Quarterly Report

Third quarter 2016

ABN AMRO Group N.V.

Notes to the reader

Introduction

This Quarterly Report presents ABN AMRO's results for the third quarter of 2016. The report contains an update of ABN AMRO's share performance, a quarterly financial review, an economic update and selected risk, capital, liquidity and funding disclosures.

Presentation of information

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

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

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

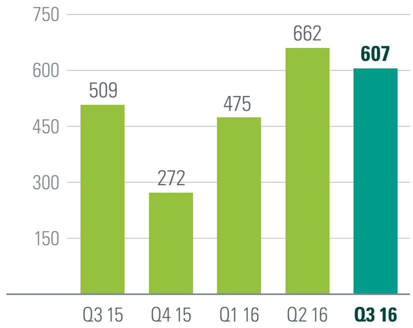
In addition to this report, ABN AMRO provides the following supplementary documents on its 2016 results on abnamro.com/ir:

- Analyst and investor call presentation: results for Q3 2016;
- Investor presentation: results for Q3 2016;
- Factsheet Q3 2016.

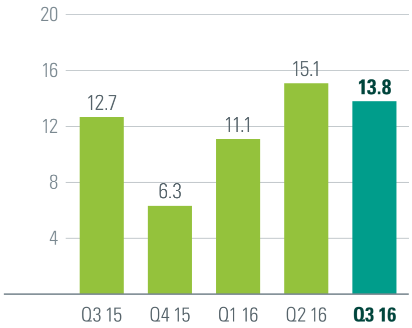
For a download of this report or more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com.

Figures at a glance

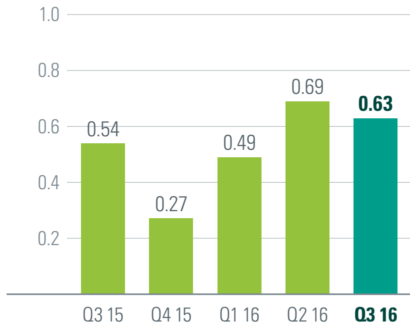
Underlying net profit
(in millions)



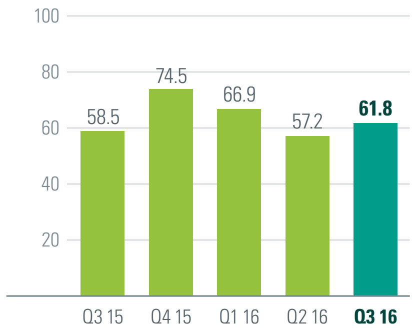
Underlying return on equity
Target range is 10-13 (in %)



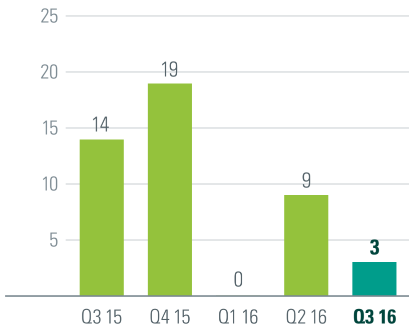
Underlying earnings per share
(in EUR)



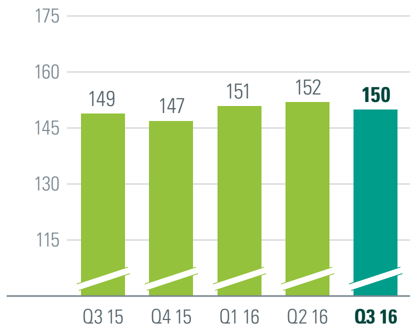
Underlying cost/income ratio
2020 target range is 56-58 (in %)



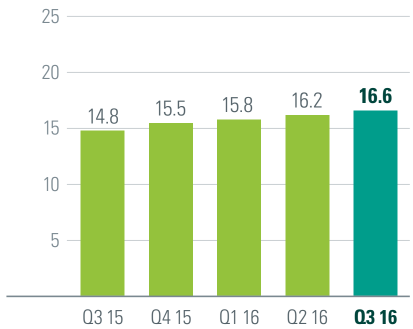
Underlying cost of risk
(in bps)



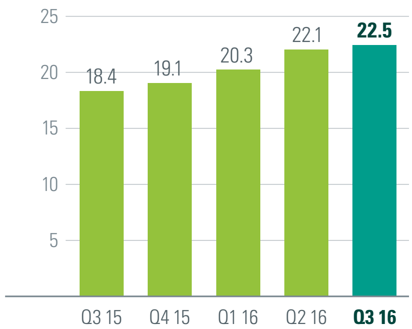
Underlying net interest margin
(in bps)



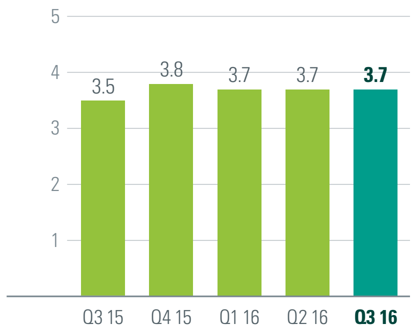
CET1 (fully-loaded)
(end-of-period, in %)
Target range is 11.5-13.5 (in %)



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



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



Message from the Chairman of the Managing Board

In the past few years we have built a stable and profitable bank. Today, ABN AMRO is a leading Dutch full-service bank with the majority of revenues generated by interest income and fees & commissions. We have a transparent and relationship-driven business model and a moderate risk profile. Our strong position in the segments of the Dutch market in which we operate is complemented by international growth areas in private banking, asset-based lending, ECT and clearing.

Delivering best-in-class service to our clients, supported by innovative products, is at the heart of what we do every day. Technology nowadays makes it possible for clients to conduct their banking affairs anytime, anywhere and on any device. We have made substantial investments in technology. To adapt to ever rapidly changing client expectations and technological and regulatory developments, we will be intensifying our activities in this area going forward.

In 2016 we updated and extended our strategic priorities and financial targets towards 2020: all of the strategic priorities still apply today. The choice to be an organisation that is **client-driven**, while maintaining a **moderate risk profile**, continues to be a guiding principle for ABN AMRO. Equally, we will continue to **invest in the future.** Our ambitions to pursue international growth and improve profitability have been combined into our commitment to achieve **sustainable growth.**

In extending our horizon towards 2020, we want to take another step forward in offering our in-depth expertise to clients. We are already recognised in the Netherlands for our extensive sector and product expertise in Corporate Banking, and we are expanding that to mid- to large-sized corporates in neighbouring countries. We will also expand our global sector-based approach within ECT Clients to Natural Resources, Renewable Energy, Food Supply Chain and Utilities.

Our Mobile Banking app – widely used by Dutch Retail and Private Banking clients – has been highly rated in the Netherlands for several years in a row, and we are continuously adding new features and developing new apps. In Retail Banking we will accelerate our digital product offering, optimise omni-channel distribution, and expand MoneYou, the online bank we created in 2008, by offering additional products in Northwest Europe.

Private Banking, meanwhile, has received many client and industry awards for its service and digital offering. We intend to harmonise processes and core banking systems internationally in Private Banking.

All of the above examples show how we are working to enhance the client experience. To make this possible, we also need to focus on making processes simpler and transition the organisation towards an agile way of working to ensure we can deliver fast.

By 2020, we expect investments in growth, innovation and digitalisation to increase by EUR 0.4 billion and wage inflation, price inflation and regulatory levies to go up by EUR 0.5 billion, driving up the cost base by a total of EUR 0.9 billion compared with 2015. To compensate for this increase, we target cost savings of a similar amount (EUR 0.9 billion).

Building on our Q2 cost initiatives, we have identified further cost savings across the bank. These amount to EUR 0.4 billion, to be achieved through further digitalisation and process optimisation. The new cost savings come on top of the existing programmes of TOPS 2020 and Retail Digitalisation (EUR 0.3 billion savings targeted, programmes are on track) and in the bank's support and control activities (announced in Q2 2016 and targeting EUR 0.2 billion in savings). The cost base of the support and control activities is EUR 0.8 billion and the combined cost base of the two other savings programmes of EUR 0.7 billion is EUR 4.4 billion.

The new cost savings identified (EUR 0.4 billion) will have consequences for approximately 1,500 ABN AMRO employees. We expect to take a provision of EUR 150-175 million in the fourth quarter of 2016 once we have worked out these plans in greater detail. This provision is in addition to a EUR 144 million restructuring provision taken in the third quarter for the plans to slim down the support and control activities (as announced in Q2) and an extension of the TOPS 2020 programme. As a result of all programmes in place, the total workforce is expected to decline by 13% from 26,500 (22,000 internal and 4,500 external FTEs) in 2015 to approximately 23,000 by 2020. Even though we aim to limit the number of redundancies as much as possible and new positions will be created, the ABN AMRO workforce is expected to go down by about 10%. The number of external staff is expected to go down by 25-30%.

In extending our horizon, we have sharpened the target range for our cost/income ratio from 56-60% by 2017 to 56-58% by 2020. As the impact of Basel IV is still unclear, we will leave the targets for the CET1 ratio (11.5-13.5%), ROE (10-13%) and the dividend payout ratio (50% over 2017) unchanged for now. More details on the strategy update can be found in the Strategic update section of this report.

Turning to what we have achieved in the past quarter, to **be client-driven** we introduced several new services for mortgages (for instance requesting interest rate averaging online and mortgage advice in sign language by webcam). Our financial planning app Grip, jointly developed with a fintech, was tested among 10,000 of the bank's clients and is now available to all clients.

Our efforts to offer the best possible service to our clients, face-to-face and digitally, were recognised this past quarter by several organisations. In a survey by My Private Banking Research, 113 mobile banking apps offered by 35 global banks to the retail banking client segment were analysed. Our Mobile Banking app (used by retail and private banking clients in the Netherlands) and other ABN AMRO apps came in sixth place, and we were the only Dutch bank in the top 25. ABN AMRO MeesPierson was named Best Private Bank in the Netherlands and Neuflize OBC was named Best Private Bank in France at the Global Private Banking Awards 2016. MT Finance magazine named ABN AMRO the best corporate bank in the Netherlands of 2016 based on client feedback. We have retained this position for the fourth consecutive year, coming in first place in eight out of twelve different categories.

The strategic priority to **invest in the future** includes our pledge to conduct sustainable business operations. As part of this commitment, ABN AMRO and OVG Real Estate are teaming up to redevelop vacant buildings. A total of more than 50,000 square metres of commercial real estate will be transformed into sustainable office buildings which will have energy rating 'A' and will produce a minimum of 30% less CO_2. To finance this, ABN AMRO has issued its first official green real estate loan.

ABN AMRO rose sharply in the globally renowned Dow Jones Sustainability Index (DJSI) ranking, scoring 87 out of 100 points – nine points higher than in 2015. And rating and research agency FTSE4Good has, following its June 2016 review, added ABN AMRO to the FTSE4Good Index. Both the DJSI and FTSE4Good put ABN AMRO in the top 15% of banks worldwide.

We recently announced a collaboration with Delft University of Technology to develop more complex blockchain applications. And last but not least, the annual employee engagement survey recently showed that engagement is at a good level, slightly higher than in 2015 and also slightly higher than that of other financial services providers.

Achieving **sustainable growth** remains a challenge, given volatile markets and the low interest rate environment. Economic growth in the Netherlands in the third quarter was flat quarter-on-quarter (at 0.7% growth) and up year-on-year, and many indicators are positive. Consumer confidence is improving further, as are private consumption and exports. However, the Brexit could have a greater impact on the Dutch economy than on the eurozone as the Netherlands and the UK have close trade relations. Furthermore, it is unclear how a new US president will affect growth in the eurozone and in the Netherlands in particular.

Financially, we had another quarter with a solid underlying performance. Net profit for Q3 2016 was EUR 607 million, an increase of 19% compared with Q3 2015. The net profit includes a restructuring charge of EUR 108 million (net of tax) and a revaluation gain on our participation in Equens of EUR 52 million (net of tax). We saw an increase in total client lending and deposit gathering this quarter.

The underlying net profit for the first nine months was EUR 1,743 million, up 5% compared with the first nine months of 2015. The 9M 2016 profit includes regulatory levies of EUR 134 million pre-tax (compared with no regulatory charges in the same period of 2015), the abovementioned restructuring charge and incidental gains on participations of EUR 168 million net of tax. The cost/income ratio for 9M 2016 deteriorated to 61.8%. An underlying net profit of EUR 1,743 million translates into an ROE of 13.4%, above the target range. The fully-loaded CET1 ratio increased to 16.6% at the end of September 2016, up from 16.2% at the end of June 2016 and 15.5% at year-end 2015. We have decided to publish the preliminary outcome of the Supervisory Review and Evaluation Process (SREP) for 2017. The preliminary CET1 requirement for 2017 is 9%.

Based on our current strengths and ambitions – a relationship-driven, knowledgeable and digitally savvy bank, active in Northwest Europe and with expertise in selected sectors globally – we are confident that we will meet the priorities set for 2020. Making the bank more digital and agile will impact many of us – both positively, but for some also negatively, unfortunately. Nevertheless, I am confident that these plans will enable us to deliver lasting value to our clients, now and in the future, under the leadership of my nominated successor Kees van Dijkhuizen.

Gerrit Zalm
Chairman of the Managing Board

ABN AMRO shares

Key developments

Between 30 June 2016 and 30 September 2016, ABN AMRO's share price (depositary receipts) rose 24% while the STOXX Europe 600 Bank index rose 11%. In September 2016 ABN AMRO paid an interim dividend of EUR 376 million, or EUR 0.40 per share, to its shareholders.

Listing information

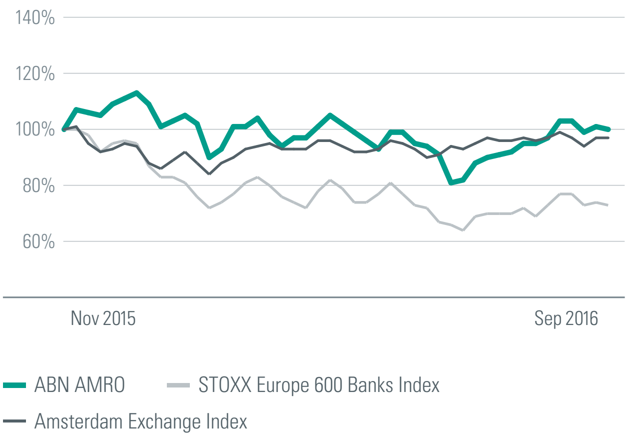
A total of 216.2 million shares, or 23% of the total issued share capital of ABN AMRO Group, is currently held by the STAK AAG ('Stichting Administratiekantoor Continuïteit ABN AMRO Group'), which subsequently issued depositary receipts representing such shares. More information on the STAK AAG is provided in the 'About ABN AMRO' section of abnamro.com. The depositary receipts trade under ISIN code 'NL0011540547', Reuters ticker 'ABNd.AS' and Bloomberg ticker 'ABN:NA'.

DRIP

ABN AMRO Corporate Broking offers holders of depositary receipts for shares in ABN AMRO Group access to a dividend reinvestment plan ('DRIP'), whereby (net) cash dividends are reinvested in additional depositary receipts for shares in ABN AMRO. More information is provided in the 'Investor Relations' section of abnamro.com.

Share price development

(in %)



Source: S&P Global Market Intelligence.

Financial calendar[1]

- Publication fourth-quarter 2016 results – 15 February 2017
- Publication Annual Report 2016 – 15 March 2017
- Publication first-quarter 2017 results – 17 May 2017
- Publication second-quarter 2017 results – 9 August 2017
- Publication third-quarter 2017 results – 15 November 2017

(in millions)	Q3 2016	Q2 2016	Q3 2015
Share count			
Total shares outstanding/issued and paid-up shares	940	940	940
- of which held by NLFI	724	724	940
- of which listed (in the form of depositary receipts)	216	216	
- as a percentage of total outstanding shares	23%	23%	
Average number of shares	940	940	940
Average diluted number of shares	940	940	940
Key indicators per share (EUR)			
Earnings per share (reported)[2]	0.63	0.40	0.54
Shareholder's equity per share	18.25	18.04	17.12
Tangible shareholder's equity per share	17.98	17.77	16.84
Share price development (EUR)			
Closing price (end of period)	18.42	14.90	
High (during the period)	19.10	19.25	
Low (during the period)	14.02	14.50	
Market capitalisation (end of period, in billions)	17.31	14.01	
Valuation indicators (end of period)			
Price/Earnings	8.6x	7.3x	
Price/Tangible book value	1.0x	0.8x	

1 All dates are subject to change. Please refer to abnamro.com/ir for the latest information. Dividend record date applies only if a final or interim dividend is paid.
2 Reported profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests.

Source: S&P Global Market Intelligence.

Economic environment

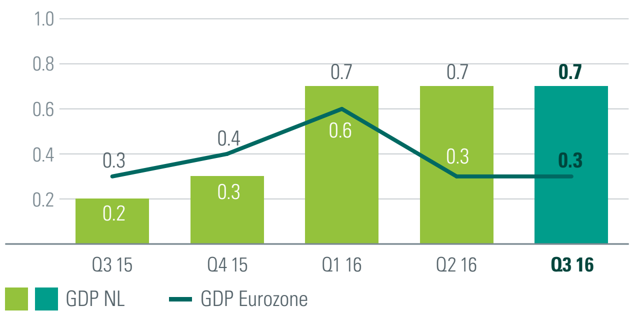
The world economy performed relatively well in the third quarter of 2016. Economic growth is estimated to have been stable or slightly higher than in Q2 (quarter-on-quarter). Weaknesses in the Chinese economy and the uncertainty around the future Brexit had been (and still are) identified as risks for global or European economic growth. Although the Chinese economy is in transition, which is associated with structurally lower economic expansion, growth remained stable in Q3. The unexpected outcome of the Brexit referendum and the subsequent uncertainty was expected to start affecting growth in Q3. Yet, so far the effects of the Brexit on the UK and eurozone economies have been much less pronounced than expected. However, sterling has weakened significantly, and this will probably harm eurozone exports in the near future.

The US economy showed some further acceleration in Q3. According to the official first estimate, GDP rose by 0.7% quarter-on-quarter (+0.4% in Q2). In the eurozone, GDP growth was stable at +0.3%, according to Eurostat's 'preliminary flash estimate'.

The Dutch economy grew by a solid 0.7% quarter-on-quarter in Q3, following two quarters of clear economic expansion. This was again significantly better than the eurozone figure of 0.3%. Residential investment, private consumption and exports were the main contributors to the further rise in GDP. Business investment, however, contracted. Average GDP growth in 2016 is likely to be close to about 2%.

In general, the economic environment appears to be mildly positive for ABN AMRO, even slightly more positive than we assessed a quarter ago. Risks to the economy, however, are still tilted to the downside. For instance, the upcoming Brexit negotiations may still have adverse effects at a later moment. Given the closer trade relations between the Netherlands and the United Kingdom, the Brexit is expected to hit the Dutch economy slightly harder than the eurozone as a whole. The same applies for the effects of a weaker sterling. However, the election of Donald Trump has led to volatility on financial markets. We expect this to continue in the near term. The consequences for growth are uncertain and depend on how aggressive Trump's policies will be. Our main scenario is that one of the most likely early initiatives will be tax cuts and infrastructure spending. This will be good for growth. We are assuming that many other policy initiatives will be watered down from the rhetoric during the campaign. However, the more elements of the rhetoric that become policy, such as protectionist measures, the worse it will be for global growth.

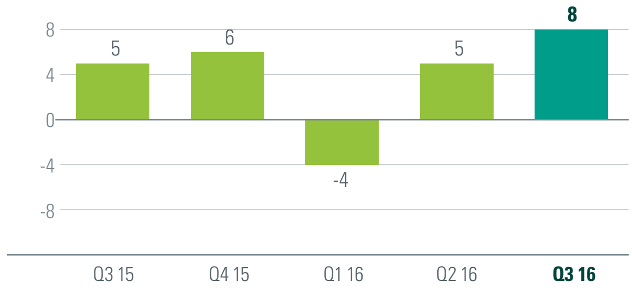
Quarterly development of Gross Domestic Product
(in % q-o-q growth)



Source: Eurostat and CBS.

- Dutch GDP growth was again 0.7% (quarter-on-quarter) in Q3.
- Residential investment, private consumption and exports were the main contributors to GDP growth.
- The Dutch economy again performed significantly better than the eurozone economy.

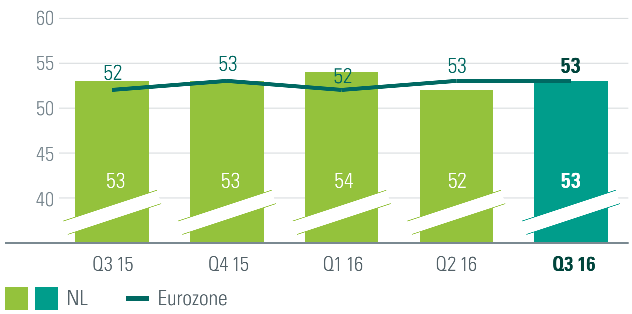
Consumer confidence in the Netherlands
(as % balance of positive and negative answers, end-of-period)



Source: CBS

- On balance, consumer confidence rose in Q3, despite the Brexit outcome.
- This was mainly the result of consumers' more favourable assessment of the economic climate.
- The improvement in confidence in Q3 continued unabated in October.

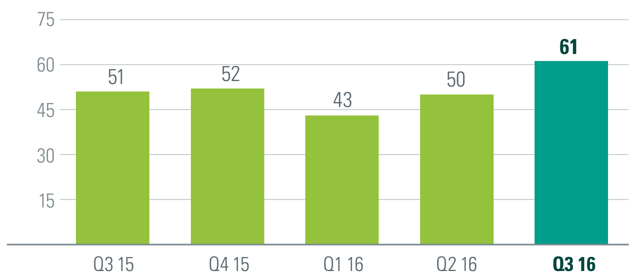
Manufacturing Purchasing Managers' Index
(>50: growth, <50: contraction, end-of-period)



Source: Markit

- The Dutch manufacturing PMI rose in Q3, despite the Brexit.
- At 53.4 (well above the boom-bust level of 50), the index is clearly pointing to further growth.
- Some sentiment indicators, however, did dip temporarily due to the Brexit. But they rebounded noticeably in September, which bodes well for near-term growth.

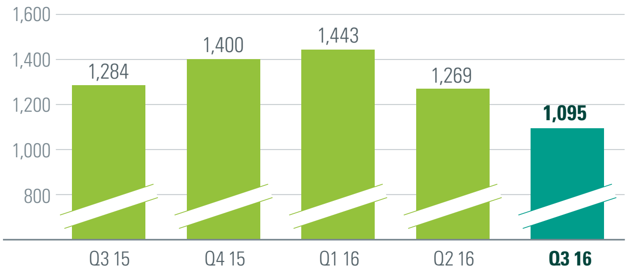
Number of houses sold in the Netherlands
(in thousands)



Source: CBS

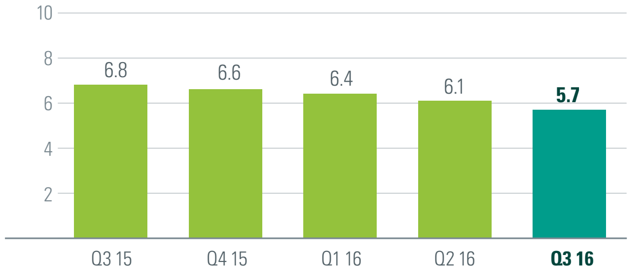
- Q3 saw another strong rise in the number of houses sold: 20% year-on-year (in both Q1 and Q2: +24%).
- The housing market continues to benefit from very low mortgage interest rates.
- We raised our forecasts for the rise in house prices for both 2016 and 2017 to 5%. The further rise in house prices has reduced the number of households in negative equity.

Bankruptcies in the Netherlands
(number of bankruptcies)



Source: CBS

Unemployment in the Netherlands
(in % of total labour force, end-of-period)



Source: CBS

- After an interruption, the number of bankruptcies continued its downward trend in Q2 and Q3.
- In Q3, the number of bankruptcies dropped by almost 14% quarter-on-quarter (or almost -15% year-on-year), reaching its lowest level since the summer of 2008.
- The bankruptcy ratio (bankruptcies per number of businesses) is well below pre-crisis levels.

- The decline in unemployment accelerated further in Q3.
- This steeper decline was caused by a stronger rise in the number of employed people, owing to ongoing economic growth.
- The drop in unemployment has been contributing to lower risks on mortgages.

Strategic update

The strategic priorities defined in 2013 are still valid today. The strategic choice to be an organisation that is client-driven, while maintaining a moderate risk profile, remains unchanged. Equally, we will continue to invest in the future. Our ambitions to pursue international growth and improve profitability have been combined into our commitment to achieve sustainable growth.

The banking sector currently faces challenges arising from changing client expectations and technological, competitive and regulatory developments. These developments pose threats, but also offer opportunities. To take full advantage of these opportunities, we have updated our plans regarding digitalisation, innovation and growth, resulting in a number of strategic objectives towards 2020.

One of the strategic objectives is to enhance the client experience. Among other things, this means taking the next step in digital banking. We will work more efficiently and accelerate development of these services by pursuing another one of our strategic objectives – deliver fast. To achieve this, the number of employees working according to agile principles will increase, and the effects will be felt by many more as this transition will lead to a cultural change.

Our expertise has traditionally been our strength. We are already recognised in the Netherlands for our in-depth sector knowledge. In the coming years we will leverage our expertise further by, for example, expanding our sector coverage to selected neighbouring countries within Corporate Banking. And last but not least, we will innovate our offering, with the first visible initiatives being a number of innovators which will go live in due course.

These initiatives will require ongoing investments going forward; however, they will also lead to further cost reductions. As a result, we have set a new cost/income target ratio for 2020. The other targets will remain unchanged until we have clarity on regulations regarding capital requirements.

Enhance the client experience

Banking has seen tremendous changes over the past decade. The interaction with clients now takes place predominantly through digital channels. In fact, the main way clients interact with our bank today – by mobile phone – was introduced only five years ago. Our clients can now conduct the most common day-to-day banking affairs whenever and wherever they want. Going forward we will enable our clients to use digital channels to handle more complex matters as well, such as taking out a mortgage or business loan. We are expanding the use of video chat technologies to allow clients to obtain advice whenever and wherever they want. Another promising technology we will start using is robo-advice.

Not all inspiring experiences are technologically driven. A prime example is the network formed for our clients: we organise networking events so that our clients can connect and learn from each other, and forge collaborations. These events are highly appreciated by our clients. We will expand these activities in the future.

Deliver fast

Banking is now perceived by most of our clients as a mobile service. Our clients use mobile applications offered by many other companies, such as music streaming, travel services and social networking, and are used to well-designed apps, frequent updates adding new features and responsive customer support. Moreover, these successful firms all share an agile way of working. ABN AMRO started adopting agile methods a few years ago and has used them to develop the Mobile Banking app, among other things. This app has been highly ranked for a number of years running, reflecting the value of this way of working.

At present there are around 100 teams working according to agile principles. The bank's positive experiences with these methods underlie the strategic choice to adopt this approach for all major IT change processes. New multidisciplinary teams will be formed as from next year increasing the number of teams. Following the transition, we expect to accelerate the time-to-market of new products and services, in some cases by a factor of 3. We aim to significantly boost our responsiveness to the needs of all our clients. And last but not least, working according to agile methods gives employees more autonomy and end-to-end responsibility. This in turn increases job satisfaction, helping us to retain and attract talented employees.

In the previous quarter we announced our intention to simplify the bank's support and control activities by eliminating duplicate work, reducing the number of layers in the organisation and merging subsidiaries into the bank. We will also eliminate unnecessary activities, such as superfluous internal reports and non-core activities. We expect these initiatives to produce (staff and non-staff) cost savings of around EUR 0.2 billion by 2020.

Deliver expertise

Expertise is a key ingredient of our profile. Our employees are not only knowledgeable about financial matters; they also have expertise on non-financial issues that are relevant to our clients.

Over the past few years, we have invested heavily in the sector expertise of our staff. Our people's knowledge ranges from specific business lines, such as Logistics, Food or Charities, to key moments in the lives of our clients, such as when family wealth is transferred to the next generation, when a divorce is at hand, or in the event of a major acquisition. Clients appreciate this approach, so we plan to add a number of dedicated activities to the ones we already offer. For example, within the ECT Clients value chain we will expand our global activities in Renewable Energy and Utilities in the Energy sector, and we will also expand into Food in the Commodities sector. And Private Banking will continue to refine its segmentation, allowing us to tailor our products and services even more effectively.

Innovate & Grow

Our expertise will enable us to grow without taking undue risk. Corporate Banking will explore additional business opportunities in Northwest Europe in sectors in which we have relevant expertise. We will not seek growth in sectors that are highly country- or location-specific, such as Real Estate, Healthcare and Leisure. We will target mid- to large-sized corporates that are internationally active and that use multiple banks to conduct their business operations.

We will introduce several innovative product offerings in various business segments. We want to move ahead quickly so these will be set up as innovator entities that will operate online and have a large degree of autonomy in running their own IT. The activities will be located in the Netherlands, but some will have a mandate to acquire clients in surrounding countries. Using these small entities will help us accelerate innovation while allowing us to test new banking concepts in a low-risk manner.

For instance, MoneYou will extend its digital product offering and will gradually be expanded more internationally. The interaction with clients will make the most of modern technology and agile principles, two key elements of the MoneYou organisation. The client experience should become even more seamless, mobile, attractive, relevant and 'techy' – what we call 'smart banking'. The ABN AMRO infrastructure will be used where it makes sense and where it does not slow down innovation.

The upcoming Payment Services Directive 2 (PSD2) is an EU directive intended to foster innovation and competition in the payments industry. Among other things, it will require banks to give third parties access to client accounts. We see this as part of a broader development towards open banking: online banking services becoming building blocks which can be integrated into third-party products and services. We believe this development offers very interesting opportunities and are investing in the required technology and partnering with fintechs to develop innovative solutions and products for our clients. Similarly, we are partnering with universities and consortia to develop new blockchain applications for this technology.

Financial guidance and targets

Looking ahead, we will invest in our growth, digitalisation and innovation initiatives. These investments will drive up costs by EUR 0.4 billion compared with 2015. A number of external factors will also increase costs: wage inflation, regulatory levies and general price inflation. These are expected to lead to EUR 0.5 billion in additional costs on an annual basis by 2020. In total, costs are expected to grow by a total of EUR 0.9 billion by 2020.

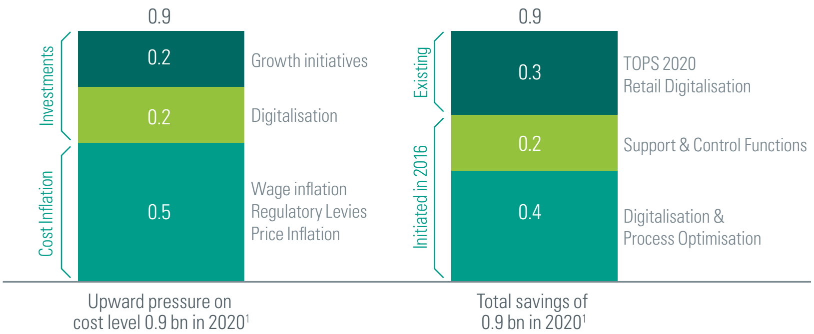
To offset these cost increases, we will realise EUR 0.9 billion in cost savings in 2020. Rationalisation of our support and control activities will save the bank EUR 0.2 billion (on a cost base of EUR 0.8 billion), as announced when the second-quarter results were published. The ongoing TOPS 2020 and Retail Digitalisation programmes will account for EUR 0.3 billion in annual cost savings up to 2020.

An additional EUR 0.4 billion in cost savings have been identified in the rest of the bank, to be achieved by process optimisation, digitalisation and operational efficiency. Combined, the ongoing (TOPS 2020, Retail Digitalisation) and newly identified programmes will achieve savings of EUR 0.7 billion on a cost base of EUR 4.4 billion.

As a result of all programmes in place, the total workforce is expected to decline by 13% from 26,500 (22,000 internal and 4,500 external FTEs) in 2015 to approximately 23,000 by 2020. Even though we aim to limit the number of redundancies as much as possible and new positions will be created, the ABN AMRO workforce is expected to go down by about 10%. The number of external staff is expected to go down by 25-30%.

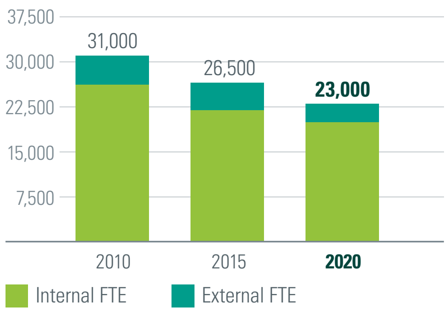
ABN AMRO will compensate cost inflation and investments with savings

(in billions)



[1] Compared to 2015 cost level of EUR 5.2 billion.

FTE development 2015-2020



We have sharpened the target range for our cost/income ratio to 56-58% by 2020 from 56-60% in 2017. All other targets will remain unchanged for now. The uncertainty surrounding the upcoming Basel proposals could have a material impact on our risk weights, so it is not possible to set meaningful long-term targets that are directly or indirectly related to capital. We will therefore leave our ROE target of 10-13%, our CET1 ratio target of 11.5-13.5% and our dividend payout ratio target (50% over 2017) unchanged for now. Once we know the impact of the new regulation, new targets will be formulated.

Financial results

Financial review

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

As from the second quarter ABN AMRO implemented an amendment to the accounting policy on notional cash pool balances (see for further details note 1 Accounting Policies in the Q2 2016 Interim Financial Statements). This amendment led to an increase in corporate loans and demand deposits in Corporate Banking and inflates the balance sheet. Following the adjustment of the policy, mitigating actions were taken to reduce the impact of notional cash pooling products on the balance sheet. As a result, the carrying amount has been reduced significantly and is expected to further decrease towards year-end 2016. As a result of the policy amendment and as required by IFRS, the comparative figures have been adjusted accordingly. The impact was EUR 15.5 billion at 31 December 2015, EUR 5.6 billion at 30 June 2016 and EUR 2.2 billion at 30 September 2016.

To ensure a correct (historical) interpretation of ABN AMRO's performance, the balance sheet analysis of loans & receivables – customers and due to customers specifies the impact of the amended policy. In addition, the net interest margin (NIM), cost of risk (CoR) and loan-to-deposit (LtD) ratios in this section are presented excluding the impact of this policy amendment on the comparative figures before 30 June 2016 and therefore remain in line with previously disclosed figures.

Income statement

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	1,575	1,524	3%	1,582		4,703	4,580	3%
Net fee and commission income	437	449	-3%	431	1%	1,303	1,375	-5%
Other operating income	210	136	54%	188	12%	388	449	-13%
Operating income	**2,222**	**2,109**	**5%**	**2,201**	**1%**	**6,393**	**6,403**	
Personnel expenses	765	619	24%	617	24%	2,000	1,852	8%
Other expenses	607	615	-1%	643	-6%	1,951	1,847	6%
Operating expenses	**1,372**	**1,234**	**11%**	**1,260**	**9%**	**3,951**	**3,700**	**7%**
Operating result	**849**	**875**	**-3%**	**941**	**-10%**	**2,442**	**2,703**	**-10%**
Impairment charges on loans and other receivables	23	94	-75%	54	-57%	79	381	-79%
Operating profit/(loss) before taxation	**826**	**781**	**6%**	**887**	**-7%**	**2,363**	**2,322**	**2%**
Income tax expense	220	272	-19%	225	-3%	620	670	-7%
Underlying profit/(loss) for the period	**607**	**509**	**19%**	**662**	**-8%**	**1,743**	**1,652**	**5%**
Special items				-271		-271		
Reported profit/(loss) for the period	**607**	**509**	**19%**	**391**	**55%**	**1,472**	**1,652**	**-11%**
Of which available for AT 1 capital securities (net of tax)	11			11		32		
Of which Non-controlling interests		-1				1	1	

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Net interest margin (NIM) (in bps)[1]	150	149	152	151	146
Underlying cost/income ratio	61.8%	58.5%	57.2%	61.8%	57.8%
Underlying cost of risk (in bps)[1,2]	3	14	9	4	19
Underlying return on average Equity[3]	13.8%	12.7%	15.1%	13.4%	14.0%
Underlying earnings per share (in EUR)[4]	0.63	0.54	0.69	1.82	1.76

1 For management view purposes the historical periods before 30 June 2016 have not been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements published in Q2 2016).
2 Annualised impairment charges on loans and receivables – customers for the period divided by the average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
3 Underlying profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.
4 Underlying profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

	30 September 2016	30 June 2016	31 December 2015
Client Assets (in billions)	316	310	314
FTEs	21,809	21,939	22,048

Third-quarter 2016 results

ABN AMRO's **underlying profit for the period** amounted to EUR 607 million, an increase of EUR 98 million compared with Q3 2015. Higher operating income (both net interest income and other operating income) and lower loan impairments were partly offset by higher expenses (fully attributable to a restructuring provision). Compared with Q2 2016, underlying profit for the period decreased by EUR 55 million mainly due to the current quarter's restructuring provision.

The **underlying return on equity (ROE)** was 13.8% in Q3 2016 compared with 12.7% in the same period of 2015.

Operating income increased to EUR 2,222 million compared with EUR 2,109 million in Q3 2015.

Net interest income came to EUR 1,575 million, up by EUR 51 million compared with Q3 2015. Improved pricing on deposits and higher margins on corporate loans in Q3 2016 contributed to higher NII. The increase in NII for mortgages was offset by a decrease for consumer loans. Part of the increase in NII was due to several negative non-recurring items in 2015, including EUR 21 million for the initial provision for SME derivative-related issues. Net interest income remained almost stable compared with Q2 2016.

Net interest income on residential mortgages increased compared with Q3 2015 as margin improvements more than offset the decrease in portfolio volume. The impact of repricing of the mortgage book again contributed to higher net interest income, although the repricing effect continued to level off.

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

Net interest income on corporate loans increased compared with Q3 2015 due to improved margins, partly offset by lower average volumes mainly at Commercial Clients. Average volumes at International Clients increased (including currency impacts).

On the liability side, the rate paid on savings accounts decreased while volumes increased somewhat.

Net interest margin (NIM) increased slightly to 150bps in Q3 2016 compared with 149bps in Q3 2015. Higher net interest income was only partly offset by an increase in average total assets (excluding the impact of amended notional cash pool balances for historical figures before Q2 2016). NIM decreased slightly compared with Q2 2016 (152bps).

Net fee and commission income, at EUR 437 million in Q3 2016, was EUR 12 million lower than in Q3 2015. Although the market environment improved in Q3 2016, stock markets were on average still lower than they were in Q3 2015. This resulted in lower average client assets, which negatively impacted Private Banking in particular. The decrease at Retail Banking was mainly due to a reduction of client rates for payment packages.

Other operating income came to EUR 210 million, an increase of EUR 74 million compared with Q3 2015. The current quarter included a profit of EUR 52 million (at Group Functions) due to the positive revaluation of ABN AMRO's share in Equens.

CVA/DVA/FVA results in the third quarter were EUR 20 million positive (compared with EUR 18 million negative in Q3 2015) and Equity Participations results amounted to EUR 33 million (versus EUR 21 million in Q3 2015). Hedge accounting-related results (Group Functions) were slightly lower.

Personnel expenses amounted to EUR 765 million in Q3 2016 and included a restructuring provision of EUR 144 million booked at Group Functions. This provision is related to the announced reorganisation of the support and control activities. Excluding this provision, personnel expenses were flat compared with Q3 2015.

Other expenses decreased by EUR 8 million to EUR 607 million in Q3 2016. Excluding regulatory levies (EUR 24 million in Q3 2016), other expenses decreased by EUR 32 million. The decline in other expenses was due to a payment received in Q3 2016 concerning an insurance claim settlement at Private Banking; in addition, Q3 2015 included a EUR 55 million settlement with Vestia (a Dutch housing corporation) at Group Functions. This was, however, more than offset by a considerable VAT refund for the period 2007-2014.

Regulatory levies in Q3 2016 (EUR 24 million) included an amount of EUR 21 million related to the Deposit Guarantee Scheme (DGS), which is recorded on a quarterly basis.

Regulatory levies in 2016 are expected to amount to a total of EUR 250 million (including a EUR 32 million refund on the 2015 NRF payment). In 2015, all regulatory levies, totalling EUR 220 million, were recorded in Q4.

The **operating result** decreased by EUR 26 million compared with Q3 2015 and the cost/income ratio increased by 3.3 percentage points to 61.8%.

Impairment charges on loans and other receivables amounted to EUR 23 million in Q3 2016 compared with EUR 94 million in Q3 2015. The improved economic conditions in the Netherlands again resulted in limited impairment charges. An IBNI release of EUR 42 million was recorded in Q3 2016, of which EUR 32 million was due to a reclassification to impairments. The reclassification has no impact on overall impairment charges and was carried out to align the definitions of defaulted and impaired loans (see also the Risk section). Q3 2015 included an IBNI release of EUR 61 million.

The cost of risk (impairment charges over the total book) for mortgages decreased to 4bps versus 6bps in the same period last year.

Impairment charges on corporate loans also decreased compared with Q3 2015. Commercial Clients again had net impairment releases in Q3 2016. Both quarters contained IBNI releases, although these were lower in Q3 2016 than they were in the same period of 2015. International Clients had lower impairments. This was mainly due to lower charges at ECT Clients in Q3 2016 (EUR 33 million) compared with Q3 2015 (EUR 62 million). Charges at ECT Clients were also lower compared with Q2 2016 (EUR 93 million).

The **cost of risk** was 3bps in Q3 2016, down from 14bps in Q3 2015. In Q2 2016 the cost of risk was 9bps.

The **effective tax rate** decreased by 8 percentage points to 27% in Q3 2016. The effective tax rate of 35% in Q3 2015 was negatively impacted by our reassessment of our tax position.

International results

Operating income from international activities represented 19% of overall operating income compared with 20% in Q3 2015 and 20% in Q2 2016. This was due to higher operating income in the Netherlands in Q3 2016 while operating income from international activities remained stable. Lower income at the international Private Banking activities (both fees and other operating income) was offset by higher income at Corporate Banking (International Clients and Capital Markets Solutions).

Results for the first nine months

ABN AMRO's **underlying profit for the period** in the first nine months of 2016 was EUR 1,743 million, an increase of EUR 91 million compared with the same period of 2015. Significantly lower impairment charges were largely offset by higher expenses related mainly to regulatory levies and a restructuring provision. Operating income showed a slight decrease, despite significantly higher net interest income.

Reported profit for the period for the first nine months of 2016 amounted to EUR 1,472 million and included an addition to the provision for SMEs with derivative-related issues of EUR 271 million net of tax.

The underlying **return on equity (ROE)** decreased to 13.4% in the first nine months of 2016 compared with 14.0% in the same period of 2015.

Operating income was EUR 6,393 million in the first nine months of 2016 and remained almost stable compared with the same period of 2015. The increase in net interest income was offset by lower net fees and commissions and lower other operating income.

Net interest income went up by EUR 123 million to EUR 4,703 million in the first nine months of 2016. The increase was largely due to several negative non-recurring items in 2015, including EUR 21 million related to the SME derivatives provision.

Net fee and commission income, at EUR 1,303 million in the first nine months of 2016, was EUR 72 million lower than in the same period of 2015. This was related to the uncertainty and volatility in the financial markets which negatively impacted Private Banking in particular and, to a lesser extent, Retail Banking. The decline in fee income at Retail Banking was due mainly to a reduction of client rates for payment packages.

Other operating income, at EUR 388 million in the first nine months of 2016, came down by EUR 61 million compared with the same period of 2015. The decrease was due to lower CVA/DVA/FVA results (EUR 27 million negative in 2016 versus EUR 56 million positive in 2015) and lower Equity Participations results (EUR 35 million versus EUR 68 million in 2015). Hedge accounting related-results were negative in the first nine months of 2016 and much lower compared with 2015. This was partly offset by a profit of EUR 116 million on ABN AMRO's equity stake in Visa Europe and a profit of EUR 52 million related to the equity stake in Equens. Both years also included provisions within the underlying results for SME derivative-related issues (Corporate Banking), as well as part of the Securities Financing activities discontinued in 2009 (Group Functions), although the level of these provisions was higher in the first nine months of 2015.

Personnel expenses were EUR 2,000 million, an increase of EUR 148 million compared with the first nine months of 2015. The increase was due to a EUR 144 million restructuring provision related to the announced reorganisation of the control and support activities in Q3 2016.

Other expenses rose by EUR 104 million to EUR 1,951 million in the first nine months of 2016. The increase was related to EUR 134 million in regulatory levies booked in 2016, of which EUR 66 million concerns the Single Resolution Fund (including a EUR 32 million refund on the 2015 payment) and EUR 66 million for an accrual related to the Deposit Guarantee Scheme. Higher costs related to the continuous improvement of IT processes, products and services were also recorded. These costs were partly offset by the settlement of an insurance claim at Private Banking. In 2015, there was a considerable VAT refund which was partly offset by the settlement of EUR 55 million with Vestia (a Dutch housing corporation).

The **operating result** decreased by EUR 261 million compared with the first nine months of 2015 and the cost/income ratio deteriorated by 4.0 percentage points to 61.8%.

Impairment charges on loans and other receivables were EUR 79 million versus EUR 381 million in the first nine months of 2015. The continued improvement of economic conditions in the Netherlands resulted in lower impairment charges. Both years recorded significant IBNI releases.

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

Impairment charges on corporate loans decreased in the first nine months of 2016. Commercial Clients recorded releases, International Clients saw higher impairment charges mainly in ECT Clients (EUR 175 million in the first nine months of 2016 versus EUR 97 million in the same period of 2015).

The **cost of risk** was 4bps in the first nine months of 2016, down from 19bps in the same period of 2015.

The **effective tax rate** in the first nine months of 2016 was 26% versus 29% in the same period of 2015. The effective tax rate in 2015 was negatively impacted by a reassessment of our tax position.

Balance sheet

Condensed consolidated statement of financial position

As a result of the amended accounting policy on notional cash pool balances, the comparative balance sheet figures have been adjusted by EUR 15.5 billion at 31 December 2015.

(in millions)	30 September 2016	30 June 2016	31 December 2015
Cash and balances at central banks	22,572	12,773	26,195
Financial assets held for trading	3,914	4,459	1,706
Derivatives	18,745	23,350	19,138
Financial investments	46,214	46,392	40,542
Securities financing	40,122	34,460	20,062
Loans and receivables – banks	15,672	17,152	15,680
Loans and receivables – customers	269,038	271,456	274,842
Other	8,784	8,897	7,676
Total assets	**425,062**	**418,940**	**405,840**
Financial liabilities held for trading	2,551	1,990	459
Derivatives	21,462	27,016	22,425
Securities financing	28,415	23,132	11,372
Due to banks	15,016	12,214	14,630
Due to customers	240,367	240,942	245,819
Issued debt	79,819	76,505	76,207
Subordinated liabilities	11,115	11,214	9,708
Other	8,165	7,968	7,635
Total liabilities	**406,910**	**400,981**	**388,255**
Equity attributable to the owners of the parent company	17,154	16,962	16,575
Capital securities	993	993	993
Equity attributable to non-controlling interests	6	5	17
Total equity	**18,152**	**17,960**	**17,584**
Total liabilities and equity	**425,062**	**418,940**	**405,840**

Main developments in total assets compared with 30 June 2016

Total assets increased by EUR 6.1 billion to EUR 425.1 billion at 30 September 2016, mainly in cash and balances at central banks and securities financing assets, partly offset by derivative assets.

Cash and balances at central banks increased by EUR 9.8 billion to EUR 22.6 billion at 30 September 2016, due partly to an increase in deposits from professional counterparties.

Financial assets held for trading at 30 September 2016 decreased by EUR 0.5 billion to EUR 3.9 billion, due chiefly to a decrease in government bonds mainly related to primary dealerships.

Derivative assets went down by EUR 4.6 billion compared with 30 June 2016, mainly reflecting the impact of interest-related movements and, to a lesser extent, FX-related movements.

Loans and receivables – customers

(in millions)	30 September 2016	30 June 2016	31 December 2015
Residential mortgages	147,155	146,607	146,932
Consumer loans	14,436	14,679	15,147
Corporate loans to clients (excluding Notional cash pooling)[1]	81,048	80,218	78,195
Total client loans (excluding Notional cash pooling)[2]	**242,639**	**241,504**	**240,274**
Notional cash pooling	2,241	5,648	15,523
Total client loans[2]	**244,880**	**247,152**	**255,797**
Loans to professional counterparties	14,209	13,892	12,194
Other loans[3]	8,148	8,680	6,356
Total Loans and receivables – customers[2]	**267,237**	**269,724**	**274,347**
Fair value adjustments from hedge accounting	5,634	5,702	4,850
Less: loan impairment allowance	3,833	3,970	4,355
Total Loans and receivables – customers	**269,038**	**271,456**	**274,842**

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

Loans and receivables – customers decreased by EUR 2.4 billion compared with 30 June 2016.

Client loans (excluding notional cash pooling) increased by EUR 1.1 billion to EUR 242.6 billion.

Residential mortgages increased by EUR 0.5 billion compared with 30 June 2016. New mortgage production grew on the back of a further rise in housing transactions and house prices. The market share in new production increased to 23%[1] in Q3 2016 compared with 20% in Q2 2016. Growth of new production was offset by gradually increasing contractual repayments. Contractual repayments increased following the amendment of tax regulations for mortgage coupon deductibility in 2013. Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments.

Corporate loans to clients (excluding notional cash pooling) increased by EUR 0.8 billion to EUR 81.0 billion due mainly to an increase in loans at Corporate Banking (ECT Clients).

Main developments in total liabilities compared with 30 June 2016

Total liabilities increased by EUR 5.9 billion to EUR 406.9 billion at 30 September 2016, mainly in securities financing liabilities, due to customers and wholesale funding.

Financial liabilities held for trading went up by EUR 0.6 billion due to increased short positions in bonds.

Derivative liabilities decreased by EUR 5.6 billion to EUR 21.5 billion at 30 September 2016, mainly reflecting the impact of interest-related movements and, to a lesser extent, FX-related movements.

1 Source: Dutch Land Registry (Kadaster).

Due to customers

(in millions)	30 September 2016	30 June 2016	31 December 2015
Retail Banking	101,936	102,662	98,674
Private Banking	67,650	66,566	66,465
Corporate Banking (excluding Notional cash pooling)	64,954	64,192	62,850
Group Functions	3,588	1,874	2,308
Total Due to customers (excluding Notional cash pooling)	**238,127**	**235,294**	**230,296**
Notional cash pooling	2,241	5,648	15,523
Total Due to customers	**240,367**	**240,942**	**245,819**

Due to customers decreased by EUR 0.6 billion compared with 30 June 2016. Excluding notional cash pooling, due to customers increased by EUR 2.8 billion to EUR 238.1 billion, due partly to an increase in deposits from professional counterparties. The combined market share in retail deposits at Retail Banking and Private Banking in the Netherlands at 30 September 2016 came to 21%[1], stable compared with 30 June 2016.

Issued debt increased by EUR 3.3 billion to EUR 79.8 billion at 30 September 2016 due to an increase in wholesale funding.

Total equity rose by EUR 0.2 billion to EUR 18.2 billion at 30 September 2016, as the reported profit for the quarter was partly offset by an interim dividend payment of EUR 0.4 billion in September.

Main developments in total assets and liabilities compared with 31 December 2015

Total assets grew by EUR 19.2 billion to EUR 425.1 billion at 30 September 2016. Excluding the impact of notional cash pooling, total assets increased by EUR 32.5 billion. This was due mainly to an increase in securities financing assets, loans and receivables – customers and financial investments.

Total liabilities increased by EUR 18.7 billion to EUR 406.9 billion at 30 September 2016. Excluding the impact of notional cash pooling, total liabilities increased by EUR 31.9 billion. This was due mainly to an increase in securities financing liabilities, due to customers and wholesale funding.

Total equity increased by EUR 0.6 billion to EUR 18.2 billion, due mainly to the inclusion of the reported profit for the first three quarters of 2016, partly offset by dividend payments.

[1] Source: De Nederlandsche Bank (DNB).

Results by segment

The Results by segment section includes a discussion and analysis of the results of the financial condition of ABN AMRO Group at segment level for the third quarter of 2016 compared with the third quarter of 2015. Most of the interest expenses and operating expenses incurred by Group Functions are allocated to the business lines through net interest income and other expenses, respectively.

Retail Banking

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	851	853		855		2,535	2,497	2%
Net fee and commission income	121	133	-9%	112	8%	346	395	-12%
Other operating income	5	3	65%	117	-96%	125	20	
Operating income	**976**	**988**	**-1%**	**1,084**	**-10%**	**3,006**	**2,912**	**3%**
Personnel expenses	116	121	-4%	123	-6%	358	367	-2%
Other expenses	407	389	5%	413	-1%	1,253	1,123	12%
Operating expenses	**524**	**510**	**3%**	**536**	**-2%**	**1,611**	**1,490**	**8%**
Operating result	**453**	**478**	**-5%**	**547**	**-17%**	**1,394**	**1,422**	**-2%**
Impairment charges on loans and other receivables	16	52	-69%	22	-25%	64	90	-28%
Operating profit/(loss) before taxation	**436**	**426**	**2%**	**525**	**-17%**	**1,330**	**1,333**	
Income tax expense	108	108	1%	127	-15%	328	334	-2%
Underlying profit/(loss) for the period	**328**	**319**	**3%**	**399**	**-18%**	**1,002**	**999**	
Special items								
Reported profit/(loss) for the period	**328**	**319**	**3%**	**399**	**-18%**	**1,002**	**999**	

Retail Banking's **underlying profit for the period** amounted to EUR 328 million, rising by EUR 9 million compared with Q3 2015. This increase was mainly the result of lower loan impairments, which offset lower operating income and higher expenses. Compared with Q2 2016, underlying profit for the period decreased by EUR 71 million, due mainly to the fact that Q2 profit benefited from the sale of Visa Europe to Visa Inc.

Net interest income was, at EUR 851 million in Q3 2016, almost stable compared with Q3 2015. Higher interest income on mortgages and deposits was partly offset by lower interest income on consumer loans.

Margins on residential mortgages improved compared with Q3 2015, due to repricing of the backbook. This was partly offset by lower average volumes of residential mortgage loans. The impact of repricing of the mortgage book in recent years continued to contribute to higher net interest income, although the repricing effect continued to level off. Net interest income on consumer loans decreased due to lower average loan volumes and lower margins. Net interest income on deposits was higher compared with Q3 2015 due to increased margins and to average deposit volumes.

Net fee and commission income decreased by EUR 12 million compared with Q3 2015 due mainly to a reduction of fees charged for payment packages.

Personnel expenses decreased to EUR 116 million compared with EUR 121 million in Q3 2015. The number of FTEs employed in Retail Banking decreased due to the transfer of employees to Private Banking and a further reduction in the number of branches. This was partly offset by an addition to an existing restructuring provision.

Other expenses amounted to EUR 407 million, an increase of EUR 18 million compared with Q3 2015. This was mainly attributable to regulatory levies, which came to EUR 22 million in Q3 2016. In addition, allocated project costs, including the Retail Digitalisation programme, were higher but this was partly offset by lower marketing related expenses.

Operating result decreased by EUR 25 million in Q3 2016 to EUR 453 million. The **cost/income** ratio increased by 2.0 percentage points to 53.6%.

Impairment charges on loans and other receivables amounted to EUR 16 million in Q3 2016, down by EUR 36 million compared with Q3 2015. An IBNI release of EUR 42 million was recorded in Q3 2016, of which EUR 32 million was due to a reclassification to impairments. This has no effect on overall impairment charges and was carried out to align the definition of defaulted and impaired loans (see also the Risk section). The IBNI release in Q3 2015 amounted to EUR 3 million.

The Dutch economy recovered further and confidence in the housing market improved further in Q3 2016, contributing to a continued decrease in the impaired portfolio (although more gradually than in previous quarters) and to ongoing improvement of the credit quality indicators. Impairment charges for mortgages were lower than in Q3 2015. Consumer loans also benefited from further improved economic conditions.

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying cost/income ratio	53.6%	51.6%	49.5%	53.6%	51.2%
Underlying cost of risk (in bps)[1]	4	13	6	6	7

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

	30 September 2016	30 June 2016	31 December 2015
Loan-to-Deposit ratio	148%	146%	152%
Loans and receivables – customers (in billions)	154.3	153.8	154.2
Due to customers (in billions)	101.9	102.7	98.7
Risk-weighted assets (risk exposure amount; in billions)	32.7	33.7	34.8
FTEs	5,291	5,601	5,844

Loans and receivables – customers went up by EUR 0.5 billion compared with 30 June 2016 to EUR 154.3 billion. The Retail Banking mortgage portfolio grew compared with 30 June 2016. New mortgage production increased on the back of a further rise in housing transactions and house prices. The market share in new production rose to 23% in Q3 2016 compared with 20% in Q2 2016. Growth of new production was offset by gradually increasing contractual repayments. Contractual repayments increased following the amendment of tax regulations for mortgage coupon deductibility in 2013. Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments.

Due to customers decreased by EUR 0.8 billion compared with 30 June 2016 to EUR 101.9 billion after a peak in Q2 as a result of holiday allowances.

Client Assets

(in billions)	30 September 2016	30 June 2016	31 March 2016
Cash	101.9	102.7	99.1
Securities	15.1	14.9	15.2
Total Client Assets	**117.0**	**117.6**	**114.3**

Developments in the first nine months of 2016

Retail Banking's **underlying profit for the period** was EUR 1,002 million for the first nine months of 2016, virtually equal to the EUR 999 million recorded in the same period of 2015. An increase in operating income and lower loan impairments were offset by an increase in operating expenses (partly related to regulatory levies).

Net interest income came to EUR 2,535 million, up by EUR 38 million compared with the first nine months of 2015. This improvement can be largely attributed to a provision of around EUR 30 million for inconsistencies in interest calculations between the bank and its business partners with respect to one of the mortgage products which was booked in the first nine months of 2015 and partly released in 2016.

Margins on residential mortgages continued to improve in the first nine months of 2016, due to repricing of the residential mortgage backbook. This was partly offset by lower average residential mortgage loan volumes. Interest income on consumer loans decreased due to lower average volumes and lower margins. Net interest income on deposits increased as a result of higher margins and higher average deposit volumes.

Net fee and commission income decreased by EUR 49 million compared with the same period of 2015, mainly due to a reduction of client rates for payment packages. Uncertainty and volatility in the financial markets, especially in the first six months of 2016, had a negative impact as well.

Other operating income increased by EUR 105 million and included the profit (EUR 101 million) related to the gain on sale of Visa Europe.

Personnel expenses amounted to EUR 358 million, down by EUR 9 million compared with the first nine months of 2015. The decrease was due mainly to a lower average number of FTEs employed in Retail Banking following the transfer of employees to Private Banking and a further reduction in the number of branches. This was partly offset by additions to an existing restructuring provision.

Other expenses increased by EUR 130 million compared with the first nine months of 2015. **Regulatory levies** in the first nine months of 2016 amounted to EUR 76 million. Excluding the regulatory levies, other expenses increased by EUR 54 million. This was mainly attributable to higher allocated project costs, including the Retail Digitalisation programme.

Operating result came down to EUR 1,394 million for the first nine months of 2016. The cost/income ratio increased by 2.4 percentage points to 53.6%.

Impairment charges on loans and other receivables came to EUR 64 million in the first nine months of 2016, versus EUR 90 million in the same period of 2015. Both periods included significant IBNI releases, although these were higher in 2015 (EUR 73 million) compared with 2016 (EUR 37 million, excluding the EUR 32 million reclassification).

The Dutch economy recovered further and confidence in the housing market improved further in the first nine months of 2016; these two developments contributed to lower impairment charges for mortgages (excluding IBNI releases). Consumer loans also benefited from further improved economic conditions, leading to lower loan impairments with higher IBNI releases.

Private Banking

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	159	147	8%	160	-1%	476	440	8%
Net fee and commission income	142	149	-4%	143	-1%	429	470	-9%
Other operating income	17	18	-7%	39	-56%	72	81	-11%
Operating income	**317**	**314**	**1%**	**341**	**-7%**	**977**	**992**	**-1%**
Personnel expenses	125	133	-6%	123	2%	374	382	-2%
Other expenses	116	136	-15%	144	-19%	394	389	1%
Operating expenses	**241**	**269**	**-10%**	**267**	**-10%**	**768**	**771**	
Operating result	**76**	**45**	**70%**	**74**	**3%**	**209**	**221**	**-6%**
Impairment charges on loans and other receivables	1	5	-79%	7	-86%	13	-10	
Operating profit/(loss) before taxation	**75**	**40**	**89%**	**66**	**13%**	**195**	**231**	**-15%**
Income tax expense	21	12	83%	14	53%	45	43	4%
Underlying profit/(loss) for the period	**54**	**28**	**92%**	**53**	**3%**	**150**	**188**	**-20%**
Special items								
Reported profit/(loss) for the period	**54**	**28**	**92%**	**53**	**3%**	**150**	**188**	**-20%**

Private Banking's **underlying profit for the period** almost doubled to EUR 54 million in Q3 2016. The increase was due largely to lower expenses (mainly related to the settlement of an insurance claim) and slightly higher operating income. The underlying profit was in line with Q2 2016 as both quarters included a one-off item of a similar size.

Net interest income increased by EUR 12 million to EUR 159 million in Q3 2016, remaining stable compared with previous quarters. This was mainly due to higher margins on deposits, partly offset by lower average volumes.

Net fee and commission income decreased by EUR 7 million to EUR 142 million in Q3 2016. Although the market environment improved in the third quarter, stock markets were on average still lower than they were in Q3 2015. This resulted in lower average client assets, which negatively impacted net fee and commission income.

Other operating income amounted to EUR 17 million and was in line with Q3 2015. Compared with Q2 2016 operating income declined by EUR 22 million as the previous quarter included a provision release related to the sale of the Swiss private banking activities in 2011.

Personnel expenses decreased by EUR 8 million compared with Q3 2015. This was due mainly to the Q3 2015 restructuring provision for the integration of the Jersey office into Guernsey.

Other expenses came down by EUR 20 million compared with Q3 2015, due mainly to a settlement of EUR 24 million concerning an insurance claim in the international activities. This was offset by higher allocated project costs.

Operating result increased from EUR 45 million to EUR 76 million in Q3 2016. The **cost/income ratio** for Private Banking came to 75.9%, an improvement of 9.7 percentage points compared with Q3 2015.

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying cost/income ratio	75.9%	85.7%	78.3%	78.6%	77.7%
Underlying cost of risk (in bps)[1]	3	12	19	11	-7
Gross margin on client assets (in bps)	65	62	70	67	65

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

	30 September 2016	30 June 2016	31 December 2015
Loan-to-Deposit ratio	24%	24%	25%
Loans and receivables – customers (in billions)	15.9	16.0	16.6
Due to customers (in billions)	67.6	66.6	66.5
Risk-weighted assets (risk exposure amount; in billions)	7.9	8.3	8.2
FTEs	3,870	3,800	3,722

Client Assets

(in billions)	Q3 2016	Q2 2016	Q1 2016
Opening balance Client Assets	**192.8**	**193.7**	**199.2**
Net new assets	1.3	0.2	-1.1
Market performance	4.8	-1.0	-4.5
Closing balance Client Assets	**198.9**	**192.8**	**193.7**
	30 September 2016	30 June 2016	31 March 2016
Breakdown by type			
Cash	67.8	66.7	65.3
Securities	131.1	126.0	128.4
- of which Custody	33.7	30.7	31.6
Total	**198.9**	**192.8**	**193.7**
Breakdown by geography			
The Netherlands	47%	48%	47%
Rest of Europe	44%	44%	44%
Rest of the world	9%	8%	8%

Client assets increased to EUR 198.9 billion at 30 September 2016 compared with EUR 192.8 billion at 30 June 2016. This was mainly due to a favourable market performance in Q3 2016.

Net new assets (NNA) in Q3 2016 amounted to EUR 1.3 billion. The impact of client transfers from Retail Banking and referrals from Corporate Banking to Private Banking was limited this quarter.

Developments in the first nine months of 2016

Private Banking's **underlying profit for the period** decreased to EUR 150 million in the first nine months of 2016, down by EUR 38 million compared with the same period of 2015. The decline was due to a combination of lower operating income (mainly fee and commission income) and higher loan impairments.

Net interest income went up to EUR 476 million, an increase of EUR 36 million compared with 9M 2015. Margins on deposits in particular improved, while average volumes decreased.

Net fee and commission income decreased by EUR 41 million to EUR 429 million in the first nine months of 2016. Uncertainty and volatility in the financial markets, especially in H1 2016, had a negative impact on the stock markets. This led to lower average client assets and a decline in transaction volumes.

Other operating income came down by EUR 9 million in the first nine months of 2016, due mainly to lower trading income. The 2016 provision release related to the sale of the Swiss private banking activities was partly offset by the sale of premises in 2015.

Personnel expenses decreased by EUR 8 million compared with the first nine months of 2015. This was almost fully attributable to the 2015 restructuring provision regarding the Channel Islands.

Other expenses increased by EUR 5 million and were impacted in 2016 by regulatory levies (EUR 13 million) and by the settlement of an insurance claim (EUR 24 million). This was partly offset by higher allocated project costs.

Operating result decreased by EUR 12 million to EUR 209 million in the first nine months of 2016. The cost/income ratio for Private Banking amounted to 78.6%, deteriorating by 0.9 percentage points compared with the first nine months of 2015.

Impairment charges on loans and other receivables increased to an addition of EUR 13 million compared with a release of EUR 10 million (mainly IBNI) in the first nine months of 2015.

Corporate Banking

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	585	515	13%	556	5%	1,689	1,597	6%
Net fee and commission income	185	187	-1%	191	-3%	566	565	
Other operating income	102	60	71%	68	49%	142	224	-37%
Operating income	**872**	**762**	**14%**	**816**	**7%**	**2,396**	**2,385**	
Personnel expenses	177	166	7%	163	9%	501	510	-2%
Other expenses	292	283	3%	282	3%	909	846	7%
Operating expenses	**468**	**449**	**4%**	**445**	**5%**	**1,411**	**1,356**	**4%**
Operating result	**404**	**313**	**29%**	**371**	**9%**	**986**	**1,029**	**-4%**
Impairment charges on loans and other receivables	6	41	-84%	28	-76%	8	309	-97%
Operating profit/(loss) before taxation	**397**	**273**	**46%**	**344**	**16%**	**977**	**720**	**36%**
Income tax expense	107	54	97%	81	33%	251	148	70%
Underlying profit/(loss) for the period	**290**	**218**	**33%**	**263**	**10%**	**726**	**572**	**27%**
Special items				-271		-271		
Reported profit/(loss) for the period	**290**	**218**	**33%**	**-8**		**455**	**572**	**-20%**

Corporate Banking's **underlying profit for the period** in Q3 2016 amounted to EUR 290 million, increasing by EUR 72 million compared with Q3 2015. This was due mainly to higher operating income and lower impairment charges. Compared with Q2 2016, underlying profit for the period increased by EUR 27 million.

Net interest income rose to EUR 585 million in Q3 2016 compared with EUR 515 million in Q3 2015. All business lines posted an increase in net interest income compared with the same period of 2015.

Net interest income at Commercial Clients came to EUR 342 million, up by EUR 37 million compared with Q3 2015. Margins on loans and deposits improved and average deposit volumes increased, while average loan volumes decreased compared with the same quarter in 2015. In addition, Q3 2015 also included a negative EUR 21 million one-off item related to SME derivative-related issues.

Net interest income at International Clients grew by EUR 22 million compared with Q3 2015, coming to EUR 194 million. This growth was achieved on the back of the increased loan portfolio at ECT Clients, lower internal liquidity charges allocated by Group Functions, and the fact that Q3 2015 was impacted by a negative one-off item.

Net interest income in Capital Markets Solutions increased by EUR 10 million to EUR 48 million compared to Q3 2015, mainly at Sales & Trading.

Net fee and commission income amounted to EUR 185 million in Q3 2016 and was almost stable compared with Q3 2015. A slight increase at International Clients was offset by small decreases at both Commercial Clients and Capital Markets Solutions.

Other operating income increased to EUR 102 million in Q3 2016 compared with EUR 60 million in Q3 2015. The CVA/DVA/FVA impact was EUR 20 million positive versus EUR 7 million negative in Q3 2015, and Equity Participations results at International Clients came to EUR 33 million versus EUR 21 million in Q3 2015. Improved CVA/DVA/FVA and Equity Participations results also drove the increase in other operating income compared with Q2 2016 (up EUR 34 million).

Personnel expenses increased by EUR 11 million to EUR 177 million in Q3 2016. In addition to an increase in the number of FTEs compared with Q3 2015, mainly at International Clients, Q3 2016 also included several additions to existing restructuring provisions.

Other expenses came to EUR 292 million, up by EUR 9 million compared with Q3 2015, and were slightly higher at all individual business lines including limited regulatory levies in Q3 2016. The increase of EUR 10 million compared with the previous quarter was largely driven by the EUR 8 million adjustment for the Single Resolution Fund in Q2 2016.

Operating result was EUR 404 million in Q3 2016, up by EUR 91 million compared with the same period of 2015. The **cost/income ratio** improved to 53.7% compared with 58.9% in Q3 2015.

Impairment charges on loans and other receivables decreased by EUR 35 million to EUR 6 million in Q3 2016.

Impairment charges in Commercial Clients were EUR 12 million lower and amounted to a release of EUR 29 million in Q3 2016. The decrease was the result of higher releases on the impaired portfolio. The IBNI release of EUR 19 million in Q3 2016 was significantly lower than in Q3 2015.

Loan impairments in International Clients were EUR 35 million (of which EUR 21 million related to an IBNI addition), which was lower than both Q3 2015 and Q2 2016. Impairment charges for ECT Clients amounted to EUR 33 million compared with EUR 62 million in the same period of 2015 and EUR 93 million in Q2 2016.

Loan impairments in Capital Markets Solutions amounted to zero.

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying cost/income ratio	53.7%	58.9%	54.5%	58.9%	56.8%
Underlying cost of risk (in bps)[1,2]	1	18	13	0	46

1 Annualised impairment charges on loans and receivables – customers for the period divided by the average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
2 For management view purposes the historical periods before 30 June 2016 have not been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements published in Q2 2016).

	30 September 2016	30 June 2016	31 December 2015
Loan-to-Deposit ratio[1]	125%	124%	121%
Total client loans (excluding Notional cash pooling, in billions)	71.5	70.7	68.3
Due to customers (excluding Notional cash pooling, in billions)	65.0	64.2	62.9
Risk-weighted assets (risk exposure amount; in billions)	54.8	54.2	55.1
FTEs	5,113	5,035	4,959

1 For management view purposes the historical periods before 30 June 2016 have not been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements published in Q2 2016).

Total client loans (excluding notional cash pooling) increased to EUR 71.5 billion at 30 September 2016 compared with EUR 70.7 billion at 30 June 2016. The increase was driven mainly by International Clients / ECT Clients.

Developments in the first nine months of 2016

Corporate Banking's **underlying profit for the period** was EUR 726 million in the first nine months of 2016, up by EUR 154 million compared with the same period of 2015. This was due mainly to low impairment charges in the first nine months of 2016. Operating income was slightly higher and operating expenses increased (mainly driven by regulatory levies) compared with the same period of 2015.

Reported profit for the period for the first nine months of 2016 amounted to EUR 455 million and included an addition to the provision for SMEs with derivative-related issues of EUR 361 million gross (EUR 271 million net of tax; classified as special item).

Net interest income increased by EUR 92 million to EUR 1,689 million in the first nine months of 2016. All business lines showed an increase compared with the first nine months of 2015.

Net interest income at Commercial Clients increased by EUR 49 million to EUR 1,014 million in the first nine months of 2016. Margins on loans and deposits and average deposit volumes increased, while average loan volumes decreased compared with the same period of 2015. The previous year also included a EUR 21 million negative one-off item related to SME derivative-related issues.

Net interest income at International Clients increased by EUR 15 million compared with the first nine months of 2015, coming to EUR 548 million, due largely to asset growth at ECT Clients.

Net interest income in Capital Markets Solutions increased by EUR 27 million to EUR 126 million in the first nine months of 2016, due mainly to improved net interest income at Sales & Trading.

Net fee and commission income amounted to EUR 566 million and was stable compared with the first nine months of 2015.

Other operating income decreased by EUR 82 million to EUR 142 million in the first nine months of 2016. The CVA/DVA/FVA results were lower (EUR 27 million negative versus EUR 34 million positive in the first nine months of 2015) and Equity Participations results at International Clients were also lower (EUR 35 million in 2016 versus EUR 68 million in 2015). This was partly offset by a lower addition to the provision for SME derivative-related issues, positive revaluations of equity stakes at Commercial Clients and higher results from Sales & Trading activities, all of which were recognised in 2016.

Personnel expenses amounted to EUR 501 million, down by EUR 9 million compared with the first nine months of 2015. This was due mainly to higher restructuring provisions in 2015. The number of FTEs increased compared with the previous year.

Other expenses increased by EUR 63 million compared with the first nine months of 2015, due mainly to regulatory levies of EUR 45 million. The remainder of the increase was related to higher allocated project costs.

Operating result was EUR 986 million in the first nine months of 2016, down EUR 43 million compared with the same period of 2015. The cost/income ratio was 58.9%, deteriorating from 56.8% in the first nine months of 2015.

Impairment charges on loans and other receivables were limited to EUR 8 million, compared with an addition of EUR 309 million in the first nine months of 2015.

Impairment charges at Commercial Clients decreased by EUR 361 million to a release of EUR 151 million in the first nine months of 2016. An IBNI release of EUR 128 million in the first nine months of 2016 was in line with the same period of 2015. Moreover, Q1 2015 included a single large addition of approximately EUR 100 million.

Loan impairments in International Clients came to EUR 161 million, significantly higher than the first nine months of 2015 (up EUR 73 million). Impairment charges for ECT Clients in particular increased to EUR 175 million compared with EUR 97 million in the same period of 2015.

Loan impairments in Capital Markets Solutions amounted to almost zero.

Corporate Banking – Commercial Clients

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	342	305	12%	335	2%	1,014	965	5%
Net fee and commission income	50	53	-5%	51	-1%	151	155	-3%
Other operating income	8	7	9%	29	-72%	42	23	86%
Operating income	**400**	**365**	**10%**	**414**	**-3%**	**1,208**	**1,144**	**6%**
Operating expenses	**209**	**202**	**3%**	**200**	**4%**	**630**	**614**	**3%**
Operating result	**192**	**163**	**17%**	**214**	**-11%**	**578**	**530**	**9%**
Impairment charges on loans and other receivables	-29	-17	-69%	-64	55%	-151	210	
Operating profit/(loss) before taxation	**220**	**180**	**22%**	**279**	**-21%**	**729**	**319**	**128%**
Income tax expense	55	45	22%	69	-21%	182	79	130%
Underlying profit/(loss) for the period	**165**	**135**	**22%**	**209**	**-21%**	**547**	**240**	**128%**
Special items				-8		-8		
Reported profit/(loss) for the period	**165**	**135**	**22%**	**202**	**-18%**	**540**	**240**	**125%**

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying cost/income ratio	52.2%	55.3%	48.3%	52.2%	53.7%
Underlying cost of risk (in bps)[1, 2]	-28	-17	-67	-52	69

[1] Annualised impairment charges on loans and receivables – customers for the period divided by the average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
[2] For management view purposes the historical periods before 30 June 2016 have not been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements published in Q2 2016).

	30 September 2016	30 June 2016	31 December 2015
Total client loans (excluding Notional cash pooling, in billions)	37.5	37.4	37.0
Due to customers (excluding Notional cash pooling, in billions)[1]	33.2	35.1	34.8
Risk-weighted assets (risk exposure amount; in billions)	21.2	21.0	21.5

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

Corporate Banking – International Clients

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	194	172	13%	177	10%	548	533	3%
Net fee and commission income	57	54	7%	52	10%	166	166	
Other operating income	27	21	29%	-3		29	73	-60%
Operating income	**278**	**246**	**13%**	**227**	**23%**	**742**	**772**	**-4%**
Operating expenses	**128**	**121**	**6%**	**115**	**11%**	**374**	**365**	**2%**
Operating result	**151**	**125**	**20%**	**111**	**35%**	**368**	**407**	**-10%**
Impairment charges on loans and other receivables	35	58	-39%	93	-62%	161	88	83%
Operating profit/(loss) before taxation	**115**	**68**	**71%**	**18**		**207**	**319**	**-35%**
Income tax expense	28	3		-1		47	44	5%
Underlying profit/(loss) for the period	**88**	**65**	**35%**	**20**		**160**	**275**	**-42%**
Special items								
Reported profit/(loss) for the period	**88**	**65**	**35%**	**20**		**160**	**275**	**-42%**

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying cost/income ratio	45.9%	49.0%	50.9%	50.4%	47.3%
Underlying cost of risk (in bps)[1,2]	33	69	108	60	35

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

[2] For management view purposes the historical periods before 30 June 2016 have not been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Condensed Consolidated Interim Financial Statements published in Q2 2016).

	30 September 2016	30 June 2016	31 December 2015
Total client loans (excluding Notional cash pooling, in billions)	34.0	33.3	31.3
Due to customers (excluding Notional cash pooling, in billions)[1]	15.8	16.6	19.0
Risk-weighted assets (risk exposure amount; in billions)	22.8	22.5	22.6

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

Corporate Banking – Capital Markets Solutions

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	48	38	26%	44	10%	126	99	28%
Net fee and commission income	77	80	-4%	89	-13%	249	243	3%
Other operating income	68	32	112%	42	59%	70	128	-45%
Operating income	**193**	**150**	**28%**	**175**	**10%**	**446**	**470**	**-5%**
Operating expenses	**131**	**125**	**5%**	**129**	**2%**	**405**	**376**	**8%**
Operating result	**62**	**25**	**146%**	**46**	**35%**	**41**	**94**	**-56%**
Impairment charges on loans and other receivables				-1	95%	-1	11	
Operating profit/(loss) before taxation	**62**	**25**	**146%**	**47**	**31%**	**42**	**83**	**-49%**
Income tax expense	25	7		13	89%	24	26	-6%
Underlying profit/(loss) for the period	**37**	**18**	**103%**	**34**	**9%**	**18**	**57**	**-68%**
Special items				-263		-263		
Reported profit/(loss) for the period	**37**	**18**	**103%**	**-229**		**-245**	**57**	

Other indicators

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying cost/income ratio	68.0%	83.3%	73.8%	90.8%	80.0%
Underlying cost of risk (in bps)[1]	0	-2	-2	-1	9

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

	30 September 2016	30 June 2016	31 December 2015
Financial assets held for trading (in billions)	3.9	4.5	1.7
Loans and receivables – customers (in billions)	17.2	16.7	13.1
Financial liabilities held for trading (in billions)	2.6	2.0	0.5
Due to customers (in billions)[1]	16.0	12.5	9.1
Risk-weighted assets (risk exposure amount; in billions)	10.8	10.6	11.0

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

Group Functions

Operating results

(in millions)	Q3 2016	Q3 2015	Change	Q2 2016	Change	Nine months 2016	Nine months 2015	Change
Net interest income	-19	8		12		3	45	-94%
Net fee and commission income	-11	-18	39%	-16	29%	-38	-55	31%
Other operating income	86	55	57%	-36		50	123	-60%
Operating income	**56**	**45**	**24%**	**-40**		**15**	**114**	**-87%**
Personnel expenses	348	200	74%	208	67%	766	594	29%
Other expenses	-208	-193	-8%	-197	-6%	-605	-511	-18%
Operating expenses	**139**	**7**		**11**		**161**	**83**	**94%**
Operating result	**-83**	**38**		**-51**	**-64%**	**-147**	**31**	
Impairment charges on loans and other receivables	-1	-4	79%	-3	69%	-6	-8	19%
Operating profit before taxation	**-82**	**42**		**-48**	**-71%**	**-140**	**39**	
Income tax expense	-17	99		4		-4	145	
Underlying profit/(loss) for the period	**-66**	**-56**	**-16%**	**-52**	**-25%**	**-136**	**-106**	**-28%**
Special items								
Reported profit/(loss) for the period	**-66**	**-56**	**-16%**	**-52**	**-25%**	**-136**	**-106**	**-28%**

Group Functions' **underlying profit for the period** was EUR 66 million negative in Q3 2016 compared with a loss of EUR 56 million in the same period of 2015.

Net interest income was EUR 19 million negative in Q3 2016 and was impacted by lower allocated liquidity charges to International Clients.

Net fee and commission income was EUR 11 million negative, which was EUR 7 million higher than in Q3 2015.

Other operating income was EUR 86 million positive, an increase of EUR 31 million compared with Q3 2015. The current quarter included a profit of EUR 52 million related to the revaluation of ABN AMRO's share in Equens. This was partly offset by lower hedge accounting-related results. There were no CVA/DVA results in 2016 (versus EUR 11 million negative CVA/DVA results in Q3 2015).

Personnel expenses went up by EUR 148 million to EUR 348 million in Q3 2016. This was due mainly to a significant restructuring provision of EUR 144 million related to the announced cost savings in the support and control activities across the bank. In addition, personnel expenses rose slightly as the average number of FTEs was higher than in Q3 2015.

Other expenses decreased by EUR 15 million compared with Q3 2015. The third quarter of 2015 contained a considerable VAT refund related to the period 2007-2014; this was partly offset by the EUR 55 million settlement with Vestia. More operating expenses were allocated to the commercial segments in 2016 (recorded as negative expenses).

Income tax in Q3 2015 was negatively impacted by a reassessment of our tax position.

Other indicators

	30 September 2016	30 June 2016	31 December 2015
Securities financing – assets	29.6	27.1	15.5
Loans and receivables – customers (in billions)	8.7	8.7	7.9
Securities financing – liabilities	26.2	20.8	10.2
Due to customers (in billions)	3.6	1.9	2.3
Risk-weighted assets (risk exposure amount; in billions)	9.9	10.0	9.9
FTEs	7,536	7,503	7,522

Developments in the first nine months of 2016

Group Functions' **underlying profit for the period** was a loss of EUR 136 million in the first nine months of 2016 compared with a loss of EUR 106 million in the same period of 2015.

Net interest income was almost nil, declining by EUR 42 million compared with the first nine months of 2015. The decrease was partly due to higher liquidity costs. Both years were impacted by negative interest provisions related to the part of the Securities Financing activities discontinued in 2009.

Net fee and commission income improved by EUR 17 million as lower fees were paid to Capital Markets Solutions related to Securities Financing results.

Other operating income was EUR 50 million positive in the first nine months of 2016, EUR 73 million lower than in the same period of 2015. This was mainly the result of significantly lower hedge accounting-related results and no CVA/DVA results in 2016 (versus EUR 22 million positive CVA/DVA results in the first nine months of 2015). This was partly offset by a positive revaluation of EUR 52 million related to Equens and a gain of EUR 14 million related to the sale of Visa Europe. Both years included provisions related to the part of the Securities Financing activities discontinued in 2009, but the impact was lower in 2016 than in 2015.

Personnel expenses increased by EUR 172 million to EUR 766 million in the first nine months of 2016. This was due mainly to the significant restructuring provision of EUR 144 million in Q3 2016 while 2015 contained several smaller releases from personnel provisions. The average number of FTEs increased slightly.

Other expenses decreased by EUR 94 million compared with the first nine months of 2015. Group Functions had higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes. The first nine months of 2015 also contained a considerable VAT refund related to the period 2007-2014. This effect was, however, more than offset by the EUR 55 million settlement with Vestia and the fact that more operating expenses were allocated to the commercial segments (recorded as negative expenses).

Income tax expense in the first nine months of 2015 was negatively impacted by a reassessment of our tax position and the tax-exempt Securities Financing provision.

Securities financing assets and **liabilities** increased by EUR 14.1 billion and EUR 16.0 billion respectively compared with 31 December 2015. This was related to the cyclicality of the business.

Additional financial information

Overview of results in the last five quarters

The following table provides an overview of the quarterly results.

(in millions)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	1,575	1,582	1,545	1,497	1,524
Net fee and commission income	437	431	435	454	449
Other operating income	210	188	-10	101	136
Operating income	**2,222**	**2,201**	**1,971**	**2,052**	**2,109**
Personnel expenses	765	617	617	640	619
Other expenses	607	643	702	889	615
Operating expenses	**1,372**	**1,260**	**1,319**	**1,528**	**1,234**
Operating result	**849**	**941**	**651**	**524**	**875**
Impairment charges on loans and other receivables	23	54	2	124	94
Operating profit/(loss) before taxation	**826**	**887**	**650**	**399**	**781**
Income tax expense	220	225	175	128	272
Underlying profit/(loss) for the period	**607**	**662**	**475**	**272**	**509**
Special items		-271			
Reported profit/(loss) for the period	**607**	**391**	**475**	**272**	**509**

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

Special items are material and non-recurring items which are not related to normal business activities.

In Q2 2016, the addition to the provision for SMEs withderivative-related issues of EUR 361 million gross (EUR 271 million net of tax) was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the advice of the committee of independent experts on the reassessment of SME interest rate derivatives. The increase in the provision is classified as a special item.

Reconciliation from underlying to reported results

(in millions)	Q3 2016 Underlying	Q3 2016 Special items	Q3 2016 Reported	Q3 2015 Underlying	Q3 2015 Special items	Q3 2015 Reported	Q2 2016 Underlying	Q2 2016 Special items	Q2 2016 Reported
Net interest income	1,575		1,575	1,524		1,524	1,582	-10	1,572
Net fee and commission income	437		437	449		449	431		431
Other operating income	210		210	136		136	188	-351	-163
Operating income	**2,222**		**2,222**	**2,109**		**2,109**	**2,201**	**-361**	**1,840**
Personnel expenses	765		765	619		619	617		617
Other expenses	607		607	615		615	643		643
Operating expenses	**1,372**		**1,372**	**1,234**		**1,234**	**1,260**		**1,260**
Operating result	**849**		**849**	**875**		**875**	**941**	**-361**	**581**
Impairment charges on loans and other receivables	23		23	94		94	54		54
Operating profit/(loss) before taxation	**826**		**826**	**781**		**781**	**887**	**-361**	**526**
Income tax expense	220		220	272		272	225	-90	135
Profit/(loss) for the period	**607**		**607**	**509**		**509**	**662**	**-271**	**391**

(in millions)	Nine months 2016 Underlying	Nine months 2016 Special items	Nine months 2016 Reported	Nine months 2015 Underlying	Nine months 2015 Special items	Nine months 2015 Reported
Net interest income	4,703	-10	4,693	4,580		4,580
Net fee and commission income	1,303		1,303	1,375		1,375
Other operating income	388	-351	37	449		449
Operating income	**6,393**	**-361**	**6,033**	**6,403**		**6,403**
Personnel expenses	2,000		2,000	1,852		1,852
Other expenses	1,951		1,951	1,847		1,847
Operating expenses	**3,951**		**3,951**	**3,700**		**3,700**
Operating result	**2,442**	**-361**	**2,081**	**2,703**		**2,703**
Impairment charges on loans and other receivables	79		79	381		381
Operating profit/(loss) before taxation	**2,363**	**-361**	**2,002**	**2,322**		**2,322**
Income tax expense	620	-90	530	670		670
Profit/(loss) for the period	**1,743**	**-271**	**1,472**	**1,652**		**1,652**

Risk, funding & capital information

Key developments

Key figures

(in millions)	30 September 2016	30 June 2016	31 December 2015
Total loans and receivables – customers, gross excluding Fair value adjustments	267,237	269,724	274,347
Of which Residential mortgages	147,155	146,607	146,932
Of which Consumer loans	14,436	14,679	15,147
Of which Corporate loans	91,201	93,501	100,387
Of which Other loans and receivables – customers	14,444	14,936	11,881
Total Exposure at Default (EAD)	379,668	368,267	369,169
Total RWA (REA)/total EAD	27.7%	28.8%	29.3%
Regulatory capital			
Total RWA (REA)	105,318	106,137	108,001
Of which Credit risk[2]	84,155	85,596	86,063
Of which Operational risk	17,003	17,003	16,227
Of which Market risk	4,160	3,539	5,710
Fully-loaded CET1 ratio	16.6%	16.2%	15.5%
Fully-loaded leverage ratio	3.7%	3.7%	3.8%
Credit quality indicators			
Forbearance ratio[3]	3.3%	3.8%	3.8%
Past due ratio[1,3]	1.4%	1.3%	2.4%
Impaired ratio[1,3]	3.5%	3.4%	3.3%
Coverage ratio[1,3]	38.0%	39.8%	43.1%
Liquidity and funding indicators			
Loan-to-Deposit ratio	107.0%	107.7%	108.4%
LCR	>100%	>100%	>100%
NSFR	>100%	>100%	>100%

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.
2 RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA at 30 September 2016 was EUR 1.0 billion (30 June 2016 EUR 1.2 billion; 31 December 2015 EUR 1.1 billion).
3 Loans and receivables – customers only.

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying Cost of risk (in bps)[1]	3	13	8	4	17

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

Change in definition of default and impaired

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

The alignment led to an increase of the total impaired exposure of EUR 2.0 billion at 30 September 2016 (30 June 2016: EUR 2.0 billion, 31 December 2015: EUR 1.8 billion). As a result, the impaired and coverage ratio also changed. Furthermore, the past due but not impaired exposure declined. Total impairment allowances remained unchanged.

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

The comparative figures for impaired and past due exposure have been adjusted accordingly. Due to alignment of the definition a EUR 32 million IBNI charge has been reclassified to additions for residential mortgages. Please note that this reclassification was not restated for the comparative figures.

Reconciliation table changed definition default and impaired

(in millions)	30 June 2016 after adjustment	30 June 2016 before adjustment	31 December 2015 after adjustment	31 December 2015 before adjustment
Impaired exposure	**9,196**	**7,192**	**9,177**	**7,388**
Of which Banks	2	2	2	2
Of which Residential mortgages	1,424	967	1,511	1,031
Of which Consumer loans	849	711	1,028	860
Of which Corporate loans	6,646	5,320	6,179	5,244
Of which Other loans and receivables – customers	218	164	318	210
Credit quality indicators				
Loans and receivables – customers				
Past due ratio	1.3%	1.6%	2.4%	2.7%
Impaired ratio	3.4%	2.7%	3.3%	2.7%
Coverage ratio	39.8%	50.8%	43.1%	53.0%
Residential mortgages				
Past due ratio	1.3%	1.5%	1.7%	1.9%
Impaired ratio	1.0%	0.7%	1.0%	0.7%
Coverage ratio	14.4%	21.2%	16.2%	23.8%
Consumer loans				
Past due ratio	3.3%	3.8%	3.4%	4.0%
Impaired ratio	5.8%	4.8%	6.8%	5.7%
Coverage ratio	52.1%	62.1%	45.8%	54.8%
Corporate loans				
Past due ratio	1.0%	1.3%	3.3%	3.5%
Impaired ratio	7.1%	5.7%	6.2%	5.2%
Coverage ratio	43.9%	54.9%	50.1%	59.1%
Other loans and receivables – customers				
Past due ratio	1.8%	2.0%	2.9%	3.4%
Impaired ratio	1.5%	1.1%	2.7%	1.8%
Coverage ratio	32.5%	43.3%	24.7%	37.4%

Third-quarter developments

The residential mortgages portfolio increased to EUR 147.2 billion at 30 September 2016 (30 June 2016: EUR 146.6 billion) due to substantial growth of new mortgage production despite fierce competition (partly offset by redemptions). Corporate loans decreased to EUR 91.2 billion (30 June 2016: EUR 93.5 billion), primarily as a result of new offsetting arrangements on notional cash pooling (impact of EUR 2.2 billion at 30 September 2016, compared with EUR 5.6 billion at 30 June 2016) in the third quarter of 2016. Besides this effect, corporate loans rose as a result of growth in ECT Clients. Other loans and receivables declined to EUR 14.4 billion in the third quarter.

Regulatory capital

Total RWA (REA) decreased to EUR 105.3 billion at 30 September 2016 (30 June 2016: EUR 106.1 billion), mainly due to credit risk. This was mainly the result of model reviews in Retail Banking and decreased business volume in Private Banking. These movements were partly offset by an increase caused by negative interest rates, reflecting the fact that the models for interest rate options were overly conservative. Improved valuation models have been developed and implemented, which will significantly lower the RWA figures. Regulatory approval for the improved valuation models is expected in the course of 2017.

Credit quality indicators

The development of the credit quality indicators is the result of the improved economic climate in the Netherlands. The forbearance ratio improved to 3.3% in Q3 2016. The past due ratio was influenced by the holiday season and tax refunds in Q2 2016 for residential mortgages. The inflow of new impaired exposure in the corporate loan portfolio led to a slight deterioration of the impaired ratio. The coverage ratio declined to 38.0% at 30 September 2016 (30 June 2016: 39.8%).

Cost of risk

In the third quarter of 2016, total on-balance impairment charges dropped significantly to EUR 23 million (Q3 2015: EUR 95 million). The decline reflects the improved economic conditions. Impairment charges were largely impacted by a decline in Corporate Banking mainly related to higher releases within Commercial Clients and lower impairment charges within International Clients, largely due to ECT Clients. Cost of risk was low at 3bps in Q3 2016 (Q3 2015: 13bps).

Developments in the first nine months of 2016

The residential mortgages portfolio grew to EUR 147.2 billion at 30 September 2016 (31 December 2015: EUR 146.9 billion) due to increased new mortgage production partly offset by redemptions. Consumer loans declined to EUR 14.4 billion at 30 September (31 December 2015: EUR 15.1 billion). Corporate loans decreased to EUR 91.2 billion (31 December 2015: EUR 100.4 billion). This decline was primarily the result of the amendment of the new offsetting policy on notional cash pooling. This amendment led to an increase in corporate loans and inflated the balance sheet. Following adjustment of the policy, mitigating actions were taken to reduce the impact. As a result, the carrying amount has been reduced significantly (impact of EUR 2.2 billion at 30 September 2016, compared with EUR 15.5 billion at 31 December 2015). In addition, corporate loans increased as a result of growth in ECT Clients.

Regulatory capital

Total RWA (REA) decreased to EUR 105.3 billion at 30 September 2016 (31 December 2015: EUR 108.0 billion), mainly due to credit risk and, to a lesser extent, market risk. Credit risk declined as a result of a decline in the third quarter of 2016 driven by Retail Banking. The movement of market risk was mainly the result of the use of the Internal Model Approach (IMA) as from 1 January 2016 partly offset by negative interest rates, reflecting the fact that the models for interest rate options were overly conservative. Improved valuation models have been developed and implemented, which will significantly lower the RWA figures.

Credit quality indicators

The development of the credit quality indicators is the result of an improved economic climate in the Netherlands. The forbearance ratio improved to 3.3% at 30 September 2016 (31 December 2015: 3.8%) and the past due ratio improved to 1.4% (31 December 2015: 2.4%). The inflow of new impaired exposure in the corporate loan portfolio led to an increased impaired ratio of 3.5% (31 December 2015: 3.3%). The coverage ratio declined to 38.0% (31 December 2015 43.1%).

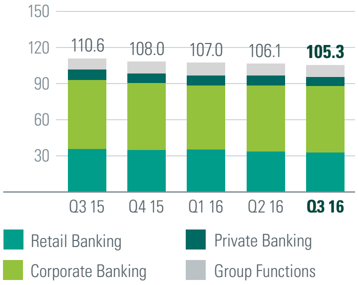
Cost of risk

In the first nine months of 2016, the total on-balance impairment charges decreased significantly to EUR 79 million (first nine months 2015: EUR 379 million). The decrease was mainly attributable to the improved economy in the Netherlands.

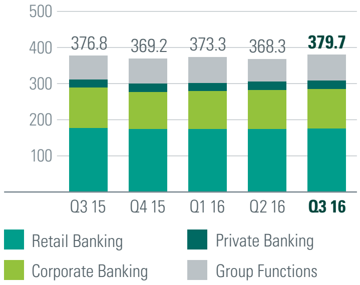
The cost of risk dropped to 4bps in the first nine months of 2016 (first nine months 2015: 17bps). Impairment charges were mainly lower in Corporate Banking, in particular at Commercial Clients, partly offset by higher impairment charges at International Clients, mainly in ECT Clients.

Quarterly developments

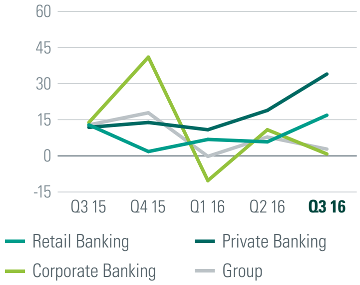
RWA (REA) per business segment
(end-of-period, in billions)



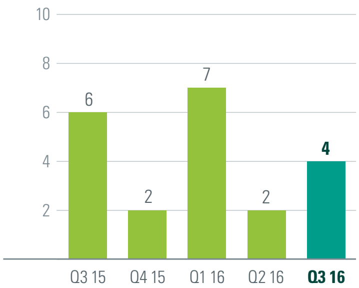
EAD per business segment
(end-of-period, in billions)



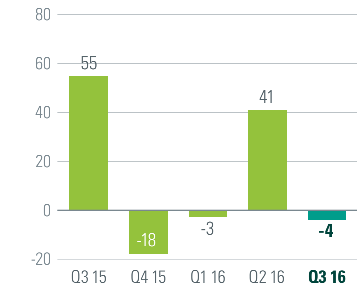
Cost of risk per business segment[1]
(end-of-period, in bps)



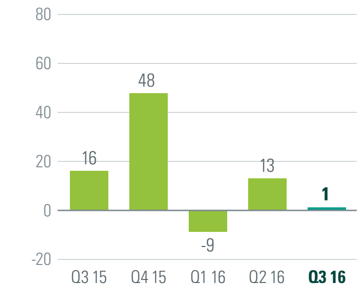
Underlying cost of risk per product[1]
Residential mortgages (in bps)



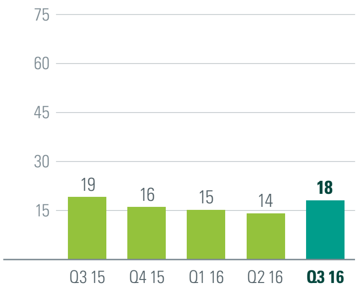
Consumer loans (in bps)



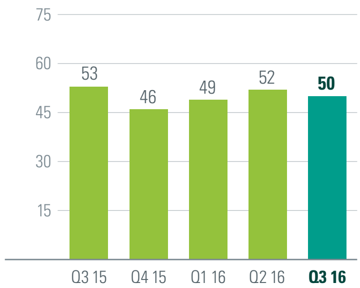
Corporate loans (in bps)



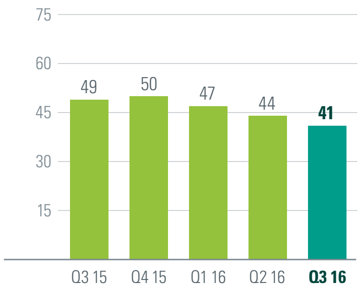
Coverage ratio[2]
Residential mortgages (in %)



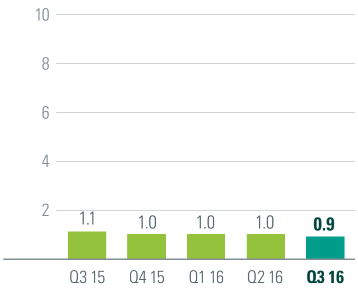
Consumer loans (in %)



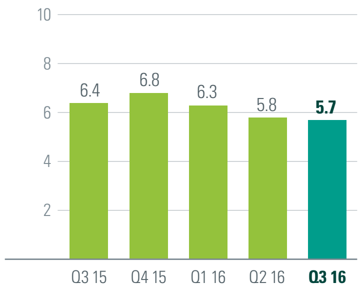
Corporate loans (in %)



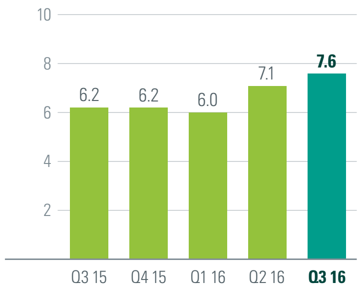
Impaired ratio[2]
Residential mortgages (in %)



Consumer loans (in %)



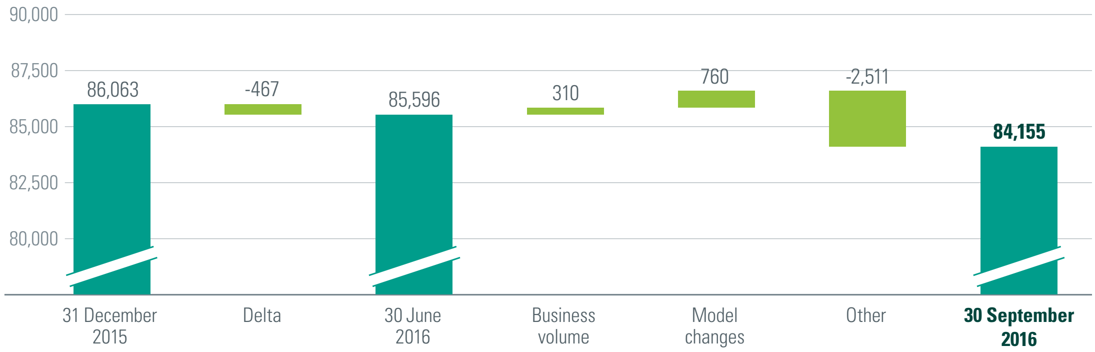
Corporate loans (in %)



[1] Annualised impairment charges on Loans and receivables – customers for the period divided by average Loans and receivables – customers excluding fair value adjustments for hedge accounting.
[2] As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison reasons the historical periods before 30 September 2016 have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.

Credit risk

RWA (REA) flow statement credit risk
(in millions)



RWA (REA) decreased to EUR 84.2 billion at 30 September 2016 (30 June 2016: EUR 85.6 billion). This decrease was mainly the result of lower RWA (REA) due to model reviews within Retail Banking and decreased business volume within Private Banking.

Reporting scope risk

The table below provides an overview of the figures reported in the condensed consolidated balance sheet (net) and the figures reported in the credit risk section (gross).

(in millions)	30 September 2016 Gross carrying amount	30 September 2016 Loan impairment allowance	30 September 2016 Carrying amount	30 June 2016 Gross carrying amount	30 June 2016 Loan impairment allowance	30 June 2016 Carrying amount	31 December 2015 Gross carrying amount	31 December 2015 Loan impairment allowance	31 December 2015 Carrying amount
Loans and receivables – banks	**15,679**	**7**	**15,672**	**17,154**	**2**	**17,152**	**15,682**	**2**	**15,680**
Residential mortgages	150,609	278	150,331	150,152	286	149,866	150,333	324	150,009
Less: Fair value adjustment from hedge accounting on residential mortgages	3,453		3,453	3,544		3,544	3,401		3,401
Residential mortgages, excluding fair value adjustments	**147,155**	**278**	**146,877**	**146,607**	**286**	**146,322**	**146,932**	**324**	**146,608**
Consumer loans	**14,436**	**472**	**13,964**	**14,679**	**508**	**14,171**	**15,147**	**561**	**14,587**
Corporate loans[2]	93,382	2,995	90,387	95,659	3,094	92,564	101,835	3,380	98,454
Less: Fair value adjustment from hedge accounting on corporate loans	2,181		2,181	2,157		2,157	1,448		1,448
Corporate loans, excluding fair value adjustments[2]	**91,201**	**2,995**	**88,206**	**93,501**	**3,094**	**90,407**	**100,387**	**3,380**	**97,007**
Other loans and receivables – customers[1]	14,444	87	14,357	14,936	82	14,854	11,882	90	11,792
Less: Fair value adjustment from hedge accounting on other loans and receivables – customers							1		1
Other loans and receivables – customers, excluding fair value adjustments[1]	**14,444**	**87**	**14,357**	**14,936**	**82**	**14,854**	**11,881**	**90**	**11,791**
Total loans and receivables – customers, excluding fair value adjustments	**267,237**	**3,833**	**263,404**	**269,724**	**3,970**	**265,754**	**274,347**	**4,355**	**269,992**
Fair value adjustments on Loans and receivables – customers	5,634		5,634	5,702		5,702	4,850		4,850
Total loans and receivables – customers	**272,871**	**3,833**	**269,038**	**275,426**	**3,970**	**271,456**	**279,197**	**4,355**	**274,842**
Total loans and receivables, excluding fair value adjustments	**282,916**	**3,840**	**279,076**	**286,878**	**3,972**	**282,906**	**290,029**	**4,357**	**285,672**
Total fair value adjustments on Loans and receivables	5,634		5,634	5,702		5,702	4,850		4,850
Total loans and receivables[2]	**288,550**	**3,840**	**284,710**	**292,580**	**3,972**	**288,608**	**294,879**	**4,357**	**290,521**
Other			140,351			130,333			115,318
Total assets[2]			**425,062**			**418,940**			**405,840**

1 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
2 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly.

Credit risk mitigation

Collateral & guarantees received as security as at 30 September 2016

(in millions)	Carrying amount	Master netting agreement[3]	Financial instruments	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[4]	Net exposure[5]
	30 September 2016							
		Collateral received						
Loans and receivables - banks	**15,672**	**7,501**	**1,907**		**57**	**9,466**	**1,565**	**7,771**
Loans and receivables – customers								
Residential mortgages[1]	146,877		248	175,665	6,945	182,858	49,010	13,029
Consumer loans[1]	13,964		6,241	5,309	30	11,581	4,844	7,227
Corporate loans[1]	88,206	3,882	31,707	42,521	13,600	91,711	25,719	22,213
Other loans and receivables – customers[1,2]	14,357	936	3,253	3,202	1,232	8,623	902	6,637
Fair value adjustment from hedge accounting	5,634							5,634
Total Loans and receivables – customers	**269,038**	**4,818**	**41,450**	**226,697**	**21,807**	**294,772**	**80,475**	**54,741**
Total Loans and receivables	**284,710**	**12,320**	**43,357**	**226,697**	**21,864**	**304,238**	**82,039**	**62,512**

1 Carrying amount includes loan impairment allowances.
2 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
3 The master netting agreement amount presents legal netting rights and cash collateral.
4 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
5 Net exposure represents the portfolio corrected for the surplus amount and gives a view of the potential shortfall in collateral on the total portfolio.

Collateral & guarantees received as security as at 30 June 2016

(in millions)	Carrying amount	Master netting agreement[3]	Financial instruments	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[4]	Net exposure[5]
	30 June 2016							
		Collateral received						
Loans and receivables - banks	**17,152**	**9,100**	**1,476**		**51**	**10,627**	**1,088**	**7,612**
Loans and receivables – customers								
Residential mortgages[1]	146,322		257	173,241	7,267	180,765	47,961	13,517
Consumer loans[1]	14,171		6,399	5,220	45	11,664	4,798	7,305
Corporate loans[1]	90,407	2,948	33,330	40,674	13,210	90,161	22,484	22,730
Other loans and receivables – customers[1,2]	14,854	984	3,738	3,155	1,379	9,255	819	6,418
Fair value adjustment from hedge accounting	5,702							5,702
Total Loans and receivables – customers	**271,456**	**3,932**	**43,724**	**222,290**	**21,900**	**291,846**	**76,062**	**55,672**
Total Loans and receivables	**288,608**	**13,032**	**45,199**	**222,290**	**21,952**	**302,473**	**77,150**	**63,284**

1 Carrying amount includes loan impairment allowances.
2 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
3 The master netting agreement amount presents legal netting rights and cash collateral.
4 Surplus collateral is the amount of over-collateralisation, calculated on an individual basis.
5 Net exposure represents the portfolio corrected for the surplus amount and gives a view of the potential shortfall in collateral on the total portfolio.

Collateral & guarantees received as security as at 31 December 2015

	31 December 2015							
		Collateral received						
(in millions)	Carrying amount	Master netting agree-ment[5]	Financial instru-ments	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral[6]	Net exposure[7]
Loans and receivables - banks	**15,680**	**7,282**	**1,742**		**4**	**9,027**	**1,332**	**7,984**
Loans and receivables – customers								
Residential mortgages[1,2]	146,608		160	170,418	7,887	178,465	45,877	14,020
Consumer loans[1]	14,587		6,474	5,419	53	11,946	4,540	7,181
Corporate loans[1,3]	97,007	3,920	45,243	42,594	13,006	104,763	24,891	17,135
Other loans and receivables – customers[1,4]	11,791	748	2,590	3,006	1,406	7,750	842	4,883
Fair value adjustment from hedge accounting	4,850							4,850
Total Loans and receivables – customers[3]	**274,842**	**4,668**	**54,467**	**221,437**	**22,352**	**302,924**	**76,151**	**48,068**
Total Loans and receivables[3]	**290,521**	**11,950**	**56,209**	**221,437**	**22,356**	**311,951**	**77,483**	**56,053**

1 Carrying amount includes loan impairment allowances.
2 As of 31 March 2016, ABN AMRO revised the allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
3 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly.
4 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
5 The master netting agreement amount presents legal netting rights and cash collateral.
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 of the potential shortfall in collateral on the total portfolio.

Third-quarter developments

Total net exposure of total loans and receivables – customers decreased to EUR 54.7 billion at 30 September 2016 (30 June 2016: EUR 55.7 billion). This decrease was mainly the result of a decline in residential mortgages and corporate loans.

The net exposure of residential mortgages decreased to EUR 13.0 billion (30 June 2016: EUR 13.5 billion) as property & equipment increased by EUR 2.4 billion, coming to EUR 175.7 billion at 30 September 2016. This increase is the result of new client lending in combination with a rise in housing prices. The carrying amount of the increase is smaller (EUR 0.5 billion) as new client lending was partly offset by repayments.

Corporate loans net exposure declined to EUR 22.2 billion at 30 September 2016 (30 June 2016: EUR 22.7 billion), largely due to a higher level of risk mitigation related to an increase in property & equipment and an increase of financial instruments within Clearing.

Developments in the first nine months of 2016

Total net exposure of total loans and receivables – customers increased to EUR 54.7 billion at 30 September 2016 (31 December 2015: EUR 48.1 billion), mainly due to an increase in corporate loans, other loans and receivables and fair value adjustment from hedge accounting.

Total risk mitigation for residential mortgages increased to EUR 182.9 billion at 30 September 2016 (31 December 2015: EUR 178.5 billion). The increase, which was the result of new client lending in combination with a rise in housing prices, mainly affects surplus collateral and, to a lesser extent, net exposure.

Corporate loans showed a strong decrease in financial instruments to EUR 31.7 billion (31 December 2015: EUR 45.2 billion). The strong decline was mainly accountable to the modification of the offsetting policy in Q2 2016 (impact of EUR 2.2 billion at 30 September 2016, compared with EUR 15.5 billion at 31 December 2015).

The net exposure of other loans and receivables – customers increased to EUR 6.6 billion (31 December 2015: EUR 4.9 billion), mainly due to Clearing.

Management of forborne, past due and impaired loans

Forborne loans

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

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

Overview forbearance as at 30 September 2016

											30 September 2016
		Performing assets[3]				Non-performing assets[3]				Total	
(in millions)	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total	Temporary modification	Permanent modification	Refinancing	Total	Total forborne assets	Forbearance ratio
Loans and receivables – banks	**15,679**										**0.0%**
Loans and receivables – customers											
Residential mortgages[1]	147,155	846	16	132	994	197	7	20	224	1,219	0.8%
Consumer loans[1]	14,436	125	44	116	284	115	11	146	273	557	3.9%
Corporate loans[1]	91,201	1,497	1,174	902	3,573	675	986	1,536	3,197	6,770	7.4%
Other loans and receivables – customers[1,2]	14,444	101	84	2	186	71	46	2	120	306	2.1%
Total Loans and receivables – customers[1]	**267,237**	**2,569**	**1,318**	**1,152**	**5,038**	**1,059**	**1,051**	**1,704**	**3,814**	**8,852**	**3.3%**
Total[1]	**282,916**	**2,569**	**1,318**	**1,152**	**5,038**	**1,059**	**1,051**	**1,704**	**3,814**	**8,852**	**3.1%**

1 Gross carrying amount excludes fair value adjustments from hedge accounting.
2 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
3 For reporting purposes, performing is considered as non-default and non-performing is considered as default.

Overview forbearance as at 30 June 2016

											30 June 2016
		Performing assets[4]				Non-performing assets[4]				Total	
(in millions)	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total	Temporary modification	Permanent modification	Refinancing	Total	Total forborne assets	Forbearance ratio
Loans and receivables – banks	**17,154**										**0.0%**
Loans and receivables – customers											
Residential mortgages[1]	146,607	870	16	143	1,028	230	6	24	261	1,289	0.9%
Consumer loans[1,2]	14,679	155	92	84	331	114	33	136	283	614	4.2%
Corporate loans[1]	93,501	2,623	1,526	1,190	5,338	825	1,117	857	2,799	8,137	8.7%
Other loans and receivables – customers[1,3]	14,936	111	82	7	199	83	45	2	130	330	2.2%
Total Loans and receivables - customers[1]	**269,724**	**3,759**	**1,715**	**1,423**	**6,897**	**1,252**	**1,201**	**1,020**	**3,473**	**10,370**	**3.8%**
Total[1]	**286,878**	**3,759**	**1,715**	**1,423**	**6,897**	**1,252**	**1,201**	**1,020**	**3,473**	**10,370**	**3.6%**

[1] Gross carrying amount excludes fair value adjustments from hedge accounting.
[2] Within consumer loans a reclassification was made from performing refinancing to non-performing refinancing. For comparison purposes the historical periods before 30 September 2016 have been adjusted (30 June 2016 EUR 106 milion, 31 December 2015 EUR 132 million).
[3] Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
[4] For reporting purposes, performing is considered as non-default and non-performing is considered as default.

Overview forbearance as at 31 December 2015

											31 December 2015
		Performing assets[5]				Non-performing assets[5]				Total[6]	
(in millions)	Gross carrying amount	Temporary modification	Permanent modification	Refinancing	Total	Temporary modification	Permanent modification	Refinancing	Total	Total forborne assets	Forbearance ratio
Loans and receivables – banks	**15,682**										**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[1,2]	15,147	174	77	42	293	105	72	179	355	648	4.3%
Corporate loans[1,3]	100,387	2,074	1,533	1,496	5,102	634	938	1,041	2,613	7,715	7.7%
Other loans and receivables – customers[1,4]	11,881	110	39		148	109	124	2	235	383	3.2%
Total Loans and receivables – customers[1,3]	**274,347**	**3,481**	**1,671**	**1,741**	**6,893**	**1,202**	**1,148**	**1,262**	**3,611**	**10,504**	**3.8%**
Total[1,3]	**290,029**	**3,481**	**1,671**	**1,741**	**6,893**	**1,202**	**1,148**	**1,262**	**3,611**	**10,504**	**3.6%**

[1] Gross carrying amount excludes fair value adjustments from hedge accounting.
[2] Within consumer loans a reclassification was made from performing refinancing to non-performing refinancing. For comparison purposes the historical periods before 30 September 2016 have been adjusted (30 June 2016 EUR 106 milion, 31 December 2015 EUR 132 million).
[3] ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly.
[4] Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
[5] For reporting purposes, performing is considered as non-default and non-performing is considered as default.
[6] As of 31 March 2016, contracts can discontinue the forborne status as a result of passing the probation period (i.e. ceased to be forborne). Ceased to forborne contracts are still included in the year-end 2015 figures.

Third-quarter developments

The total forborne portfolio decreased significantly, amounting to EUR 8.9 billion at 30 September 2016 (30 June 2016: EUR 10.4 billion). This decline was mainly due to developments within the corporate loans portfolio.

Total forborne assets for corporate loans decreased to EUR 6.8 billion at 30 September 2016 (30 June 2016: EUR 8.1 billion). This decline was mainly observed within the performing forborne portfolio and was primarily the result of new offsetting arrangements. To a lesser extent, this decline was the result of an outflow of forborne exposures following from forborne contracts passing the probation period (ceased to be forborne). This outflow was mainly related to the food and beverage sector and healthcare sector. The non-performing forborne portfolio with refinancing modifications grew by EUR 0.7 billion, mainly as a result of forborne contracts becoming non-performing during the third quarter of 2016.

Developments in the first nine months of 2016

The total forborne portfolio decreased significantly, coming to EUR 8.9 billion at 30 September 2016 (31 December 2015: EUR 10.5 billion). This decline was mainly due to developments within the corporate loans and residential mortgages portfolio.

Total forborne assets within residential mortgages dropped to EUR 1.2 billion at 30 September 2016 (31 December 2015: EUR 1.8 billion). The performing forborne portfolio declined by EUR 0.4 billion, mainly as a result of forborne contracts passing the probation period (ceased to be forborne). The non-performing forborne portfolio decreased to EUR 0.2 billion at 30 September 2016 (31 December 2015: EUR 0.4 billion), mainly due to the recovery strategy which was applied to these forborne contracts.

Forborne corporate loans decreased significantly, coming to EUR 6.8 billion at 30 September 2016 (31 December 2015: EUR 7.7 billion). The decline was fully observed within the performing part of the forborne corporate loans. The performing forborne portfolio with temporary measures decreased, mainly as a result of new offsetting arrangements and, to a lesser extent, forborne contracts passing the probation period (ceased to be forborne). This decline was partly offset by an inflow of new forborne exposure, which mainly related to the industrial goods and services sector and, to a lesser extent, to the oil and gas sector. The performing forborne portfolio with refinancing measures decreased to EUR 0.9 billion at 30 September 2016 (31 December 2015: EUR 1.5 billion), mainly due to performing forborne contracts becoming non-performing. To a lesser extent, this decline was accountable to forborne contracts passing the probation period (ceased to be forborne).

Past due loans

Financial assets past due but not impaired as at 30 September 2016

	30 September 2016								
	Carrying amount		Days past due						
(in millions)	Gross	Assets not classified as impaired[1]	<= 30 days	> 30 days & <= 60 days	> 60 days & <= 90 days	> 90 days	Total past due but not impaired[1]	Past due ratio[1]
Loans and receivables – banks	**15,679**	**15,677**						**0.0%**
Loans and receivables – customers								
Residential mortgages[2]	147,155	145,846	2,072	181	42	12	2,307	1.6%
Consumer loans[2]	14,436	13,613	294	86	22	89	491	3.4%
Corporate loans[2]	91,201	84,226	506	84	26	123	739	0.8%
Other loans and receivables – customers[2,3]	14,444	14,210	117	73	4	18	212	1.5%
Total Loans and receivables – customers	**267,237**	**257,895**	**2,989**	**424**	**94**	**243**	**3,750**	**1.4%**
Total Loans and receivables	**282,916**	**273,572**	**2,989**	**424**	**94**	**243**	**3,750**	**1.3%**

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.
3 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.

Financial assets past due but not impaired as at 30 June 2016

	30 June 2016								
	Carrying amount		Days past due						
(in millions)	Gross	Assets not classified as impaired[1]	<= 30 days	> 30 days & <= 60 days	> 60 days & <= 90 days	> 90 days	Total past due but not impaired[1]	Past due ratio[1]
Loans and receivables - banks	**17,154**	**17,153**						**0.0%**
Loans and receivables – customers								
Residential mortgages[2]	146,607	145,183	1,697	165	36		1,899	1.3%
Consumer loans[2]	14,679	13,831	285	73	50	79	487	3.3%
Corporate loans[2]	93,501	86,856	603	117	53	166	939	1.0%
Other loans and receivables – customers[2,3]	14,936	14,718	204	14	8	46	272	1.8%
Total Loans and receivables – customers	**269,724**	**260,588**	**2,790**	**368**	**148**	**290**	**3,597**	**1.3%**
Total Loans and receivables	**286,878**	**277,740**	**2,790**	**368**	**148**	**290**	**3,597**	**1.3%**

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.
3 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.

Financial assets past due but not impaired as at 31 December 2015

	31 December 2015							
	Carrying amount		Days past due					
(in millions)	Gross	Assets not classified as impaired[1]	<= 30 days	> 30 days & <= 60 days	> 60 days & <= 90 days	> 90 days	Total past due but not impaired[1]	Past due ratio[1]
Loans and receivables - banks	**15,682**	**15,680**						**0.0%**
Loans and receivables – customers								
Residential mortgages[2]	146,932	145,421	2,164	239	51		2,455	1.7%
Consumer loans[2]	15,147	14,119	301	115	28	75	520	3.4%
Corporate loans[2]	100,387	94,208	3,019	117	6	146	3,287	3.3%
Other loans and receivables – customers[2,3]	11,881	11,563	185	27	15	124	350	2.9%
Total Loans and receivables – customers[2]	**274,347**	**265,310**	**5,669**	**498**	**100**	**345**	**6,612**	**2.4%**
Total Loans and receivables[2)]	**290,029**	**280,990**	**5,669**	**498**	**100**	**345**	**6,612**	**2.3%**

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.
3 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.

Third-quarter developments

The total past due exposure on loans and receivables – customers increased to EUR 3.8 billion at 30 September 2016 (30 June 2016: EUR 3.6 billion).

Past due exposure on residential mortgages rose to EUR 2.3 billion at 30 September 2016 (30 June 2016: EUR 1.9 billion) and was mainly related to the <= 30 days past due bucket. A rise in past due exposures is often seen in the third quarter of each year, on account of the summer holidays. Past due exposures are usually at lower levels in the second quarter of the year, influenced by the payment of holiday allowances and tax refunds. Note that the past due exposure at 30 June 2016 was at a historically low level.

The decline in past due exposure for corporate loans, arriving at EUR 0.7 billion on 30 September 2016 (30 June 2016: EUR 0.9 billion), was driven by International Clients, some of which are ECT Clients mainly related to the industrial goods and services sector.

Developments in the first nine months of 2016

The total past due exposure on loans and receivables dropped to EUR 3.8 billion at 30 September 2016 (31 December 2015: EUR 6.6 billion).

Past due exposure on residential mortgages decreased to EUR 2.3 billion at 30 September 2016 (31 December 2015: EUR 2.5 billion), on the back of the continued improvement of the Dutch economy.

The decrease in corporate loans past due was mainly attributable to a decline of EUR 2.5 billion in the <= 30 days past due bucket and related mainly to new offsetting arrangements.

Impaired loans

Coverage and impaired ratio as at 30 September 2016

(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk	Coverage ratio	Impaired ratio
					30 September 2016
Loans and receivables – banks	**15,679**	**2**	**-2**	**100.0%**	**0.0%**
Loans and receivables – customers					
Residential mortgages[1]	147,155	1,309	-229	17.5%	0.9%
Consumer loans[1]	14,436	823	-414	50.3%	5.7%
Corporate loans[1]	91,201	6,975	-2,828	40.5%	7.6%
Other loans and receivables – customers[1,2]	14,444	234	-75	31.8%	1.6%
Total Loans and receivables - customers[1]	**267,237**	**9,342**	**-3,546**	**38.0%**	**3.5%**
Total Loans and receivables[1,3]	**282,916**	**9,344**	**-3,548**	**38.0%**	**3.3%**
Securities financing	40,123			100.0%	
Total on- and off-balance sheet	**439,872**	**9,402**	**-3,553**	**37.8%**	**2.1%**

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

Coverage and impaired ratio as at 30 June 2016

(in millions)	Gross carrying amount	Impaired exposures[1]	Allowances for Impairments for identified credit risk[1]	Coverage ratio[1]	Impaired ratio[1]
					30 June 2016
Loans and receivables – banks	**17,154**	**2**	**-2**	**100.0%**	**0.0%**
Loans and receivables – customers					
Residential mortgages[2]	146,607	1,424	-205	14.4%	1.0%
Consumer loans[2]	14,679	849	-442	52.1%	5.8%
Corporate loans[2,3]	93,501	6,646	-2,919	43.9%	7.1%
Other loans and receivables – customers[2,3,4]	14,936	218	-71	32.5%	1.5%
Total Loans and receivables - customers[2,4]	**269,724**	**9,137**	**-3,637**	**39.8%**	**3.4%**
Total Loans and receivables[2,4]	**286,878**	**9,138**	**-3,638**	**39.8%**	**3.2%**
Securities financing	34,461			100.0%	
Total on- and off-balance sheet	**439,650**	**9,196**	**-3,643**	**39.6%**	**2.1%**

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.
2 Gross carrying amount excludes fair value adjustments from hedge accounting.
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 as at 31 December 2015

	31 December 2015				
(in millions)	Gross carrying amount	Impaired exposures[1]	Allowances for Impairments for identified credit risk[1]	Coverage ratio[1]	Impaired ratio[1]
Loans and receivables – banks	**15,682**	**2**	**-2**	**100.0%**	**0.0%**
Loans and receivables – customers					
Residential mortgages[2,3]	146,932	1,511	-245	16.2%	1.0%
Consumer loans[3]	15,147	1,028	-471	45.8%	6.8%
Corporate loans[2,3]	100,387	6,179	-3,098	50.1%	6.2%
Other loans and receivables – customers[2,3,4]	11,881	318	-78	24.7%	2.7%
Total Loans and receivables - customers[2,3]	**274,347**	**9,037**	**-3,892**	**43.1%**	**3.3%**
Total Loans and receivables[2,5]	**290,029**	**9,039**	**-3,894**	**43.1%**	**3.1%**
Securities financing	20,073	11	-11	100.0%	0.1%
Total on- and off-balance sheet[2]	**430,305**	**9,177**	**-3,909**	**42.6%**	**2.1%**

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.
2 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly.
3 Gross carrying amount excludes fair value adjustments from hedge accounting.
4 Other loans and receivables – customers consists of government and official institutions, financial lease receivables and factoring.
5 Amounts excluding Incurred But Not Identified (IBNI).

Third-quarter developments

Impaired exposures for total loans and receivables increased to EUR 9.3 billion at 30 September 2016 (30 June 2016: EUR 9.1 billion). This increase was mainly related to a rise in corporate loans and was partly offset by residential mortgages. Allowances for impairments decreased for corporate and consumer loans, in line with the continued upturn in the Dutch economy.

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

Impaired residential mortgages declined to EUR 1.3 billion at 30 September 2016 (30 June 2016: EUR 1.4 billion). The decline was caused by a lower inflow into the impaired portfolio and a consistently high level of outflow from the impaired portfolio. The high outflow is the result of a growing outflow of clients to the performing portfolio and a higher demand for houses, enabling faster settlement of files in long-term arrears. Combined with the EUR 0.5 billion increase of the mortgage portfolio, this resulted in an improved impaired ratio of 0.9%. Allowances for impairments increased as a result of the aligned definition of 'impaired', which resulted in a coverage ratio of 17.5%.

Impaired corporate loans rose due to new impaired files in ECT Clients and a single large file in the Commercial Clients portfolio. The coverage ratio of these files was relatively low, resulting in a higher impaired ratio of 7.6% and a lower coverage ratio of 40.5%.

Developments in the first nine months of 2016

Impaired exposures for total loans and receivables increased to EUR 9.3 billion at 30 September 2016 (31 December 2015: EUR 9.0 billion), mainly due to an increase in impaired corporate loans. Allowances for impairments dropped to EUR 3.5 billion at 30 September 2016 (31 December 2015: EUR 3.9 billion), also driven by corporate loans due to the continued upturn in the Dutch economy.

The impaired residential mortgages declined to EUR 1.3 billion at 30 September 2016 (31 December 2015: EUR 1.5 billion), due to a lower inflow into the impaired portfolio and a continued high level of outflow from the impaired portfolio. Despite the reclassification of EUR 32 million to allowances for impairment for identified credit risk (as a result of the alignment of the definitions of default and impaired), the allowances declined due to the upturn in the Dutch housing market. Overall, we noted an improved impaired ratio of 0.9% and a coverage ratio of 17.5%.

Impaired exposure as well as allowances for impairments for consumer loans declined in the first nine months of this year, mainly as a result of the improved Dutch economy. This led to a slightly improved impaired ratio of 5.7% and a coverage ratio of 50.3%.

New impaired files in the ECT Clients portfolio related to the oil and gas industry, and a single large file in the Commercial Clients portfolio caused the impaired corporate loans to rise to EUR 7.0 billion (31 December 2015: EUR 6.2 billion). The impacted exposures have a relatively low coverage ratio as these exposures are largely collateralised. In addition to these incidents, several reversals were also noted in the Commercial Clients portfolio with a higher coverage ratio, resulting in a higher impaired ratio of 7.6% and a lower coverage ratio of 40.5%.

The impaired ratio for other loans and receivables improved to 1.6% and the coverage ratio rose to 31.8% at 30 September 2016. These movements were mainly the result of a lower impaired exposure.

Loan impairment charges and allowances Q3 2016

(in millions)	Securities financing	Banks	Corporate loans[1]	Residential mortgages	Consumer loans	Other loans	Q3 2016 Total
Balance at begin of period		**2**	**3,176**	**286**	**508**		**3,973**
Impairment charges for the period		5	240	54	34	2	334
Reversal of impairment allowances no longer required			-235	-32	-26		-293
Recoveries of amounts previously written-off			-4	-6	-9		-19
Total impairment charges on loans and other receivables		**5**	**2**	**15**	**-1**	**2**	**23**
Amount recorded in interest income from unwinding of discounting			-12	-8	-2		-22
Currency translation differences			-20				-20
Amounts written-off (net)			-105	-14	-33		-152
Reserve for unearned interest accrued on impaired loans			20		3		23
Other adjustments			18	-1	-2		15
Balance at end of period		**7**	**3,080**	**278**	**472**	**2**	**3,840**
Reconciliation from reported to underlying impairment charges							
Total reported on-balance sheet impairment charges on loans and other receivables		**5**	**2**	**15**	**-1**	**2**	**23**
Total underlying on-balance sheet impairment charges on loans and other receivables		**5**	**2**	**15**	**-1**	**2**	**23**

[1] Corporate loans includes financial lease receivables and factoring.

Loan impairment charges and allowances Q3 2015

							Q3 2015
(in millions)	Securities financing	Banks	Corporate loans[1]	Residential mortgages[2]	Consumer loans	Other loans	Total
Balance as at begin of period	**10**		**3,497**	**402**	**640**	**130**	**4,680**
Impairment charges for the period		1	207	46	46	7	307
Reversal of impairment allowances no longer required			-159	-18	-14	-6	-196
Recoveries of amounts previously written-off				-7	-10		-17
Total impairment charges on loans and other receivables		**1**	**48**	**22**	**21**	**2**	**95**
Amount recorded in interest income from unwinding of discounting			-10	-12	-2	-2	-27
Currency translation differences			-6			-1	-7
Amounts written-off (net)			-123	-38	-41	-22	-223
Reserve for unearned interest accrued on impaired loans			18		1	3	22
Other adjustments		2	-2				-2
Balance as at end of period	**10**	**3**	**3,421**	**374**	**620**	**109**	**4,537**
Reconciliation from reported to underlying impairment charges							
Total reported on-balance impairment charges on loans and other receivables		**1**	**48**	**22**	**21**	**2**	**95**
Total underlying on-balance impairment charges on loans and other receivables		**1**	**48**	**22**	**21**	**2**	**95**

[1] Corporate loans includes financial lease receivables and factoring.
[2] As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification from IBNI to allowances for impairments for identified credit risk within residential mortgages.

Total impairment charges on loans and other receivables

(in millions)	Q3 2016	Q3 2015
On-balance sheet	23	95
Off-balance sheet		
Total impairment charges on loans and other receivables	**23**	**94**

Third-quarter developments

Total on-balance impairment charges decreased to EUR 23 million in Q3 2016 (Q3 2015: EUR 95 million). The largest decline was recorded for corporate loans (EUR 46 million), reflecting the improved economic conditions.

Impairment charges for corporate loans dropped considerably, amounting to EUR 2 million in Q3 2016 (Q3 2015: EUR 48 million). This decline was driven by Commercial Clients, despite a single large file, where higher releases resulted from the continued upturn in the Dutch economy. Furthermore, lower additions were recorded in the ECT Clients portfolio within International Clients, partly offset by an IBNI charge.

Impairment charges for residential mortgages declined to EUR 15 million at Q3 2016 (Q3 2015: EUR 22 million). As a result of the aligned definitions of default and impaired in Q3 2016, a EUR 32 million IBNI charge has been reclassified to additions for residential mortgages. Please note that this reclassification has not been restated for the comparative figures.

As a result of lower additions and higher releases related to a lower IBNI charge and a release for pilot financing activities, impairment charges for consumer loans came to a small release of EUR 1 million in Q3 2016 (Q3 2015: EUR 21 million).

Loan impairment charges and allowances in the first nine months 2016

(in millions)	Nine months 2016						
	Securities financing	Banks	Corporate loans[1]	Residential mortgages[2]	Consumer loans	Other loans	Total
Balance as at 1 January	**11**	**2**	**3,470**	**324**	**561**	**1**	**4,368**
Impairment charges for the period		5	593	99	122	2	821
Reversal of impairment allowances no longer required	-2		-566	-32	-80		-680
Recoveries of amounts previously written-off			-14	-19	-29		-61
Total impairment charges on loans and other receivables	**-2**	**4**	**14**	**48**	**12**	**2**	**79**
Amount recorded in interest income from unwinding of discounting			-33	-28	-6		-66
Currency translation differences			-19				-19
Amounts written-off (net)	-8		-413	-71	-99		-590
Reserve for unearned interest accrued on impaired loans			58		12		70
Other adjustments			3	5	-8	-1	-1
Balance as at 30 September		**7**	**3,080**	**278**	**472**	**2**	**3,840**
Reconciliation from reported to underlying impairment charges							
Total reported on-balance sheet impairment charges on loans and other receivables	**-2**	**4**	**14**	**48**	**12**	**2**	**79**
Total underlying on-balance sheet impairment charges on loans and other receivables	**-2**	**4**	**14**	**48**	**12**	**2**	**79**

[1] Corporate loans includes financial lease receivables and factoring.
[2] As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification from IBNI to allowances for impairments for identified credit risk within residential mortgages.

Loan impairment charges and allowances in the first nine months 2015

(in millions)	Securities financing	Banks	Corporate loans[1]	Residential mortgages[2]	Consumer loans	Other loans	Total
							Nine months 2015
Balance as at 1 January	**11**		**3,439**	**538**	**654**	**129**	**4,771**
Impairment charges for the period		1	760	114	135	23	1,033
Reversal of impairment allowances no longer required	-1		-441	-87	-55	-16	-599
Recoveries of amounts previously written-off			-6	-18	-30		-55
Total impairment charges on loans and other receivables	**-1**	**1**	**313**	**8**	**50**	**7**	**379**
Amount recorded in interest income from unwinding of discounting			-33	-40	-8	-2	-83
Currency translation differences	1		46			2	49
Amounts written-off (net)			-376	-128	-102	-30	-636
Reserve for unearned interest accrued on impaired loans			45		10	3	58
Other adjustments		2	-14	-5	16		-2
Balance as at 30 September	**10**	**3**	**3,421**	**374**	**620**	**109**	**4,537**
Reconciliation from reported to underlying impairment charges							
Total reported on-balance sheet impairment charges on loans and other receivables	**-1**	**1**	**313**	**8**	**50**	**7**	**379**
Total underlying on-balance sheet impairment charges on loans and other receivables	**-1**	**1**	**313**	**8**	**50**	**7**	**379**

[1] Corporate loans includes financial lease receivables and factoring.
[2] As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification from IBNI to allowances for impairments for identified credit risk within residential mortgages.

Total impairment charges on loans and other receivables

(in millions)	Nine months 2016	Nine months 2015
On-balance sheet	79	379
Off-balance sheet		2
Total impairment charges on loans and other receivables	**79**	**381**

Developments in the first nine months of 2016

Total on-balance impairment charges decreased significantly to EUR 79 million in 9M 2016 (9M 2015: EUR 379 million). The largest decline was recorded in corporate loans (EUR 299 million). The decline reflects the improved Dutch economy.

Impairment charges for corporate loans dropped to EUR 14 million in 9M 2016 (9M 2015: EUR 313 million). This decline was driven by significantly higher releases within Commercial Clients as a result of the continued improvement of the Dutch economy, and partly offset by additions in International Clients, mainly related to the energy and transportation sectors. The additions in International Clients were mainly recorded in Q2 2016.

Impairment charges for residential mortgages rose to EUR 48 million in 9M 2016 (9M 2015: EUR 8 million).

The increase was mainly the result of lower (IBNI) reversals in 2016. The residential mortgages portfolio is still benefiting from the upturn in the Dutch housing market and is still below the through-the-cycle cost of risk of 5-7bps.

Impairment charges for consumer loans declined to EUR 12 million in 9M 2016 (9M 2015: EUR 50 million). The decline was mainly the result of higher reversals in 2016, including a higher IBNI release.

Impaired loans by industry[1]

	30 September 2016		30 June 2016		31 December 2015	
(in millions)	Impaired exposures	Allowances for impairments for identified credit risk	Impaired exposures[1]	Allowances for impairments for identified credit risk[1]	Impaired exposures[1]	Allowances for impairments for identified credit risk[1]
Industry sector						
Banks	2	-2	1	-2	12	-12
Financial services[2,3]	765	-632	779	-647	947	-696
Industrial goods and services[2]	1,968	-571	1,474	-544	1,392	-608
Real estate[2]	718	-238	775	-261	852	-324
Oil and gas[2]	788	-172	549	-162	185	-73
Food and beverage[2]	756	-190	802	-229	719	-246
Retail[2]	620	-210	716	-236	695	-282
Basic resources[2]	350	-219	368	-225	430	-223
Healthcare[2]	165	-146	220	-148	234	-167
Construction and materials[2]	507	-253	546	-260	591	-285
Travel and leisure[2]	194	-73	222	-78	222	-88
Other[2,4]	458	-208	490	-219	450	-207
Subtotal Industry Classification Benchmark[2]	**7,291**	**-2,914**	**6,942**	**-3,012**	**6,730**	**-3,210**
Private individuals (non-Industry Classification Benchmark)	2,111	-638	2,254	-631	2,447	-698
Public administration (non-Industry Classification Benchmark)[2]					1	
Subtotal non-Industry Classification Benchmark	**2,112**	**-638**	**2,254**	**-632**	**2,448**	**-698**
Total[2,5]	**9,402**	**-3,553**	**9,196**	**-3,643**	**9,177**	**-3,909**

1 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. For comparison purposes the historical periods before 30 September 2016 have been adjusted excluding the reclassification in allowances for impairments within residential mortgages. For more information on the reclassification in allowances refer to the residential mortgages section.
2 ABN AMRO amended its offsetting policy in Q2 2016. The year-end 2015 figures have been adjusted accordingly.
3 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
4 Other includes, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
5 Amounts excluding Incurred But Not Identified (IBNI).

Third-quarter developments

Impaired exposures increased to EUR 9.4 billion at 30 September 2016 (30 June 2016: EUR 9.2 billion). Allowances for impairments remained stable at EUR 3.6 billion.

An increase in impaired exposures at industry level was noted for industrial goods and services, mainly due to a single file in the Commercial Clients portfolio. Oil and gas rose considerably on the back of files related to ECT Clients. Please note that these new files are in a restructuring phase where mitigating actions are being taken. Based on the underlying collateral, these files have a relatively low coverage ratio.

The industry sectors real estate and basic resources declined as a result of clients returning to the performing portfolio. Private individuals declined mainly due to a continued high level of outflow out of, and lower inflow into, the impaired portfolio for residential mortgages.

Several other industry sectors also recorded lower impaired exposures as a result of the continued improvement of the economy.

Developments in the first nine months of 2016

Impaired exposures increased to EUR 9.4 billion at 30 September 2016 (31 December 2015: EUR 9.2 billion). Allowances for impairments dropped to EUR 3.6 billion (31 December 2015: EUR 3.9 billion).

Increases in impaired exposures were noted at industry level for industrial goods and services, mainly due to a single file in the Commercial Clients portfolio, while oil and gas rose sharply due to files related to ECT Clients. Please note that these new files are in a restructuring phase where mitigating actions are being taken. Based on the underlying collateral, these files have a relatively low coverage ratio.

Financial services dropped mainly as a result of clients fully repaying their debts in combination with write-offs recorded in Q1 2016. Real estate benefited from the improved economic environment and, consequently, the impaired exposures declined. The releases in the allowances for impairments for real estate were mainly attributable to an improvement in the underlying collateral values.

The industry sectors construction and materials and retail declined due to repayments of loans and, to a lesser extent, write-offs. Basic resources benefited from clients returning to the performing portfolio.

Impaired exposures and allowances for impairments for private individuals declined mainly due to a continued high level of outflow out of, and lower inflow into, the impaired portfolio for residential mortgages.

Developments in specific portfolios

Residential mortgages

The Dutch housing market showed a sustainable and strong upturn. The ongoing recovery of the Dutch economy combined with low interest rates, strong demand and a lack of supply have led to a sharp increase in transaction volumes and the strongest rise in house prices in 14 years. According to Statistics Netherlands (CBS), the number of transactions in the Dutch housing market was up 20% on Q3 2015 (and rose by 22% in 9M 2016 compared with the same period last year). The CBS housing price index increased 2.5% in Q3 2016.

ABN AMRO’s market share in new mortgage production, at 23.1%[1], was significantly higher in Q3 2016 (Q2 2016: 19.6%). The strength of the Dutch housing market is reflected in ABN AMRO's production of new mortgages, which was 35% higher in Q3 2016 than in Q2 2016 and 8% higher in 9M 2016 compared with the same period last year. The NHG proportion of new mortgage production decreased further to 19% in the Q3 2016, compared with 22% in Q2 2016.

Total redemptions in Q3 2016 amounted to EUR 3.4 billion (Q2 2016: EUR 3.0 billion). Total redemptions for 9M 2016 amounted to EUR 9.1 billion (9M 2015: EUR 8.4 billion). Contractual repayments gradually grew, following current tax regulations. Extra repayments amounted to EUR 0.4 billion in Q3 2016, which was slightly higher than in the same quarter last year. Incentives for the current extra redemptions are very low interest rates on savings and an increased awareness among homeowners of the possibility of residual debt at the end of their loan term.

[1] Source: Dutch Land Registry (Kadaster)

Key residential mortgage indicators

(in millions)	30 September 2016	30 June 2016	31 December 2015
Gross carrying amount excl. fair value adjustment from hedge accounting	147,155	146,607	146,932
Of which Nationale Hypotheek Garantie (NHG)	38,553	38,654	38,872
Fair value adjustment from hedge accounting	3,453	3,544	3,401
Gross carrying amount	150,609	150,152	150,333
Exposure at Default[1]	163,407	162,073	162,405
Risk-weighted assets/ risk exposure amount[1]	19,395	19,538	20,779
RWA (REA)/EAD	11.9%	12.1%	12.8%
Forbearance ratio	0.8%	0.9%	1.2%
Past due ratio[3]	1.6%	1.3%	1.7%
Impaired ratio[3]	0.9%	1.0%	1.0%
Coverage ratio[3]	17.5%	14.4%	16.2%
Average Loan-to-Market-Value	78%	79%	81%
Average Loan-to-Market-Value – excluding NHG loans	74%	75%	77%
Total risk mitigation[2]	182,858	180,765	178,465
Total risk mitigation/carrying amount	121.4%	120.4%	118.7%

1 The RWA (REA) and Exposure at Default amounts are based on the exposure class Secured by immovable property. This scope is slightly broader than the residential mortgage portfolio.
2 As of 31 March 2016, ABN AMRO revised the allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
3 As of 30 September 2016 ABN AMRO aligned the definition of default and impaired. Comparing figures have been adjusted excluding the reclassification in allowances for impairments for residential mortgages.

Underlying cost of risk

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Underlying Cost of risk (in bps)[1]	4	6	2	4	1

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

The gross carrying amount of the residential mortgage portfolio amounted to EUR 147.2 billion at 30 September 2016 (30 June 2016: EUR 146.6 billion; 31 December 2015: EUR 146.9 billion). New mortgage production increased substantially. NHG-guaranteed loans accounted for 26% of the residential mortgage portfolio.

The RWA (REA) for the residential mortgage portfolio decreased to EUR 19.4 billion at 30 September 2016 (30 June 2016: EUR 19.5 billion; 31 December 2015: 20.8 billion) due to a lower probability of default (related to decreasing exposures arrears) and lower expected losses in case of a default (due to rising house prices).

EAD increased to EUR 163.4 billion at 30 September 2016 (30 June 2016: EUR 162.1 billion; 31 December 2015 162.4 billion), in line with the growing mortgage portfolio.

The forbearance ratio decreased slightly to 0.8% (30 June 2016: 0.9%; 31 December 2015 1.2%).
The past due (but not impaired) ratio increased to 1.6% at 30 September (30 June 2016: 1.3%; 31 December 2015: 1.7%). Higher levels of past due ratios are often seen in the third quarter of each year, on account of the summer holidays. Past due exposures are usually at lower levels in the second quarter of the year, influenced by the payment of holiday allowances and tax refunds. Note that the past due exposure at 30 June 2016 was at a historically low level.

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

The impaired ratio continued to decline, coming down to 0.9% at 30 September 2016 (30 June 2016: 1.0%; 31 December 2015: 1.0%). This was caused by a lower inflow into the impaired portfolio and a continued high level of outflow from the impaired portfolio. The high outflow is the result of a higher outflow of clients to the performing portfolio as well as a higher demand for houses, which enables faster settlement of files in long-term arrears. The upswing in the housing market and improved economic conditions led to a higher recovery rate. The average residual debt on foreclosures is at a low level, in line with previous quarters.

The coverage ratio came to 17.5% at 30 September 2016 (30 June 2016: 14.4%; 31 December 2015: 16.2%).

Both the impaired portfolio and allowances for credit risk decreased as a result of the sustained improvement of the economy. If the impact on allowances for impairments had been adjusted historically, the coverage ratio would have been 16.7% at 30 June 2016 and 18.5% at 31 December 2015.

Annualised cost of risk for 9M 2016 remained low at 4bps.

The risk profile of the residential mortgage portfolio proved to be low in the years of economic downturn and has been improving since 2014. Impairments are low across the average loan book.

The increase in house prices and restrictions on the maximum Loan to Market Value (LtMV) for new residential mortgages resulted in a further improvement of the average LtMV of the mortgage portfolio, which amounted to 78% at 30 September 2016 (30 June 2016: 79%; 31 December 2015: 81%). The same trend can be noted for the LtMVs excluding NHG. Extra repayments on residential mortgage loans have a small impact on the highest LtMV categories. Approximately 14% of the extra repayments are related to mortgages with an LtMV >100%.

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

Residential mortgages to indexed market value

(in millions)	30 September 2016 Gross carrying amount	Per-centage of total	- of which guaran-teed[3]	- of which unguar-anteed	30 June 2016 Gross carrying amount	Percent-age of total	- of which guaran-teed[3]	- of which unguar-anteed	31 December 2015 Gross carrying amount	Percent-age of total	- of which guaran-teed[3]	- of which unguar-anteed
LtMV category[1,2]												
<50%	24,547	16.7%	1.8%	14.9%	24,011	16.4%	1.8%	14.6%	23,122	15.7%	1.7%	14.0%
50% - 80%	43,763	29.7%	5.7%	24.0%	42,264	28.8%	5.4%	23.4%	40,145	27.3%	4.9%	22.4%
80% - 90%	21,029	14.3%	4.6%	9.7%	19,866	13.6%	4.2%	9.3%	18,340	12.5%	3.6%	8.9%
90% - 100%	26,015	17.7%	7.4%	10.3%	25,955	17.7%	7.5%	10.2%	25,164	17.1%	7.0%	10.1%
100% - 110%	16,877	11.5%	4.0%	7.5%	17,497	11.9%	4.4%	7.5%	19,225	13.1%	5.0%	8.1%
110% - 120%	9,201	6.3%	2.0%	4.3%	10,556	7.2%	2.3%	4.9%	12,982	8.8%	2.9%	5.9%
>120%	3,398	2.2%	0.7%	1.5%	4,061	2.8%	0.8%	2.0%	6,003	4.1%	1.4%	2.7%
Unclassified	2,326	1.6%			2,397	1.6%			1,951	1.3%		
Total	**147,155**	**100%**			**146,607**	**100%**			**146,932**	**100%**		

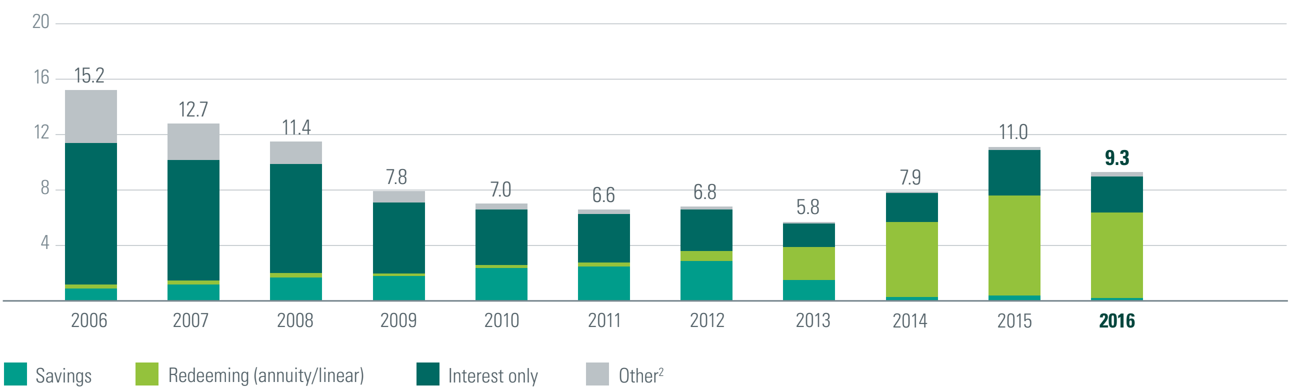
1 ABN AMRO calculates the indexed market value using the indexation of the CBS (Statistics Netherlands).
2 As of 31 March 2016, ABN AMRO revised the allocation of collateral values for residential mortgages. The year-end 2015 figures have been adjusted for comparison purposes.
3 NHG guarantees.

The gross carrying amount of mortgages with an LtMV above 100% decreased significantly to EUR 29.5 billion at 30 September 2016 (30 June 2016: EUR 32.1 million; 31 December 2015: EUR 38.2 million).

The number of mortgages in the higher LtMV bucket range is decreasing mainly due to indexation of the value of the underlying collateral in combination with the absence of new inflow into these buckets as a result of current regulations for tax deductions. Note that LtMVs of more than 100% do not necessarily indicate that these clients are in financial difficulties. However, ABN AMRO advises clients not to maintain loans at high LtMV levels.

Breakdown of the residential mortgage portfolio by year of loan modification as from 2016[1]

(in billions)



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

Under Dutch tax regulations implemented on 1 January 2013, mortgage interest is only deductible for redeeming mortgage loans. Mortgage loan type originations that took place in 2016 (defined as new production and mortgages with a loan type modification) breaks down into 27.8% interest-only, 66.6% redeeming mortgages and 2.6% savings mortgages. Interest-only and savings mortgages can still be produced for clients who wish to refinance loans that originated before 2013.

Breakdown of residential mortgage portfolio by loan type

(in millions)	30 September 2016 Gross carrying amount	30 September 2016 Percentage of total	30 June 2016 Gross carrying amount	30 June 2016 Percentage of total	31 December 2015 Gross carrying amount	31 December 2015 Percentage of total
Interest only (partially)	47,311	32%	47,426	32%	47,943	33%
Interest only (100%)	30,842	21%	31,257	21%	32,076	22%
Redeeming mortgages (annuity/linear)	24,157	16%	21,670	15%	18,569	13%
Savings	19,857	13%	20,423	14%	21,735	15%
Life (investment)	16,282	11%	16,819	11%	17,787	12%
Other[1]	8,705	6%	9,012	6%	8,822	6%
Total	**147,155**	**100%**	**146,607**	**100%**	**146,932**	**100%**

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

The change in tax regulations is reflected in the composition of the mortgage portfolio. The proportion of redeeming mortgages increased to 16% of the residential mortgage portfolio at 30 September 2016 (30 June 2016: 15%; 31 December 2015: 13%). 'Redeeming mortgages' is the only category that increased in volume.

Energy, Commodities & Transportation Clients

ECT on- and off-balance sheet exposure

(in billions)	30 September 2016 Energy	Commodities	Transportation	Total ECT clients	30 June 2016 Energy	Commodities	Transportation	Total ECT clients	31 December 2015 Energy	Commodities	Transportation	Total ECT clients
On-balance sheet exposure[1]	**5.3**	**12.2**	**9.5**	**27.0**	**5.2**	**11.9**	**9.3**	**26.3**	**4.7**	**11.1**	**9.3**	**25.0**
Guarantees and letters of credit	0.8	5.8	0.2	6.8	0.7	6.0	0.2	6.9	0.7	5.5	0.2	6.3
Subtotal[1]	**6.1**	**18.1**	**9.7**	**33.8**	**5.8**	**17.8**	**9.5**	**33.2**	**5.3**	**16.5**	**9.5**	**31.4**
Undrawn committed credit facilities	2.1	2.5	0.9	5.5	2.1	2.2	1.1	5.4	2.3	2.4	1.9	6.7
Total on- and off-balance sheet exposure[1]	**8.2**	**20.6**	**10.5**	**39.3**	**8.0**	**20.1**	**10.6**	**38.6**	**7.6**	**19.0**	**11.4**	**38.0**

[1] Including fair value adjustment from hedge accounting.

	Q3 2016	Q3 2015	Q2 2016	Nine months 2016	Nine months 2015
Impairments charges ECT clients	33	62	93	175	97
- of which Energy	10	14	63	102	14
- of which Commodities	5	48	-1	16	93
- of which Transportation	19		32	57	-10
Underlying Cost of risk ECT (in bps)	52	107	153	95	57

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

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

The vast majority of the ECT Clients loan book is US-dollar denominated and largely secured by either commodities for which liquid markets exist, first-priority ship mortgages or pledged contracted project cash flows. Conservative advance rates are applied, taking into account through-the-cycle asset values.

Volume growth in Transportation and Energy is controlled and based on a combination of new client acquisitions and broadening and deepening of existing client relations in selectively chosen markets. The ECT Clients' total loan portfolio amounted to EUR 27.0 billion in on-balance sheet exposure at 30 September 2016 (30 June 2016: EUR 26.3 billion, 31 December 2015: EUR 25.0 billion). The on-balance sheet exposure increased by 2.5% in Q3 2016 (7.7% in 9M 2016) driven by growth in all three segments despite a 0.7% weakening of the US-dollar over the third quarter (and 2.5% US-dollar weakening over the first nine months of 2016).

On balance-sheet exposure

Commodities Clients remained the largest sector of ECT Clients, accounting for EUR 12.2 billion of the ECT Clients on-balance sheet exposure (30 June 2016 EUR: 11.9 billion, 31 December 2015: EUR 11.1 billion). Transportation Clients accounted for EUR 9.5 billion (30 June 2016: EUR 9.3 billion, 31 December 2015: EUR 9.3 billion). Energy Clients' share in the on-balance sheet exposure was EUR 5.3 billion (30 June 2016: EUR 5.2 billion, 31 December 2015: EUR 4.7 billion).

Off-balance-sheet exposure

The off-balance-sheet exposure, consisting mainly of short-term letters of credit secured by commodities, guarantees and availability under committed credit lines, remained stable in Q3 2016 at EUR 12.3 billion, of which EUR 8.3 billion in Commodities Clients, EUR 2.9 billion in Energy Clients, and EUR 1.1 billion in Transportation Clients.

Although some commodity prices have been recovering since the start of 2016, price levels for a number of major commodities are still substantially below the historical 5-year average and investments are not yet recovering. In addition, circumstances in a number of shipping markets and offshore services remain challenging given structural overcapacity and decreased demand.

Impairment charges

ECT Clients' impairment charges for Q3 2016 amounted to EUR 33 million (Q3 2015: EUR 62 million). Most of the impairment charges for Q3 2016 were taken in the Transportation sector at EUR 19 million, followed by Energy at EUR 10 million, and Commodities at EUR 5 million.

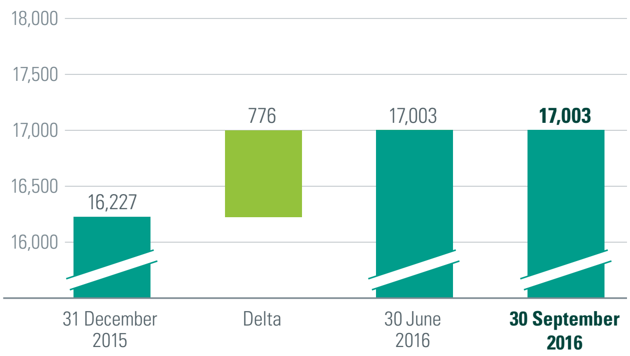
Total impairment charges for 9M 2016 amounted to EUR 175 million, of which Energy accounted for EUR 102 million, Commodities EUR 16 million and Transportation EUR 57 million (9M 2015: EUR 97 million, of which Energy EUR 14 million, Commodities EUR 93 million and Transportation EUR -10 million).

Scenario analysis

ABN AMRO reviewed the scenario analysis performed for the Transportation portfolio in Q1 2016 based on realisation of the impairment charges in Transportation. Market conditions for the dry bulk sector improved somewhat, but the container market remained weak. The tanker and LPG market became more challenging. To sum up, we do not expect the level of potential impairments to change much compared with our previous scenario forecast in Q1 2016. The EUR 57 million impairment charges in 9M 2016 for the Transportation portfolio suggest a realisation between the mild and severe scenarios. Furthermore, the number of completed recapitalisations and restructurings of clients in the Transportation portfolio showed a favourable development.

Operational risk

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



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

Third-quarter developments

As the bank is applying the TSA approach, the RWA (REA) calculation is revised yearly and, as a consequence, no changes are noted in the third quarter of 2016 compared with the second quarter of 2016.

Developments in the first nine months of 2016

As a result of the yearly revised calculations, RWA (REA) increased by EUR 0.8 billion to EUR 17.0 billion in the first nine months of 2016 compared with year-end 2015.

ABN AMRO is awaiting the ECB's response to the request for approval to use the Advanced Measurement Approach (AMA).

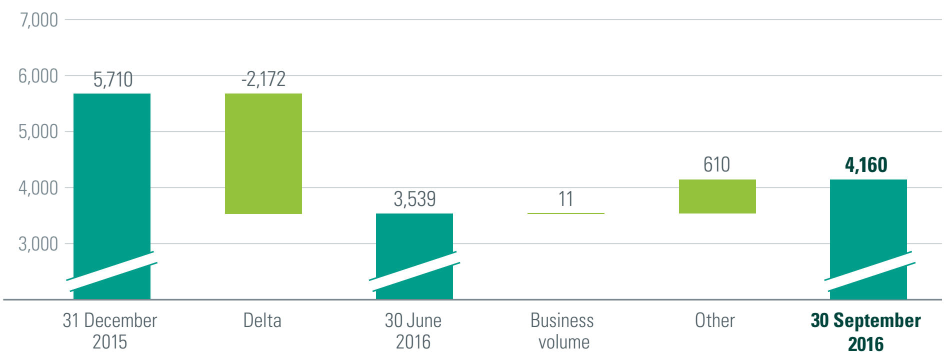
Market risk

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

Market risk in the trading book

ABN AMRO has limited exposure in the trading book.

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



Third-quarter developments

RWA (REA) for market risk increased to EUR 4.2 billion at 30 September 2016 (30 June 2016: EUR 3.5 billion). The increase was caused by negative interest rates, reflecting the fact that the models for interest rate options were overly conservative. Improved valuation models have been developed and implemented, which will significantly lower the RWA figures. Regulatory approval for the improved valuation models is expected in the course of 2017.

Developments in the first nine months of 2016

RWA (REA) for market risk dropped significantly to EUR 4.2 billion at 30 September 2016 (31 December 2015: EUR 5.7 billion). This decline was mainly the result of the use of the Internal Model Approach (IMA) as from 1 January 2016, which accounted for EUR 2.6 billion of the decline. The decline was partly offset by negative interest rates, reflecting the fact that the models for interest rate options were overly conservative. Improved valuation models have been developed and implemented, which will significantly lower the RWA figures. Regulatory approval for the improved valuation models is expected in the course of 2017.

Internal aggregated diversified and undiverisified VaR for all trading positions

	Q3 2016		Q3 2015		Q2 2016	
(in millions)	Diversified	Undiversified	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	9.5	11.8	6.3	8.4	2.1	3.8
Highest VaR	10.4	13.4	8.5	14.4	6.5	8.6
Lowest VaR	2.1	3.6	3.5	4.6	2.0	3.1
Average VaR	7.2	8.9	5.6	7.3	2.9	5.1

In the third quarter of 2016, the average diversified and undiversified VaR increased by EUR 1.6 million compared with the same period last year.

The average diversified VaR for Q3 2016 was EUR 4.3 million higher than the average of the previous quarter. The general increase of the VaR figures was due to the negative interest rate environment and increased volatility in the markets following the outcome of the British referendum to leave the European Union.

Due to current interest rate developments, ABN AMRO has updated and implemented new internal models for valuation and VaR which are better at dealing with negative interest rates. Pending approval from the regulator to use the new models for regulatory capital, ABN AMRO reports capital based on the old models, which provide a more conservative VaR.

Market risk in the banking book

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

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

Interest rate risk metrics

	30 September 2016	30 June 2016	31 December 2015
NII-at-risk (in %)	-0.4	-2.3	-1.3
Duration of equity (in years)	3.6	4.0	3.6

NII-at-Risk is defined as the worst outcome of two scenarios: a gradual increase in interest rates and a gradual decline in interest rates by 200bps. Some floors are applied in the falling interest rate scenario. During Q3 ABN AMRO implemented a number of refinements to the NII-at-Risk methodology. As part of these refinements we also lowered the floor applied to market rates from -60bps to -100bps in order to present a more prudent outcome in the falling rates scenario.

Following these changes NII-at-Risk improved from -2.3% to -0.4% (approximately EUR -20 million) and, as in the previous quarter, reflects a reduction of NII in the falling rates scenario. In a scenario reflecting a rise in interest rates NII would increase by 1.6% (approximately EUR 90 million).

Duration of equity decreased from 4.0 to 3.6 years.

Liquidity risk

Liquidity indicators

	30 September 2016	30 June 2016	31 December 2015
Loan-to-Deposit ratio	107%	108%	108%
LCR	>100%	>100%	>100%
NSFR	>100%	>100%	>100%
Survival period (moderate stress)	> 12 months	> 12 months	>12 months
Available liquidity buffer (in billions)	88.9	79.6	82.8

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% in Q3 2016. This is in line with the bank's targeted early compliance with future regulatory requirements.

The survival period reflects the period that the bank's liquidity position is expected to remain positive in an internally developed (moderate) stress scenario. In this internally developed stress scenario it is assumed that wholesale funding markets deteriorate and retail and commercial clients withdraw part of their deposits. The survival period was consistently >12 months in Q3 2016.

Loan-to-Deposit ratio

(in millions)	30 September 2016	30 June 2016	31 December 2015
Loans and receivables – customers	269,038	271,456	274,842
Net adjustments	-3,918	-4,041	-1,737
Adjusted loans and receivables – customers	**265,120**	**267,415**	**273,105**
Due to customers	240,367	240,942	245,819
Net adjustments	7,340	7,270	6,216
Adjusted due to customers	**247,708**	**248,211**	**252,035**
Loan-to-Deposit ratio	**107%**	**108%**	**108%**

The adjustment of notional cash pooling led to a slightly lower Loan-to-Deposit (LtD) ratio. Applying the change in accounting policy retrospectively led to an increase of loans and receivables – customers and the due to customers balance of EUR 2.2 billion for 30 September 2016 (30 June 2016: EUR 5.6 billion and 31 December 2015: EUR 15.5 billion). The impact on the LtD ratio was close to zero (30 June 2016: close to zero and 31 December 2015: minus 1%).

The LtD ratio decreased slightly to 107% at 30 September 2016 (30 June 2016 and 31 December 2015: 108%).

Corrected for the impact of notional cash pooling, adjusted loans and receivables – customers increased to EUR 262.9 billion at 30 September 2016 (30 June 2016: EUR 261.8 billion and 31 December 2015: EUR 257.6 billion).

Adjusted due to customers grew to EUR 245.5 billion at 30 September 2016 (30 June 2016: EUR 242.6 billion and 31 December 2015: EUR 236.5 billion). Net of notional cash pooling, due to customers grew faster than loans and receivables – customers. This explains the decrease in the LtD ratio during Q3 2016. Most of the growth of deposits came from Retail Banking and Corporate Banking.

Liquidity buffer composition

	30 September 2016		30 June 2016		31 December 2015	
(in billions)	Liquidity buffer	LCR eligible	Liquidity buffer	LCR eligible	Liquidity buffer	LCR eligible
Cash & central bank deposits[1]	21.7	21.7	11.5	11.5	24.4	24.4
Government bonds	30.9	31.2	32.2	33.1	26.0	26.9
Covered bonds	1.8	1.7	2.0	1.8	1.4	1.3
Retained RMBS	23.3		24.3		24.0	
Third party RMBS	1.5	1.3	2.2	1.9	0.7	0.6
Other	9.7	10.2	7.4	7.1	6.3	3.3
Total liquidity buffer	**88.9**	**66.1**	**79.6**	**55.3**	**82.8**	**56.5**
- of which in EUR	93.3%		91.9%		94.1%	
- of which in other currencies	6.7%		8.1%		5.9%	

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

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

The liquidity buffer increased to EUR 88.9 billion at 30 September 2016 (30 June 2016: EUR 79.6 billion and 31 December 2015: EUR 82.8 billion). The cash position grew mainly due to a net increase in due to customers and an increase in short-term wholesale funding. Compared with 31 December 2015, government bonds increased due partly to the inclusion of off-balance sheet positions consisting of LCR eligible government bonds.

Funding

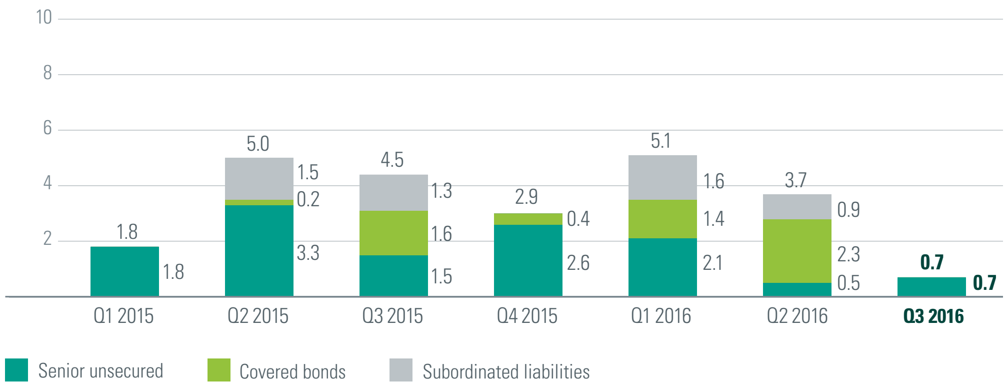
ABN AMRO's strategy for wholesale funding is derived from the bank's moderate risk profile. This strategy aims to optimise and diversify the bank's funding sources in order to maintain market access and reach the targeted funding position. We aim to have a balance sheet with a diverse, stable and cost-efficient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

Client deposits are a source of funding, complemented by a well-diversified portfolio of wholesale funding. Excluding the impact of notional cash pooling, client deposits increased to EUR 238.1 billion at 30 September 2016 (30 June 2016: EUR 235.3 billion and 31 December 2015: EUR 230.3 billion). Total wholesale funding (as defined by issued debt plus subordinated liabilities) increased to EUR 90.9 billion at 30 September 2016 (30 June 2016: EUR 87.7 billion and 31 December 2015: EUR 85.9 billion).

Long-term funding raised

Long-term funding raised in Q3 2016 amounted to EUR 0.7 billion, which mainly consists of USD issuance. Total long-term funding raised in 9M 2016 amounted to EUR 9.4 billion. This includes EUR 3.7 billion of covered bonds, EUR 2.4 billion of Tier 2 capital instruments and EUR 3.3 billion of senior unsecured funding. The relatively high amount of covered bond issuance is in line with the growing demand for mortgages with long-term fixed interest rate periods. Long-term covered bonds mitigate liquidity repricing risk due to mortgages with long-term fixed interest rate periods. The average maturity of the covered bonds issued in 2016 is 13 years. The instruments issued are included in the funding overview below. More information on capital instruments is provided in the Capital management section of this report.

Long-term funding raised in 2015 and 2016
(notional amounts, in billions)



Overview of funding types

A key goal of the funding strategy is to diversify funding sources. The available funding programmes allow us to issue various instruments in different currencies and markets. This enables us to diversify our investor base.

A description of capital and funding instruments issued by ABN AMRO is provided on our website, abnamro.com. We continuously assess our wholesale funding base in order to determine the optimal use of funding sources.

The types of wholesale funding can be specified as follows:

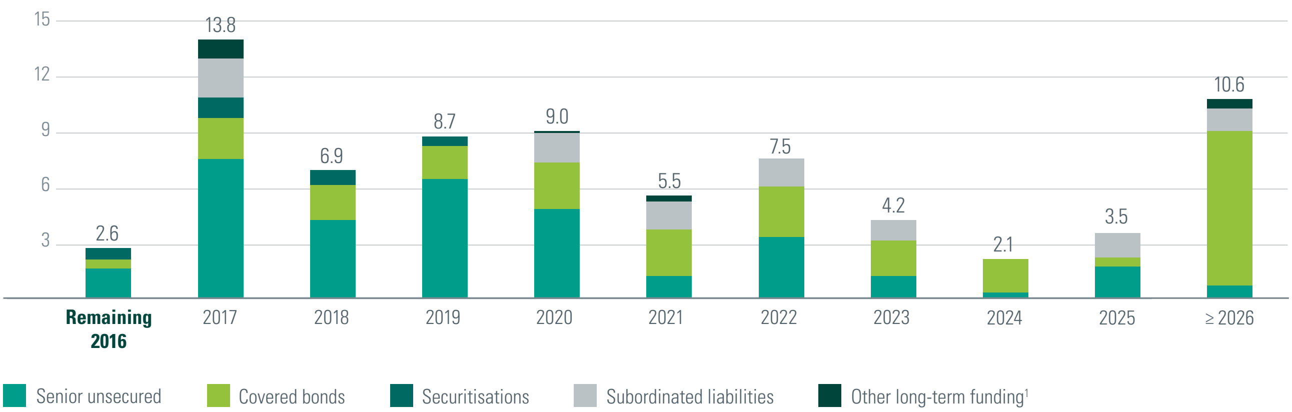
(in millions)	30 September 2016	30 June 2016	31 December 2015
Euro Commercial Paper	2,610	655	1,326
London Certificates of Deposit	5,506	3,060	3,744
French Certificats de Dépôt	35	19	164
US Commercial Paper	4,437	4,493	4,585
Total Commercial Paper/Certificates of Deposit	**12,589**	**8,226**	**9,820**
Senior unsecured (medium-term notes)	33,998	35,058	37,404
Covered bonds	30,231	30,219	25,956
Securitisations	2,950	2,950	2,968
Saving certificates	52	51	59
Total issued debt	**79,819**	**76,505**	**76,207**
Subordinated liabilities	11,115	11,214	9,708
Total wholesale funding	**90,934**	**87,719**	**85,915**
Other long-term funding[1]	1,841	1,834	6,813
Total funding instruments[2]	**92,775**	**89,553**	**92,728**
- of which CP/CD matures within one year	12,589	8,226	9,820
- of which funding instruments (excl. CP/CD) matures within one year	12,750	10,967	12,044
- of which matures after one year	67,437	70,359	70,865

1 Includes long-term repos (recorded in Securities financing), TLTRO funding (recorded in Due to banks, however redeemed in second quarter 2016) and funding with the Dutch State as counterparty (recorded in Due to customers).
2 Includes FX effects, fair value adjustments and interest movements.

Total wholesale funding (issued debt and subordinated liabilities) increased to EUR 90.9 billion at 30 September 2016 (30 June 2016: EUR 87.7 billion and 31 December 2015: EUR 85.9 billion). The change compared with 30 June 2016 was due mainly to an increase in commercial paper and certificates of deposit, within our targeted bandwidth for short-term funding.

Maturity calendar

Maturity calendar at 30 September 2016
(notional amounts, in billions)



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

(notional amounts, in billions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	≥ 2026	Total
												30 September 2016
Senior unsecured	1.6	7.5	4.2	6.4	4.8	1.2	3.3	1.2	0.3	1.7	0.7	32.7
Covered bonds	0.5	2.2	1.9	1.8	2.5	2.5	2.7	1.9	1.8	0.5	8.3	26.7
Securitisations	0.6	1.1	0.8	0.5								3.0
Subordinated liabilities		2.1			1.6	1.5	1.5	1.1		1.3	1.2	10.3
Other long-term funding[1]		1.0			0.1	0.3					0.5	1.8
Total	**2.6**	**13.8**	**6.9**	**8.7**	**9.0**	**5.5**	**7.5**	**4.2**	**2.1**	**3.5**	**10.6**	**74.5**

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

The average remaining maturity of the total outstanding long-term wholesale funding decreased to 4.5 years on 30 September 2016 (30 June 2016: 4.8 years and 31 December 2015: 4.6 years). The main reason for the decline was that we issued a relatively low amount of funding in Q3 2016, resulting in a natural decline of the remaining maturity. Compared with 31 December 2015, this effect was partly offset by newly issued long-term covered bonds.

The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date. Early redemption of subordinated instruments is subject to the approval of the regulators. However, this does not mean that the instruments will be called at the earliest possible call date.

Capital management

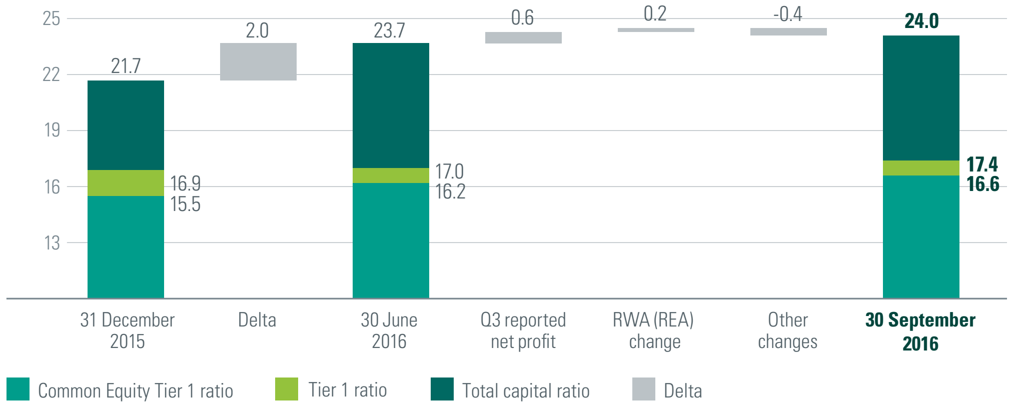
ABN AMRO's solid capital position ensures that the bank is compliant with the fully-loaded capital requirements of the Capital Requirements Directive IV (CRD IV). The overall capital base increased slightly during Q3 2016 due to accumulated profit. The bank strives to optimise its capital structure in anticipation of pending regulatory requirements. The capital structure consists mainly of common equity and loss-absorbing capital to cover unexpected losses. The subordination of capital instruments provides further protection to senior creditors.

Regulatory capital structure

(in millions)	30 September 2016	30 June 2016	31 December 2015
Total equity (EU IFRS)	**18,152**	**17,960**	**17,584**
Cash flow hedge reserve	1,167	1,148	1,056
Dividend reserve	-272	-376	-414
Capital securities	-993	-993	-993
Other regulatory adjustments	-538	-525	-466
Common Equity Tier 1	**17,517**	**17,213**	**16,768**
Innovative hybrid capital instruments			700
Capital securities	993	993	993
Other regulatory adjustments	-158	-150	-234
Tier 1 capital	**18,352**	**18,056**	**18,226**
Subordinated liabilities Tier 2	7,004	7,137	4,938
Excess Tier 1 capital recognised as Tier 2 capital			300
Other regulatory adjustments	-56	-39	-33
Total regulatory capital	**25,299**	**25,155**	**23,431**
Total risk-weighted assets (risk exposure amount)	**105,318**	**106,137**	**108,001**
Common Equity Tier 1 ratio	16.6%	16.2%	15.5%
Tier 1 ratio	17.4%	17.0%	16.9%
Total capital ratio	24.0%	23.7%	21.7%
Common Equity Tier 1 capital (fully-loaded)	17,497	17,196	16,695
Common Equity Tier 1 ratio (fully-loaded)	16.6%	16.2%	15.5%
Tier 1 capital (fully-loaded)	18,489	18,189	17,688
Tier 1 ratio (fully-loaded)	17.6%	17.1%	16.4%
Total capital (fully-loaded)	23,740	23,477	20,624
Total capital ratio (fully-loaded)	22.5%	22.1%	19.1%

Developments impacting capital ratios in Q3 2016

(in %)



At 30 September 2016, the phase-in Common Equity Tier 1, Tier 1 and Total Capital ratios were 16.6%, 17.4% and 24.0% respectively. All capital ratios were well above regulatory minimum requirements and in line with the bank's risk appetite and strategic ambitions. ABN AMRO's CET1 ratio strengthened during Q3 2016, as a result of profit accumulation and a reduction of RWA. At 30 September 2016, the fully-loaded Common Equity Tier 1, fully-loaded Tier 1 and fully-loaded Total Capital ratios were 16.6%, 17.6% and 22.5% respectively.

The group level RWA (REA) decreased to EUR 105.3 billion at 30 September 2016 (30 June 2016: EUR 106.1 billion). More information on RWA (REA) is provided in the Risk section of this report.

All risk-weighted capital ratios increased materially at 30 September 2016 compared with 31 December 2015. In Q1 2016, ABN AMRO redeemed two grandfathered instruments which had a remaining eligibility for regulatory capital of EUR 1.2 billion at 31 December 2015. Specifically, the bank redeemed a GBP 150 million Tier 2 instrument and a EUR 1.0 billion Tier 1 instrument (of which EUR 700 million was eligible for Tier 1 and EUR 300 million was eligible for Tier 2 capital at 31 December 2015). Profit accumulation, a decrease of RWA and Tier 2 issuances have more than compensated for these redemptions. This led to a 1.1 percentage point increase in the fully-loaded Common Equity Tier 1 ratio and a 1.2 percentage point increase in the fully-loaded Tier 1 ratio at 30 September 2016 compared with 31 December 2015. Finally, the fully-loaded Total Capital ratio has increased by 3.4 percentage points over the past three quarters.

ABN AMRO is required in 2016 to meet a minimum CET1 ratio of 10.25% on a consolidated basis, which is composed of a 9.5% SREP requirement and a 0.75% phase-in of the systemic risk buffer (SRB). The SRB is expected to grow by 0.75 percentage points per annum up to 3.0% in 2019. The 9.5% CET1 requirement for 2016 includes the capital conservation buffer. ABN AMRO is comfortably above the 10.25% minimum, with phase-in CET1 at 16.6% at 30 September 2016.

To provide transparency, ABN AMRO has decided to publish the preliminary outcome of the Supervisory Review and Evaluation Process (SREP) for 2017. The MDA trigger level for ABN AMRO Bank N.V. is 9.0% of CET1 capital, to be increased by any AT1 or Tier 2 capital shortfall. At the end of the third quarter of 2016 the AT1 shortfall was 0.7%, implying an MDA trigger level of 9.7% for 2017. Based on full phase-in of the systemic risk buffer (from 1.5% in 2017 to 3.0% in 2019) and the capital conservation buffer (from 1.25% in 2017 to 2.5% in 2019), the fully-loaded MDA trigger level is expected to increase to 11.75% in 2019, assuming no AT1 or Tier 2 capital shortfall.

ABN AMRO expects its future CET1 capital target to end up at 13.5%, which is at the upper end of the current 11.5-13.5% CET1 target range. This expectation is based on the preliminary SREP requirement, the fully-loaded systemic risk and capital conservation buffer, Pillar 2 capital guidance and the management buffer. It excludes possible implications and consequences of revisions to the calculation of risk-weighted assets (Basel IV). Given this uncertainty, ABN AMRO continues to hold a buffer above the current CET1 target range.

Dividend

Over the full year 2016, ABN AMRO intends to pay a dividend of 45% of the reported net profit attributable to shareholders. An interim dividend of EUR 376 million has already been paid out. In line with earlier communication, the dividend payout ratio is set to increase to 50% in 2017.

Leverage ratio

	30 September 2016		30 June 2016	31 December 2015
(in millions)	Phase-in	Fully-loaded	Fully-loaded	Fully-loaded
Tier 1 capital	**18,352**	**18,489**	18,189	17,688
Exposure measure (under CDR)				
On-balance sheet exposures	425,062	425,062	418,940	405,840
Off-balance sheet exposures	29,121	29,121	28,818	29,183
On-balance sheet netting	15,849	15,849	13,350	11,098
Derivative exposures	48,300	48,300	40,789	31,541
Securities financing exposures	2,803	2,803	2,553	1,317
Other regulatory measures	-17,069	-16,956	-18,019	-14,322
Exposure measure	**504,066**	**504,179**	486,431	464,657
Leverage ratio (CDR)	**3.6%**	**3.7%**	**3.7%**	**3.8%**

The CRR introduced a non-risk based leverage ratio which will be monitored until 2017 and further refined and calibrated before becoming a binding measure as from 2018. The Commission Delegated Regulation (CDR), applicable since 1 January 2015, amended the definition of the leverage ratio to enhance comparability of leverage ratio disclosures. The Group aims for a leverage ratio of at least 4% by year-end 2018, to be achieved by issuance of AT1 instruments, management of the exposure measure and profit retention.

At 30 September 2016, the Group had a CDR fully-loaded leverage ratio of 3.7% (30 June 2016: 3.7%). The leverage ratio has remained stable as capital accumulation was more than offset by growth of the balance sheet and the bank's derivatives position.

The fully-loaded leverage ratio decreased to 3.7% at 30 September 2016 (31 December 2015: 3.8%). The decline can be attributed to seasonal volatility of the balance sheet, which was partly offset by profit accumulation over the past three quarters.

On 6 April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document are the change in calculation of the derivative exposure and the credit conversion factors for off-balance sheet items. The revised calculation method of derivative exposure could potentially result in a decrease of the exposure measure for clearing guarantees. This decrease would amount to approximately EUR 40-50 billion, or a 30-40bps increase in the fully-loaded leverage ratio. An adjustment of credit conversion factors for off-balance sheet exposures, for example unconditionally cancellable commitments, would partly offset this potential increase.

MREL

(in millions)	30 September 2016	30 June 2016	31 December 2015
Regulatory capital	25,299	25,155	23,431
Other MREL eligible capital[1]	3,223	3,124	3,162
Total assets[2]	425,062	418,940	390,317
MREL[3]	6.7%	6.8%	6.8%

1 Other MREL eligible capital includes subordinated liabilities that are not included in regulatory capital.
2 For management view purposes the historical periods before 30 June 2016 have not been adjusted for the accounting policy change with regard to Notional cash pooling (for further details please refer to note 1 in the Interim Financial Statements).
3 MREL is calculated as total regulatory capital plus other MREL eligible subordinated liabilites divided by total IFRS assets.

The Bank Recovery and Resolution Directive (BRRD) provides authorities with more comprehensive and effective measures to deal with failing banks. Implementation of the BRRD in the European Union began in 2015 and the bail-in framework has been applicable since January 2016. Implementation of the bail-in framework has led to the introduction of additional loss-absorbing measures, such as the Minimum Requirement for own funds and Eligible Liabilities (MREL).

ABN AMRO monitors the pending regulatory requirements in relation to MREL and aims for an MREL of at least 8% by year-end 2018 (through subordinated debt and profit retention). Final MREL terms, as well as bank-specific MREL requirements, will determine the precise measures to be undertaken to comply with these requirements. At 30 September 2016, the Group had a 6.7% MREL (solely based on own funds and other subordinated liabilities). MREL decreased by 0.1 percentage point compared with 30 June 2016, driven by balance sheet lengthening.

ABN AMRO expects to continue to issue new subordinated capital instruments to further increase its buffer of loss-absorbing instruments to above 8% in 2018 in view of scheduled amortisations, MREL and any other regulatory changes.

Resolution entity

Following discussions with the Single Resolution Board (SRB) throughout 2016, and subject to final SRB confirmation expected towards the end of 2016 or early in 2017, we have concluded that ABN AMRO Bank N.V. should be our designated resolution entity. As all capital and debt instruments have been issued in the past by ABN AMRO Bank N.V., no structural changes are expected to prevent ABN AMRO Bank N.V. from continuing to issue capital and debt instruments in the future, including any loss absorbing instruments for resolution purposes, if and when required.

Regulatory capital developments

CRD IV and CRR set the framework for implementation of Basel III in the European Union. CRD IV and CRR have been phased in since 1 January 2014 and will be fully effective by January 2019.

Also commonly referred to as Basel IV, the Basel Committee on Banking Supervision has presented two consultative papers on a revision of the Standardised Approach and the design of a capital floor framework based on this revised Standardised Approach. This framework will replace the current transitional floor based on the Basel I standard. The aim of the revised capital floor framework is to enhance the reliability and comparability of risk-weighted capital ratios. Revision of the Standardised Approach for Residential Real Estate and SMEs in combination with revision of the capital floors could lead to a significant risk-weighted assets inflation risk for ABN AMRO.

Regulatory developments, such as the Basel proposal (especially with respect to risk-weighting of mortgages and corporate loans) and increasing capital requirements set by the regulators could have a significant impact on the bank's capital position going forward. Hence, ABN AMRO will continue to focus on capital efficiency and will further strengthen its capital position.

ABN AMRO continues to monitor TLAC requirements following publication of the final terms in November 2015. Although Total Loss-Absorbing Capacity (TLAC) is not directly applicable to ABN AMRO, final terms for TLAC would be consistent with the current ambition to steer MREL to 8%. In line with a recent EBA positioning paper on this matter, further convergence between TLAC and MREL requirements is anticipated.

Other

Enquiries

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Investor call

A conference call will be hosted by the Managing Board for analysts and investors on Wednesday 16 November 2016 at 11:00 am CET (10:00 GMT).

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

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

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

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

Forward-looking statements are not historical facts and represent only ABN AMRO's current views and assumptions on future events, many of which, by their nature, are inherently uncertain and beyond our control. Factors that could cause actual results to differ materially from those anticipated by forward-looking statements include, but are not limited to, (macro)-economic, demographic and political conditions and risks, actions taken and policies applied by governments and their agencies, financial regulators and private organisations (including credit rating agencies), market conditions and turbulence in financial and other markets, and the success of ABN AMRO in managing the risks involved in the foregoing.

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