775	100,099
Third parties	15,694	16,948
Due to banks	92,469	117,047

(in millions)	31 December 2015	31 December 2014
Demand deposits	17,903	17,848
Time deposits	58,028	81,717
Other deposits	10,433	9,266
Securities financing	6,104	8,215
Due to banks	92,469	117,047

Due to banks mainly consists of positions with group companies.

The decrease in Due to banks of EUR 24.6 billion to EUR 92.5 billion at 31 December 2015 is primarily explained by the settlement of internal transactions.

13 Due to customers

(in millions)	31 December 2015	31 December 2014
Group companies	7,604	4,405
Third parties	211,237	201,469
Due to customers	218,842	205,874

(in millions)	31 December 2015	31 December 2014
Demand deposits	102,922	95,379
Saving deposits	90,642	86,711
Time deposits	14,341	15,106
Total deposits	207,905	197,196
Securities financing	7,031	8,344
Other due to customers	3,906	333
Due to customers	218,842	205,874

Due to customers increased by EUR 13.0 billion to EUR 218.8 billion at 31 December 2015 compared with 31 December 2014 (EUR 205.8).

Demand deposits increased by EUR 7.5 billion to EUR 102.9 billion. The increase was driven mainly by higher volumes within Commercial Clients.

Savings deposits increased by EUR 3.9 billion to EUR 90.6 billion, mainly driven by higher volumes in Corporate Clients (EUR 2.0 billion) and Retail Banking (EUR 1.3 billion).

Other due to customers increased by EUR 3.6 billion to EUR 3.9 billion at 31 December 2015, mainly driven by higher funding.

14 Issued debt

The following table shows the Issued debt issued by ABN AMRO Bank and the amount at 31 December 2015.

(in millions)	31 December 2015	31 December 2014
Group companies		
Third parties	68,571	63,956
Issued debt	68,571	63,956

The following table shows the types of Issued debt issued by ABN AMRO Bank and the amount at 31 December 2015.

(in millions)	31 December 2015	31 December 2014
Bonds and notes issued	- 61,563	57,260
Certificates of deposit and commercial paper	5,235	4,658
Saving certificates	57	58
Total at amortised cost	66,856	61,976
Designated at fair value through profit or loss	1,715	1,981
Issued debt	68,571	63,956

Issued debt amounted to EUR 68.6 billion at 31 December 2015, an increase of EUR 4.6 billion, or 7.2%, compared with EUR 64.0 billion at 31 December 2014. This was due to an increase of EUR 4.7 billion in Unsecured medium-term notes. Movements related to debt instruments consist mainly of redemption and issuance of long-term and short-term funding.

15 Subordinated liabilities

The following table shows the subordinated liabilities issued by ABN AMRO Bank and the amount at 31 December 2015.

(in millions)	31 December 2015	31 December 2014
Group companies		
Third parties	9,708	8,328
Subordinated liabilities	9,708	8,328

The following table shows the types of subordinated liabilities issued by ABN AMRO Bank and the amount at 31 December 2015.

(in millions)	31 December 2015	31 December 2014
Perpetual loans	1,255	1,285
Other subordinated liabilities	8,453	7,043
- of which EUR 1,650 million (originally EUR 2,000 million)		1,654
- of which EUR 1,228 million (6.375% per annum)	1,489	1,524
- of which EUR 1,000 million (7.125% per annum)	1,121	1,128
- of which USD 1,500 million (6.25% per annum)	1,392	1,246
- of which EUR 1,500 million (2.875% per annum)	1,537	
- of which USD 1,500 million (4.75% per annum)	1,250	
Subordinated liabilities	9,708	8,328

Subordinated liabilities at 31 December 2015 amounted to EUR 9.7 billion, up EUR 1.4 billion or 15.0% compared with EUR 8.3 billion at 31 December 2014. This increase was driven mainly by a newly issued EUR 1.5 billion 2.875% subordinated loan. The maturity date of this loan is June 2025. Furthermore, a new USD 1.5 billion 4.75% subordinated loan was issued. The maturity date of this loan is July 2025.

In 2014 Other subordinated liabilities comprised a loan held by the Dutch State, amounting to EUR 1,650 million, with an interest rate of 1.019% and maturity in 2017. This loan was called in the third quarter 2015.

Interest expense on subordinated liabilities amounted to EUR 451 million in 2015 (2014: EUR 374 million).

More information is provided in the Consolidated Annual Financial Statements in this report, note 26 Issued debt and subordinated liabilities.

16 Provisions

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

(in millions)	31 December 2015	31 December 2014
Provision for pension commitments	51	57
Restructuring	195	226
Other staff provision	134	170
Legal provisions	229	83
Other	173	92
Provisions	781	628

The change in the restructuring provision was caused chiefly by additions to the provisions, mainly for Corporate Banking, Private Banking and TOPS, and a release of unused provisions due to recalibration of existing provisions.

The increase in Other provisions was mainly due to the recording of a tax provision and provisions for interest rate derivatives for SME clients, offset by releases and utilisation of Remedy guarantees.

17 Other liabilities

(in millions)	31 December 2015	31 December 2014
Financial liabilities held for trading	443	3,738
Derivatives	22,363	30,408
Tax liabilities	388	59
Other	1,524	1,333
Other liabilities	24,718	35,537

Financial liabilities held for trading amounted to EUR 0.4 billion at 31 December 2015, a decrease of EUR 3.3 billion, or 88.1%, compared with 31 December 2014. This decline was mainly due to the wind-down of the equity derivatives portfolio (EUR 2.0 billion) in the US resulting from the strategic

review of Capital Markets Solutions. The decrease in short positions in Bonds (EUR 1.3 billion) was mainly related to Dutch, Belgian, German and French Government bonds and Corporate debt securities.

The fair value of the interest rate derivatives was lower at 31 December 2015 than it was at year-end 2014, mainly due to the increase in long-term interest rates.

Tax liabilities show a total increase of EUR 329 million. The major movements were related to higher results in 2015.

Other increased by EUR 191 million, rising from EUR 1,333 million at 31 December 2014 to EUR 1,524 million at 31 December 2015.

18 Equity

Issued capital and reserves

At 31 December 2015, authorised share capital of ABN AMRO Bank N.V. amounted to EUR 2 billion distributed over 2,000,000,000 ordinary shares with a nominal value of EUR 1.00 each. Each ordinary share entitles the shareholder to one vote per share. At 31 December 2014, issued and paid-up capital by ABN AMRO Bank N.V. consisted of 800,000,000 ordinary shares (EUR 800 million).

All issued shares of ABN AMRO Bank N.V. are held by ABN AMRO Group N.V.

19 Maturity of selected assets and liabilities

31 December 2015

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Loans and receivables - banks	167,360	2,711	1,028	312	636	506	7,894		180,446
Loans and receivables - customers	27,457	8,041	5,658	14,642	34,098	31,325	35,074		156,294
Debt securities	391	546	541	161	926	1,986	2,522		7,072
Equity securities								60	60
Derivatives	673	841	347	402	1,196	3,851	11,782		19,091
Liabilities									
Due to banks	25,769	3,332	3,518	10,529	10,503	20,874	17,944		92,469
Due to customers - saving deposits	80,301	6,278	75	182	401	1,053	2,351		90,642
Due to customers - other	109,906	11,927	1,997	2,082	486	461	1,342		128,200
Issued debt	3,652	2,865	4,025	3,828	9,910	20,270	24,021		68,571
Subordinated liabilities			5		82	114	9,507		9,708
Derivatives	690	791	423	380	1,175	3,291	15,613		22,363

31 December 2014

(in millions)	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Loans and receivables - banks	178,231	4,917	429	632	818	532	10,302		195,861
Loans and receivables - customers	19,862	7,591	1,930	11,639	26,581	16,767	78,953		163,324
Debt securities	1,142	231	1,094	1,750	538	2,254	2,753		9,764
Equity securities								4,973	4,973
Derivatives	1,030	930	957	797	780	4,379	16,331		25,203
Liabilities									
Due to banks	37,220	5,327	2,255	5,025	16,053	27,832	23,335		117,047
Due to customers - saving deposits	78,155	4,336	91	272	337	1,155	2,365		86,711
Due to customers - other	106,696	5,204	1,890	2,148	1,167	537	1,521		119,163
Issued debt	2,394	3,128	2,392	4,169	8,956	19,017	23,900		63,956
Subordinated liabilities	3				9	1,743	6,572		8,328
Derivatives	1,015	1,055	1,022	715	808	4,199	21,594		30,408

20 Contingent liabilities

(in millions)	31 December 2015	31 December 2014
Committed credit facilities	12,901	10,669
- of which Lease commitments	302	284
Guarantees and other commitments:		
Guarantees granted	18,674	18,619
Irrevocable letters of credit	5,159	4,968
Recourse risks arising from discounted bills	5,609	6,959
Total guarantees and other commitments	29,441	30,546
Total	42,342	41,214

(in millions)	31 December 2015	31 December 2014
Group companies	794	957
Third parties	12,106	9,712
Committed credit facilities	12,901	10,669

(in millions)	31 December 2015	31 December 2014
Group companies	23,178	23,322
Third parties	6,263	7,223
Guarantees and other commitments	29,441	30,546

Commitments and contingent liabilities at 31 December 2015 amounted to EUR 42.3 million.

The increase in Committed credit facilities of EUR 2.2 billion from EUR 10.7 billion to EUR 12.9 billion was mainly related to the credit lines granted to corporate clients. The decrease of EUR 1.3 billion to EUR 5.6 billion in the Recourse risks arising from discounted bills was due to lower documentary credits to corporates.

21 Assets pledged

(in millions)	31 December 2015	31 December 2014
Cash and balances at central banks		253
Financial assets held for trading	106	4,984
Financial investments available-for-sale		
Loans and receivables - banks	7,164	9,816
- of which <i>Interest bearing deposits</i>	7,164	9,816
Loans and receivables - customers	1,768	2,149
- of which <i>Corporate loans</i>	1,768	2,149
Assets pledged as security	9,038	17,203

22 Segment information

The total number of FTEs at 31 December 2015 was 16,653 (2014: 16,930). The total number of FTEs at Retail Banking was 4,620 (2014: 4,938), at Private Banking 2,067 (2014: 1,971), at Corporate Banking 3,410 (2014: 3,556) and at Group Functions 6,556 (2014: 6,465).

Further information is provided in the Consolidated Annual Financial Statements, note 2 Segment reporting.

23 Remuneration

For more information, see the Consolidated Annual Financial Statements, note 34 Remuneration of Managing Board and Supervisory Board.

24 Related parties

As part of its business operations, ABN AMRO Bank frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships, with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

For more information, see the Consolidated Annual Financial Statements, note 33 Related parties and note 34 Remuneration of Managing Board and Supervisory Board.

Other information

Provisions of the Article of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are included in Article 31 of the Articles of Association. In accordance with the reserve and dividend policy and subject to the approval of the Supervisory Board, the Managing Board proposes to the General Meeting of Shareholders which part of the profit is to be reserved. The remainder of the profit shall be at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Management Board, subject to the approval of the Supervisory Board.

ABN AMRO Bank announced its dividend policy in September 2015, which targets a payout ratio of 40% of the reported full-year net profit for 2015 to 50% of the 2017 net profit. The increase of this target is underpinned by the expected strong capital generation while allowing for a further build-up of capital. Even though ABN AMRO Bank remains well capitalised under Basel III, the bank would like to further build up additional capital buffers in order to execute its strategic ambitions and manage the impact of new regulations (Basel IV).

An interim dividend payment of EUR 350 million was paid on 27 August 2015.

Any distribution of dividend remains discretionary, and deviations from the above policy may be proposed by the bank.

In accordance with Article 31.4 of the Articles of Association, the Managing Board proposes, subject to the approval of the Supervisory Board, to declare a final dividend of EUR 414 million on the shares for 2015. As a result, the Managing Board proposes to the shareholder to pay out 40% (EUR 764 million) of the net reported profit for 2015 as dividend on the shares and add 60% of the net reported profit to the reserves.

Fiscal unity

ABN AMRO Bank N.V. forms part of the fiscal unity ABN AMRO Group N.V. for corporate income tax purposes. All the members of the fiscal unity become jointly and severally liable for the corporate income tax liabilities of the fiscal unity.



Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of ABN AMRO Bank N.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of ABN AMRO Bank N.V. as at 31 December 2015, and of its result and its cash flows for the year 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the statutory financial statements give a true and fair view of the financial position of ABN AMRO Bank N.V. as at 31 December 2015, and of its result for the year 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of ABN AMRO Bank N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the statutory financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2015;
- 2 the consolidated income statement;
- 3 the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- 4 the notes comprising a summary of the significant accounting policies and other explanatory information.

The statutory financial statements comprise:

- 1 the statement of financial position as at 31 December 2015;
- 2 the statement of comprehensive income and statement of changes in equity for the year then ended; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ABN AMRO Bank N.V. in accordance with the Regulation regarding the independence of auditors in case of assurance engagements ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO)) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Regulation code of conduct and professional practice for auditors ('Verordening gedrags- en beroepsregels accountants' (VGBA)).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

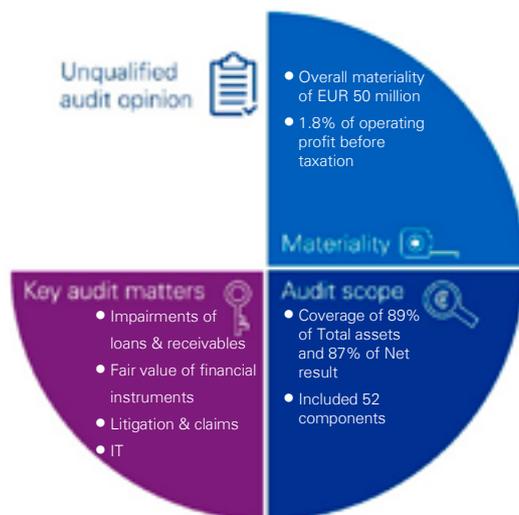
KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

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Audit approach

Summary



Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements for the Bank as a whole at EUR 50 million with reference to a primary benchmark of operating profit before taxation 1.8% (2014: EUR 50 million). We have applied this benchmark based on our assessment of the general information needs of users of the financial statements. We believe that operating profit before tax is a relevant metric for assessment of the financial performance of the Bank. Given the relatively high balance sheet total and gross income, we have not taken these alternative benchmarks into consideration. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements, such as possible misstatements in the information on Board remuneration disclosures.

Our audits of the components were performed in most instances to materiality levels based on the local statutory accounts which are considerably lower than the materiality for the financial statements as a whole. In the other cases, based on our judgement we set the materiality for the audits at components at levels that we deemed appropriate for the circumstances with a maximum of EUR 37.5 million, having regard to the materiality for the financial statements for the Bank as a whole and the reporting structure within the Bank.

We agreed with the Supervisory Board that all unadjusted misstatements in excess of EUR 2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.



Scope of the group audit

ABN AMRO Bank N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of ABN AMRO Bank N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

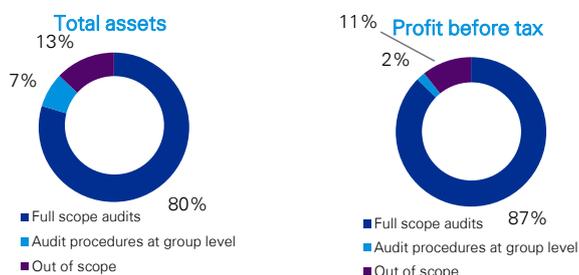
We scoped components of ABN AMRO Bank N.V. into the group audit where they are of significant size or have significant risks to the Bank. Where this does not give adequate coverage we used our judgement to scope-in additional components.

Applying these scoping criteria led to a full scope audit for 52 components, in total covering 6 countries. This resulted in coverage of 87.1% of net results and 89.3% of total assets. The remaining 12.9% of net results and 10.7% of total assets results from a significant number of components, none of which individually represented more than 3% of net results or total assets. For these remaining components, we performed specified audit procedures on significant risk areas such as legal claims and the tax position. Those procedures include among other inquiries with management, inspection of available documentation, testing of management's assumptions, other substantive procedures. Furthermore, we performed analytical procedures at the aggregated group level on the remaining components in order to corroborate our assessment that there are no significant risks of material misstatement within these remaining components.

All components in scope for group reporting are audited by KPMG member firms. We sent detailed instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported back to the group audit team. We visited component locations in Chicago, Brussels, Luxembourg and Paris where we performed detailed file reviews. Conference calls and/or physical meetings were held with the auditors of the components in the Netherlands, Belgium, Germany and the United States of America. At these visits, meetings and calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any further work deemed necessary by the group audit team was then performed.

The consolidation of the group, the disclosures in the financial statements and certain accounting topics that are performed at group level are audited by the group audit team. The accounting matters on which audit procedures are performed by the group audit team include, but are not limited to, assessment of the use of the going concern assumption, goodwill impairment testing, equity, group financing, corporate income tax for the Dutch fiscal unity, employee benefits and claims and litigations.

By performing the procedures above at components, together with additional procedures at group level, we have obtained sufficient and appropriate audit evidence about the Bank's financial information to provide an opinion on the financial statements.





Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit on the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Estimation uncertainty with respect to impairment losses on loans and receivables

Description

Certain aspects of the accounting for loan losses require significant judgement of management, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the assessment of the recoverable amount and the value of collateral. Due to the significance of loans and receivables (representing 70% of total assets) and the related estimation uncertainty, we consider this a key audit matter. The portfolios which give rise to the greatest estimation uncertainty are typically those with exposures that are unsecured or are subject to potential cash flow or collateral shortfalls.

Refer to the Critical Accounting Estimates and Judgements section in Note 1 on the Financial Statements and related disclosures of credit risk within the Risk sections of the Managing Board Report.



Our response

Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used in determining and calculating the impairment for loan losses. We have been able to rely on these controls for our audit. Our audit procedures included, among others, a comprehensive testing of the Bank's credit management and credit monitoring procedures with an emphasis on internal controls on the timely recognition and measurement of impairments.

In 2015, we continued to pay particular attention to collective impairment methodologies, focusing specifically on the Dutch mortgage portfolio and other retail lending exposures due to their relative size and the potential impact of changing inputs and assumptions. We tested the sufficiency of the models, assumptions and data used by the Bank to measure loan loss impairments for these portfolios of loans with the assistance of our own credit risk modelling and valuation specialists.

Likewise we have tested with the assistance of our specialists the models, assumptions and data used by the Bank for the collective impairment for incurred but not identified loan losses, including the appropriateness of the loss emergence period as a critical factor used in these models.

We examined a selection of loan exposures that either continued to be, have become, or were at risk of being individually impaired. We applied professional judgement in selecting those exposures for our detailed inspection, placing an emphasis on portfolios that were potentially more sensitive to developing economic trends, including the ECT portfolio and exposures to commercial real estate, the retail sector and medium sized businesses. For each selected loan file we challenged management's assessment of the recoverable amount, including the cash generating capacity and the value of realisable collateral, based on available financial information, market information and where applicable the analysis of alternative recovery scenario's. Our examination of specific loan files included exposures managed by the financial recovery and restructuring department.

Additionally, we assessed whether the financial statement disclosures appropriately reflect the Bank's exposure to credit risk, specifically considering those portfolios identified in 2015 as presenting the greatest risk.



Our observation

Overall we assess that the assumptions used by management and related estimates resulted in a mildly cautious valuation of loans and receivables after deduction of loan loss impairments and concur with the related disclosures in the financial statements.





Estimation uncertainty with respect to financial instruments measured at fair value

Description

The financial instruments that are measured at fair value are significant for the financial statements, such as derivatives, trading positions and available for sale investments. For financial instruments that are actively traded and for which quoted market prices or market parameters are available, there is high objectivity in the determination of fair values (level 1 instruments). However, when observable market prices or market parameters are not available the fair value is subject to significant estimation uncertainty. The fair value of those financial instruments (level 2 and level 3 instruments) is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. At 31 December 2015, financial instruments carried at fair value represent 16.6% of total assets and 7.3% of total liabilities. Due to the related estimation uncertainty, this is considered a key audit matter. Estimation uncertainty is particularly high for those instruments where significant valuation inputs are unobservable in the financial markets (i.e. Level 3 instruments).

In 2015, we have continued to focus on developments in derivative fair value methodologies and specifically on the credit, debit and funding fair value adjustments for the measurement of uncollateralised derivatives.

Refer to the Critical Accounting Estimates and Judgements section and disclosures of fair values in Notes 1 and 17 on the Financial Statements.



Our response

Our audit procedures included an assessment of controls over the identification, measurement and management of valuation risk, and an evaluation of the methodologies, inputs and assumptions used by the Bank in determining fair values. We have tested the level 1 fair valuations by comparing the fair values applied by the Bank with publicly available market data. For the Bank's fair value models, we assessed the appropriateness of the models and inputs. We compared observable inputs against independent sources and externally available market data. For a sample of instruments with significant unobservable valuation inputs, with the assistance of our own valuation specialists, we assessed the assumptions and models used or reperformed an independent valuation assessment, by reference to what we considered to be available alternative methods and sensitivities to key factors. We also evaluated the methodology and inputs used by management in determining its credit value, debit value and funding value adjustments recorded on the uncollateralised derivatives portfolio and compared that against current market practice based on our experience of comparable institutions. Additionally, we assessed the appropriateness of the financial statement disclosures in notes 1 and 17.



Our observation

Overall we assess that the assumptions used by management and related estimates resulted in appropriate valuations and disclosures of financial instruments at fair value.



Litigation, regulatory action and client care remediation

Description

The recognition and measurement of provisions and the measurement and disclosure of contingent liabilities in respect of litigation, regulatory action and client care remediation (together 'legal matters') require significant judgement. Due to the significance of these legal matters and the difficulty in assessing and measuring the amount from any resulting obligations, we consider this a key audit matter. In 2015, we paid particular attention to significant matters that experienced notable developments or that emerged during the period, including the SME derivatives remediation program and related litigation. Refer to the Critical Accounting Estimates and Judgements section and disclosures of provisions and contingent liabilities in Notes 27 and 32 on the Financial Statements.



Our response

Our audit procedures included the assessment of controls over the identification, evaluation and measurement of potential obligations arising from legal matters. For matters identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

In order to assess the facts and circumstances, we obtained and assessed the relevant regulatory and litigation documents, including lawyer's letters and we interviewed the Bank's legal counsel. We also assessed the assumptions made and key judgements applied by management and considered possible alternative outcomes based on our own experience and knowledge of market information. Additionally we considered whether the Bank's disclosures of the application of judgement in estimating provisions and contingent liabilities adequately reflects the uncertainties associated with legal matters.





Litigation, regulatory action and client care remediation

Our observation

Overall we assess the level of provisioning for claims in respect of legal matters and related disclosures as appropriate and concur with the disclosure of the contingent liabilities for claims and litigation in the financial statements.



Reliability and continuity of the information technology and systems

Description

The Bank is vitally dependent on its IT-infrastructure for the reliability and continuity of its operations and financial reporting. In 2015 the Bank again made significant investments in its IT systems and processes to continuously improve the efficiency and effectiveness of the IT-infrastructure and the reliability and continuity of the IT processing. This includes the remediation of identified weaknesses and inefficiencies and to accommodate the ongoing regulatory changes imposed on the banking industry. We have therefore identified this as a key audit matter.



Our response

Our IT auditors assessed the reliability and continuity of the IT environment, insofar as needed within the scope of our audit of the financial statements. Our procedures included the assessment of developments in the IT-domain and testing of the relevant internal controls with respect to IT-systems and processes. Insofar as relevant to our audit of the financial statements we also performed an assessment of the initiatives and measures of the Group in fighting cybercrime.



Our observation

In our reporting to the Bank we provided recommendations for improvements to the IT-controls and related data quality initiatives.



Responsibilities of Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Managing Board Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code; and
- such internal control as the Managing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.



Report on other legal and regulatory requirements

Report on the Managing Board Report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Managing Board Report and Other information):

- We have no deficiencies to report as a result of our examination whether the Managing Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Managing Board Report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the General Meeting of Shareholders as auditor of ABN AMRO Bank N.V. on 1 April 2010 and have operated as statutory auditor ever since then. Starting 2016 the financial statements of ABN AMRO Bank N.V. will be audited by another audit firm following our rotation as external auditors.

Amstelveen, 15 March 2016

KPMG Accountants N.V.

D. Korf RA



Other

Other gives an overview of definitions of important terms and abbreviations used in the Annual Report. Enquiries and the Cautionary statements are included in Other.

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Definitions of important terms

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Enquiries

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Abbreviations

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Cautionary statements

Definitions of important terms

ABN AMRO Bank

ABN AMRO Bank N.V. incorporated on 9 April 2009 ('ABN AMRO Bank') and its consolidated subsidiaries.

ABN AMRO Group

ABN AMRO Group N.V. incorporated on 18 December 2009 ('ABN AMRO Group') and its consolidated subsidiaries.

Absolute sensitivity

The absolute sensitivity adds up the different positions on the yield curve, regardless of whether they are positive or negative. It measures the absolute interest rate position.

Advanced Internal Ratings Based (AIRB)

The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Advanced Measurement Approach (AMA)

The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Ageas

Refers to ageas SA/NV (formerly known as Fortis SA/NV) and ageas N.V. (formerly known as Fortis N.V.) together.

Article 403

Section 2:403 of the Dutch Civil Code, which states that companies that are part of a consolidating group entity may publish limited annual accounts if the parent company, among other things, assumes joint and several liability for all liabilities of the group company.

Asset Quality Review (AQR)

Extensive review of asset quality performed by the ECB as part of a comprehensive assessment.

Basel I

The Basel Capital Accord is the 1988 agreement among the G10 central banks to apply common minimum capital standards to the banking industry.

Basel II

The Basel II Framework offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.

Basel III

The third set of Basel accords, which was developed in response to the financial crisis of the late 2000's. The Basel III standards include higher and better-quality capital, better risk coverage and the introduction of a maximum leverage ratio

Basis point (bp)

One hundredth of 1 percentage point.

Capital adequacy

Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.

Cash and balances at central banks

This item includes all cash and only credit balances with central banks that are available on demand.

Certificate of deposit (CD)

Certificate of deposit is an unsecured short-term funding instrument with maturities up to one year.

Clearing

Refers to the clearing businesses of ABN AMRO.

Client assets

Assets, including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Client assets also include cash and securities of clients held on accounts with ABN AMRO Bank.

Commercial paper (CP)

Commercial paper is an unsecured short-term funding instrument with maturities up to one year.



Consortium

Refers to The Royal Bank of Scotland Group plc ('RBS Group'), Ageas and Banco Santander S.A. ('Santander'), which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ('RFS Holdings'). On 3 October 2008 the State of the Netherlands became the successor of Ageas.

Core Tier 1 ratio

The bank's core capital, excluding preference shares, expressed as a percentage of total risk exposure amount.

Cost of risk

The cost of risk is defined as annualised impairment charges on loans and other receivables, divided by average Loans and receivables customers.

Country risk

Country risk is part of credit risk and is defined as the risk of losses due to country-specific events or circumstances (political, social, economic) relevant for credit exposures that are cross-border in nature.

Coverage ratio

The coverage ratio shows to which extent the impaired exposures are covered by impairment allowances for identified credit risk.

Credit equivalent

Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.

Covered bonds

Covered bonds (CB) are secured long-term funding instruments. This type of bond differs from a standard bond by recourse to a pool of assets. In a default event, the bondholder has recourse to the issuer and this pool of assets.

Credit rating

Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.

Credit risk

Credit risk is the risk of a financial loss that occurs if a client or counterparty fails to meet the terms of a contract or otherwise fails to perform as agreed.

Credit valuation adjustments

Market value adjustments for counterparty credit risk.

Defaulted exposures

Exposures for which there are indicators that a counterparty may not be able to meet its contractual obligations and/or when an exposure is more than 90 days past due.

Derivatives

Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indices).

Dow Jones Sustainability Index (DJSI)

A family of benchmarks, performed by RobecoSAM, for investors who believe sustainable business practices may lead to long-term shareholder value.

Duration of equity

Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.

Dutch State

Refers to the State of the Netherlands.

Economic capital

An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.

Economic profit

Net profit after tax less risk-adjusted cost of capital.

Economic value

The value of future economic profits discounted to the present.

Employee Engagement

A business management concept that describes the extent to which employees feel passionate about their jobs and are committed to the organisation. The more engaged an employee is with his or her company, the more effort they put into their work.

Encumbered assets

Assets that were pledged or subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.

Exposure at Default (EAD)

EAD models estimate the expected exposure at the time of a counterparty default.

Fortis Bank Nederland (FBN)

The legal entity Fortis Bank (Nederland) N.V., previously named Fortis Bank Nederland (Holding) N.V., which merged with ABN AMRO Bank (formerly known as 'ABN AMRO II N.V.') pursuant to the Legal Merger.

General Meeting

General Meeting of Shareholders ABN AMRO Bank N.V.

Goodwill

The difference between the purchase price of a participation and the fair value of the individual net assets and liabilities.

Hedge

Protecting a financial position by going either long or short, often using derivatives.

Household

In Retail Banking, products and services are primarily administered by family/cohabitation cluster, which is called a financial household.

Impaired exposures

Exposures for which not all contractual cash flows are expected and/or exposures more than 90 days past due for which impairments are determined on a portfolio basis.

Impaired ratio

The impaired ratio shows which fraction of the gross carrying amount of a financial asset category consists of impaired exposures.

Impairment charges on loans and other receivables

Charge to the income statement to cover possible loan losses on non-performing loans.

International Financial Reporting Standards (IFRS)

IFRS, formerly known as International Accounting Standards, are drawn up and recommended by the International Accounting Standards Board. The European Union requires that IFRS be used by all exchange-listed companies in the EU starting from the financial year 2005.

Investment products

Providing equity brokerage and research services to investors and primary equity services to companies (i.e. equity research, cash equities, government bonds and credit bonds)

Liquidity coverage ratio (LCR)

The LCR is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon. The LCR requires banks to hold sufficient highly-liquid assets equal to or greater than the net cash outflow during a thirty-day period.

Loan impairment allowance

Balance sheet allowance held against non-performing loans.

Market risk (banking book)

Market risk in the banking book, mainly interest rate risk, is the risk of yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book either through hedging (foreign rate exchange risk) or in general (other market risk types).

Market risk (trading book)

Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book.

Materiality

Materiality is the threshold at which topics become sufficiently important to be reported. Material topics are those that may reasonably be considered important for reflecting the organisation's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in a report.

Medium-term notes (MTN)

Medium-term notes are unsecured funding instruments with maturities up to ten years issued in several currencies.

Mergers & Acquisitions (M&A)

Activities in the fields of mergers, acquisitions, privatisations, advisory services and organisations.

Net Promoter Score (NPS)

This metric shows the extent to which customers would recommend a company to others. The customer is regarded as a 'promoter' (score of 9 or 10), as 'passively satisfied' (score of 7 or 8) or as a 'detractor' (score of 0 to 6). The NPS is calculated by subtracting the percentage of 'detractors' from the percentage of 'promoters'. The score is expressed as an absolute number between -100 and +100.

Net Stable Funding Ratio (NSFR)

The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives to fund activities with more stable sources of funding on an ongoing basis.

NII-at-Risk

The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII calculated using a constant yield curve with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. The net interest income is negatively impacted when rates rise.

NLFI

Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments (foundation)). On 29 September 2011 the Dutch State transferred its shares in ABN AMRO Group N.V. and in ABN AMRO Preferred Investments B.V. to NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that

the Minister of Finance might otherwise face, as a shareholder and as a regulator, and to avoid political influence being exerted.

Non-performing loans

Exposures for which there are indicators that a counterparty may not be able to meet its contractual obligations and/or when an exposure is more than 90 days past due.

Notional amounts

The value of the principal of the underlying financial derivatives contracts.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.

Options (shares and currencies)

Contractual right to buy (call option) or sell (put option) a specified amount of underlying shares or currency at a fixed price during a specified period or on a specified date.

Past due exposure

A financial asset is past due if a counterparty has failed to make a payment when contractually due, if it has exceeded an advised limit or if it has been advised of a limit lower than its current outstanding.

Past due ratio

The past due ratio shows which fraction of the gross carrying amount of a financial asset category is past due but not impaired.

Preference share

Share that receives a fixed rate of dividend prior to ordinary shares.

Qualifying revolving exposures

Qualifying revolving exposures are revolving, unsecured, and uncommitted exposures to private individuals that meet additional criteria specified in the CRD. These outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established by the bank.

RARORAC

A combination of two other measures: risk-adjusted return on capital (RAROC) and return on risk-adjusted capital (RORAC).

Repurchase agreement (Repo)

The sale of securities together with an agreement for the seller to buy back the securities at a later date.

Residential mortgage backed securities (RMBS)

Residential mortgage backed securities are secured long-term funding instruments. A pool of underlying assets, in this case own-originated residential mortgages, provides the cash flows to bondholders.

Return on equity (ROE)

Net profit attributable to ordinary shareholders of the parent company divided by shareholders' equity.

Risk-weighted assets (RWA)

Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

Royal Bank of Scotland (RBS)

The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. prior to the Legal Demerger.

Savings certificates

Saving certificates are non-exchange traded instruments with an annual coupon payment and have the same characteristics as bonds.

Securities financing transaction (also referred to as 'professional securities transaction')

A transaction whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities.

Securitisation

Restructuring credits in the form of marketable securities.

Standardised Approach (Basel II)

The standardised approach for credit risk measures credit risk in a standardised manner, supported by external credit assessments.

Stress testing

Method of testing the stability of a system or entity when exposed to exceptional conditions.

Three lines of defence

ABN AMRO Bank's approach to risk management. The three lines of defence principle consists of a clear division of activities and responsibilities in risk management at different levels in the bank and at different stages in the lifecycle of risk exposures.

Tier 1 ratio

Tier 1 capital, the sum of CET1 capital and AT 1 capital, of the bank expressed as a percentage of total risk-weighted assets.

UN Global Compact

The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

Uniform Counterparty Rating (UCR)

The UCR is an obligor rating and refers to the probability of default by an obligor, i.e. the likelihood that a counterparty fails to pay interest and/or principal and/or other financial obligations to the bank.

Value-at-Risk banking book

Value-at-Risk banking book (VaR banking book) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Volatility

Statistical measure for the degree to which items (market rates, interests) fluctuate over time.



Abbreviations

AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)	EDTF	Enhanced Disclosure Task Force
AIRB	Advanced Internal Ratings Based (Approach)	ESE	Environmental, Social and Ethical
ALCO	(ABN AMRO Bank's) Asset & Liability Committee	EU	European Union
ALM	Asset & Liability Management	EUR	Euro
AMA	Advanced Measurement Approach	EVCA	European Private Equity and Venture Capitalist Association
AQR	Asset Quality Review	FBN	Fortis Bank Nederland
AT 1	Additional Tier 1	FCCM	Financial Collateral Comprehensive Method
BIS	Bank for International Settlements	Fed	Federal Reserve
BLMIS	Bernard L Madoff Investment Securities	FR&R	(ABN AMRO Bank's) Financial Restructuring & Recovery
bn	Billion	FTE	Full-Time Equivalent (a measurement of number of staff)
bp(s)	Basis point(s)	FVA	Funding Valuation Adjustment
BRRD	Bank Recovery and Resolution Directive	FX	Foreign exchange
CAO	Collectieve Arbeidsovereenkomst (collective labour agreement)	GBP	British pound
CAF	Cycle Adjustment Factor	GfK	Gesellschaft für Konsumforschung (Society for Consumer Research)
CCC	(ABN AMRO Bank's) Central Credit Committee	GRC	(ABN AMRO Bank's) Group Risk Committee
CD	Certificate of Deposit	HR	Human Resources
CDC	Collective Defined Contribution	IAS	International Accounting Standards
CDO	Collateralised Debt Obligation	IASB	International Accounting Standards Board
CDS	Credit Default Swap	IBNI	Incurred But Not Identified
CEBS	Committee of European Banking Supervisors	ICS	International Card Services
CET1	Common Equity Tier 1	ICB	Industry Classification Benchmark
CGU	Cash-Generating Units	IFRS	International Financial Reporting Standards
CHF	Swiss Franc	IMA	Internal Models Approach
CP	Commercial Paper	INSID	Institute for Sustainable Innovation and Development
CRD	Capital Requirements Directive	IPO	Initial Public Offering
CRR	Capital Requirements Regulation	IRB	Internal Ratings-Based (Approach)
CVA	Credit Valuation Adjustment	IT	Information Technology
DGS	Deposit Guarantee Scheme	KPI	Key Performance Indicator
DNB	De Nederlandsche Bank N.V. (Dutch central bank)	LAD	Loss at Default
DSTA	Dutch State Treasury Agency	LCR	Liquidity Coverage Ratio
DTA	Deferred Tax Asset	LGD	Loss Given Default
DTL	Deferred Tax Liability	LtD	Loan-to-Deposit (ratio)
DVA	Debt Valuation Adjustment	m	Million
EAD	Exposure At Default	M&A	Mergers & Acquisitions
EBA	European Banking Authority	MCI	Maas Capital Investment B.V.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	MiFID	(the EU's) Markets in Financial Instruments Directive
ECAI	External credit assessment institutions	MtM	Mark-to-Market
ECB	European Central Bank		
ECT	(ABN AMRO Bank's) Energy, Commodities & Transportation		



NII	Net Interest Income
NLFI	NL Financial Investments (foundation)
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OECD	Organisation for Economic Cooperation and Development
OOE	One Obligor Exposure
OTC	Over-The-Counter
PD	Probability of Default
PR&I	People, Regulations & Identity
RARORAC	Risk-Adjusted Return On Risk-Adjusted Capital
RBB	<i>Regeling Beheerst Beloningsbeleid Wft 2011</i> (Regulation on Sound Remuneration Policies Pursuant to the Financial Supervisor Act 2011)
RBS	The Royal Bank of Scotland plc
REA	Risk exposure amount
RMBS	Residential Mortgage-Backed Security
RM&S	(ABN AMRO Bank's) Risk Management & Strategy
ROE	Return on Equity
RWA	Risk-Weighted Assets
SA	Standardised Approach
SGD	Singapore dollar
SMEs	Small and Medium-sized Enterprises
SPE	Special Purpose Entity
TLTRO	Targeted Long Term Refinancing Operations
TOPS	(ABN AMRO Bank's) Technology, Operations & Property Services
UCR	Uniform Counterparty Rating
USD	US dollar
VaR	Value-at-Risk



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

Cautionary statements

ABN AMRO Bank has included in this Annual Report, and from time to time may make certain statements in its public filings, press releases or other public statements that may constitute “forward-looking statements” within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words “expect”, “estimate”, “project”, “anticipate”, “should”, “intend”, “plan”, “aim”, “desire”, “strive”, “probability”, “risk”, “Value at Risk” (“VaR”), “target”, “goal”, “objective”, “will”, “endeavour”, “outlook”, “optimistic”, “prospects” and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO Bank’s potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO Bank’s beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank’s control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- ▶ The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO Bank in particular;
- ▶ The effect on ABN AMRO Bank’s capital of write-downs in respect of credit exposures;
- ▶ Risks related to ABN AMRO Bank’s merger, separation and integration process;
- ▶ General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO Bank has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO Bank’s performance, liquidity and financial position;

- ▶ Macroeconomic and geopolitical risks;
- ▶ Reductions in ABN AMRO Bank’s credit ratings;
- ▶ Actions taken by the EC, governments and their agencies to support individual banks and the banking system;
- ▶ Monetary and interest rate policies of the ECB and G20 central banks;
- ▶ Inflation or deflation;
- ▶ Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- ▶ Liquidity risks and related market risk losses;
- ▶ Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;
- ▶ Changes in Dutch and foreign laws, regulations, policies and taxes;
- ▶ Changes in competition and pricing environments;
- ▶ Inability to hedge certain risks economically;
- ▶ Adequacy of loss reserves and impairment allowances;
- ▶ Technological changes;
- ▶ Changes in consumer spending, investment and saving habits;
- ▶ Effective capital and liquidity management;
- ▶ The success of ABN AMRO Bank in managing the risks involved in the foregoing.

The forward-looking statements made in this Annual Report are only applicable as from the date of publication of this document. ABN AMRO Bank does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO Bank does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO Bank may make in ABN AMRO Bank’s interim reports.



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Sumis

