ABN·AMRO

Interim Report & Quarterly Report

Second quarter 2018

ABN AMRO Group N.V.

Notes to the reader

Introduction

This Quarterly Report presents ABN AMRO's results for the second quarter of 2018, the interim report for 2018 and the Condensed consolidated Interim Financial Statements for 2018. The report provides a quarterly business and financial review, risk, funding, liquidity and capital disclosures and an update of ABN AMRO's share performance.

Presentation of information

The Condensed consolidated Interim Financial Statements in this report have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU) and are reviewed by our external auditor. Some disclosures in the Risk, funding & capital information section of this report are part of the Condensed consolidated Interim Financial Statements and are labelled as 'reviewed' in the respective tables or headings.

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

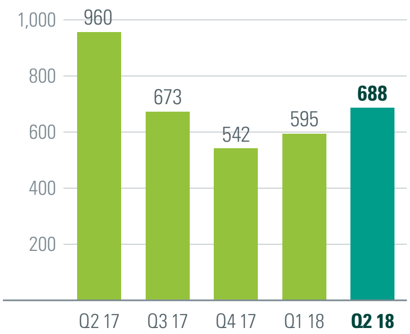
As from 1 January 2018, ABN AMRO has adopted IFRS 9 "Financial Instruments". IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes new requirements for the classification and measurement of financial instruments and impairment of financial assets. Prior years were not restated in line with the transitional provisions of the standard. This may result in prior year figures being less comparable with the figures presented over the second quarter or first half of 2018. ABN AMRO has decided to continue applying IAS 39 for hedge accounting, including the application of the EU carve-out. We refer you to note 1 Accounting policies of the Notes to the Condensed consolidated Interim Financial Statements for more information on the transitional impact of IFRS 9.

To download this report or to obtain more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com. In addition to this report, ABN AMRO provides an analyst and investor call presentation, an investor presentation and a factsheet regarding the Q2 2018 results.

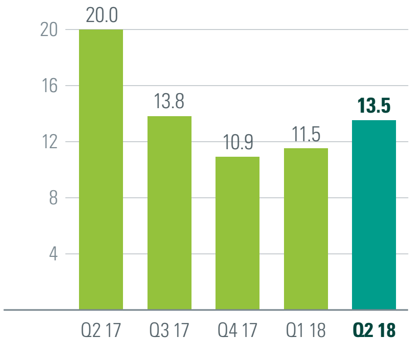
Executive Board Report

Figures at a glance

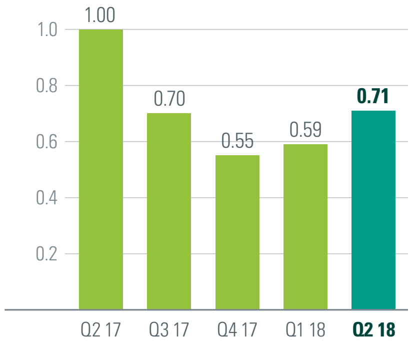
Net profit
(in millions)



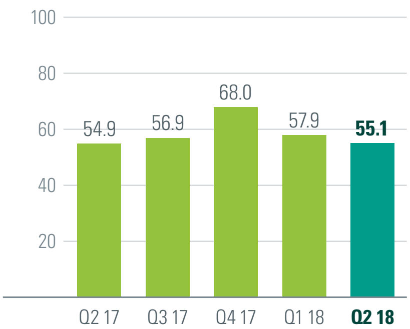
Return on equity
Target range is 10-13 (in %)



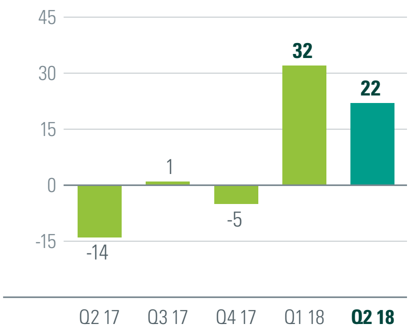
Earnings per share
(in EUR)



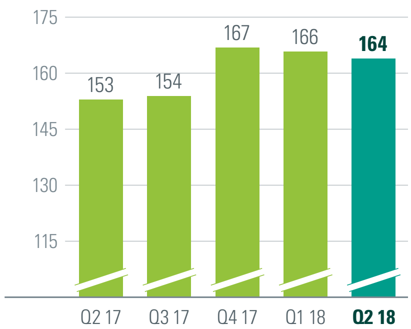
Cost/income ratio
2020 target range is 56-58 (in %)



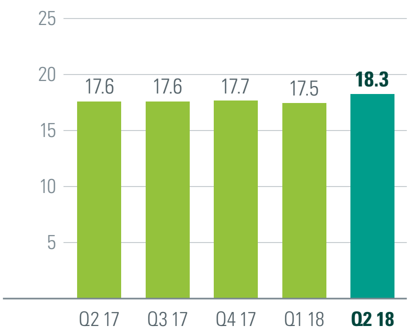
Cost of risk
(in bps)



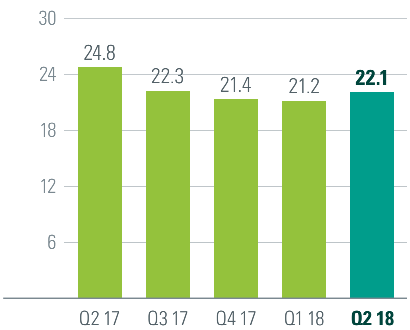
Net interest margin
(in bps)



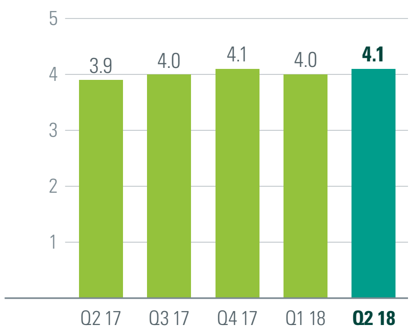
CET1 (fully-loaded)
(end-of-period, in %)
Target range is 17.5-18.5 (in %)



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



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



Message from the CEO

ABN AMRO is a well-capitalised and profitable bank, acknowledged for client centricity and delivering on efficiency improvement. We are recognised for our efforts in sustainability and ranking in the top 5% of banks listed in the Dow Jones Sustainability Index. We are making good progress on our strategic priorities and financial targets. Our cost-saving programmes and additional investments in digitalisation, innovation and growth are on track. We continue to focus on meeting client needs and we are therefore pleased to have been recognised by Euromoney as 'Best bank in the Netherlands' for improved efficiency, a push for digital transformation and the strong local position of Corporate & Institutional Banking (CIB).

The Dutch economy continues to flourish and this is reflected in the financial results for the second quarter with a solid net profit of EUR 688 million. Net interest income remained strong, despite the low interest rate environment. Competition in the mortgage market continues to be strong and to protect our profit margin, we remain disciplined in our pricing. Costs continue to benefit from cost-saving programmes. Impairments were well below the previous quarter, although still elevated as challenges remain in certain sectors, mainly in energy and healthcare. The overall credit quality trend in the loan book remained positive due to the strong Dutch economy and increasing collateral values. In 2017 the coverage ratio has trended down due to model refinements and IBNI releases, limiting the potential of further releases. We continue to expect full-year impairments to be below the through-the-cycle average of 25-30 basis points of the loan book.

The cost/income ratio over the first six months was 56.5% and the return on equity (ROE) was 12.5%. Our capital position increased strongly to a CET1 ratio of 18.3% in Q2 2018 due to active balance sheet management. We are now well placed within our target capital range. The interim dividend has been set at EUR 0.65 per share, in line with the amount paid in the first half of last year, reflecting an increase of the pay-out to 50%. We expect capital generation to continue, improving our position to distribute capital in addition to the targeted dividend pay-out of 50% of sustainable profit.

Last quarter, we gave an overview of the strategic focus we are bringing into Private Banking. Following the Private Banking Asia divestment and the sale of Luxembourg, Private Banking has moved to a franchise with strong local brands in core countries in North-West Europe. In line with this strategy, the announced acquisition of the private banking subsidiary of Societe Generale doubles our assets under management to EUR 12 billion in Belgium and strengthens our private banking activities locally, providing more scale to better service our clients and further grow our activities.

We indicated last quarter that we would present an update on CIB at the Q2 results, as CIB is facing both cyclical and long-term challenges. We have reviewed CIB. CIB has a well-respected client franchise and is core to the bank. CIB covers a broad set of activities, including Corporates Netherlands, Global Sectors, Clearing and product units such as Private Equity and Global Markets. Since 2012, the business has been rebuilt with a leading position in the Netherlands and an established position in selected global sectors, reflecting the open nature of the Dutch economy. We followed clients abroad and leveraged our sector knowledge into neighbouring countries. Most activities, including Corporates Netherlands, Clearing and Private Equity, deliver a through-the-cycle ROE of 10% or higher.

However, the ROE of CIB as a whole does not meet the group ROE target, as income growth in certain activities has not offset risk-weighted assets growth, impairments and costs. To improve CIB's profitability, capital allocated to CIB will be reduced. This will predominantly be in global sectors, mainly in trade and commodity finance. We will also reduce activities in highly cyclical sectors with high earnings volatility and focus more on clients with multiple product needs. These actions should reduce risk-weighted assets by 5 billion by the end of 2020 to around 34 billion, impacting revenues by about EUR 100 million.

The CIB cost base will be reduced by EUR 80 million, reflecting a staff reduction of around 250 FTEs as well as other savings, including support, for which we expect a restructuring provision of around EUR 50 million. Bringing more focus to the client base should improve CIB profitability to an ROE above 10%, is capital accretive and supports the group financial targets. We are also looking to develop a more capital efficient operating model with a further focus on distribution, providing a solid base to also serve our CIB clients in a Basel IV world.

In keeping with our ambition to contribute to the energy transition, Private Equity launched a EUR 200 million Energy Transition Fund focusing on opportunities in sustainable energy, carbon reduction, smart infrastructures and clean mobility. Other sustainability initiatives we had already launched aim to make residential and commercial real estate in the Netherlands more sustainable and sustainable investments the norm for our private banking clients.

We want to meet clients' needs by creating solutions that work for them in their daily lives. Innovation and technology are critical enablers in achieving this and we are therefore very pleased that the Vlerick Business School named ABN AMRO a front runner in digital transformation in the Netherlands for the second year in a row. We also seek solutions beyond our products and services, contributing to solving major issues in society. An example was the successful Hackaton, at which 56 teams competed to develop and technically realise new concepts within 48 hours, in areas such as social issues, security and health. This event supports our efforts to develop and learn about technical aspects of partnerships.

The platform of Dutch banks, banken.nl, recently concluded that the ABN AMRO Mobile Banking app is the most comprehensive offered by any Dutch bank. We will continue to build our leading position in digital channels and accelerate to meet our clients' expectations. Recently introduced new features of our Mobile Banking app include the ability to become a client and manage a mortgage in the app. We will intensify our focus on partnerships to create sustainable business models. We have, for example, entered into a strategic partnership with Opportunity Network, an online cross-border platform providing entrepreneurs with insight into opportunities for growth, acquisitions and other plans. This partnership enables us to offer additional services and facilitates client dialogue.

We are well on track and continue to move forward in achieving our strategic priorities and financial targets towards 2020. We will give an update of our strategic and financial progress at an investor day on 16 November, when the Executive Committee will present insights into their businesses and prospects, including further details on CIB as well as on capital, innovation and technology.

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

Business

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Financial review

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Results by segment

Financial review

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

Results

Financial highlights

- Solid profit in Q2 2018 with few incidentals, reflecting favourable net interest income and lower costs. Impairments well below the previous quarter. Lower result compared with Q2 2017, mainly reflecting the PB Asia divestment and impairment releases in that quarter.
- Net interest income was up 4%, despite low interest environment.
- Costs continue to trend down due to cost-saving programmes, also reflected in lower FTE numbers. FTEs came down by 401 compared with Q1 due to restructuring programmes. Cost/income ratio was 55.1%.
- Impairments were well below the previous quarter, although still elevated as challenges remain in certain sectors.
- Private Banking acquisition announced in July, doubling assets under management in Belgium and strengthening our private banking activities locally.

Operating results

(in millions)	Q2 2018	Q2 2017	Change	Q1 2018	Change	First half 2018	First half 2017	Change
Net interest income	1,656	1,599	4%	1,671	-1%	3,327	3,195	4%
Net fee and commission income	425	436	-2%	431	-1%	856	888	-4%
Other operating income	207	457	-55%	227	-9%	433	655	-34%
Operating income	**2,288**	**2,492**	**-8%**	**2,329**	**-2%**	**4,617**	**4,738**	**-3%**
Personnel expenses	581	657	-12%	629	-8%	1,210	1,288	-6%
Other expenses	680	711	-4%	720	-6%	1,400	1,432	-2%
Operating expenses	**1,261**	**1,367**	**-8%**	**1,348**	**-6%**	**2,609**	**2,720**	**-4%**
Operating result	**1,027**	**1,124**	**-9%**	**981**	**5%**	**2,007**	**2,018**	**-1%**
Impairment charges on financial instruments	134	-96		208	-36%	341	-33	
Operating profit/(loss) before taxation	**893**	**1,220**	**-27%**	**773**	**15%**	**1,666**	**2,051**	**-19%**
Income tax expense	204	260	-21%	178	15%	383	475	-19%
Profit/(loss) for the period	**688**	**960**	**-28%**	**595**	**16%**	**1,283**	**1,576**	**-19%**
Attributable to:								
Owners of the parent company	664	938	-29%	555	20%	1,219	1,539	-21%
Holders of AT1 capital securities	20	11	82%	19	1%	39	22	81%
Other non-controlling interests	5	11	-60%	21	-78%	25	15	65%

Incidentals

Private Banking divestments

Private Banking's other operating income in Q2 2018 included a total of EUR 48 million in sale proceeds and provision releases stemming from divestments (the sale of a building in Luxembourg and asset management activities in France). The sale of the Private Banking business in Luxembourg is expected to be completed in Q3 2018. A book gain on the sale of the Private Banking business in Asia (the PB Asia divestment) was recorded in Q2 2017, with gross sale proceeds at EUR 255 million (other operating income) and costs relating to the sale at EUR 56 million (EUR 21 million personnel expenses and EUR 35 million other expenses), all tax-exempt. The results of H1 2017 included four months of fee contributions from the divested PB Asia activities.

Provision for SME derivatives-related issues

In Q2 2018 the provision for project costs relating to SME derivatives-related issues was raised by EUR 37 million. Q2 2017 included a EUR 54 million addition to the provision for project costs and a EUR 15 million increase in the existing compensation provision (other operating income).

Provision release for discontinued securities financing activities

Q2 2018 included a EUR 64 million provision release relating to the securities financing activities discontinued in 2009. The release was recorded as net interest income (accrued statutory interest) at EUR 35 million and as other operating income at EUR 29 million.

Restructuring provisions

Q2 2018 did not include any material restructuring provisions. Q1 2018 included an additional EUR 31 million restructuring provision for control and support activities and digitalisation and process optimisation, as well as a reduction in footprint and product offering of Global Markets. In Q1 2017 and Q2 2017, provisions were EUR 12 million and EUR 25 million respectively.

Other indicators

	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Net interest margin (NIM) (in bps)	164	153	166	165	155
Cost/income ratio	55.1%	54.9%	57.9%	56.5%	57.4%
Cost of risk (in bps)[1]	22	-14	32	27	-3
Return on average Equity[2]	13.5%	20.0%	11.5%	12.5%	16.7%
Dividend per share[3]				0.65	0.65
Earnings per share (in EUR)[4]	0.71	1.00	0.59	1.30	1.64

1 Annualised impairment charges on loans and advances customers for the period divided by the average loans and advances customers (excluding at fair value through P&L) on the basis of gross carrying amount and excluding the fair value adjustments from hedge accounting.
2 Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average equity attributable to the owners of the company.
3 Interim/final dividend per share over the relevant period as declared/proposed by the company, subject to approval at the annual general meeting
4 Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.

	30 June 2018	31 March 2018	31 December 2017
Client Assets (in billions)	308.2	305.5	307.0
Risk-weighted assets (risk exposure amount; in billions)	104.5	107.9	106.2
FTEs	19,215	19,616	19,954

Second-quarter 2018 results

Net interest income increased by EUR 57 million compared with Q2 2017, totalling EUR 1,656 million in Q2 2018, which included a total of EUR 20 million for net favourable incidentals. The remainder mainly resulted from an increase in volumes and improved margins on corporate loans and higher mortgage penalty fees, partly offset by a declining duration related interest result from the prolonged low interest rate environment. Interest income on residential mortgages was stable as both average volumes and margins remained flat in a competitive market. Consumer loans yielded lower volumes and margins. On the liability side, average savings volumes were higher and margins improved slightly. The rate paid on main retail savings products was 5bps in Q2 2018 (Q2 2017: 15bps) and at the start of the year the bonus rate was lowered by 15bps. The rate paid on commercial deposits was nil in both quarters and a larger number of professional clients are being charged negative interest rates on deposits.

Adjusted for incidentals, net interest income decreased slightly compared with Q1 2018, mainly due to a lower interest mismatch result at Group Functions. In Q1 2018 there was a EUR 25 million release of penalty fees resulting from mortgage interest term renewals. The **net interest margin** (NIM) increased by 11bps to 164bps in Q2 2018, due to higher net interest income and active balance sheet management.

Net fee and commission income amounted to EUR 425 million in Q2 2018 (EUR 436 million in Q2 2017). Apart from the PB Asia divestment (one month fee contribution in Q2 2017), the decrease in net fee and commission income occurred primarily within Private Banking. Market sentiment in Q2 2017 had a favourable impact on net fee and commission income. Although market sentiment was still good in Q2 2018, the fee level of Q2 2017 was lower as more clients opted for execution-only instead of managed portfolios and the raised client threshold for advisory services resulted in lower advisory volumes. Compared with Q1 2018, net fee and commission income decreased by EUR 6 million, primarily at Private Banking due to favourable results in Q1.

Other operating income amounted to EUR 207 million. Excluding the result of the PB Asia divestment, other operating income remained almost flat compared with Q2 2017. Q2 2018 included lower results for Equity Participations (EUR 29 million versus EUR 52 million in Q2 2017). CVA/DVA/FVA (EUR 3 million compared with EUR 19 million in Q2 2017) and less favourable hedge accounting-related income (EUR 16 million versus EUR 68 million in Q2 2017). This was largely offset by positive incidentals in Q2 2018 relating to divestments in Private Banking of EUR 48 million and a EUR 29 million provision release relating to securities financing activities discontinued in 2009. Other operating income was EUR 20 million lower than in Q1 2018 as the previous quarter included high Equity Participations results (EUR 102 million) and the revaluation of equensWorldline (EUR 46 million).

Personnel expenses declined by EUR 76 million, totalling EUR 581 million in Q2 2018. Personnel expenses in Q2 2017 included a total of EUR 46 million for restructuring costs relating to the PB Asia divestment and restructuring provisions. Adjusted for incidentals in Q2 2017, the underlying trend showed a further decrease on the back of declining FTE levels, partly offset by wage inflation. Adjusted for incidentals, personnel expenses remained broadly flat compared with Q1 2018 as lower average FTE levels were offset by wage inflation. The previous quarter included a restructuring provision (EUR 31 million) and a one-off CLA payment (EUR 16 million).

FTE levels came down by 1,541 FTEs compared to the end of Q2 2017 to 19,215 in Q2 2018. The decrease applies to all commercial segments, except Corporate & Institutional Banking, as a result of restructuring programmes. Compared with Q1 2018, FTE levels decreased by 401, primarily at Retail Banking (due to the closing of branches and digitalisation), Private Banking (due to the transformation) and Commercial Banking (due to the integration of Lease and Commercial Finance).

Other expenses decreased by EUR 31 million, totalling EUR 680 million in Q2 2018. Excluding the impact of the PB Asia divestment, project costs for SME derivatives-related issues and higher regulatory levies, other expenses remained stable. In Q2 2018 the provision for project costs relating to SME derivatives-related issues was raised by EUR 37 million (EUR 54 million in Q2 2017). Regulatory levies were EUR 23 million higher in Q2 2018 due to an increase in the Single Resolution Fund contribution. Adjusted for regulatory levies and project costs for SME derivatives-related issues, other expenses remained flat compared with Q1 2018.

Impairment charges on financial instruments amounted to EUR 134 million in Q2 2018, versus a EUR 96 million release in Q2 2017. Impairments were well below the previous quarter, although still elevated as challenges remain in certain sectors, mainly energy (EUR 66 million), trade & commodity finance (27 million) and healthcare (EUR 37 million). In CIB, impairments largely related to clients already in default. Impairment releases in Q2 2017 mainly resulted from model refinements on SME lending and mortgages as well as an IBNI release.

The cost of risk amounted to 22bps in Q2 2018, below the through-the-cycle level of 25-30bps. Impairment charges have come down from the high level recorded in Q1 2018 (EUR 208 million) as the previous quarter included high charges in a few specific sectors. In particular, lower impairment charges were recorded in global transportation & logistics and in diamond & jewellery clients.

Client loans increased to EUR 254.2 billion, mainly reflecting an increase in corporate loans. Decline in **RWA**, mainly reflecting active balance sheet management, asset quality improvements, despite loan growth (including USD appreciation).

Developments in the first six months of 2018

ABN AMRO's **profit for the period** in H1 2018 amounted to EUR 1,283 million. This decrease of EUR 293 million compared with H1 2017 is mainly attributable to the sale proceeds of the PB Asia divestment and the effect of model refinements driving impairment releases in H1 2017. **Return on Equity** for H1 2018 was 12.5% compared with 16.7% in H1 2017, which benefited from the PB Asia divestment and impairment releases. Adjusted for incidentals, the operating result showed an underlying improvement, reflecting growth in net interest income on the back of corporate loan book growth and further decreasing cost levels on the back of FTE reductions.

Operating income amounted to EUR 4,617 million, a decrease of EUR 121 million compared with H1 2017. Excluding the PB Asia divestment, operating income increased predominately on higher net interest income.

Net interest income came in at EUR 3,327 million, compared with EUR 3,195 in H1 2017. The increase partly related to an incidental release of penalty fees resulting from mortgage interest term renewals (EUR 25 million) in Q1 2018 and positive incidentals (EUR 20 million net) in Q2 2018. The remainder mainly results from an increase in volume growth and improved margins on corporate loans and higher mortgage penalty fees, partly offset by a declining duration related interest result from the prolonged low interest rate environment. Interest income on residential mortgages was stable as average volumes and margins remained flat in a competitive market. Consumer loans yielded lower volumes and margins. Average savings volumes were higher and margins slightly improved.

Net fee and commission income amounted to EUR 856 million, a decrease of EUR 32 million compared with H1 2017. Half of this decrease is attributable to the PB Asia divestment, as H1 2017 included four months of fee contributions from this business. The remaining decrease occurred primarily within Private Banking as market sentiment in H1 2017 had a favourable impact on net fee and commission income. Although market sentiment recovered in Q2 2018, the fee level of H1 2017 was not reached as a larger number of clients opted execution-only instead of managed portfolios and the raised client threshold for advisory services resulted in lower advisory volumes. At Corporate & Institutional Banking, lower trade & guarantees commissions and lower placement fees were partly offset by higher clearing fees following from increased market activity.

Other operating income decreased to EUR 433 million in H1 2018 (H1 2017: EUR 655 million). Excluding the PB Asia divestment in 2017, other operating income increased due to better results for Equity Participations (EUR 131 million versus EUR 77 million in H1 2017). Less favourable hedge accounting-related income (EUR 40 million versus EUR 118 million in H1 2017) and lower results for CVA/DVA/FVA (H1 2018: nil, H1 2017: EUR 43 million), were largely offset by favourable incidentals in H1 2018. Incidentals included EUR 48 million at Private Banking, the revaluation of equensWorldline (EUR 46 million) and a provision release relating to securities financing activities discontinued in 2009 (EUR 29 million).

Personnel expenses came down by EUR 79 million to EUR 1,210 million in H1 2018. Excluding restructuring-related costs, personnel expenses decreased as a result of lower FTE levels following from cost-saving programmes. This decrease was partly offset by wage inflation as the new CLA entailed a one-off payment (EUR 16 million) and a 2% wage increase. Restructuring-related costs amounted to EUR 33 million in H1 2018 versus EUR 58 million in H1 2017.

Other expenses were EUR 1,400 million in H1 2018, a decrease of EUR 32 million compared with H1 2017. Excluding the impact of the PB Asia divestment, project costs for SME derivatives-related issues and higher regulatory levies, other expenses remained stable. Regulatory levies were

EUR 26 million higher in H1 2018 due to an increase in the Single Resolution Fund contribution. Full year regulatory levies are expected to be approximately EUR 325 million.

Impairment charges on financial instruments amounted to EUR 341 million in H1 2018 versus a EUR 33 million release in H1 2017. Despite the continued favourable overall credit quality trend, impairment charges in H1 2018 were high due to charges recorded in specific sectors (natural resources, trade & commodity finance including diamond & jewellery clients, healthcare and global transportation & logistics). Impairment releases in H1 2017 mainly resulted from model refinements on SME lending and mortgages as well as an IBNI release. The cost of risk amounted to 27bps in H1 2018.

Balance sheet

Condensed consolidated statement of financial position

(in millions)	30 June 2018	31 March 2018	31 December 2017
Cash and balances at central banks	28,826	25,484	29,783
Financial assets held for trading	1,430	1,708	1,600
Derivatives	8,648	9,075	9,825
Financial investments	41,322	42,896	40,964
Securities financing[1]	16,830	21,222	15,686
Loans and advances banks	10,084	9,900	10,665
Loans and advances customers	277,817	275,830	274,906
Other[1]	10,408	11,109	9,743
Total assets	**395,365**	**397,223**	**393,171**
Financial liabilities held for trading	716	996	1,082
Derivatives	9,700	7,784	8,367
Securities financing[1]	12,756	17,824	11,412
Due to banks	14,646	18,849	16,462
Due to customers	238,058	234,251	236,699
Issued debt	78,251	75,841	76,612
Subordinated liabilities	9,683	9,506	9,720
Other[1]	10,266	10,713	11,488
Total liabilities	**374,077**	**375,764**	**371,841**
Equity attributable to the owners of the parent company	19,240	19,432	19,303
AT1 capital securities	2,005	1,986	2,007
Equity attributable to other non-controlling interests	43	41	20
Total equity	**21,288**	**21,460**	**21,330**
Total liabilities and equity	**395,365**	**397,223**	**393,171**
Committed credit facilities	37,099	35,070	32,772
Guarantees and other commitments	16,062	16,033	16,165

[1] ABN AMRO classified all unsettled securities transactions as other assets and other liabilities, previously these were included in securities financing. Comparative figures have been adjusted.

Main developments in total assets compared with 31 March 2018

Total assets decreased by EUR 1.9 billion, totalling EUR 395.4 billion at 30 June 2018, mainly due to lower securities financing assets partly offset by higher corporate loan volumes.

Cash and balances at central banks went up by EUR 3.3 billion. The increase was partly due to a shift from financial investments.

Securities financing assets decreased by EUR 4.4 billion to EUR 16.8 billion due to more active balance sheet management. This is also reflected in the securities financing liabilities position.

Loans and advances customers increased by EUR 2.0 billion.

Loans and advances customers

(in millions)	30 June 2018	31 March 2018	31 December 2017
Residential mortgages	150,393	150,665	150,562
Consumer loans	12,329	12,334	12,426
Corporate loans to clients[1]	91,506	89,941	85,455
Of which: Commercial Banking	41,527	41,291	40,082
Of which: Corporate & Institutional Banking	43,369	42,146	38,814
Total client loans[2]	**254,228**	**252,940**	**248,443**
Loans to professional counterparties	16,995	15,624	16,258
Other loans[3]	5,845	6,520	8,966
Total Loans and advances customers[2]	**277,068**	**275,084**	**273,666**
Fair value adjustments from hedge accounting	3,516	3,444	3,700
Less: loan impairment allowance	2,767	2,698	2,460
Total Loans and advances customers	**277,817**	**275,830**	**274,906**

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

Client loans rose by EUR 1.3 billion, primarily due to higher corporate loans at Corporate & Institutional Banking (including a EUR 1.5 billion favourable USD impact), while Commercial Banking continued to grow across most sectors. Residential mortgages decreased slightly, while consumer loans remained stable.

Professional loans (loans to professional counterparties plus other loans) increased by EUR 0.7 billion, mainly on the back of Clearing.

Main developments in total liabilities compared with 31 March 2018

Total liabilities came down by EUR 1.7 billion, totalling EUR 374.1 billion at 30 June 2018. The decrease mainly related to lower securities financing liabilities and partly offset by an increase in the amount due to customers.

Securities financing decreased by EUR 5.1 billion due to more active balance sheet management.

Issued debt securities went up by EUR 2.4 billion, totaling EUR 78.3 billion due to a higher USD rate and increased long term funding.

Due to customers increased by EUR 3.8 billion, totalling EUR 238.1 billion, mainly due to higher client deposits at Retail Banking that included savings of holiday allowances.

Due to banks went down by EUR 4.2 billion, totalling EUR 14.6 billion, mainly due to more active balance sheet management.

Shareholders' equity slightly decreased to EUR 19.2 billion as the inclusion of the profit for the period was more than offset by the final 2017 dividend payment of EUR 752 million.

Results by segment

This section includes a discussion and analysis of the results and the financial condition of ABN AMRO Group at segment level for Q2 2018 compared with Q2 2017.

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. During the first half of 2018 ABN AMRO transferred the portfolio of Small Business Clients with a turnover of up to EUR 1 million from Retail Banking to Commercial Banking. As a consequence, the segment reporting has also changed. Historical figures have been adjusted for comparability purposes. The transfer has no effect on the historical overall group results or financial position of the bank.

Retail Banking

Financial highlights

- Lower profit for the period was attributable to a decrease in operating income, lower impairment releases and higher regulatory levies.
- Interest income on mortgages and deposits remained stable, while consumer loans saw lower volumes and margins.
- FTE levels continued to decrease following a further reduction in the number of branches alongside ongoing digitalisation.

Business developments

- The platform of Dutch banks 'banken.nl' named the ABN AMRO Mobile Banking app the most comprehensive app offered by any Dutch bank.
- Tikkie introduced 'Fast Checkout', a payment service for online retailers; users only need to share their mobile telephone number to initiate the payment.
- The Digital Impact Fund acquired a minority stake in the Dutch fintech Ockto, which specialises in helping consumers and businesses to safely collect and share personal data, facilitating e.g. mortgage applications.

Operating results

(in millions)	Q2 2018	Q2 2017	Change	Q1 2018	Change	First half 2018	First half 2017	Change
Net interest income	790	821	-4%	804	-2%	1,594	1,635	-3%
Net fee and commission income	86	85	1%	84	2%	170	175	-3%
Other operating income	10	7	35%	5	101%	15	12	27%
Operating income	**887**	**914**	**-3%**	**893**	**-1%**	**1,779**	**1,822**	**-2%**
Personnel expenses	111	115	-4%	119	-7%	230	223	3%
Other expenses	378	365	3%	407	-7%	784	775	1%
Operating expenses	**489**	**480**	**2%**	**526**	**-7%**	**1,015**	**998**	**2%**
Operating result	**398**	**433**	**-8%**	**367**	**8%**	**765**	**824**	**-7%**
Impairment charges on financial instruments	-23	-56	59%	4		-19	-59	69%
Operating profit/(loss) before taxation	**420**	**489**	**-14%**	**363**	**16%**	**783**	**883**	**-11%**
Income tax expense	103	121	-15%	91	13%	195	221	-12%
Profit/(loss) for the period	**317**	**367**	**-14%**	**272**	**17%**	**589**	**662**	**-11%**

Other indicators

	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Cost/income ratio	55.1%	52.6%	58.9%	57.0%	54.8%
Cost of risk (in bps)[1]	- 5	- 14	1	- 2	- 8

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

	30 June 2018	31 March 2018	31 December 2017
Loan-to-Deposit ratio	163%	167%	166%
Loans and advances customers (in billions)	156.0	156.2	156.3
Of which Client loans (in billions)[1]	156.4	156.7	156.7
Due to customers (in billions)	95.5	93.7	94.3
Risk-weighted assets (risk exposure amount; in billions)	26.7	26.7	27.6
FTEs	4,779	4,989	5,060
Total Client Assets (in billions)	107.3	105.4	106.4
Of which Cash	95.5	93.7	94.3
Of which Securities	11.8	11.7	12.1

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

Net interest income declined by EUR 31 million, totalling EUR 790 million in Q2 2018. The decrease was mainly attributable to an addition to the provision for ICS (EUR 15 million) and the transfer of clients to Private Banking. The underlying trend showed stable interest income from mortgages and deposits. Interest income from consumer loans decreased compared with Q2 2017 as average volumes and margins were both lower. Compared with Q1 2018, net interest income decreased by EUR 14 million as a result of the ICS provision addition in Q2. Mortgage production and market share declined on the back of increased competition and more demand for mortgages with a longer maturity. Our market share in new production was 17.7% in Q2 2018 (Q2 2017: 20.8% and Q1 2018: 19.9%).

Net fee and commission income amounted to EUR 86 million, broadly stable compared to Q2 2017 and Q1 2018.

Personnel expenses decreased by EUR 4 million to EUR 111 million in Q2 2018. The decrease was due to lower FTE levels resulting from digitalisation and cost-saving programmes, partly offset by wage inflation. The number of FTEs declined by 387 compared to Q2 2017, totalling 4,779 on 30 June 2018, reflecting a further reduction in the number of branches and ongoing digitalisation. Compared with Q1 2018, personnel expenses came down EUR 8 million due to the further reduction of FTEs and the one-off CLA impact in Q1 2018.

Other expenses went up by EUR 13 million, totalling EUR 378 million in Q2 2018. The increase was due to higher regulatory levies and higher allocation of costs by Group Functions for digitalisation of client contact channels (e.g. chatbot, video banking). Adjusted for regulatory levies, other expenses were slightly below Q1 2018.

Impairment charges on financial instruments showed a release of EUR 23 million in Q2 2018, whereas Q2 2017 showed a release of EUR 56 million. The release in Q2 2018 was attributable to several drivers, including indexation of collateral. There was a model refinement on mortgages in Q2 2017. The cost of risk of residential mortgages amounted to -5bps, well below the through-the-cycle level of 5-7bps.

Client loans declined slightly to EUR 156.4 billion at 30 June 2018. The EUR 0.3 billion decline since 31 March 2018 mainly reflects a decline in the mortgage volume. **RWA** was flat at 26.7 billion.

Commercial Banking

Financial highlights

- Net interest income grew 3%, benefiting from continued loan growth, improved margins and higher interest-related fees.
- Cost levels remained stable as higher regulatory levies were offset by net FTE savings resulting from cost-saving programmes. Cost/income ratio was 48.2%.
- Increased impairments reflect a model refinement in Q2 2017 versus specific new impaired files, mainly in healthcare, in the current quarter.

Business developments

- Tikkie for Business is growing exponentially as clients can now be enrolled fully digitally through a dedicated portal.
- Strategic partnership with Opportunity Network, an online cross-border platform providing entrepreneurs with insight into real-life opportunities for growth, acquisitions and other plans.
- The Dutch banks jointly launched circular-economy finance guidelines that give better insight into financial backing for the circular economy and aim to help drive such financing.
- The BREEAM-NL In-Use QuickScan, developed in cooperation with CFP Green Buildings and the Dutch Green Building Council, has been added to ABN AMRO's Sustainable Investment Tool to give real estate owners a fast and convenient way to check how their buildings measure up to the requirements of sustainability label BREEAM-NL.

Operating results

(in millions)	Q2 2018	Q2 2017	Change	Q1 2018	Change	First half 2018	First half 2017	Change
Net interest income	416	403	3%	404	3%	820	790	4%
Net fee and commission income	63	64	-2%	63		125	126	-1%
Other operating income	15	16	-10%	9	55%	24	27	-11%
Operating income	**493**	**483**	**2%**	**476**	**3%**	**969**	**943**	**3%**
Personnel expenses	75	80	-5%	80	-6%	155	156	
Other expenses	162	156	4%	167	-3%	329	329	
Operating expenses	**238**	**235**	**1%**	**247**	**-4%**	**485**	**485**	
Operating result	**255**	**247**	**3%**	**229**	**11%**	**485**	**458**	**6%**
Impairment charges on financial instruments	69	-107		45	54%	114	-114	
Operating profit/(loss) before taxation	**186**	**354**	**-47%**	**185**	**1%**	**371**	**572**	**-35%**
Income tax expense	46	88	-47%	45	3%	91	142	-36%
Reported profit/(loss) for the period	**140**	**266**	**-47%**	**140**		**280**	**430**	**-35%**

Other indicators

	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Cost/income ratio	48.2%	48.7%	51.8%	50.0%	51.4%
Cost of risk (in bps)[1]	79	-105	49	64	- 56

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

	30 June 2018	31 March 2018	31 December 2017
Loan-to-Deposit ratio	92%	93%	91%
Loans and advances customers (in billions)	41.5	41.2	40.1
Of which Client loans (in billions)[1]	42.1	41.7	40.5
Due to customers (in billions)	45.1	44.1	44.2
Risk-weighted assets (risk exposure amount; in billions)	25.0	25.7	24.9
FTEs	2,694	2,744	2,905

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

Net interest income increased by EUR 13 million to EUR 416 million in Q2 2018, supported by higher net interest income on client loans, predominantly in Asset Based Finance, and higher interest-related fees. Net interest income on client loans benefited primarily from continued client lending growth (4% versus Q2 2017 and 1% versus Q1 2018) and improved margins. The impact of deposit volume growth was offset by continuing margin pressure. The EUR 12 million rise in net interest income from Q1 2018 was attributable to the same drivers.

Net fees and commission income remained stable compared to both Q2 2017 and Q1 2018.

Other operating income remained flat at EUR 15 million (Q2 2017: 16 million). Both quarters included positive revaluation results. Compared with Q1 2018, other operating income increased by EUR 6 million as revaluation results were more favourable in Q2 2018.

Personnel expenses came down by EUR 5 million to EUR 75 million in Q2 2018. This was driven by a reduction in FTEs following from cost-saving programmes, partly offset by wage inflation. Compared with Q1 2018, personnel expenses were down EUR 5 million due to fewer FTEs and the one-off CLA impact in Q1. The reduction in FTEs compared with Q1 2018 reflects the integration of Lease and Commercial Finance into a single Asset Based Finance organisation.

Other expenses increased by EUR 6 million compared with Q2 2017, mainly as a result of higher regulatory levies. Compared with Q1 2018, other expenses declined by EUR 5 million as regulatory levies were higher last quarter.

Impairment charges on financial instruments amounted to EUR 69 million, compared with a EUR 107 million release in Q2 2017. Despite the continued favourable overall credit quality trend, impairment charges in Q2 2018 included a few new files (predominantly in the healthcare sector). Impairment releases in Q2 2017 mainly resulted from an SME model refinement and an IBNI release.

Client loans continued to grow, reaching EUR 42.1 billion at 30 June 2018. The EUR 0.4 billion rise since 31 March 2018 reflected steady growth across most sectors. **RWA** decreased by 0.7 billion to 25.0 billion, primarily due to a decrease in loan volumes with low credit quality, partly offset by an increase in loan volumes.

Private Banking

Financial highlights

- Net interest income was up 11%, primarily reflecting margin improvements in the Netherlands.
- Underlying development shows lower cost levels following from substantial FTE reductions, reflecting progress in the transformation of Private Banking.
- Client assets were up EUR 0.8 billion from Q1 2018, primarily driven by recovered market performance.

Business developments

- Acquisition announced, doubling assets under management in Belgium, strengthening our private banking activities locally and providing more scale to better service our clients and further grow our activities.
- Reorganisation in the Netherlands was finalised.
- Sale of Client Assets in institutional mandates and dedicated funds as well as open-ended French-regulated funds, in line with our strategy to focus on open architecture offering.
- Professional Wealth Management (PWM) magazine, a publication of the Financial Times Group, awarded ABN AMRO for Best Initiative in client-facing technology in Europe, and highly commended it in the category Best Private Bank for digital client communications.

Operating Results

(in millions)	Q2 2018	Q2 2017	Change	Q1 2018	Change	First half 2018	First half 2017	Change
Net interest income	180	162	11%	185	-3%	364	326	12%
Net fee and commission income	132	140	-6%	137	-3%	269	292	-8%
Other operating income	64	256	-75%	12		76	274	-72%
Operating income	**376**	**558**	**-33%**	**333**	**13%**	**709**	**892**	**-20%**
Personnel expenses	100	141	-29%	102	-2%	202	266	-24%
Other expenses	129	165	-22%	138	-6%	267	309	-14%
Operating expenses	**230**	**306**	**-25%**	**240**	**-4%**	**470**	**575**	**-18%**
Operating result	**146**	**252**	**-42%**	**94**	**57%**	**240**	**318**	**-24%**
Impairment charges on financial instruments	7			5	46%	12	-4	
Operating profit/(loss) before taxation	**139**	**252**	**-45%**	**88**	**57%**	**228**	**321**	**-29%**
Income tax expense	35	18	99%	23	55%	58	34	74%
Profit/(loss) for the period	**104**	**234**	**-56%**	**66**	**58%**	**169**	**288**	**-41%**

Other indicators

	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Cost/income ratio	61.1%	54.8%	72.0%	66.2%	64.4%
Cost of risk (in bps)[1]	21		20	21	- 6

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

	30 June 2018	31 March 2018	31 December 2017
Loan-to-Deposit ratio	19%	19%	19%
Loans and advances customers (in billions)	12.1	12.2	12.2
Of which Client loans (in billions)[1]	12.3	12.3	12.4
Due to customers (in billions)	65.0	63.5	65.0
Risk-weighted assets (risk exposure amount; in billions)	9.3	9.3	9.4
FTEs	2,996	3,104	3,240

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

Client assets

(in billions)	Q2 2018	Q1 2018
Opening balance Client Assets	**200.1**	**200.6**
Net new assets	-0.5	3.6
Market performance	1.8	-4.2
Divestments	-0.5	
Closing Balance Client Assets	**200.9**	**200.1**
	30 June 2018	31 March 2018
Breakdown by type		
Cash	67.2	65.9
Securities	133.7	134.2
-of which Custody	38.0	39.2
Total	**200.9**	**200.1**
Breakdown by geography		
The Netherlands	56%	55%
Rest of Europe	44%	45%

Net interest income rose by EUR 18 million compared with Q2 2017, arriving at EUR 180 million. The increase was primarily attributable to margin improvements in the Netherlands and the transfer of clients from Retail Banking. Compared with Q1 2018, saving volumes increased primarily in the Netherlands.

Net fee and commission income declined by EUR 8 million to EUR 132 million. Excluding the PB Asia divestment, net fee and commission income declined by EUR 5 million. Market sentiment in Q2 2017 had a favourable impact on net fee and commission income. Although market sentiment was still good in Q2 2018, the fee level of Q2 2017 was not reached. More clients opted for execution-only instead of managed portfolios and the raised client threshold for advisory services resulted in lower advisory volumes. Compared with Q1 2018, net fee and commission income decreased by EUR 5 million as Q1 benefited from favourable results.

Other operating income declined EUR 192 million compared with Q2 2017, arriving at EUR 64 million. Excluding the sale proceeds of the PB Asia divestment in 2017, other operating income went up by EUR 58 million. This was mainly the result of positive incidentals totalling EUR 48 million in Q2 2018, which related to sale proceeds and provision releases stemming from divestments (the sale of a building in Luxembourg and asset management activities in France).

Client assets came to EUR 200.9 billion, up EUR 0.8 billion from Q1 2018, driven by recovered market performance. **Net new assets** amounted to EUR -0.5 billion. The negative NNA development occurred primarily in the international activities and related partly to the outflow of custody assets. The internal transfer from Retail Banking and referrals from Commercial Banking amounted to EUR 0.6 billion. Q2 2018 included a small portfolio sale of affluent clients in France (EUR -0.5 billion divestment).

Personnel expenses decreased by EUR 41 million compared with Q2 2017. Excluding costs relating to the PB Asia divestment in 2017, personnel expenses decreased by EUR 6 million, reflecting substantial FTE reductions, partly offset by wage inflation. Compared with Q2 2017, the number of FTE decreased by 495. This was primarily due to progress in restructuring and the impact of the PB Asia divestment, which also resulted in an internal transfer of FTEs to Corporate & Institutional Banking.

Other expenses amounted to EUR 129 million in Q2 2018. Adjusted for costs relating to the PB Asia divestment in Q2 2017, other expenses remained stable. Lower other expenses compared with Q1 2018 were primarily the result of lower regulatory levies.

Client loans were stable at EUR 12.3 billion at 30 June 2018. **RWA** was also stable at 9.3 billion.

Corporate & Institutional Banking

Financial highlights

- Stable profit for the period reflected favourable net interest come, stable costs and increased impairment charges.
- Net interest income was up 23% on the back of continued growth in corporate loans as well as the favourable impact of new deals.
- Cost/income ratio was 62.9%, an improvement of 2.9% points. Underlying increase in costs reflects wage inflation and a higher number of FTEs.
- Impairment charges materially lower than in Q1, although still elevated, reflecting challenges in specific sectors.
- RWA decreased mainly reflecting active balance sheet management (including first effects of CIB refocus), credit quality improvements, despite increase in loans from USD appreciation.
- CIB announced a refocus of its activities to deliver returns that meet the group ROE target.

Business developments

- Private Equity launched a Energy Transition Fund in May; a EUR 200 million fund focused on opportunities in sustainable energy, energy efficiency/carbon reduction, smart infrastructures and clean mobility.
- Process optimisation speeded up delivery of compensation proposals for Interest Rate Derivatives clients: over 5,900 of 7,000 client files are under review, of which around 2,200 are close to or in the final stages of reassessment; 600 clients have by now received compensation.
- Extel Survey named ABN AMRO the leading equity brokerage firm in the Benelux region for the third time in four years.

Operating results

(in millions)	Q2 2018	Q2 2017	Change	Q1 2018	Change	First half 2018	First half 2017	Change
Net interest income	286	233	23%	265	8%	551	464	19%
Net fee and commission income	140	140		137	2%	277	283	-2%
Other operating income	67	98	-32%	126	-47%	193	201	-4%
Operating income	**493**	**471**	**5%**	**528**	**-7%**	**1,021**	**948**	**8%**
Personnel expenses	117	106	11%	118	-1%	235	213	10%
Other expenses	193	205	-6%	181	7%	374	385	-3%
Operating expenses	**310**	**310**		**299**	**4%**	**609**	**597**	**2%**
Operating result	**183**	**161**	**14%**	**229**	**-20%**	**412**	**351**	**17%**
Impairment charges on financial instruments	84	67	25%	152	-45%	236	144	63%
Operating profit/(loss) before taxation	**100**	**94**	**6%**	**77**	**29%**	**177**	**207**	**-15%**
Income tax expense	22	17	34%	3		26	41	-38%
Profit/(loss) for the period	**77**	**78**		**74**	**4%**	**151**	**166**	**-9%**

Other indicators

	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Cost/income ratio	62.9%	65.8%	56.6%	59.6%	63.0%
Cost of risk (in bps)[1]	55	46	105	79	54

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

	30 June 2018	31 March 2018	31 December 2017
Loan-to-Deposit ratio	204%	191%	173%
Loans and advances customers (in billions)	61.9	60.0	59.7
Of which Client loans (in billions)[1]	43.4	42.2	38.9
Due to customers (in billions)	28.3	28.8	30.3
Risk-weighted assets (risk exposure amount; in billions)	37.2	38.8	37.7
FTEs	2,571	2,594	2,542

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

Net interest income grew by EUR 53 million to EUR 286 million in Q2 2018. Net interest income rose on the back of increased client lending and the favourable impact of new deals. This was partly offset by the negative currency impact of the US Dollar, whereas loan margins improved slightly year-on-year. Deposit income was slightly higher than in Q2 2017 as margins improved modestly, largely on USD deposits. Moreover, a larger number of professional clients are being charged negative interest rates on deposits. Net interest income at Global Markets showed an increase, partly due to lower results for collateral management activities in Q2 2017. Compared with Q1 2018, net interest income increased by EUR 21 million on the back of volume growth and the favourable impact of new deals.

Net fee and commission amounted to EUR 140 million in Q2 2018 and remained flat compared to Q2 2017.

Other operating income decreased by EUR 31 million to EUR 67 million in Q2 2018. This was mainly attributable to lower Equity Participations results (EUR 29 million versus EUR 52 million in Q2 2017). Lower results for CVA/DVA/FVA (EUR 3 million versus EUR 19 million in Q2 2017) were offset by an increase in the existing compensation provision for SME derivatives-related issues in Q2 2017 (EUR 15 million). Compared with Q1 2018, lower operating income in Q2 primarily reflects high Equity Participations results in Q1 2018 (EUR 102 million).

Personnel expenses came to EUR 117 million in Q2 2018 (Q2 2017: EUR 106 million). This increase was due to a rise in the number of FTEs, wage inflation and a minor restructuring provision relating to the winding down of the activities in Dubai. Compared with Q2 2017, the number of FTEs grew by 174 due to growth initiatives as well as an internal transfer from Private Banking following the PB Asia divestment.

Other expenses decreased to EUR 193 million (Q2 2017: EUR 205 million). Excluding incidentals and higher regulatory levies, other expenses were in line with Q2 2017. In Q2 2018, the provision for project costs relating to SME derivatives-related issues was increased by EUR 37 million (EUR 54 million in Q2 2017). The increase in other expenses compared with Q1 2018 was primarily due to the provision addition, largely offset by lower regulatory levies in Q2 2018.

Impairment charges on financial instruments amounted to EUR 84 million (EUR 67 million in Q2 2017), a material decrease compared to Q1 2018 (EUR 152 million). Impairments largely related to clients already in default in specific sectors (Energy and Trade & Commodity Finance). Compared with Q1 2018, impairment charges were mainly lower within global transportation & logistics and for diamond & jewellery clients. The cost of risk amounted to 55bps.

Client loans amounted to EUR 43.4 billion, compared with EUR 42.2 billion on 31 March 2018. The increase mainly reflects USD appreciation of around EUR 1.5 billion. **RWA** declined to 37.2 billion, reflecting active balance sheet management (including first effects from the refocus of CIB), asset quality improvements (e.g. lower loan balances post impairments, improved credit ratings), improved data sourcing and declining market risk, which was partly offset by the effect of a stronger USD exchange rate.

CIB strategy update

We have reviewed CIB. CIB has a well-respected client franchise and is core to the bank. CIB covers a broad set of activities, ranging from Corporates Netherlands, Global Sectors and Clearing to product units such as Private Equity and Global Markets. Since 2012, the business has been rebuilt with a leading position in the Netherlands and an established position in a few global sectors, reflecting the open nature of the Dutch economy. We followed clients abroad and leveraged our sector knowledge to neighbouring countries. Most activities, including Corporates Netherlands, Clearing and Private Equity, deliver a through-the-cycle ROE of 10% or higher.

However, the ROE of CIB as a whole does not meet the group ROE target, as income growth in certain activities has not offset risk-weighted assets growth, impairments and costs. We plan to improve CIB's profitability through three levers: reducing capital, lowering costs and transforming the business model.

I. Capital allocated to CIB will be reduced. This will predominantly be in global sectors, mainly in trade and commodity finance (TCF). We will also reduce activities in highly cyclical sectors with high earnings volatility in global transportation & logistics (GTL) and natural resources (NR). These actions should reduce risk-weighted assets by 5 billion by the end of 2020 to around 34 billion, impacting revenues by about EUR 100 million.
II. The CIB cost base will be reduced by EUR 80 million, reflecting a staff reduction of around 250 FTEs as well as other savings, including support, for which we expect to take a restructuring provision of around EUR 50 million in the second half of the year.
III. CIB will develop a more capital-efficient operating model with a further focus on distribution and focus more on clients with multiple product needs. The sectors GTL and NR will focus more on energy transition and sustainability. This should provide a solid base to also serve our CIB clients in a Basel IV world.

Bringing more focus to the client base should improve CIB profitability to an ROE above 10%, is capital accretive and supports the group financial targets.

			30 June 2018
(in billions)	Client loans[1]	Loans to professional counterparties	Loans and advances customers
Corporates Netherlands	11.2		11.1
Global sectors	30.9		30.3
- of which Natural resources	8.4		8.1
- of which Global transportation & logistics	11.0		10.8
- of which Trade & commodity finance	11.6		11.3
Clearing		17.3	17.3
Global Markets (excl. Clearing)		1.8	1.8
Other loans and advances customers	1.3		1.4
Total loans and advances	**43.4**	**19.1**	**61.9**

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

Group Functions

Financial highlights

- Net profit amounted to EUR 51 million, benefiting from a provision release relating to discontinued securities financing activities.
- Underlying trend shows declining personnel expenses, reflecting substantial FTE reductions from cost-saving programmes compared to Q2 2017.
- RWA decreased by EUR 1.2 billion following more active balance sheet management.

Business developments

- ABN AMRO was recognised a front runner in digital transformation in the Netherlands by Vlerick Business School for the second year in a row.
- At the successful Hackaton in June, 56 teams competed to develop and technically realise new concepts within 48 hours, in areas such as social issues, security and health.
- ABN AMRO was awarded the Diamond Award by 'Talent to the Top', a Dutch foundation that promotes diversity in senior management, for its efforts to appoint more women in top jobs at the bank.

Operating results

(in millions)	Q2 2018	Q2 2017	Change	Q1 2018	Change	First half 2018	First half 2017	Change
Net interest income	-15	-19	21%	13		-2	-21	91%
Net fee and commission income	4	6	-32%	10	-58%	15	12	27%
Other operating income	50	79	-37%	74	-33%	125	142	-12%
Operating income	**39**	**66**	**-41%**	**98**	**-60%**	**138**	**132**	**4%**
Personnel expenses	177	215	-18%	210	-15%	387	431	-10%
Other expenses	-182	-180	-1%	-173	-6%	-355	-366	3%
Operating expenses	**-5**	**36**		**37**		**32**	**65**	**-51%**
Operating result	**44**	**31**	**45%**	**62**	**-28%**	**106**	**67**	**58%**
Impairment charges on financial instruments	-3	-0		2		-2	-0	
Operating profit/(loss) before taxation	**48**	**31**	**55%**	**60**	**-20%**	**107**	**67**	**60%**
Income tax expense	-3	16		16		13	37	-65%
Profit/(loss) for the period	**51**	**15**		**44**	**15%**	**95**	**30**	

Other indicators

	30 June 2018	31 March 2018	31 December 2017
Securities financing - assets (in billions)	13.5	18.0	13.0
Loans and advances customers (in billions)	6.3	6.2	6.6
Securities financing - liabilities (in billions)[1]	11.9	17.1	10.8
Due to customers (in billions)	4.1	4.2	2.9
Risk-weighted assets (risk exposure amount; in billions)	6.3	7.3	6.5
FTEs	6,175	6,185	6,206

[1] ABN AMRO classified all unsettled securities transactions as other assets and other liabilities, previously these were included in securities financing. Comparative figures have been adjusted.

Net interest income amounted to EUR -15 million (Q2 2017: EUR -19 million). The current quarter included a EUR 35 million provision release relating to the securities financing activities discontinued in 2009. Adjusted for this, net interest income was down due to lower duration related interest result from the prolonged low interest rate environment, partly offset by higher mortgage penalty fees.

Other operating income decreased by EUR 29 million to EUR 50 million in Q2 2018. The decrease was mainly attributable to lower hedge-accounting-related results (EUR 16 million versus EUR 68 million in Q2 2017), largely offset by a provision release relating to securities financing activities discontinued in 2009 (EUR 29 million).

Personnel expenses came down EUR 38 million, totalling EUR 177 million in Q2 2018, partly due to a EUR 25 million restructuring provision in Q2 2017. The underlying trend showed decreasing personnel expenses on the back of substantial FTE reductions. Compared to Q2 2017, the number of FTEs decreased by 577 to 6,175 at 30 June 2018, reflecting progress in cost-saving programmes.

Other expenses amounted to EUR -182 million and remained broadly stable compared to Q2 2017.

RWA declined by 1.0 billion to 6.3 billion, reflecting the effect from active balance sheet management (sale government bonds).

Risk, funding & capital information

Risk developments

Key figures

(in millions)	30 June 2018	31 March 2018	31 December 2017
Total loans and advances, gross excluding fair value adjustments	285,281	283,343	284,337
- of which Banks	10,089	9,908	10,671
- of which Residential mortgages	150,393	150,665	150,562
- of which Consumer loans	12,329	12,334	12,426
- of which Corporate loans1	98,368	95,918	94,220
- of which Other loans and advances - customers[1]	14,102	14,517	16,459
Total Exposure at Default (EAD)	402,537	400,743	393,596
- of which Retail Banking	172,428	173,777	174,545
- of which Commercial Banking	51,950	50,272	48,921
- of which Private Banking	19,881	19,669	19,963
- of which Corporate & Institutional Banking	82,919	81,939	77,769
- of which Group Functions	75,358	75,086	72,399
Credit quality indicators[2]			
Past due ratio	1.1%	1.2%	1.4%
Stage 3 Impaired ratio[3]	2.5%	2.5%	2.5%
Stage 3 Coverage ratio[3]	34.0%	33.2%	33.0%
Regulatory capital			
Total RWA (REA)	104,490	107,937	106,157
- of which Credit risk[4]	83,494	86,463	84,141
- of which Operational risk	19,247	19,177	19,626
- of which Market risk	1,748	2,297	2,391
Total RWA (REA)/total EAD	26.0%	26.9%	27.0%
Mortgage indicators			
Mortgages with Nationale Hypotheek Garantie (NHG)	37,262	37,653	38,049
Exposure at Default	164,630	164,650	165,107
Risk-weighted assets (risk exposure amount)	16,931	17,054	17,236
RWA (REA) / EAD	10.3%	10.4%	10.4%
Average Loan-to-Market-Value	67%	69%	70%
Average Loan-to-Market-Value - excluding NHG loans	65%	66%	67%

1 Excluding loans and advances measured at fair value through P&L.
2 Loans and advances customers measured at amortised cost only.
3 The 31 December 2017 amounts are based on IAS 39 figures and therefore do not have stage information. The impaired ratio per 31 December 2017 has been compared with the IFRS 9 stage 3 ratio, as the assets that were impaired under IAS 39 are classified as stage 3 under IFRS 9. The IAS 39 coverage ratio was calculated by dividing the amount of allowances by the impaired exposure. The IFRS 9 equivalent of this ratio is therefore the stage 3 coverage ratio.
4 RWA (REA) for credit value adjustment (CVA) is included in credit risk. CVA per 30 June 2018 is EUR 0.6 billion (31 March 2018 EUR 0.7 billion; 31 December 2017 EUR 0.7 billion).

	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Cost of risk (in bps)[1]	22	-14	32	27	-3
Impairment charges on loans and other advances (in EUR million)[2]	134	-96	208	341	-33
Cost of risk on residential mortgages(in bps)[1]	-2	-11	2	0	-6
Impairment charges on residential mortgages (in EUR million)	-8	-40	6	-2	-43

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

Highlights

Second-quarter developments

Portfolio review

Total loans and advances increased to EUR 285.3 billion (31 March 2018: EUR 283.3 billion), mainly reflecting a EUR 2.5 billion increase of corporate loans which was largely driven by a stronger USD exchange rate. The increase largely related to the Corporate & Institutional Banking (CIB) portfolio and for a limited part to the Commercial Banking (CB) portfolio. The residential mortgage portfolio declined slightly.

Exposure at Default

EAD increased to EUR 402.5 billion (31 March 2018: EUR 400.7 billion). The increase was primarily the result of business movements in CIB and Commercial Banking. In addition, EAD in Group Functions increased due to higher volumes with central banks partly offset by treasury portfolio movements.

Credit quality indicators

The underlying risk drivers continued to perform well, despite a few specific clients in specific sectors that experience difficulties and negatively impact the ratios.

The past due ratio continued to improve to 1.1% (31 March: 1.2%), driven by the short and mid- term arrears in the second quarter of this year. Residential mortgages contributed most to the decrease due to clients receiving holiday allowances. Furthermore, other loans & advances to customers decreased in the short term arrears, as the amounts in arrears were recovered. The improvements in Q2 were partly offset by the inflow of clients across various industry segments within the corporate loan portfolio relating to Commercial Banking.

The stage 3 impaired ratio remained stable and coverage ratio was slightly up compared with Q1 2018 for the loans and advances customers portfolio. At sub-portfolio level, the stage 3 impaired portfolio showed a continued declining trend, except for the corporate loan portfolio. This portfolio was impacted by several new impaired files, mainly within the Commercial Banking portfolio, and relate to the healthcare industry. CIB also recorded a few new impaired files. The increases in the corporate loan portfolio were partly offset by partial repayments and write-offs.

The move of exposures from stage 2 to stage 1 was largely driven by further optimisation of the IFRS 9 implementation.

Regulatory capital

Total RWA decreased to EUR 104.5 billion (31 March 2018: EUR 107.9 billion). The decline in RWAs reflects a decrease in credit risk and market risk. The decrease in credit risk was mainly the result of developments in CIB, Group Functions and to lesser extent in Commercial Banking. Both Retail Banking and Private Banking saw no change in RWAs. The decrease in CIB mainly results from active balance sheet management (including first effects from the refocus of CIB), asset quality improvements (e.g. lower loan balances post impairments, improved credit ratings) and improved data sourcing, partly offset by the effect of a stronger USD exchange rate. Group Functions RWAs declined mainly attributable to more active balance sheet management (sale government bonds). RWAs in Commercial Banking decreased reflecting credit quality improvements, partly offset by an increase in loan volumes. Market Risk RWA mainly decreased due to updated market risk models combined with a reduction of positions in Q2 2018, while Operational risk remained stable.

Cost of risk

Impairments in Q2 2018, largely recorded in stage 3 (IFRS 9), were EUR 134 million (cost of risk 22bps) compared to a release of EUR 96 million in Q2 2017 (cost of risk -14bps). The increase in impairments was mainly attributable to Commercial Banking, which increased from a net release of EUR 107 million in Q2 2017 to an impairment addition of EUR 69 million in Q2 2018. The impairments this quarter within Commercial Banking mainly reflect impairments in the healthcare industry. The remainder was spread across various industry sectors.

Impairments were well below Q1 2018 (EUR 208 million, cost of risk 32bps). The impairment decrease compared to Q1 2018 was mainly driven by lower impairments in CIB.

The significant releases recorded in Q2 2017 were mainly the result of a model refinement and an IBNI release. The defaulted portfolio of Commercial Banking, excluding the healthcare industry, continued to decrease in Q2 2018.

This was the result of relatively low inflows in combination with repayments, clients returning to the business lines and the sale of assets.

Overall, we expect the credit quality of the Commercial Banking loan book to further improve in the course of this year. For the healthcare industry, we currently do not foresee substantial additional impairments for the rest of 2018.

CIB's impairment charges increased to EUR 84 million (Q2 2017: EUR 67 million). This increase is a result of additional impairments recorded in a few specific files in natural resources with regard to offshore and upstream energy markets. Compared with Q1 2018 (EUR 152 million), lower impairments were recorded in trade & commodity finance (TCF) of EUR 27 million, including diamond & jewellery clients which recorded EUR 16 million additions to impairments in Q2. In addition, global transportation & logistics (GTL) recorded a release of EUR 4 million.

In the upstream energy portfolio, approximately EUR 31 million was added to the impairments in Q2 2018 (Q1 2018 negligible). These impairments were not representative for this portfolio and we expect no further significant inflow into the impaired portfolio.

There are still a few clients in the offshore energy market with challenges and unclear situations in the short to medium term outlook; for these clients, changes in the restructuring strategy or outlook may lead to significant impairment additions or releases.

We currently expect no major changes to the impairment levels for shipping in GTL, but a number of clients continue to face challenges that could lead to an increase in impairments. This particularly applies to the offshore supply vessel (OSV) segment within our shipping portfolio. As the OSV segment is highly correlated with the offshore energy market, conditions in this market continue to be challenging.

We see considerable pressure in the tanker segment, but so far transfers of these clients to the impaired portfolio has been limited as cash reserves and other self-help measures have so far helped these clients to manage the downturn. Nevertheless, we do expect some inflow to the impaired portfolio in the course of this year.

In Q2 2018, Retail Banking saw a net release of EUR 23 million, whereas Q2 2017 saw a net release of EUR 56 million (including an IBNI release). The release in Q2 2018 mainly reflects a decrease of the impaired portfolio and updated indexation of mortgage collateral. In Q1 2018, a EUR 4 million addition to the impairments was recorded.

Based on current developments we expect the CoR for FY 2018 to end below the TTC of 25-30bps.

(in millions)	30 June 2018	31 March 2018
Exposure client loans	**30,283**	**29,514**
- of which Global transportation & logistics (GTL)	10,826	9,624
- of which Natural resources (energy & basic materials)	8,108	7,154
- of which Trade commodity finance[1]	11,349	12,736
	Q2 2018	**Q1 2018**
Impairment charges	**89**	**138**
- of which Global transportation & logistics (GTL)	-4	46
- of which Natural resources (energy & basic materials)	66	42
- of which Trade commodity finance[1]	27	49

[1] Including diamond & jewellery clients.

Residential Mortgages

Housing market developments

The Dutch housing market is buoyant and prices are climbing fast. The housing price index of Statistics Netherlands (CBS) for Q2 2018 was 8.9% higher than in Q2 2017. The overall price level in June 2018 was 1.3% above the record level set in August 2008, not corrected for inflation. All price segments are benefiting from the increased prices.

As a result of the shortage in residential buildings, the number of housing transactions is under pressure, both in existing and in new residential buildings.

This is visible in the total number of transactions in the Dutch housing market, which was 1.6% higher in Q2 2018 than in Q1 2018, but 9.3% lower when compared with Q2 2017, according to Statistics Netherlands. The falling transaction volume was visible throughout the Netherlands. The sharpest decline was noticeable in the Randstad area in the western part of the country.

Residential mortgage insights

New mortgage production was down 8.4% compared with Q1 2018. ABN AMRO's market share in new mortgage production decreased to 17.7% in Q2 2018 (Q1 2018: 19.9%) due to growing competition. To protect our profit margins, we actively manage our pricing.

The proportion of amortising mortgages increased to 26% of the residential mortgage portfolio at 30 June 2018 (31 March: 25%). Total redemptions remained fairly stable compared with Q1 2018. Contractual redemptions gradually increased, in line with changes in the portfolio composition. In Q2 2018, extra repayments amounted to EUR 0.4 billion, which was 9.1% lower than in Q2 2017.

Mortgages under the National Mortgage Guarantee scheme (NHG) have remained fairly stable at 25% since Q1 2018.

Loan to Market Value (LtMV)

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

The gross carrying amount of mortgages with a LtMV in excess of 100% continued to decline, totalling EUR 6.5 billion (31 March 2018: EUR 9.4 billion). Note that LtMVs in excess of 100% do not necessarily indicate that these clients are in financial difficulties. However, ABN AMRO actively approaches clients with an interest-only mortgage in combination with a high LtMV level with a view to adjusting their mortgage. Approximately 6% of the extra repayments relate to mortgages with a LtMV>100%. Please see the table Residential mortgages to indexed market values for more details.

Fully interest-only mortgages account for 18% of total mortgages at 30 June 2018, and approximately 22% of the extra redemptions relate to this type of loan.

Developments over the first six months Reviewed

Credit quality indicators

In this analysis, 30 June 2018 figures were compared with 31 December 2017 figures, although the basis of presentation for some figures was different due to the implementation of IFRS 9. The IAS 39 impaired ratio has been compared with the IFRS 9 stage 3 ratio, as the assets that were impaired under IAS 39 have been classified as stage 3 under IFRS 9. The IAS 39 coverage ratio was calculated by dividing the amount of allowances by the impaired exposure.

The IFRS 9 equivalent of this ratio is therefore the stage 3 coverage ratio. The past due ratio has not been impacted under IFRS 9 and has been calculated in line with IAS 39.

The underlying risk drivers continued to perform well, although specific clients in certain segments experienced difficulties and therefore negatively impacted the ratios.

The past due ratio improved to 1.1% (31 December: 1.4%). Most of the sub-portfolios contributed to this decline, with the largest decreases visible in the short term arrears (<30days). Past due but not impaired on Residential mortgages recorded the highest decrease in the short term arrears, largely in relation to an internal review of amounts in arrears in the first quarter and due to holiday allowances received by clients in the second quarter in 2018. Corporate loans past due decreased in the short term arrears due to an outflow of mainly Real Estate clients in Commercial Banking. The decrease of the past due but not impaired exposure was partly offset by increases in Other loans and advances.

The stage 3 impaired ratio remained stable and the coverages ratio increased slightly for the loans and advances customers portfolio at year-end 2017. At sub-portfolio level, exposures for residential mortgages in stage 3 continued to decline, while the allowances for credit losses increased due to the reallocation of allowances, mainly relating to allowances for private banking mortgages that were previously classified under consumer loans. These movements resulted in a coverage ratio for residential mortgages of 12.7% (31 December 2017: 10.9%), while the stage 3 impaired ratio improved slightly.

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

The coverage ratio for corporate loans increased slightly and the impaired ratio remained stable in the first half of 2018, despite a number of specific clients experiencing difficulties in the industry sectors oil and gas, diamond & jewellery clients, industrial goods and services, and food and beverages in the CIB portfolio. Commercial Banking exposures in stage 3 were impacted by new impaired files mainly in the healthcare industry, partly offset by positive developments such as loans moving back to the performing portfolio, partial repayments and write offs.

Cost of risk

The EUR 341 million recorded as impairments in H1 2018 largely related to specific files in stage 3 and resulted in a cost of risk of 27bps (H1 2017: EUR 33 million release, cost of risk: -3bps).

The increase in impairments largely related to Commercial Banking, which recorded net additions of EUR 114 million in Q2 2018 compared to a net release of EUR 114 million in H1 2017. This increase largely resulted from substantially lower releases combined with higher impairments in the healthcare industry. The remainder was spread across various industry sectors. The significantly lower level of releases compared with last year was to a large extent explained by a model refinement in Q2 2017.

Impairments recorded in CIB in H1 2018 increased to EUR 236 million (H1 2017: EUR 144 million). The increase was mainly driven by additional impairments on a few specific files within natural resources (energy portfolio), trade & commodity finance (including diamond & jewellery clients), and global transportation & logistics (shipping including the OSV portfolio).

Retail Banking recorded a net release of EUR 19 million in H1 2018, compared to a net release of EUR 59 million in H1 2017. H1 2017 benefited from IBNI releases and a model refinement that impacted the residential mortgage portfolio. The release in H1 2018 was driven by a mix of smaller drivers, including a decrease of the impaired portfolio and indexation of collateral.

Past due (but not impaired) loans Reviewed

	30 June 2018						31 March 2018[4]	31 December 2017
		Days past due						
(in millions)	Gross carrying amount	<= 30 days	> 30 days & <= 90 days	> 90 days	Total past due but not impaired	Past due ratio	Past due ratio	Past due ratio
Loans and advances banks	**10,089**					**0.0%**		
Loans and advances customers								
Residential mortgages[1]	150,393	1,574	147	13	1,734	1.2%	1.3%	1.6%
Consumer loans	12,329	219	75	46	340	2.8%	3.0%	3.5%
Corporate loans[1,2]	98,368	347	90	118	554	0.6%	0.5%	0.8%
Other loans and advances customers[1,2,3]	14,102	249	214	51	514	3.6%	3.9%	2.0%
Total Loans and advances customers[2]	**275,192**	**2,389**	**526**	**229**	**3,143**	**1.1%**	**1.2%**	**1.4%**
Loans at fair value through P&L	1,876							
Total Loans and advances	**287,156**	**2,389**	**526**	**229**	**3,143**	**1.1%**	**1.2%**	**1.4%**

[1] Gross carrying amount excludes fair value adjustments from hedge accounting.
[2] Excluding loans at fair value through P&L.
[3] Other loans and advances customers consists of Government and official institutions, Financial lease receivables and Factoring.
[4] The figures in column 31 March 2018 are not reviewed. This column is for comparison purposes only.

Coverage and impaired ratio by stage

Reviewed

(in millions)	30 June 2018				31 March 2018[4]	
	Gross carrying amount	Allowances for credit losses	Coverage ratio	Stage ratio	Coverage ratio	Stage ratio
Stage 1						
Loans and advances banks	**10,026**	**-3**	**0.0%**	**99.4%**	**0.1%**	**96.0%**
Residential mortgages	146,098	-22	0.0%	97.1%	0.0%	97.0%
Consumer loans	10,936	-42	0.4%	88.7%	0.4%	81.1%
Corporate loans	83,881	-136	0.2%	85.3%	0.2%	84.0%
Other Loans and advances customers[1]	13,186	-17	0.1%	93.5%	0.1%	93.4%
Total Loans and advances customers stage 1	**254,100**	**-217**	**0.1%**	**92.3%**	**0.1%**	**91.5%**
Stage 2						
Loans and advances banks	**36**	**-1**	**3.4%**	**0.4%**	**0.3%**	**3.5%**
Residential mortgages	3,369	-16	0.5%	2.2%	0.7%	2.4%
Consumer loans	956	-53	5.5%	7.8%	3.9%	15.1%
Corporate loans	9,183	-111	1.2%	9.3%	1.1%	10.7%
Other Loans and advances customers[1]	654	-11	1.7%	4.6%	1.7%	4.5%
Total Loans and advances customers stage 2	**14,162**	**-191**	**1.3%**	**5.1%**	**1.4%**	**6.0%**
Stage 3						
Loans and advances banks	**27**		**0.0%**	**0.3%**	**0.0%**	**0.5%**
Residential mortgages	927	-117	12.7%	0.6%	13.0%	0.7%
Consumer loans	437	-235	53.8%	3.5%	52.6%	3.8%
Corporate loans	5,304	-1,972	37.2%	5.4%	36.6%	5.3%
Other Loans and advances customers[1]	262	-34	13.1%	1.9%	11.7%	2.1%
Total Loans and advances customers stage 3	**6,930**	**-2,359**	**34.0%**	**2.5%**	**33.2%**	**2.5%**
Total of stages 1, 2 and 3						
Total Loans and advances banks	**10,089**	**-5**	**0.0%**		**0.1%**	
Residential mortgages	150,393	-155	0.1%		0.1%	
Consumer loans	12,329	-330	2.7%		2.9%	
Corporate loans	98,368	-2,219	2.3%		2.2%	
Other Loans and advances customers[1]	14,102	-63	0.4%		0.4%	
Total Loans and advances customers[2]	**275,192**	**-2,767**	**1.0%**		**1.0%**	
Loans at fair value through P&L	**1,876**		**0.0%**		**0.0%**	
Fair value adjustments from hedge accounting on Loans and advances customers	**3,516**				**0.0%**	
Total Loans and advances banks	10,089	-5	0.0%		0.1%	
Total Loans and advances customers	280,584	-2,767	1.0%		1.0%	
Total Loans and advances	**290,672**	**-2,771**	**1.0%**		**0.9%**	
Other balance sheet items[3]	107,471	-7	0.0%		0.0%	
Total on-balance sheet	**398,143**	**-2,779**	**0.7%**		**0.7%**	
Irrevocable loan commitments and financial guarantee contracts	47,320	-20	0.0%		0.1%	
Other off-balance sheet items	5,861		0.0%		0.0%	
Total on- and off-balance sheet	**451,324**	**-2,798**	**0.6%**		**0.6%**	

1 Other loans and advances customers consists of Government and official institutions, Financial lease receivables and Factoring.
2 Excluding fair value adjustments from hedge accounting on Loans and advances customers.
3 The allowances for credit losses excludes allowances for financial investments held at FVOCI (30 June 2018: EUR 3.0 million).
4 The figures in column 31 March 2018 are not reviewed. This column is for comparison purposes only.

Coverage and impaired ratio

	31 December 2017				
(in millions)	Gross carrying amount	Impaired exposures	Allowances for Impairments for identified credit risk[3]	Coverage ratio	Impaired ratio
Loans and advances banks	**10,671**	**71**	**-1**	**1.5%**	**0.7%**
Loans and advances customers					
Residential mortgages[1]	150,562	1,019	-111	10.9%	0.7%
Consumer loans	12,426	507	-285	56.2%	4.1%
Corporate loans[1]	94,220	5,114	-1,844	36.1%	5.4%
Other loans and advances customers[1,2]	16,459	269	-40	15.0%	1.6%
Total Loans and advances customers	**273,666**	**6,909**	**-2,280**	**33.0%**	**2.5%**
Total Loans and advances	**284,337**	**6,980**	**-2,281**	**32.7%**	**2.5%**

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

Loan impairment charges and allowances in the first six months Reviewed

	First half 2018						
(in millions)	Securities financing	Loans to Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total
Balance at begin of period		**9**	**182**	**362**	**2,055**	**2**	**2,610**
Changes in existing allowances		-2	8	-1	408	5	419
Originated or purchased		1		2	21		24
Matured or sold loans		-3		-3	-29		-35
Changes in risk parameters				1	-6		-5
Write-offs			-19	-50	-189		-258
Foreign exchange and other movements			-15	20	15	-2	17
Balance at end of period		**5**	**155**	**330**	**2,276**	**6**	**2,771**

	First half 2017						
(in millions)	Securities financing	Banks	Residential mortgages	Consumer loans	Corporate loans	Other loans	Total
Balance at begin of period		**3**	**258**	**433**	**2,973**	**2**	**3,670**
Impairment charges for the period		3	17	36	290		346
Reversal of impairment allowances no longer required			-46	-33	-257		-336
Recoveries of amounts previously written-off			-14	-20	-9		-43
Total impairment charges on loans and other advances		**3**	**-43**	**-17**	**24**		**-33**
Other adjustments			-40	-35	-431		-507
Balance at end of period		**6**	**175**	**381**	**2,566**	**3**	**3,130**

(in millions)	First half 2018	First half 2017
On-balance sheet	363	-33
Off-balance sheet	-22	
Total impairment charges on loans and other advances	**341**	**-33**

(in millions)	Stage 1	Stage 2	Stage 3	Total
Impairment charges on loans and advances				
Balance at 1 January 2018	**214**	**213**	**2,184**	**2,610**
Change in existing allowances	20	-11	410	419
Originated or purchased	21	3		24
Matured or sold	-25	-10		-35
Write offs			-258	-258
Changes in risk parameters	-1	-1	-3	-5
Changes in models				
Foreign exchange and other movements	-9	-1	27	17
Balance at 30 June 2018	**220**	**192**	**2,359**	**2,771**

Reporting scope risk

	30 June 2018			31 March 2018			31 December 2017		
(in millions)	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount	Gross carrying amount	Loan impairment allowance	Carrying amount
Loans and advances banks	**10,089**	**5**	**10,084**	**9,908**	**8**	**9,900**	**10,671**	**7**	**10,665**
Residential mortgages	152,541	155	152,387	152,760	175	152,585	152,825	134	152,691
Less: Fair value adjustment from hedge accounting	2,148		2,148	2,095		2,095	2,264		2,264
Residential mortgages, excluding fair value adjustments from hedge accounting	**150,393**	**155**	**150,238**	**150,665**	**175**	**150,491**	**150,562**	**134**	**150,428**
Consumer loans	**12,329**	**330**	**11,999**	**12,334**	**357**	**11,977**	**12,426**	**304**	**12,122**
Corporate loans	99,724	2,219	97,505	97,260	2,105	95,155	95,645	1,971	93,674
Less: Fair value adjustment from hedge accounting	1,356		1,356	1,342		1,342	1,425		1,425
Corporate loans, excluding fair value adjustments from hedge accounting	**98,368**	**2,219**	**96,149**	**95,918**	**2,105**	**93,814**	**94,220**	**1,971**	**92,250**
Corporate loans at fair value through P&L	**1,872**		**1,872**	**1,644**		**1,644**			
Other loans and advances customers[1]	14,113	63	14,051	14,525	61	14,463	16,470	51	16,419
Less: Fair value adjustment from hedge accounting	12		12	8		8	11		11
Other loans and advances customers, excluding fair value adjustments from hedge accounting[1]	**14,102**	**63**	**14,039**	**14,517**	**61**	**14,456**	**16,459**	**51**	**16,407**
Other loans at fair value through P&L	**4**		**4**	**4**		**4**			
Total loans and advances customers, excluding fair value adjustments from hedge accounting	**277,068**	**2,767**	**274,301**	**275,084**	**2,698**	**272,386**	**273,666**	**2,460**	**271,206**
Fair value adjustments from hedge accounting on Loans and advances customers	3,516		3,516	3,444		3,444	3,700		3,700
Total loans and advances customers	**280,584**	**2,767**	**277,817**	**278,528**	**2,698**	**275,830**	**277,366**	**2,460**	**274,906**
Total loans and advances, excluding fair value adjustments from hedge accounting	**287,156**	**2,771**	**284,385**	**284,992**	**2,707**	**282,286**	**284,337**	**2,467**	**281,871**
Total fair value adjustments from hedge accounting on Loans and advances	3,516		3,516	3,444		3,444	3,700		3,700
Total loans and advances	**290,672**	**2,771**	**287,901**	**288,436**	**2,707**	**285,730**	**288,037**	**2,467**	**285,571**
Other		7	107,464		4	111,494			107,600
Total assets		**2,779**	**395,365**		**2,711**	**397,223**			**393,171**

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

Residential mortgages to indexed market values

(in millions)	30 June 2018 Gross carrying amount	Per-centage of total	- of which guaran-teed[2]	- of which unguar-anteed	31 March 2018 Gross carrying amount	Per-centage of total	- of which guaran-teed[2]	- of which unguar-anteed	31 December 2017 Gross carrying amount	Per-centage of total	- of which guaran-teed[2]	- of which unguar-anteed
LtMV category[1]												
<50%	34,411	22.9%	2.6%	20.3%	32,465	21.5%	2.4%	19.1%	31,365	20.8%	2.3%	18.5%
50% - 80%	64,840	43.1%	11.2%	31.9%	61,118	40.6%	10.0%	30.6%	58,691	39.0%	9.2%	29.8%
80% - 90%	25,986	17.3%	6.1%	11.1%	26,531	17.6%	6.6%	11.0%	26,384	17.5%	6.8%	10.7%
90% - 100%	17,542	11.7%	3.6%	8.1%	19,689	13.1%	4.1%	8.9%	20,821	13.8%	4.5%	9.3%
100% - 110%	5,237	3.5%	1.0%	2.5%	7,303	4.8%	1.4%	3.4%	8,941	5.9%	1.8%	4.2%
110% - 120%	968	0.6%	0.2%	0.4%	1,668	1.1%	0.3%	0.8%	2,377	1.6%	0.5%	1.1%
>120%	314	0.2%	0.1%	0.1%	401	0.3%	0.1%	0.2%	495	0.3%	0.1%	0.2%
Unclassified	1,095	0.7%			1,490	1.0%			1,487	1.0%		
Total	**150,393**	**100%**			**150,665**	**100%**			**150,562**	**100%**		

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

Breakdown of residential mortgages by loan type

(in millions)	30 June 2018 Gross carrying amount	Percentage of total	31 March 2018 Gross carrying amount	Percentage of total	31 December 2017 Gross carrying amount	Percentage of total
Interest only (partially)	48,124	32%	48,463	32%	48,734	32%
Interest only (100%)	26,470	18%	26,802	18%	27,231	18%
Redeeming mortgages (annuity/linear)	39,781	26%	37,953	25%	36,057	24%
Savings	17,047	11%	17,538	12%	18,160	12%
Life (investment)	12,647	8%	13,068	9%	13,419	9%
Other[1]	6,324	4%	6,841	5%	6,960	5%
Total	**150,393**	**100%**	**150,665**	**100%**	**150,562**	**100%**

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

Market risk

Market risk in the banking book is the risk that unfavourable market movements cause the bank's value or income to decline. The market risk in the banking book consists predominantly of interest rate risk, which arises from holding loans with interest rate maturities that are different from the interest rate maturities of the deposits. The assets have a longer average maturity than the liabilities. This applies to contractual as well as behavioural maturities.

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

Market risk in banking book

Interest rate risk metrics

	30 June 2018	31 December 2017
NII-at-risk (in %)	-1.3	-0.5
Duration of equity (in years)	1.6	2.2

The risk appetite for interest rate risk has been lowered in the annual review of the risk appetite statement for 2018, while also anticipating a periodic methodology review and stricter regulatory testing. In addition the way non maturing deposits are modelled has been updated to assure accurate measurement and management of interest rate risk. Duration of equity decreased from 2.2 to 1.6 years. Although duration of equity increased due to business developments and the implementation of the updated non maturing deposits (NMD) model (shortening the modelled duration of liabilities), the effect was more than offset due to active hedging of the portfolio. Duration of equity reflects changes of the economic value of equity due to small parallel shifts of the yield curve.

NII-at-Risk is the difference in net interest income (NII) between a base scenario and four alternative scenarios. It is defined as the worst outcome of the following scenarios: gradual increase or decrease in interest rates by 200bps and instantaneous increase or decrease of 100bps. All scenarios are measured over a time horizon of one year. NII-at-Risk covers all expected cash flows, including commercial margins and other spread components, from interest-rate-sensitive assets and liabilities and off-balance sheet items in the banking book.

The NII-at-Risk in Q2 increased to -1.3% (approximately EUR -72 million) and, as in Q4 2017, reflects a reduction of NII in the scenario of an instantaneous decrease in interest rates. The main reason for the change during H1 is the introduction of two additional scenarios. Prior to 2018, NII-at-Risk included just the scenarios of a gradual increase and decrease in interest rates 200bps. Per Q4 2017, the scenario of a gradual decrease in interest rates resulted in the worst outcome (of -0.5%) (as shown in the table). For sake of comparison, a gradual decrease in interest rates also results in -0.5% impact per Q2 2018. The highest NII occurs for the scenario where interest rates rise gradually by 200bps, in which NII would increase by 6.2% (approximately EUR 334 million).

The increase compared to 31 December 2017 is largely due to the NMD model update which, in comparison with the previous model, has a lower repricing speed of client rates to interest rate changes for the 1-year horizon. Consequently, interest expense on the 1-year horizon increases less in rising rates scenarios and decreases less in the decreasing rates scenarios. The shorter modelled duration of non maturing deposits which result from this model update will impact the compensation paid by ALM to the business segments for these deposits and will lead to a change in the allocation of NII between ALM and the business segments as of the third quarter 2018. In calculating the NII-at-Risk, a constant balance sheet is taken into account. A floor of -100bps on market rates is applied, as well as a floor of 0bps on retail deposits.

Market risk in trading book

Internal aggregated diversified and undiversified VaR for all trading positions

	Q2 2018		Q2 2017		Q4 2017	
(in millions)	Diversified	Undiversified	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	1.5	2.5	7.0	8.2	2.7	3.7
Highest VaR	3.6	4.4	9.8	10.2	12.2	13.8
Lowest VaR	1.1	2.0	4.2	5.3	1.9	2.9
Average VaR	2.0	3.0	7.2	8.3	6.3	7.2

Second-quarter developments

In Q2 2018, the average diversified 1-day VaR at a 99% confidence level decreased by EUR 5.2 million to EUR 2.0 million when compared to Q2 2017. The highest VaR in Q2 2018 was EUR 3.6 million (Q2 2017: EUR 9.8 million). In Q2 2018, the average diversified 1-day VaR at a 99% confidence level decreased by EUR 5.2 million to EUR 2.0 million when compared to Q2 2017. The highest VaR in Q2 2018 was EUR 3.6 million (Q2 2017: EUR 9.8 million).

The average undiversified VaR decreased from EUR 8.3 million in Q2 2017 to EUR 3.0 million in Q2 2018.

While the risk profile remained stable and moderate, the decrease observed in the VaR was driven by the regulator's approval of improved market risk regulatory models.

Liquidity risk

Liquidity indicators

	30 June 2018	31 March 2018	31 December 2017
Available liquidity buffer (in billions)[1]	72.5	67.7	72.5
Survival period (moderate stress)	> 12 months	> 12 months	> 12 months
LCR	>100%	>100%	>100%
NSFR	>100%	>100%	>100%
Loan-to-Deposit ratio	114%	115%	112%

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

The objective of liquidity management is to manage the liquidity position and to comply at all times with internal, regulatory and other relevant liquidity requirements. The liquidity objectives are measured by several indicators. The survival period reflects the period that the liquidity position is expected to remain positive in an internally developed (moderate) stress scenario. The survival period was consistently longer than 12 months in Q2 2018. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) both remained above 100% in Q2 2018.

Loan-to-Deposit ratio

The Loan-to-Deposit (LtD) ratio decreased to 114% at 30 June 2018 (31 March 2018: 115%). This was attributable to an increase of EUR 3.8 billion in client deposits, partly offset by a EUR 2.6 billion increase in client loans. The increase in client loans was mainly driven by EUR 2.8 billion of growth in the corporate loan book, of which EUR 1.5 billion was driven by USD appreciation. The increase in client deposits was predominantly driven by increases in Retail and Private Banking deposits. The growth in Retail deposits was caused by savings of annual holiday allowances.

Liquidity buffer composition

	30 June 2018		31 March 2018		31 December 2017	
(in billions)	Liquidity buffer	LCR eligible	Liquidity buffer	LCR eligible	Liquidity buffer	LCR eligible
Cash & central bank deposits[1]	27.9	27.9	24.5	24.5	28.9	28.9
Government bonds	33.7	34.5	31.8	32.3	31.0	31.6
Covered bonds	2.4	2.3	2.4	2.3	1.9	1.8
Retained issuances	0.7		2.1		4.1	
Third party RMBS						
Other	7.7	8.6	7.0	7.5	6.6	7.0
Total liquidity buffer	**72.5**	**73.3**	**67.7**	**66.5**	**72.5**	**69.4**

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

The liquidity buffer increased to EUR 72.5 billion at 30 June 2018 (31 March 2018: EUR 67.7 billion). The increase includes a EUR 3.5 billion higher cash position mainly due to business volume developments and an increase in wholesale funding. The increase in government bonds was largely offset by the decrease in retained Residential Mortgage Backed Securities (RMBS).

The liquidity buffer consists largely of cash and deposits at central banks, government bonds and covered bonds. Most of the securities in the liquidity buffer, with the exception of retained issuances, qualify for the LCR.

Furthermore, both the liquidity buffer and the LCR buffer face haircuts based on their market value. These haircuts are applied in order to determine the liquidity value. Haircuts may differ between these two buffers, as the internal assessment of the liquidity buffer deviates from the LCR Delegated Act. This explains the differences between the liquidity values. Government bonds, for example, will be subject to a higher internal haircut than the haircut based on the LCR Delegated Act. As a result, the value of government bonds for the liquidity buffer is lower than the value that qualifies for LCR.

Funding

Client deposits increased to EUR 237.3 billion at 30 June 2018 (31 March 2018: EUR 233.5 billion). Total wholesale funding (defined as issued debt plus subordinated liabilities) increased to EUR 87.9 billion at 30 June 2018 (31 March 2018: EUR 85.3 billion). The increase compared to the first quarter is mainly attributable to an increase in long-term debt.

Long-term funding raised

Long-term funding raised in Q2 2018 amounted to EUR 2.9 billion. This consisted of EUR 1.6 billion in covered bonds with long maturities, a green senior unsecured bond of EUR 0.8 billion and a EUR 0.5 billion senior unsecured GBP-denominated bond. The long-term covered bond funding was raised in order to support mortgage origination with very long interest rate maturities. The remaining funding was mainly issued to replace maturing funding.

Overview of funding types

Main types of wholesale funding

(in millions)	30 June 2018	31 March 2018	31 December 2017
Euro Commercial Paper	1,630	2,660	2,408
London Certificates of Deposit	8,666	7,972	9,373
US Commercial Paper	4,009	4,029	4,115
Total Commercial Paper/Certificates of Deposit	**14,305**	**14,661**	**15,896**
Senior unsecured (medium-term notes)	29,978	28,973	28,751
Covered bonds	32,711	30,951	30,708
Securitisations	1,250	1,250	1,250
Saving certificates	6	6	6
Total issued debt	**78,251**	**75,841**	**76,612**
Subordinated liabilities	9,683	9,506	9,720
Total wholesale funding	**87,934**	**85,346**	**86,331**
Other long-term funding[1]	8,767	8,774	8,796
Total funding instruments[2]	**96,701**	**94,121**	**95,128**
- of which CP/CD matures within one year	14,305	14,661	15,896
- of which funding instruments (excl. CP/CD) matures within one year	11,874	12,175	7,894
- of which matures after one year	70,522	67,285	71,338

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

Maturity calendar

The maturity calendar assumes redemption on the earliest possible call date or the legal maturity date. Early redemption of subordinated instruments is subject to approval by the regulators. The targeted long-term refinancing operations II (TLTRO II) of EUR 8 billion were reported at the legal maturity of four years, although there is a voluntary repayment option after two years. The average remaining maturity of the total outstanding long-term wholesale funding increased to 5.4 years at 30 June 2018 (31 March 2018: 5.3 years) due to additional long-term covered bond issuances.

Maturity calendar at 30 June 2018

	30 June 2018											
(notional amounts, in billions)	2018[1]	2019	2020	2021	2022	2023	2024	2025	2026	2027	≥ 2028	Total
Senior unsecured	3.2	8.8	5.8	2.7	4.3	1.2	0.3	2.4	0.1	0.2	0.4	29.4
Covered bonds	0.3	1.8	2.5	2.4	2.7	1.9	1.8	0.5	1.6	0.6	14.5	30.8
Securitisations	0.8	0.5										1.3
Subordinated liabilities			1.6	1.5	1.5	2.4		1.3	0.9		0.3	9.4
Other long-term funding[2]			4.1	4.3					0.3	0.2		8.8
Total Long-term funding	**4.3**	**11.2**	**14.0**	**11.0**	**8.5**	**5.5**	**2.1**	**4.2**	**2.8**	**1.0**	**15.2**	**79.8**
Total Long-term funding												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	≥ 2028	Total
31 March 2018	5.1	11.0	13.3	10.8	8.4	5.4	2.1	3.5	2.8	1.0	13.5	76.9
31 December 2017 (IAS 39)	7.8	11.1	13.4	9.3	8.3	5.4	2.1	3.4	2.8	1.0	11.4	76.1

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

Capital management

Developments impacting capital ratios

The Common Equity Tier 1 (CET1) capital base continued to increase during Q2 2018, reflecting profit accumulation partly offset by an increase in the dividend reserve. Total RWA (REA) declined to EUR 104.5 billion at 30 June 2018 (31 March 2018: EUR 107.9 billion). Therefore, at 30 June 2018, the fully-loaded Common Equity Tier 1, Tier 1 and Total Capital ratios strongly improved to 18.3%, 19.3% and 22.1% respectively (31 March 2018: 17.5%, 18.5%, 21.2%). All capital ratios meet the bank's risk appetite and strategic ambitions and were well above regulatory minimum requirements.

The CET1 capital target range under Basel III is 17.5%-18.5% for 2018. This consists of a Basel IV implementation buffer of 4-5% CET1 on top of the SREP capital requirement for ABN AMRO Group, Pillar 2 Guidance and management buffer (totalling 13.5%). Following the RWA decline, the CET1 ratio of 18.3% at the end of Q2 2018 is at the upper end of the CET1 target range. The 0.8 percentage point increase in the CET1 ratio compared to Q1 2018 mainly reflects a decline in RWA and to a lesser extent the accumulation of retained earnings. The decline in RWAs reflects a decrease in credit risk and market risk. The decrease in credit risk was mainly the result of developments in CIB, Group Functions and to lesser extent in Commercial Banking. Both Retail Banking and Private Banking saw no change in RWAs. The decrease in CIB mainly results from active balance sheet management (including first effects from the refocus of CIB), asset quality improvements (e.g. lower loan balances post impairments, improved credit ratings) and improved data sourcing, partly offset by the effect of a stronger USD exchange rate. Group Functions RWAs declined from active balance sheet management (sale government bonds). RWAs in Commercial Banking decreased reflecting credit quality improvements, partly offset by an increase in loan volumes. Market Risk RWA mainly decreased due to updated market risk models combined with a reduction of positions in Q2 2018, while operational risk remained stable.

The Maximum Distributable Amount (MDA) trigger level for ABN AMRO Group is at 10.43% CET1 capital, to be increased by any Additional Tier 1 (AT1) or Tier 2 capital shortfall. Due to the interpretation of the minority interest rules by the EBA, there is an AT1 shortfall of 0.59%. This implies an MDA trigger level of 11.02%. Based on full phase-in of the SRB (from 2.25% in 2018 to 3.0% in 2019) and the capital conservation buffer (from 1.88% in 2018 to 2.5% in 2019), the fully-loaded MDA trigger level is expected to increase to 11.80% in 2019, including a counter-cyclical buffer (0.05%) and assuming the absence of an AT1 or Tier 2 capital shortfall. The current CET1 ratio is also comfortably above the MDA trigger level.

Dividend

Over the first half of 2018, earnings per share were EUR 1.30. The interim dividend for H1 2018 has been set at EUR 0.65 per share. This amounts to EUR 611 million, which equals the interim dividend paid over H1 2017 (EUR 611 million) and is equal to 50% of the sustainable H1 2018 result attributable to shareholders. This is in line with the dividend pay-out ratio announced in Q1 2018.

Additional distributions will be considered when capital is within or above the target range and will be subject to other circumstances, including regulatory and commercial considerations. Our capital position increased strongly to a CET1 ratio of 18.3% in Q2 2018, due to active balance sheet management. We are now well placed within our target capital range. We expect capital generation to continue, improving our position to distribute capital in addition to the targeted dividend payout of 50% of sustainable profit. The combined distribution will amount to at least 50% of sustainable profit.

Regulatory capital structure

(in millions)	30 June 2018	31 March 2018	31 December 2017
Total equity (EU IFRS)	**21,288**	**21,460**	**21,330**
Cash flow hedge reserve	1,022	975	919
Dividend reserve	-609	-1,029	-752
AT1 capital securities	-2,005	-1,986	-2,007
Profit attributable minus interest paid to holders of AT1 capital securities	20		21
AT1 capital securities	-1,986	-1,986	-1,987
Other regulatory adjustments	-556	-500	-718
Common Equity Tier 1	**19,159**	**18,919**	**18,793**
AT1 capital securities	1,986	1,986	1,987
Other regulatory adjustments	-1,038	-999	-1,162
Tier 1 capital	**20,106**	**19,907**	**19,618**
Subordinated liabilities Tier 2	7,625	7,493	7,674
Other regulatory adjustments	-4,520	-4,305	-4,687
Total regulatory capital	**23,211**	**23,095**	**22,605**
Total risk-weighted assets (risk exposure amount)	**104,490**	**107,937**	**106,157**
Common Equity Tier 1 ratio	18.3%	17.5%	17.7%
Tier 1 ratio	19.2%	18.4%	18.5%
Total capital ratio	22.2%	21.4%	21.3%
Common Equity Tier 1 capital (fully-loaded)	19,154	18,915	18,737
Common Equity Tier 1 ratio (fully-loaded)	18.3%	17.5%	17.7%
Tier 1 capital (fully-loaded)	20,163	19,966	19,780
Tier 1 ratio (fully-loaded)	19.3%	18.5%	18.6%
Total capital (fully-loaded)	23,056	22,907	22,718
Total capital ratio (fully-loaded)	22.1%	21.2%	21.4%

Leverage ratio

The CRR capital rules introduced a non-risk based leverage ratio which is expected to become a binding measure with effect from 2021.

ABN AMRO aims for a leverage ratio of at least 4% by year-end 2018. At 30 June 2018, the fully-loaded leverage ratio of ABN AMRO Group increased to 4.1%, reflecting an increase in Tier 1 capital and a lower Exposure Measure (based on CEM calculation methodology).

ABN AMRO expects a change in the methodology for calculating the Exposure Measure. BCBS and ECOFIN both reached agreement on the use of the SA-CCR calculation methodology for clearing guarantees, providing further confidence that this will be implemented via CRR2 in the short to medium term. The total CRR2 adjustments including SA-CCR are estimated to decrease the Exposure Measure by approximately EUR 52 billion, which improves the fully-loaded leverage ratio by 0,5 percent to 4.6%. Despite the favourable effects of applying SA-CCR, ABN AMRO continues to monitor and report the leverage ratio at 4% based on the current CEM methodology.

Leverage ratio

	30 June 2018		31 March 2018		31 December 2017	
(in millions)	Phase-in	Fully-loaded	Phase-in	Fully-loaded	Phase-in	Fully-loaded
Tier 1 capital	**20,106**	**20,163**	**19,907**	**19,966**	**19,618**	**19,780**
Exposure measure (under CDR)						
On-balance sheet exposures	395,365	395,365	397,223	397,223	393,171	393,171
Off-balance sheet exposures	33,562	33,562	33,919	33,919	31,915	31,915
On-balance sheet netting	12,442	12,442	12,690	12,690	12,427	12,427
Derivative exposures	57,392	57,392	60,727	60,727	59,864	59,864
Securities financing exposures	2,444	2,444	2,137	2,137	1,261	1,261
Other regulatory measures	-10,448	-10,448	-10,696	-10,696	-11,961	-11,971
Exposure measure	**490,756**	**490,756**	**496,000**	**496,000**	**486,677**	**486,666**
Leverage ratio (CDR)	**4.1%**	**4.1%**	**4.0%**	**4.0%**	**4.0%**	**4.1%**
Impact CRR 2 (incl. SA-CCR)	-52,470	-52,470	-56,540	-56,540	-56,116	-56,116
Exposure measure (incl. CRR 2)	**438,286**	**438,286**	**439,460**	**439,460**	**430,561**	**430,550**
Leverage ratio (incl. CRR 2)	**4.6%**	**4.6%**	**4.5%**	**4.5%**	**4.6%**	**4.6%**

MREL

As of 2016, the Minimum Requirement for own funds and Eligible Liabilities (MREL) has been implemented in order to ensure that banks in the European Union have sufficient capacity to absorb losses in the event of a potential bank failure. The Single Resolution Board (SRB) set a requirement for ABN AMRO Bank at the consolidated level in line with a Single Point of Entry resolution strategy.

The binding MREL requirement for ABN AMRO Bank is set at 8.91% (including senior debt) of Total Liabilities and Own Funds (TLOF), equalling EUR 32.9 billion and 31.55% of RWA at year-end 2016. Taking into account MREL eligible senior debt, ABN AMRO currently exceeds this requirement. Subject to further changes in the MREL framework, the ambition remains to meet a MREL of 29.3% of RWA in 2019 based on own funds and subordinated instruments (including, in time, non-preferred senior notes).

ABN AMRO continues to monitor regulatory developments. Among other things, proposals have been published regarding the implementation of MREL and TLAC. The proposals also introduce consequences of breaching MREL requirements, i.e. breaching the Combined Buffer Requirement and MDA. Furthermore, EU Parliament amended the BRRD in order to introduce a non-preferred senior asset class and Member States need to comply by 29 December 2018. In the Netherlands, the consultation process has been initiated.

MREL

(in millions)	30 June 2018	31 March 2018	31 December 2017
Regulatory capital	23,211	23,095	22,605
Reversal minority adjustment AT1 and T2	5,478	5,222	5,625
Other MREL eligible liabilities[1]	1,787	1,700	1,619
Total risk-weighted assets (risk exposure amount)	104,490	107,937	106,157
MREL[2]	29.2%	27.8%	28.1%

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

Regulatory capital developments

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

On 7 December 2017, Basel reached a final agreement on the completion of Basel III, with a 72.5% output floor applying to the Revised Standardised Approach (RSA). The Basel Committee has set the implementation date at 1 January 2022. From 1 January 2022, the output floor will be phased-in gradually over a period of 5 years. We aim to meet the fully-loaded Basel IV CET1 requirement early in the phase-in period. Basel IV will significantly impact ABN AMRO's portfolio. We are monitoring Basel IV developments and working on plans and responses.

ABN AMRO has taken notice of a press release, issued by the Ministry of Finance on 29 June 2018, regarding the loss of tax deductibility of AT1 (Additional Tier 1) coupon payments as from 1 January 2019. ABN AMRO continues to value the role of AT1 in its capital structure. Based on this publication, ABN AMRO does not intend to exercise the tax call in the EUR 1,000m 5.75%, perpetual AT1 (XS1278718686) and the EUR 1,000m, 4.75%, perpetual AT1 (XS1693822634) instruments.

Responsibility statement

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act, the members of the Executive Board state that to the best of their knowledge:

- The Condensed consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Group N.V. and the companies included in the consolidation;
- The Interim Report, for the six-month period ending on 30 June 2018, gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of ABN AMRO Group N.V. and the companies included in the consolidation.

Amsterdam, 7 August 2018

The Executive Board

Kees van Dijkhuizen, Chief Executive Officer and Chairman
Clifford Abrahams, Chief Financial Officer and Vice-Chairman
Christian Bornfeld, Chief Innovation & Technology Officer
Tanja Cuppen, Chief Risk Officer

Condensed consolidated Interim Financial Statements 2018

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

Condensed consolidated income statement

(in millions)	Note	First half 2018	First half 2017
Income			
Interest income from financial instruments measured at amortised costs and fair value through other comprehensive income		6,429	6,245
Interest income from financial instruments measured at fair value through profit or loss		52	70
Interest expense		3,154	3,121
Net interest income		**3,327**	**3,195**
Fee and commission income		1,611	1,589
Fee and commission expense		755	701
Net fee and commission income		**856**	**888**
Net trading income		118	154
Share of result in equity accounted investments		25	13
Other operating income		290	487
Operating income	4	**4,617**	**4,738**
Expenses			
Personnel expenses		1,210	1,288
General and administrative expenses		1,314	1,335
Depreciation and amortisation of tangible and intangible assets		86	97
Operating expenses	5	**2,609**	**2,720**
Impairment charges on financial instruments		341	-33
Total expenses		**2,951**	**2,687**
Operating profit/(loss) before taxation		**1,666**	**2,051**
Income tax expense	6	383	475
Profit/(loss) for the period		**1,283**	**1,576**
Attributable to:			
Owners of the parent company		1,219	1,539
Holders of AT1 capital securities		39	22
Other non-controlling interests		25	15
Earnings per share (in euros)			
Basic earnings per ordinary share[1]		1.30	1.64

[1] Earnings per share consist of profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.

Condensed consolidated statement of comprehensive income

(in millions)	First half 2018	First half 2017
Profit/(loss) for the period	**1,283**	**1,576**
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement gains / (losses) on defined benefit plans		
(Un)realised gains/(losses) on Liability own credit risk	14	
Items that will not be reclassified to the income statement before taxation	**14**	
Income tax relating to items that will not be reclassified to the income statement	3	
Items that will not be reclassified to the income statement after taxation	**11**	
Items that may be reclassified to the income statement		
(Un)realised gains/(losses) currency translation	26	-124
(Un)realised gains/(losses) available-for-sale		-45
(Un)realised gains/(losses) fair value through OCI	-25	
(Un)realised gains/(losses) cash flow hedge	-137	-78
Share of other comprehensive income of associates	-124	1
Other comprehensive income for the period before taxation	**-260**	**-246**
Income tax relating to items that may be reclassified to the income statement	-39	-32
Other comprehensive income for the period after taxation	**-221**	**-214**
Total comprehensive income/(expense) for the period after taxation	**1,073**	**1,362**
Attributable to:		
Owners of the parent company	1,009	1,325
Holders of AT1 capital securities	39	22
Other non-controlling interests	25	15

Condensed consolidated statement of financial position

(in millions)	Note	30 June 2018	31 December 2017
Assets			
Cash and balances at central banks		28,826	29,783
Financial assets held for trading	7	1,430	1,600
Derivatives	8	8,648	9,825
Financial investments	9	41,322	40,964
Securities financing	10	16,830	15,686
Loans and advances banks	12	10,084	10,665
Residential mortgages	13	152,387	152,691
Consumer loans	13	11,999	12,122
Corporate loans	13	107,580	101,118
Other loans and advances customers	13	5,851	8,975
Equity accounted investments		594	714
Property and equipment		1,472	1,458
Goodwill and other intangible assets		176	184
Assets held for sale		3,296	3,165
Tax assets		790	431
Other assets		4,081	3,790
Total assets		**395,365**	**393,171**
Liabilities			
Financial liabilities held for trading	7	716	1,082
Derivatives	8	9,700	8,367
Securities financing	10	12,756	11,412
Due to banks	15	14,646	16,462
Current accounts	16	83,383	83,627
Demand deposits	16	125,692	125,995
Time deposits	16	27,852	26,536
Other due to customers	16	1,130	541
Issued debt	17	78,251	76,612
Subordinated liabilities	17	9,683	9,720
Provisions	18	1,257	1,529
Liabilities held for sale		4,765	4,843
Tax liabilities		78	110
Other liabilities		4,165	5,006
Total liabilities		**374,077**	**371,841**
Equity			
Share capital		940	940
Share premium		12,970	12,970
Other reserves (incl. retained earnings/profit for the period)		5,975	5,724
Accumulated other comprehensive income		-645	-331
Equity attributable to owners of the parent company		**19,240**	**19,303**
AT1 capital securities		2,005	2,007
Equity attributable to other non-controlling interests		43	20
Total equity		**21,288**	**21,330**
Total liabilities and equity		**395,365**	**393,171**
Committed credit facilities	19	37,099	32,772
Guarantees and other commitments	19	16,062	16,165

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Condensed consolidated statement of changes in equity

(in millions)	Share capital	Share premium	Other reserves including retained earnings	Accumulated other comprehensive income	Net profit/(loss) attributable to owners of the parent company	Total	AT1 Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2017 (IAS 39)	**940**	**12,970**	**2,265**	**-9**	**1,762**	**17,928**	**1,004**	**5**	**18,937**
Total comprehensive income				-214	1,539	1,325	22	15	1,362
Transfer			1,762		-1,762				
Dividend			-414			-414		-3	-417
Paid interest on AT1 capital securities							-22		-22
Other changes in equity									
Balance at 30 June 2017 (IAS 39)	**940**	**12,970**	**3,613**	**-223**	**1,539**	**18,839**	**1,004**	**17**	**19,861**
Balance at 31 December 2017 (IAS 39)	**940**	**12,970**	**3,004**	**-331**	**2,721**	**19,303**	**2,007**	**20**	**21,330**
Impact of adopting IFRS 9			-215	-104		-319			-319
Balance at 1 January 2018	**940**	**12,970**	**2,789**	**-435**	**2,721**	**18,984**	**2,007**	**20**	**21,011**
Total comprehensive income				-210	1,219	1,009	39	25	1,073
Transfer			2,721		-2,721				
Dividend			-752			-752		-2	-754
Increase/(decrease) of capital							-3		-3
Paid interest on AT1 capital securities							-38		-38
Other changes in equity			-1			-1			-1
Balance at 30 June 2018	**940**	**12,970**	**4,756**	**-645**	**1,219**	**19,240**	**2,005**	**43**	**21,288**

The opening balance of total equity has changed compared to the closing balance of prior year due to the impact of IFRS 9. The total impact of the IFRS 9 implementation on total equity is EUR 319 million negative. The current year change in equity is EUR 277 million. The addition of current year's net profit has increased equity with EUR 1,219 million. The payment of dividend to the owners of the parent company impacted equity with a total amount of EUR 752 million. The decrease of capital of EUR 3 million consist of AT1 capital securities held for client facilitation purposes in Global Markets for H1 2018.

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Specification of accumulated other comprehensive income is as follows:

(in millions)	Remeasurements on post-retirement benefit plans	Currency translation reserve	Available-for-sale reserve	Fair value reserve	Cash flow hedge reserve	Accumulated share of OCI of associates and joint ventures	Liability own credit risk reserve	Total
Balance at 1 January 2017 (IAS 39)	**-13**	**166**	**557**		**-843**	**124**		**-9**
Net gains/(losses) arising during the period		-124	-38		-183	1		-344
Less: Net realised gains/(losses) included in income statement			8		-105			-98
Net gains/(losses) in equity		-124	-45		-78	1		-246
Related income tax		1	-13		-19			-32
Balance at 30 June 2017 (IAS 39)	**-13**	**41**	**525**		**-901**	**124**		**-223**
Balance at 31 December 2017	**-21**	**-32**	**490**		**-919**	**152**		**-331**
Impact of adopting IFRS 9			-490	450			-64	-104
Balance at 1 January 2018	**-21**	**-33**		**450**	**-919**	**152**	**-64**	**-435**
Net gains/(losses) arising during the period		26		-25	-137	-124	14	-246
Less: Net realised gains/(losses) included in income statement								
Net gains/(losses) in equity		**26**		**-25**	**-137**	**-124**	**14**	**-246**
Related income tax		1		-6	-34		4	-35
Balance at 30 June 2018	**-21**	**-8**		**431**	**-1,022**	**28**	**-54**	**-645**

The total movement in accumulated other comprehensive income for the first half of 2018 was EUR 209 million negative (first half of 2017: EUR 214 million negative). The main cause of this movement is related to the movement in the cash flow hedge reserve (EUR 103 million), the currency translation reserve (EUR 26 million) and the accumulated share of OCI of associates and joint ventures (EUR 124 million negative).

Condensed consolidated statement of cash flows

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

(in millions)	Note	First half 2018	First half 2017
Profit/(loss) for the period		**1,283**	**1,576**
Adjustments on non-cash items included in profit:			
(Un)realised gains/(losses)		933	-367
Share of profits in associates and joint ventures		-25	-11
Depreciation, amortisation and accretion		181	206
Provisions and impairment losses		465	116
Income tax expense	6	383	475
Tax movements other than taxes paid & income taxes		-19	
Eliminations of exchange differences		-1	
Operating activities			
Changes in:			
- Assets held for trading		185	-3,051
- Derivatives - assets		743	2,514
- Securities financing - assets		-890	-12,403
- Loans and advances banks		-529	3,525
- Residential mortgages		355	-1,190
- Consumer loans		19	-1,266
- Corporate loans		-4,971	-5,954
- Other loans and advances customers		1,534	-530
- Other assets		-372	587
- Liabilities held for trading		-773	1,525
- Derivatives - liabilities		1,736	-3,711
- Securities financing - liabilities		1,183	10,915
- Due to banks		-1,807	4,687
- Due to customers		1,090	11,910
Liabilities arising from insurance and investment contracts			-133
Net changes in all other operational assets and liabilities		-2,691	-3,112
Dividend received from associates		92	63
Income tax paid		-576	-814
Cash flow from operating activities		**-2,472**	**5,556**

continued >

(in millions)	Note	First half 2018	First half 2017
Investing activities			
Purchases of financial investments		-8,349	-7,861
Proceeds from sales and redemptions of financial investments		7,997	9,975
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures		-46	
Divestments of subsidiaries (net of cash sold), associates and joint ventures		-15	84
Proceeds from sale of private banking activities in Asia and the Middle East			-1,188
Purchases of property and equipment		-173	-221
Proceeds from sales of property and equipment		74	25
Purchases of intangible assets		-15	-8
Cash flow from investing activities		**-527**	**806**
Financing activities:			
Proceeds from the issuance of debt		20,763	16,368
Repayment of issued debt		-19,279	-19,706
Proceeds from subordinated liabilities issued		16	1,402
Repayment of subordinated liabilities issued		-26	-83
Proceeds from other borrowing		-3	
Dividends paid to the owners of the parent company		-752	-414
Interest paid AT1 capital securities		-51	-22
Dividends paid to other non-controlling interests		-2	-3
Cash flow from financing activities		**666**	**-2,458**
Net increase/(decrease) of cash and cash equivalents		-2,334	3,904
Cash and cash equivalents as at 1 January		33,165	24,954
Effect of exchange rate differences on cash and cash equivalents		25	-71
Cash and cash equivalents as at 30 June		**30,857**	**28,788**
Supplementary disclosure of operating cash flow information			
Interest paid		3,261	3,754
Interest received		6,461	6,514
Dividend received excluding associates		5	27

(in millions)	30 June 2018	30 June 2017
Cash and balances at central banks	28,826	26,648
Loans and advances banks (less than 3 months)[1]	2,031	2,140
Total cash and cash equivalents	**30,857**	**28,788**

[1] Loans and advances banks with an original maturity of 3 months or more is included in Loans and advances banks. See note 12.

Notes to the Condensed consolidated Interim Financial Statements

1 Accounting policies

The notes to the Condensed consolidated Interim Financial Statements, including the reviewed sections in the Risk, funding & capital information section, are an integral part of these Condensed consolidated Interim Financial Statements.

Corporate information

ABN AMRO Group N.V. (referred to as ABN AMRO Group) is the parent company of ABN AMRO Bank N.V. and a related consolidated group of companies (referred to as the Group or ABN AMRO). ABN AMRO Group is a public limited liability company, incorporated under Dutch law on 18 December 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands (Chamber of Commerce number 34370515).

As at 30 June 2018, all shares in the capital of ABN AMRO Group were held by two foundations: NLFI and STAK AAG. On that date, NLFI held 56.3% in ABN AMRO, of which 49.9% was directly held via ordinary shares and 6.4% was indirectly held via depositary receipts for shares in ABN AMRO. STAK AAG held 50.1% of the shares in the issued capital of ABN AMRO Group N.V. With the cooperation of ABN AMRO Group, STAK AAG has issued depositary receipts for shares in ABN AMRO Group, which are traded on Euronext Amsterdam.

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

The Condensed consolidated Interim Financial Statements of ABN AMRO Group for the six months ending on 30 June 2018 include financial information of ABN AMRO Group N.V., its controlled entities, interests in associates and joint ventures. The Condensed consolidated Interim Financial Statements were prepared by the Executive Board and authorised for issue by the Supervisory Board and Executive Board on 7 August 2018.

Basis of presentation

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

The Condensed consolidated Interim Financial Statements do not include all the information and disclosures required in the Annual Financial Statements and should be read in conjunction with ABN AMRO Group's 2017 Consolidated Annual Financial Statements, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU. The same accounting policies are followed in the Condensed consolidated Interim Financial Statements as compared with the 2017 Consolidated Annual Financial Statements of ABN AMRO Group, except for the adoption of IFRS 9 and IFRS 15, the amendments to IFRS 2 and the amendments of the Annual Improvements to IFRS Standards 2014-1016 Cycle (IFRS 1 and IAS 28) as of 1 January 2018. For more information refer to the "Changes in accounting policies" section.

The Condensed consolidated Interim Financial Statements are prepared under the going concern assumption. The Condensed consolidated Interim Financial Statements are presented in euros, which is the reporting currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

Changed presentation of due to banks and due to customers

During the first half of 2018, ABN AMRO considered regulatory guidance and market practices for the presentation of deposits included in due to banks (refer to note 15) and due to customers (refer to note 16). As a result, it was concluded that a change in presentation would be appropriate as this would better align with the level of regulatory reporting of financial liabilities and provide more relevant information about the effect of these financial liabilities on our financial position and performance.

The change in presentation did not impact measurement of these line items, retained earnings or the result for any period. Comparative figures have been adjusted accordingly. As a result, the following definitions apply to the new classification of due to banks and due to customers:

- Current accounts include amounts held at ABN AMRO which are available to the owner for the execution of payment transactions.
- Demand deposits are available to the account owner for frequent and immediate access but cannot be used for payment transactions. As these deposits are on demand, they can be drawn or transferred by the client without prior notice to the bank.
- Time deposits are not available to the account owner for immediate access and have an agreed maturity. In special circumstances, early withdrawal may be permitted at a penalty payable by the account owner.
- Other includes payables for cash collateral received in derivatives transactions and other financial liabilities to banks and customers.

Current accounts in due to customers in particular has been restructured to include products that were previously reported on demand deposits. Saving deposits are recorded under demand deposits.

Applying the previously used presentation the due to banks demand deposits amounted to EUR 2.5 billion, time deposits to EUR 1.1 billion and other deposits to EUR 12.8 billion per 31 December 2017. As per 1 January 2018 applying the new presentation the current accounts amounted to EUR 2.6 billion, time deposits to EUR 11.1 billion and cash collateral on securities lent to EUR 2.7 billion.

Per 31 December 2017 the due to customers demand deposits applying the previously used presentation amounted to EUR 127.7 billion, savings deposits to EUR 95.8 billion and time deposits to EUR 13.3 billion. As per 1 January 2018 applying the new presentation the current accounts amounted to EUR 83.6 billion, demand deposits to EUR 126.0 billion, time deposits to EUR 26.5 billion and other due to customers EUR 0.5 billion.

Reclassification of unsettled securities transactions

During the first half of 2018, ABN AMRO has reclassified all unsettled securities transactions that were previously included in securities financing as 'other assets' and 'other liabilities'. These assets were reclassified to reflect their nature as they comprise of all unsettled securities transactions and therefore do not necessarily relate to securities financing. Per 1 January 2018 an amount of EUR 1.0 billion of assets was reclassified from securities financing to other assets, liability amount of EUR 1.5 billion was reclassified from securities financing to other liabilities. Comparative figures have been adjusted.

Changes in accounting policies

During the first half of 2018, new EU endorsed standards became effective. The following standards were adopted:

IFRS 9 Financial Instruments

As from 1 January 2018, ABN AMRO has adopted IFRS 9 "Financial Instruments". IFRS 9 was issued by the IASB in July 2014 and endorsed by the EU in November 2016. ABN AMRO applies the principles of IFRS 9 retrospectively from 1 January 2018 onwards. Prior years were not restated in line with the transitional provisions of the standard. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and includes requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

IFRS 9 has an impact on the financial statements in two areas: classification and measurement of financial assets and liabilities and impairment of financial assets. ABN AMRO has decided to continue applying IAS 39 for hedge accounting, including the application of the EU carve-out. Refer to the IFRS 9 transition disclosures in this note for the transitional impact of IFRS 9.

Classification and Measurement

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

Financial assets are classified based on the business model in which they are held. The business model is determined at a portfolio level. Portfolios are based on how ABN AMRO as a group manages financial assets in order to achieve a particular business objective. The business model assessment is based on the level of sales, risk management, performance evaluation, and management compensation. Derecognition is used as condition in order to determine whether a transaction results in a sale.

Three business models are distinguished:

- A 'hold to collect' business model, in which cash flows are primarily generated by collecting contractual cash flow until maturity of the financial instrument. Sales can occur, as long as they are incidental, infrequent and insignificant. The assessment of frequency and significance of sales is determined based on comparison with sales in the underlying portfolio. Sales that result from increases in credit risk of the counterparty or take place close to maturity do not contradict the 'hold to collect' business model.
- A 'hold to collect and sell' business model, in which the selling of financial assets is integral to achieving the business objective. In this business model, sales take place more frequently and have a greater value than in a business model with an objective to hold to collect.
- 'Other' business models not meeting the criteria of the business models mentioned before, for example business models in which financial assets are managed with the objective of realising cash flows through sales (trading book) are managed on a fair value basis. Under these business models, the financial assets are measured at FVTPL.

After determining the business model, the contractual cash flows of financial assets have to be assessed. Debt instruments can only be classified at amortised cost or FVOCI when the contractual cash flows are SPPI compliant. Contractual cash flows that are SPPI are consistent with a basic lending arrangement in which consideration for the time value of money and credit risk are typically the most significant interest elements. Instruments that do not meet the SPPI requirements are mandatorily measured at FVTPL. Financial assets are assessed in their entirety, including any embedded derivatives.

As part of the transition to IFRS 9, ABN AMRO has performed an analysis of the business models and contractual cash flows of all financial assets, which has resulted in two changes. Additional information on these changes is provided in the IFRS 9 transition disclosure.

ABN AMRO has chosen not to elect the FVOCI option for equity securities and therefore measures these instruments at FVTPL under IFRS 9, whereas some equity instruments were classified as AFS under IAS 39. The IFRS 9 measurement criteria for financial liabilities designated as FVTPL have also changed, as a result of which changes in fair value attributable to changes in the credit risk of that liability are presented in other comprehensive income. This has resulted in a transfer from retained earnings to accumulated other comprehensive income as at 1 January 2018. The cumulative amount of changes in fair value attributable to credit risk of issued debt is presented as Liability own credit risk reserve in equity.

The fair value reserve presented separately in equity includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

There were no other significant changes in the classification and measurement of financial instruments as at 1 January 2018.

Measurement of financial instruments

- Amortised cost - Financial instruments measured at amortised cost are debt instruments within a hold to collect business model with fixed or determinable payments which meet the SPPI criteria. These instruments are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest rate method, with the periodic amortisation recorded in the income statement. This category includes financial instruments reported in Cash and balances at central banks, Securities financing and Loans and advances. Financial instruments at amortised cost are presented net of credit loss allowances in the statement of financial position.
- FVTPL - Financial instruments measured at FVTPL include instruments held for trading, derivatives, equity instruments for which the FVOCI option has not been elected and instruments whose cash flows do not meet the SPPI requirements. Changes in the fair value of these instruments are directly recognised in the income statement. FVTPL instruments are reported in Financial assets held for trading, Derivatives, Financial investments and Corporate loans.
- FVOCI - Financial instruments measured at FVOCI are debt instruments which are held in a hold to collect and sell business model and which meet the SPPI criteria. They are initially measured at fair value, with subsequent unrealised changes recognised in other comprehensive income. Equity instruments for which the fair value option is elected are also measured at FVOCI. FVOCI instruments are reported in Financial investments, of which the majority is measured in this category.

Derecognition and modification

Financial assets are derecognised when ABN AMRO loses control and the ability to obtain benefits from the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risks and rewards are transferred. Financial assets are also derecognised if the bank has neither transferred nor retained substantially all risks and rewards of ownership, but control has passed to the transferee.

Financial assets continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows, and substantially all the risks, rewards and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified (for example in forbearance measures) ABN AMRO analyses in both qualitative and quantitative terms whether the modification should be accounted for as derecognition. Generally a 10% difference in the present value of the cash flows is accounted for as derecognition. If the modification does not result in derecognition of that financial asset, ABN AMRO will recalculate the gross carrying amount of the financial asset based on the present value of the renegotiated or modified contractual cash flows, discounted at the financial asset's original effective interest rate. The effect will be recognised and disclosed as a modification loss in profit or loss. Based on historic forbearance measures, ABN AMRO has not identified significant modification losses to be retrospectively recognised at 1 January 2018.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitatively and quantitatively (a 10% difference in the present value of the cash flows) is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former amortised cost and the consideration paid is recognised in the income statement.

Impairments

IFRS 9 replaced the incurred loss model with the expected credit loss model (ECL), which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or FVOCI. Additionally the scope of IFRS 9 is broader than under IAS 39 as loan commitments and financial guarantee contracts are also included. These financial instruments are divided into three groups, depending on the stage of credit quality deterioration:

- Financial instruments without a significant increase in credit risk (stage 1): the portion of the lifetime expected credit losses associated with default events occurring in the next twelve months (12M ECL) is recognised. Interest income is recognised based on the gross carrying amount;
- Financial instruments with significantly increased credit risk (stage 2): lifetime expected credit loss (LECL) is recognised. Interest income is recognised based on the gross carrying amount;
- Credit-impaired financial instruments (stage 3): these financial instruments are defaulted and consequently a LECL is recognised. Interest income is recognised based on the amortised cost.

ABN AMRO has chosen to apply the same default definition under IFRS 9 as it has always used for credit risk management purposes. A default is considered to have occurred when one of the default triggers (e.g. unlikely to pay, involuntary restructuring, bankruptcy or fraud) is hit. In addition, 90 days past due is used as a backstop. These triggers are also applicable for forborne exposures.

The key quantitative metric determining when a financial instrument is transferred to stage 2 is the deterioration of the lifetime probability of default (LPD) from the date of origination to the reporting date. The LPD represents the likelihood that a counterparty will default during the lifetime of the financial instrument and depends on credit risk drivers such as product characteristics (e.g. repayment and interest terms, term of the product and claim seniority), the financial condition of the borrower, the number of days past due, the geographical region and future developments in the economy. If the LPD deterioration of a counterparty is above a threshold that is determined per portfolio, the counterparty is transferred to stage 2. Due to limitations in the availability of historical data, ABN AMRO currently uses a proxy for LPD.

When a financial instrument meets one of the following qualitative triggers, the bank transfers the instrument to stage 2:

- Forborne status of a borrower;
- Watch status of a borrower. ABN AMRO assigns the watch status to individual counterparties with an increased risk. This process allows for intensive monitoring, early detection of deterioration in the credit portfolio and appropriate follow-up measures. Or;
- 30 days past due.

Favourable changes in credit risk are recognised consistently with unfavourable changes in credit risk, except when applying a probation period for financial instruments that are forborne or more than 30 days past due. Forborne financial instruments are only transferred back from stage 2 to stage 1 after a two-year credit risk improvement period. Stage 3 forborne instruments transfer back to stage 2 consistently with other defaulted instruments. For 30 days past due financial instruments a three-month period is applied for transfers from stage 2 to stage 1.

The amount of expected credit loss allowances is based on the probability weighted present value of all expected cash shortfalls over the remaining life of the financial instrument for both on and off balance sheet exposures. ABN AMRO makes a distinction between two types of calculation methods for credit loss allowances:

- Individual LECL for credit-impaired (stage 3) financial instruments with exposures above the EUR 3 million: if significant doubts arise regarding a client's ability to meet its contractual obligations and/or one of the default triggers is met. And;
- Collective 12M ECL and LECL for (stage 1, 2 and 3) financial instruments that have similar credit risk characteristics are clustered in portfolios and collectively assessed for impairment losses. Also for exposures smaller than EUR 3 million, a collective impairment calculation is applied. ABN AMRO has introduced new models to quantify the Probability of Loss (PL), Loss Given Loss (LGL) and Exposure at Loss (EAL) for calculating the collective 12M ECL and LECL for these financial assets. Whereas the credit loss allowance is collectively determined for these assets, the stage is determined per individual financial instrument.

Lifetime expected credit loss

ABN AMRO defines the lifetime as the maximum contractual period over which the bank is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice. For some contracts, no end date is specified or amounts can be contractually withdrawn by the lender at short notice, such as overdraft facilities or credit cards. In these cases, ABN AMRO uses behavioural maturity models that rely on historic client behaviour as the exposure to credit losses can extend beyond the contractual period. ABN AMRO has developed transition matrices that are used to convert 12-month PLs into lifetime PLs and 12-month LGLs into lifetime LGLs. Furthermore, ABN AMRO has developed models that estimate lifetime EAL based on behavioural exposure profiles.

Forward looking information

Three different scenarios of future economic developments are incorporated into the IFRS 9 expected credit loss calculation and risk stage determination in a probability weighted manner (during the first half of 2018: Baseline 60%, Up 20%, Down 20%). These scenarios are developed by ABN AMRO Group Economics at least on an annual basis and reviewed at each reporting date. The macro-economic variables forecasted by Group Economics and used for the expected credit loss calculation are chosen per specific portfolio and based on statistical relevance such as credit risk driver and expert judgement of the business. ABN AMRO has aligned its forward-looking scenarios with those used in the budgeting process. Specific forecasts of macro-economic variables are made for two to three years, subsequent periods gradually align to the long term average.

Practical expedients and low credit risk exemption
ABN AMRO applies the simplified approach for trade receivables and contract assets. For these assets, ABN AMRO measures lifetime expected credit losses by using a provision matrix.

IFRS 15 Revenue from Contracts with Customers

This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The standard was endorsed by the EU in October 2017 and is effective for annual periods beginning on or after 1 January 2018. The standard does not have an impact on the Financial Statements of ABN AMRO.

IFRS 2 Share-based Payment

In June 2016 the IASB issued amendments to IFRS 2 "Share-based Payments": Classification and Measurement of Share-based Payment Transactions. The issuance consists of three amendments that clarify how to account for certain types of share-based payment transactions. As ABN AMRO currently does not have any IFRS 2 share-based payment plans, this amendment does not impact ABN AMRO.

Annual Improvements to IFRS Standards 2014-2016 Cycle

This cycle of annual improvements comprises three amendments, one of which became effective on 1 January 2017. This amendment relates to IFRS 12 Disclosure of Interests in Other Entities and provides clarifications on the scope of the standard. The other two amendments became effective on 1 January 2018. Neither amendment, IFRS 1 relating to First-Time adoption and IAS 28 relating to Investments in Associates and Joint Ventures, have a significant impact on the Financial Statements.

New standards, amendments and interpretations not yet effective

The following amendments to IFRS have been issued by the IASB and endorsed by the EU, but are not yet effective. Note that only the amendments to IFRS that are relevant for ABN AMRO are discussed.

IFRS 16 Leases

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between operating and financing lease for lessees. The requirements for lessor accounting remain largely unchanged. ABN AMRO is currently adjusting the operating procedures and systems in order to implement the new requirements of the standard.

Amendments to IFRS 9

The IASB issued amendments to IFRS 9, Prepayment Features with Negative Compensation, which allow instruments with symmetric prepayment options to be measured at amortised cost or at fair value through other comprehensive income. As ABN AMRO currently does not have any financial instruments with these features, these amendments do not have an impact.

New standards, amendments and interpretations not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but have not yet been endorsed by the European Union and are therefore not open for early adoption. Note that only the amendments to IFRS that are relevant for ABN AMRO are discussed below.

IAS 28 Investments in Associates and Joint Ventures

In October 2017, the IASB issued amendments to IAS 28 that will become effective on 1 January 2019. The amendments clarify that IFRS 9 should be applied when accounting for long-term interests in an associate or joint venture to which the equity method is not applied. Based on an initial analysis, the amendments will not have a significant impact on ABN AMRO.

Annual Improvements 2015-2017 Cycle

In December 2017, the IASB issued the "Annual Improvements to IFRS Standards, 2015-2017 Cycle". These amendments are required to be applied for annual periods beginning on or after 1 January 2019. This cycle of annual improvements comprises amendments relating to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The impact of the amendments on the Financial Statements is expected to be insignificant.

Transition to IFRS 9

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

For the other off balance sheet items, which mainly consist of revocable loan commitments, ABN AMRO reclassified the provisions thereon from Loans and advances customers to Provisions.

		IAS 39						IFRS 9	
		31 December 2017		Reclassi-fications		Remeasure-ment		1 January 2018	
	Ref	Measurement Category	Carrying amount	From L&R to FVTPL[1]	From AFS to FVTPL	C&M	ECL	Carrying amount	Measurement Category
Cash and balances at central banks		L&R	29,783					29,783	AC
Financial assets held for trading		FVTPL	1,600					1,600	FVTPL
Derivatives	1	FVTPL	9,825	-141				9,684	FVTPL
Financial investments (FVTPL)	2	FVTPL	679		415			1,094	FVTPL
Financial investments (AFS)	2,7	AFS	40,285		-415			39,870	FVOCI
Securities financing		L&R	15,686					15,686	AC
Loans and advances banks	4	L&R	10,665				-2	10,662	AC
Residental mortgages	4	AC	152,691				-48	152,644	AC
Consumer loans	4	AC	12,122				-58	12,064	AC
Corporate loans (AC)	1,3,4	AC	101,118	-310		-190	-35	100,583	AC
Corporate loans (FVTPL)	1,4	FVTPL		2,044		-33		2,012	FVTPL
Other loans	1	AC	8,975	-1,619				7,356	AC
Tax assets	5	AC	431			56	52	540	AC
Other assets		L&R	9,311				-1	9,311	AC
Total assets			**393,171**	**-25**	**-0**	**-166**	**-92**	**392,888**	

[1] This column includes the reclassification of previously embedded derivatives to Corporate loans at FVTPL.

1. Certain portfolios of corporate loans have embedded derivatives that were bifurcated under IAS 39. These are loans where the return is based on the price of underlying commodity contracts or loans with a floating interest rate, and where the interest reset period does not match the interest reference rate. These contracts were analysed in their entirety in accordance with IFRS 9 and they failed the solely payment of principal and interest (SPPI) criterion. As a result, the loans together with the embedded derivatives that were previously bifurcated have been reclassified as FVTPL at 1 January 2018. The amounts relating to the reclassification are EUR 1,929 million for loans, EUR 141 million for derivatives assets and EUR 25 million for derivatives liabilities. As the fair value of these loans is EUR 33 million below their carrying amount under IAS 39, this has resulted in a C&M remeasurement.
2. ABN AMRO has chosen not to elect the FVOCI option under IFRS 9 for all equity securities. As a result, an amount of EUR 415 million has been reclassified from available-for-sale (AFS) under IAS 39 to FVTPL under IFRS 9. In addition, the cumulative AFS reserve of EUR 42 million (net of tax) relating to these equity securities reclassified to FVTPL has been transferred to retained earnings.
3. For a portfolio of corporate loans that had been reclassified from held for trading to loans and receivables in 2015, a revised amortised cost measurement has been applied in accordance with IFRS 9, as if these loans had always been measured at amortised cost. This results in a reduction in the carrying amounts of these loans at 1 January 2018, reflected as a C&M remeasurement of EUR 190 million negative in the table above.
4. The IFRS 9 impairment requirements resulted in ECL remeasurement of total assets by EUR 92 million and liabilities by EUR 61 million, largely as a result of a EUR 141 million impact on loans and advances to customers and a EUR 52 million increase in tax assets. Allowances for irrevocable loan commitments and financial guarantees are included in provisions.
5. The tax effect recognised in other assets is EUR 108 million.
6. IFRS 9 changes the measurement criteria for financial liabilities designated as FVTPL, as a result of which the cumulative change in the fair value attributable to changes in the credit risk of that liability are presented in accumulated other comprehensive income. This change results in the transfer of EUR 64 million (net of tax) from retained earnings to accumulated other comprehensive income as at 1 January 2018.
7. Allowances for credit losses of EUR 2 million on FVOCI instruments are recorded in accumulated other comprehensive income. These allowances for credit losses have no effect on the carrying value of FVOCI financial assets, which remain measured at fair value. The adoption of IFRS 9 results in a transfer of EUR 2 million from the fair value reserve to retained earnings to reflect the cumulative impairment recognised in profit or loss.

		IAS 39						IFRS 9	
		31 December 2017		Reclassi- fications		Remeasure- ment		1 January 2018	
	Ref	Measurement Category	Carrying amount	From L&R to FVTPL[1]	From AFS to FVTPL	C&M	ECL	Carrying amount	Measurement Category
Financial liabilities held for trading		FVTPL	1,082					1,082	FVTPL
Derivatives	1	FVTPL	8,367	-25				8,342	FVTPL
Securities financing		AC	11,412					11,412	AC
Due to banks		AC	16,462					16,462	AC
Due to customers		AC	236,699					236,699	AC
Issued debt (AC)		AC	75,429					75,429	AC
Issued debt (FVTPL)	6	FVTPL	1,182					1,182	FVTPL
Subordinated liabilities		AC	9,720					9,720	AC
Provisions	4	AC	1,529				61	1,590	AC
Tax liabilities		AC	110				-0	109	AC
Other liabilities		AC	9,849					9,849	AC
Total liabilities			**371,841**	**-25**			**61**	**371,877**	
Share capital			940					940	
Share premium			12,970					12,970	
Other reserves (incl retained earnings/profit for the period)	1-7		5,724			-62	-153	5,509	
Accumulated other comprehensive income	2,6,7		-331			-104		-435	
Equity attributable to the owners of the parent company			**19,303**			**-166**	**-153**	**18,984**	
AT1 capital securities			2,007					2,007	
Equity attributable to other non-controlling interests			20					20	
Allocation equity		AC							
Total equity			**21,330**			**-166**	**-153**	**21,011**	
Total liabilities and equity			**393,171**	**-25**		**-166**	**-92**	**392,888**	

[1] This column includes the reclassification of previously embedded derivatives to Corporate loans at FVTPL.

The tables below provides a reconciliation from the IAS 39 allowances / IAS 37 provisions to the IFRS 9 ECL allowances/ provisions recognised as of 1 January 2018 upon adoption of IFRS 9.

	IAS 39			IFRS 9	
	31 December 2017			1 January 2018	
	Measurement Category	Allowances for credit losses	Remeasurement	Allowances for credit losses	Measurement Category
Financial investments[1]	**AFS**				**FVOCI**
Loans and advances banks	**L&R**		**2**	**9**	**AC**
Residental mortgages	AC		48	182	AC
Consumer loans	AC	304	58	362	AC
Corporate loans (AC)	AC	2,020	36	2,055	AC
Other loans	AC	2		2	AC
Loans and advances customers[1]	**L&R**	**2,460**	**141**	**2,601**	**AC**
Total loans and advances		**2,467**	**143**	**2,610**	
Other assets	L&R	3	1	4	AC
Total on-balance sheet allowances		**2,470**	**144**	**2,614**	

[1] Allowances for credit losses of EUR 2 million on FVOCI instruments are recorded in accumulated other comprehensive income. These debt securities remain at FVOCI on the balance sheet.

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

	IFRS 9			
	1 January 2018			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances banks	7	1	1	9
Residential mortgages	26	24	132	182
Consumer loans	42	74	246	362
Corporate loans	138	112	1,805	2,055
Other loans	1	1		2
Total Loans and advances customers	**206**	**212**	**2,183**	**2,601**
Other assets		1	3	4
Total allowances on-balance sheet	**214**	**213**	**2,187**	**2,614**
Allowances for irrevocable loans commitment and financial guarantee contracts	9	1	15	25
Total allowances on-balance and off-balance sheet	**222**	**215**	**2,202**	**2,639**
Provisions for other off-balance sheet items[1]				42
Total allowances and provisions for on-balance and off-balance sheet items	**222**	**215**	**2,202**	**2,682**

[1] These amounts relate to the off-balance sheet items that do not fall within the scope of IAS 39 / IFRS 9 but remain to be in scope of IAS 37. As from 1 January 2018 ABN AMRO reclassified these provisions, for in particular revocable loan commitments, from the related on-balance sheet asset to the provisions for off-balance sheet items. Comparative figures have not been adjusted and stage information is not applicable.

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

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

The transition to IFRS 9 has resulted in a decline of RWA-based capital ratios and leverage ratios. This impact is attributable to classification and measurement changes and risk weighting of the related potential future tax savings. In addition, the allowances for credit losses have increased due to IFRS 9, but the regulatory capital impact was more than offset by a reversal in the IRB Provision Shortfall. Transition to IFRS 9 has resulted in a decrease of CET1 capital by 12bps.

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

2 Segment reporting

During the first half of 2018, ABN AMRO transferred the portfolio of Small Business Clients with a turnover of up to EUR 1 million from Retail Banking to Commercial Banking. As a consequence, the segment reporting has also changed. Historical figures have been adjusted for comparison purposes. The transfer has no effect on the historical overall group results or financial position of the bank.

Retail Banking

Retail Banking provides banking products and services to individuals. In addition, a wide variety of banking and insurance products and services are provided online and through our branch network, contact centres and subsidiaries. ABN AMRO Hypotheken Groep, Alfam, ICS and Moneyou are part of Retail Banking.

Commercial Banking

Commercial Banking serves business clients with a turnover of up to EUR 250 million, and clients active in Commercial Real Estate (excluding publicly listed companies, which are served by CIB). ABN AMRO's Asset Based Finance activities are included in Commercial Banking.

Private Banking

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

Corporate & Institutional Banking

Corporate & Institutional Banking (CIB) serves business clients with revenues exceeding EUR 250 million. In Northwest Europe, clients with revenues exceeding EUR 100 million are served in eight selected sectors. CIB covers loan products (structured finance and trade & commodity finance), flow products (global markets) and specialised products (clearing and private equity). CIB's business activities are organised according to sector, geography and product.

Group Functions

Group Functions supports the business segments and consists of Innovation & Technology, Risk Management, Finance, Transformation & HR, Group Audit, Strategy & Sustainability, and the Corporate Office. The majority of Group Functions' costs are allocated to the businesses. Group Functions' results include those of ALM and Treasury and the securities financing activities.

Segment income statement of the first six months of 2018

	First half 2018					
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Net interest income	1,594	820	364	551	-2	3,327
Net fee and commission income	170	125	269	277	15	856
Net trading income	-0	-1	5	85	29	118
Share of result in equity accounted investments	12	1	8	4	1	25
Other operating income	4	23	64	104	95	290
Operating income	**1,779**	**969**	**709**	**1,021**	**138**	**4,617**
Expenses						
Personnel expenses	230	155	202	235	387	1,210
General and administrative expenses	262	67	121	187	678	1,314
Depreciation and amortisation of tangible and intangible assets	3	5	10	4	64	86
Intersegment revenues/expenses	519	258	136	183	-1,097	
Operating expenses	**1,015**	**485**	**470**	**609**	**32**	**2,609**
Impairment charges on financial instruments	-19	114	12	236	-2	341
Total expenses	**996**	**598**	**482**	**845**	**30**	**2,951**
Operating profit/(loss) before taxation	**783**	**371**	**228**	**177**	**107**	**1,666**
Income tax expense	195	91	58	26	13	383
Profit/(loss) for the period	**589**	**280**	**169**	**151**	**95**	**1,283**
Attributable to:						
Owners of the company	589	280	169	126	55	1,219
Holders of AT1 capital securities					39	39
Other non-controlling interests				25		25

Segment income statement of the first six months of 2017

	First half 2017					
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Income						
Net interest income	1,635	790	326	464	-21	3,195
Net fee and commission income	175	126	292	283	12	888
Net trading income	2	1	19	134	-1	154
Share of result in equity accounted investments	9	1	1	2		13
Other operating income	1	25	253	65	143	487
Operating income	**1,822**	**943**	**892**	**948**	**132**	**4,738**
Expenses						
Personnel expenses	223	156	266	213	431	1,288
General and administrative expenses	252	66	158	176	683	1,335
Depreciation and amortisation of tangible and intangible assets	3	2	19	6	66	97
Intersegment revenues/expenses	519	261	132	202	-1,114	
Operating expenses	**998**	**485**	**575**	**597**	**65**	**2,720**
Impairment charges on financial instruments	-59	-114	-4	144	-0	-33
Total expenses	**939**	**371**	**571**	**741**	**65**	**2,687**
Operating profit/(loss) before taxation	**883**	**572**	**321**	**207**	**67**	**2,051**
Income tax expense	221	142	34	41	37	475
Profit/(loss) for the period	**662**	**430**	**288**	**166**	**30**	**1,576**
Attributable to:						
Owners of the company	662	430	288	151	9	1,539
Holders of AT1 capital securities					22	22
Other non-controlling interests				15		15

Retail Banking

Net interest income declined by EUR 41 million (H1 2017: EUR 1,635 million). The decrease was mainly attributable to an addition to the provision for ICS and the transfer of clients to Private Banking. The underlying trend showed stable interest income from mortgages and deposits. Interest income from consumer loans decreased as both average volumes and margins were lower.

Net fee and commission income declined by EUR 5 million to EUR 170 million in H1 2018, partly due to the transfer of clients to Private Banking.

Personnel expenses increased by EUR 7 million to EUR 230 million in H1 2018. The increase was mainly due to a new CLA which resulted in a 2% wage increase and a one-off payment of EUR 1,000 per employee, partly offset by lower FTE levels. The number of FTEs declined by 387 to 4,779 on 30 June 2018 as a result of digitalisation and cost-saving programmes, which is also reflected in a further reduction in the number of branches.

General and administrative expenses increased by EUR 10 million, totalling EUR 262 million in H1 2018, mainly due to higher regulatory levies.

Impairment charges showed a release of EUR 19 million in H1 2018, whereas H1 2017 showed a release of EUR 59 million. The releases were supported by the strong performance of the Dutch economy and a model refinement on mortgages in H1 2017.

Commercial Banking

Net interest income increased by EUR 30 million to EUR 820 million in H1 2018. The increase was mainly attributable to higher income from corporate loans and higher interest-related fees. Net interest income benefited from continued growth in client lending and improving margins. The impact of deposit volume growth was offset by continuing margin pressure. Net fee and commission income remained stable, totalling EUR 125 million in H1 2018.

Other operating income was EUR 23 million in H1 2018 (H1 2017: EUR 25 million). Both periods included the benefits of positive revaluation results.

Personnel expenses remained stable at EUR 155 million. The impact of FTE reductions resulting from cost-saving programmes was offset by the impact of a one-off CLA payment and wage inflation.

General and administrative expenses remained flat at EUR 67 million. Higher regulatory levies were offset by the impact of cost-saving programmes.

Impairment charges amounted to EUR 114 million as a result of a number of specific additions, predominantly in healthcare and other sectors. Impairment releases in H1 2017 mainly resulted from an SME model refinement and an IBNI release.

Private Banking

Net interest income rose by EUR 38 million, compared with H1 2017, arriving at EUR 364 million. The increase was mainly due to margin improvements in the Netherlands and transfer of clients from Retail Banking.

Net fee and commission income showed a decline of EUR 23 million compared with H1 2017, arriving at EUR 269 million. Excluding the contribution of PB Asia in 2017, net fee and commission decreased as market sentiment in H1 2017 had a favourable impact on net fee and commission income. Although market sentiment recovered in Q2 2018, the fee level of H1 2017 was not reached. More clients opted for execution-only instead of managed portfolios and the raised client threshold for advisory services resulted in lower advisory volumes.

Other operating income decreased by EUR 189 million, compared with H1 2017, arriving at EUR 64 million in H1 2018. Excluding the sale proceed of PB Asia divestments in 2017, other operating income went up compared with H1 2017. This was mainly the result of EUR 48 million in positive Q2 incidentals in H1 2018.

Personnel expenses decreased by EUR 64 million compared with H1 2017, arriving at EUR 202 million. Excluding the results of Private Banking Asia in 2017, personnel expenses decreased following substantial FTE reductions, partly offset by wage inflation. Compared with H1 2017, FTE levels decreased by 495. This was primarily due to progress on the restructuring as well as the impact of the PB Asia divestment, which also resulted in an internal transfer of FTEs to CIB.

General and administrative expenses amounted to EUR 121 million versus EUR 158 million in H1 2017. This was primarily due to costs relating to the sale of PB Asia in 2017. Impairment charges amounted to a EUR 12 million charge in H1 2018, compared with a EUR 4 million release in H1 2017.

Corporate & Institutional Banking

Net interest income grew EUR 87 million, totalling EUR 551 million in H1 2018. Net interest income rose on the back of increased client lending and the favourable impact of new deals. Average client loans increased primarily within natural resources, corporate coverage and financial institutions. This was partly offset by the negative currency impact of the US Dollar, whereas loan margins slightly improved year-on-year. Deposit income increased compared with H1 2017 due to higher average volumes and improved deposit margins, primarily on USD deposits. Moreover, a larger number of professional clients are being charged negative interest rates on deposits. Net interest income increased at Global Markets, partly due to lower results in the area of collateral management activities in H1 2017.

Net fee and commission income came to EUR 277 million (H1 2017: EUR 283 million). Lower trade & guarantees commissions and lower placement fees were partly offset by higher clearing fees following increased market activity.

Lower net trading income (EUR 85 million in H1 2018 versus EUR 134 million in H1 2017) was primarily attributable to lower results for CVA/DVA/FVA.

Other operating income increased from EUR 65 million in H1 2017 to EUR 104 million in H1 2018, mainly due to higher Equity Participations results.

Personnel expenses increased by EUR 22 million to EUR 235 million in H1 2018 due to restructuring costs, wage inflation and a rise in the number of FTEs. Compared with H1 2017, the number of FTEs grew by 174 due to growth initiatives as well as an internal transfer from Private Banking following the PB Asia divestment.

General and administrative expenses amounted to EUR 187 million in H1 2018 versus EUR 176 million in H1 2017, mainly due to higher regulatory levies.

Impairment charges amounted to EUR 236 million, compared with EUR 144 million in H1 2017. Despite continued favourable overall credit quality trends, impairment charges were elevated for a select number of clients and sectors (natural resources, trade & commodity finance including diamond & jewellery clients and global transportation & logistics).

Group Functions

Net interest income amounted to EUR -2 million (H1 2017: EUR -21 million). Adjusted for EUR 60 million in positive incidentals in H1 2018, net interest income decreased primarily due to a lower interest mismatch result. H1 2018 included an incidental release of penalty fees resulting from mortgage interest term renewals (EUR 25 million) and a provision release relating to securities financing activities discontinued in 2009 (EUR 35 million).

Net fee and commission increased by EUR 3 million to EUR 15 million in H1 2018.

Other operating income amounted to EUR 95 million (H1 2017: EUR 143 million). Less favourable hedge accounting-related income (EUR 40 million versus EUR 118 million in H1 2017) was partly offset by the revaluation of equensWorldline (EUR 46 million).

Higher net trading income (EUR 29 million in H1 2018) relates to a provision release for securities financing activities discontinued in 2009.

Personnel expenses declined by EUR 44 million to EUR 387 million in H1 2018, partly as a result of higher restructuring provisions in H1 2017. The underlying trend showed decreasing personnel expenses on the back of substantial FTE reductions, partly offset by wage inflation following the new CLA. The number of FTEs declined by 577 to 6,175 at 30 June 2018, reflecting progress in cost-saving programmes.

General and administrative expenses decreased by EUR 5 million to EUR 678 million in H1 2018, mainly reflecting cost savings.

Intersegment revenues/expenses amounted to EUR -1,097 million in H1 2018, reflecting fewer costs allocated to the commercial business segments.

Selected assets and liabilities by segment

						30 June 2018
(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
Assets						
Financial assets held for trading				1,430		1,430
Derivatives			19	7,581	1,048	8,648
Securities financing				3,338	13,491	16,830
Residential mortgages	147,465	8	2,765		2,148	152,387
Consumer loans	6,942	545	4,462	50		11,999
Corporate loans	1,632	40,564	4,882	56,580	3,922	107,580
Other loans and advances customers	8	362	4	5,252	225	5,851
Other	1,788	1,903	8,434	10,033	68,482	90,640
Total assets	**157,835**	**43,382**	**20,567**	**84,264**	**89,317**	**395,365**
Liabilities						
Financial liabilities held for trading				716		716
Derivatives			10	7,660	2,030	9,700
Securities financing				870	11,886	12,756
Current accounts	15,459	27,926	17,858	21,509	631	83,383
Demand deposits	72,074	13,261	39,715	636	6	125,692
Time deposits	7,857	3,889	7,462	5,194	3,450	27,852
Other due to customers	151		1	932	45	1,130
Other	62,294	-1,694	-44,480	46,746	49,981	112,846
Total liabilities	**157,835**	**43,382**	**20,567**	**84,264**	**68,029**	**374,077**

(in millions)	Retail Banking	Commercial Banking	Private Banking	Corporate & Institutional Banking	Group Functions	Total
						31 December 2017
Assets						
Financial assets held for trading				1,599		1,600
Derivatives			19	8,659	1,146	9,825
Securities financing				2,711	12,975	15,686
Residential mortgages	147,495	7	2,926		2,264	152,691
Consumer loans	7,295	453	4,324	49		12,122
Corporate loans	1,552	39,160	4,926	51,377	4,102	101,118
Other loans and advances customers	3	464	3	8,250	254	8,975
Other	1,777	1,855	8,963	7,824	70,735	91,154
Total assets	**158,123**	**41,940**	**21,162**	**80,470**	**91,476**	**393,171**
Liabilities						
Financial liabilities held for trading				1,082		1,082
Derivatives			12	6,368	1,987	8,367
Securities financing				657	10,755	11,412
Current accounts[1]	14,555	26,521	18,554	23,370	628	83,627
Demand deposits[1]	72,107	13,695	39,280	906	6	125,995
Time deposits[1]	7,442	3,969	7,173	5,745	2,207	26,536
Other due to customers[1]	216	4	24	253	45	541
Other	63,804	-2,250	-43,882	42,090	54,519	114,281
Total liabilities	**158,123**	**41,940**	**21,162**	**80,470**	**70,146**	**371,841**

[1] Change in Due to customers effective as of 1 January 2018.

Total assets increased by EUR 2.2 billion, totaling EUR 395.4 billion at 30 June 2018. The increase mainly related to higher loans and advances to customers and higher securities financing assets, partly offset by lower cash and balances at central banks.

Total liabilities increased by EUR 2.2 billion, reaching EUR 374.1 billion at 30 June 2018. The increase mainly related to higher securities financing liabilties, issued debt and higher amounts due to customers.

3 Overview of financial assets and liabilities by measurement base

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Fair value through other comprehensive income	Total
					30 June 2018
Financial assets					
Cash and balances at central banks	28,826				28,826
Financial assets held for trading		1,430			1,430
Derivatives		7,703	945		8,648
Financial investments			1,141	40,181	41,322
Securities financing	16,830				16,830
Loans and advances banks	10,084				10,084
Loans and advances customers	275,941		1,876		277,817
Assets held for sale	552		2,689	1	3,242
Other assets	1,042				1,042
Total financial assets	**333,275**	**9,134**	**6,651**	**40,182**	**389,242**
Financial Liabilities					
Financial liabilities held for trading		716			716
Derivatives		8,126	1,574		9,700
Securities financing	12,756				12,756
Due to banks	14,646				14,646
Due to customers	238,058				238,058
Issued debt	77,206		1,045		78,251
Subordinated liabilities	9,683				9,683
Liabilities held for sale	2,022		2,689		4,711
Other liabilities	896				896
Total financial liabilities	**355,267**	**8,842**	**5,308**		**369,417**

(in millions)	Amortised cost	Fair value through profit or loss - Trading	Fair value through profit or loss - Other	Fair value through other comprehensive income	Total
					31 December 2017
Financial assets					
Cash and balances at central banks	29,783				29,783
Financial assets held for trading		1,600			1,600
Derivatives		8,749	1,076		9,825
Financial investments			679	40,285	40,964
Securities financing	15,686				15,686
Loans and advances banks	10,665				10,665
Loans and advances customers	274,906				274,906
Assets held for sale	385		2,728	7	3,120
Other assets	959				959
Total financial assets	**332,384**	**10,349**	**4,482**	**40,292**	**387,507**
Financial Liabilities					
Financial liabilities held for trading		1,082			1,082
Derivatives		6,696	1,671		8,367
Securities financing	11,412				11,412
Due to banks	16,462				16,462
Due to customers	236,699				236,699
Issued debt	75,429		1,182		76,612
Subordinated liabilities	9,720				9,720
Liabilities held for sale	2,092		2,729		4,821
Other liabilities	1,464				1,464
Total financial liabilities	**353,278**	**7,777**	**5,583**		**366,637**

4 Operating income

(in millions)	First half 2018	First half 2017
Net interest income	3,327	3,195
Net fee and commission income	856	888
Net trading income	118	154
Share of result in equity accounted investments	25	13
Other income	290	487
Total operating income	**4,617**	**4,738**

Operating income in the first six months of 2018

Total operating income decreased by EUR 121 million, amounting to EUR 4,617 million for H1 2018, compared with EUR 4,738 for H1 2017.

Net interest income increased by EUR 133 million, totalling EUR 3,327 million in H1 2018, compared with EUR 3,195 million during the same period in 2017. The increase was predominantly driven by volume growth in corporate loans.

Net fee and commission income came down 32 million, arriving at EUR 856 million in H1 2018, compared with EUR 888 million in H1 2017. Because of the sale of PB Asia in Q2 2017 (EUR 13 million) fee income was lower in H1 2018, while commission income received for securities transactions and re-insurance, mainly in France, (EUR 6 million), was also lower than in H1 2017. In Retail Banking, net fee and commission declined EUR 5 million mainly due to lower commission payments and lower advice fees (EUR 9 million), mainly offset by increased fees and commision income received by International Card Services. At Corporate & Institutional Banking, the decrease of 6 million was mainly attributable to lower trade & guarantees commision and lower placement fees (EUR 9 million), offset by market activities in the clearing business (EUR 3 million).

Net trading income decreased by EUR 36 million in H1 2018, totalling EUR 118 million. This decrease was due mainly to the effect of CVA, DVA and FVA results which amounted to EUR 0 million (gain in 2017: EUR 43 million) and a provision release for securities financing activities discontinued in 2009 (EUR 29 million).

Share of result in equity accounted investments increased by EUR 12 million to EUR 25 million in H1 2018, compared with EUR 13 million in H1 2017.This increase was driven mainly by higher results from equity associates in France and the joint venture results in the Netherlands.

Other income amounted to EUR 290 million in H1 2018 and was EUR 197 million lower than in the same period in 2017. This decrease was due mainly to the sale of PB Asia divestment (EUR 255 million) in 2017. Hedge accounting related-results were lower in H1 2018 than in H1 2017 (EUR 40 million versus 118 million). The result of Equity participations in H1 2018 amounted to EUR 129 million versus EUR 81 million in H1 2017.

For H1 2017, ABN AMRO reclassified EUR 36 million of fee income relating to Stater (mortgage service provider) from other operating income to fee and commission income. ABN AMRO considers it more transparent to record all service-related fee income under a single line item (fee and commission income).

5 Operating expenses

(in millions)	First half 2018	First half 2017
Personnel expenses	1,210	1,288
General and administrative expenses	1,314	1,335
Depreciation and amortisation of tangible and intangible assets	86	97
Total operating expenses	**2,609**	**2,720**

Operating expenses in the first six months of 2018

Total operating expenses decreased by EUR 111 million to EUR 2,609 million compared with EUR 2,720 million during H1 2017, driven by lower personnel expenses (EUR 78 million) and general and administrative expenses (EUR 21 million).

Personnel expenses amounted to EUR 1,210 million for H1 2018, a decrease of EUR 78 million compared with H1 2017. Fore more details, please see Personnel expenses.

General and administrative expenses decreased by EUR 21 million compared with H1 2017. This mainly related to an increase in the provision for SME derivatives-related issues and the impact of the PB Asia divestment in 2017. In H1 2018, regulatory levies were higher than in H1 2017.

Personnel expenses

(in millions)	First half 2018	First half 2017
Salaries and wages	815	851
Social security charges	120	120
Pension expenses relating to defined benefit plans	2	2
Defined contribution plan expenses	174	188
Other	99	127
Total personnel expenses	**1,210**	**1,288**

Personnel expenses in the first six months of 2018

Personnel expenses came down EUR 79 million, totalling EUR 1,210 million in H1 2018. Personnel expenses decreased as a result of lower FTE levels following from cost-saving programmes. This decrease was partly offset by wage inflation as the new CLA entailed a one-off payment (EUR 16 million) and a 2% wage increase. Restructuring-related costs amounted to EUR 33 million in H1 2018 versus EUR 58 million in H1 2017.

6 Income tax expense

(in millions)	First half 2018	First half 2017
Income tax expense	383	475

Income tax expense amounted to EUR 383 million in H1 2018, EUR 92 million lower than in the same period of 2017. This was mainly the result of lower operating profit combined with more tax exempt income and less non-deductible expense compared to H1 2017.

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7 Financial assets and liabilities held for trading

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

Financial assets held for trading

The following table shows the composition of assets held for trading.

(in millions)	30 June 2018	31 December 2017
Trading securities:		
Government bonds	806	1,071
Corporate debt securities	578	401
Equity securities	29	111
Total trading securities	**1,414**	**1,584**
Trading book loans	16	16
Total assets held for trading	**1,430**	**1,600**

Financial assets held for trading decreased by EUR 0.2 billion to EUR 1.4 billion at 30 June 2018 (31 December 2017: EUR 1.6 billion).

Government bonds decreased by EUR 0.3 billion, mainly on account of changes in French, Belgian and Luxembourg bond positions. These portfolios are mainly a result of the primary dealership in these countries and for the purpose of client facilitation. Most of these contracts are hedged with short positions in corporate debt securities, government bonds and futures.

The EUR 0.2 billion increase of corporate debt securities resulted from movements in various bonds and countries, of which Dutch positions are the main part.

Equity securities decreased by EUR 0.1 billion, driven by a decrease in derivative contracts used for client facilitation (CFD) and in stock positions.

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(in millions)	30 June 2018	31 December 2017
Bonds	555	850
Equity securities	21	65
Total short security positions	**576**	**915**
Other liabilities held for trading	140	167
Total liabilities held for trading	**716**	**1,082**

Financial liabilities held for trading decreased by EUR 0.4 billion to EUR 0.7 billion at 30 June 2018.

The decrease resulted from lower short positions in bonds, mainly Dutch, French, European Union (excluding ECB) and German government bonds, and corporate debt securities.

8 Derivatives

Derivatives comprise derivatives held for trading and derivatives held for risk management purposes.Derivatives held for trading serve to help us facilitate the needs of our clients. Derivatives held for risk management purposes include all derivatives that qualify for hedge accounting and derivatives included in an economic hedge.

Derivatives comprise the following:

								30 June 2018
	Derivatives held for trading			Economic hedges			Hedge accounting	Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	
Exchange traded								
Fair value assets	1		4			30		34
Fair value liabilities	4		38			71		114
Notionals	679	88	221			656		1,644
Over-the-counter								
Central counterparties								
Fair value assets								
Fair value liabilities								
Notionals	910,208			211			127,264	1,037,683
Other bilateral								
Fair value assets	4,053	2,635	556	102	317	6	945	8,614
Fair value liabilities	3,839	2,953	485	108	627		1,574	9,586
Notionals	130,142	203,998	1,562	1,044	23,720	1,043	10,193	371,701
Total								
Fair value assets	4,054	2,635	560	102	317	36	945	8,648
Fair value liabilities	3,843	2,954	523	108	627	71	1,574	9,700
Notionals	1,041,029	204,086	1,783	1,255	23,720	1,699	137,457	1,411,029

								31 December 2017
	Derivatives held for trading			Economic hedges			Hedge accounting	Total derivatives
(in millions)	Interest rate	Currency	Other	Interest rate	Currency	Other	Interest rate	
Exchange traded								
Fair value assets	27		6			5		38
Fair value liabilities	23		17			132		172
Notionals	62	97	189			1,522		1,869
Over-the-counter								
Central counterparties								
Fair value assets								
Fair value liabilities								
Notionals	784,438			501			139,506	924,445
Other bilateral								
Fair value assets	5,860	1,946	326	107	336	136	1,076	9,786
Fair value liabilities	4,098	1,477	297	53	577	21	1,672	8,195
Notionals	133,341	140,914	3,053	1,034	28,483	1,738	11,609	320,173
Total								
Fair value assets	5,888	1,946	332	107	336	141	1,076	9,825
Fair value liabilities	4,121	1,477	314	53	577	153	1,672	8,367
Notionals	917,841	141,011	3,241	1,535	28,483	3,260	151,115	1,246,486

Over-the-counter derivatives cleared by a CCP are not presented in our Statement of financial position.

The notional amount of the interest rate derivatives held for trading at 30 June 2018 amounted to EUR 1,041 billion, an increase of EUR 123.2 billion compared with EUR 917.8 billion at 31 December 2017. This increase was mainly attributable to higher client activity within Financial Institutions through clearing with central counterparties.

The notional amount of the currency derivatives held for trading at 30 June 2018 amounted to EUR 204.1 billion, an increase of EUR 63.1 billion compared with EUR 141 billion at 31 December 2017. This increase was mainly due to higher client activity caused by increased volatility of the foreign exchange market compared with 2017.

The notional amount of the other derivatives held for trading at 30 June 2018 amounted to EUR 1.8 billion, a decrease of EUR 1.4 billion compared with EUR 3.2 billion at 31 December 2017.

9 Financial investments

Financial investments can be broken down as follows:

(in millions)	30 June 2018	31 December 2017
Financial investments:		
Debt securities held at fair value through other comprehensive income	40,181	
Equity securities held at fair value through other comprehensive income		
Available-for-sale		40,285
Held at fair value through profit or loss	1,141	679
Total financial investments	**41,322**	**40,964**

Financial investments were mainly impacted by IFRS 9 becoming effective. We refer to note 1 for more information. The financial investments held at fair value though profit or loss mainly consist of equity securities.

Financial investments held at fair value through other comprehensive income/available for sale

The fair value of financial investments held at fair value through other comprehensive income/available for sale including gross unrealised gains and losses is as follows:

(in millions)	30 June 2018	31 December 2017
Interest-earning securities:		
Dutch government	5,367	6,197
US Treasury and US government	3,547	2,698
Other OECD government	19,034	19,275
Non OECD government	1,368	896
International bonds issued by the European Union	1,584	1,714
European Stability Mechanism	2,716	2,585
Mortgage- and other asset-backed securities	3,160	2,551
Financial institutions	3,215	3,949
Non-financial institutions	189	6
Subtotal	**40,181**	**39,870**
Equity instruments		415
Total investments held at fair value through other comprehensive income/ available-for-sale	**40,181**	**40,285**

10 Securities financing

	30 June 2018		31 December 2017	
(in millions)	Banks	Customers	Banks	Customers
Assets				
Reverse repurchase agreements	3,247	8,072	1,324	10,181
Securities borrowing transactions	3,252	2,258	2,574	1,606
Total	**6,499**	**10,330**	**3,899**	**11,787**
Liabilities				
Repurchase agreements	1,121	9,098	913	8,404
Securities lending transactions	785	1,752	773	1,321
Total	**1,906**	**10,850**	**1,686**	**9,726**

Securities financing transactions include balances relating to reverse repurchase activities and cash collateral on securities borrowed. ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with ABN AMRO when deemed necessary.

The movements of securities financing assets and liabilities with banks and customers result from the cyclicality of the business.

ABN AMRO has reclassified all unsettled securities transactions that were previously included in securities financing as other assets and other liabilities. Refer to note 1 for more information.

11 Fair value of financial investments

The internal controls of fair value measurement, the valuation techniques and the inputs used for these valuation techniques are consistent with those set out in the notes to ABN AMRO's 2017 Consolidated Annual Financial Statements.

Fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value in the three categories described below.

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

Level 2 financial instruments are valued using techniques based primarily on observable market data. Instruments in this category are valued using prices quoted for similar or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are valued using a valuation technique where at least one input, which has a significant effect on the instrument's valuation, is not based on observable market data. The effect of fair value adjustments on the instrument's valuation is included in the assessment.

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

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

(in millions)	30 June 2018				31 December 2017			
	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total fair value	Quoted market prices in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	Total fair value
Assets								
Government debt securities	806			806	1,071			1,071
Corporate debt securities	500	78		578	386	15		401
Equity securities	29			29	111			111
Other financial assets held for trading		16		16		16		16
Financial assets held for trading	**1,336**	**95**		**1,430**	**1,569**	**31**		**1,600**
Interest rate derivatives	1	5,016	84	5,101	27	6,847	89	6,963
Foreign exchange contracts		2,612	23	2,635		1,929	17	1,946
Other derivatives	33	879		913	11	904		915
Derivatives	**34**	**8,507**	**107**	**8,648**	**38**	**9,681**	**106**	**9,825**
Equity instruments	269	65	802	1,135	63		610	673
Other	6			6	7			7
Financial investments at fair value through profit or loss	**275**	**65**	**802**	**1,141**	**70**		**610**	**679**
Government debt securities	33,201		414	33,616				
Corporate debt securities	2,675	690	40	3,405				
Equity instruments								
Other debt securities	3,160			3,160				
Financial assets held at fair value through other comprehensive income	**39,036**	**690**	**455**	**40,181**				
Government debt securities					32,938		427	33,364
Corporate debt securities					3,210	702	43	3,955
Equity instruments					189	66	160	415
Other debt securities					2,551			2,551
Financial assets available for sale					**38,888**	**769**	**629**	**40,285**
Unit-linked investments[1]	1,802	887		2,689	1,813	914		2,728
Loans and advances at fair value through profit or loss		1,863	9	1,872				
Total financial assets	**42,483**	**12,106**	**1,373**	**55,962**	**42,378**	**11,394**	**1,344**	**55,117**
Liabilities								
Short positions in government debt securities	459			459	495			495
Corporate debt securities	76	20		96	345	10		356
Equity securities	21			21	65			65
Other financial liabilities held for trading		140		140		167		167
Financial liabilities held for trading	**556**	**160**		**716**	**905**	**177**		**1,082**
Interest rate derivatives	4	5,521		5,525	23	5,770		5,793
Foreign exchange contracts		3,581		3,581		1,477		1,477
Other derivatives	110	485		594	149	949		1,098
Derivatives	**114**	**9,586**		**9,700**	**172**	**8,195**		**8,367**
Issued debt		885	160	1,045		1,014	168	1,182
Unit-linked for policyholders	1,801	887		2,689	1,814	914		2,728
Total financial liabilities	**2,472**	**11,518**	**160**	**14,150**	**2,890**	**10,300**	**168**	**13,359**

[1] In 2017 these instruments were classified as held for sale and therefore included in note 24 of the Annual Financial Statements 2017, Non-current assets and disposal groups held for sale.

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into level 3

There were no material movements between level 1 and 2 into level 3.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets that are carried at fair value:

(in millions)	Assets					Liabilities	
	Financial investments available for sale	Financial assets held at fair value through other comprehensive income	Financial investments at fair value through profit or loss	Derivatives held for trading	Derivatives not held for trading	Derivatives not held for trading	Issued debt
Balance at 1 January 2017 (IAS 39)	**1,358**		**731**	**93**	**14**	**14**	**241**
Purchases	1		64				
Sales	-12		-62				
Redemptions	-717		-21				
Gains/(losses) recorded in profit and loss[1]			8		-1	-1	
Unrealised gains/(losses)[2]			10	-4	-13	-13	-73
Transfer between levels	-1			16			
Other movements			-120				
Balance at 31 December 2017 (IAS 39)	**629**		**610**	**106**			**168**
Balance at 1 January 2018		**469**	**769**	**106**			**168**
Purchases			33				
Sales			-139				
Redemptions			-3				
Gains/(losses) recorded in profit and loss[1]			52				
Unrealised gains/(losses)[2]		-14	117	-6			-8
Transfer between levels				7			
Other movements		-1	-27				
Balance at 30 June 2018		**455**	**802**	**107**			**160**

1 Included in other operating income.
2 Unrealised gains/(losses) on instruments measured at FVOCI are included in Other comprehensive income.

Level 3 sensitivity information

Derivatives

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

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

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

Financial investments at fair value through profit or loss

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

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

Private equity shares are designated at fair value, with two calculation techniques being applied:

- Using comparable pricing in accordance with the European Private Equity and Venture Capitalist Association (EVCA) guidelines. This valuation technique is based on earnings multiples of comparable listed and unlisted companies. The fair value calculation of an investment is strongly linked to movements on the public equity markets;
- Net Asset Value (NAV) for fund investments and asset-backed investments. This is determined by using audited and unaudited company financial statements and any other information available, publicly or otherwise. As a consequence, the net asset value calculation of an investment is strongly linked to movements in the quarterly performance of the company and can be used as an indicator of fair value. Net Asset Value is used as an indicator of fair value only after a materiality assessment has been made.

New investments are initially valued at fair value and subsequently at cost for the first year of investment. Thereafter, the fair value technique, either the EVCA technique or NAV calculation, is applied for direct investments.

The sensitivity for using comparable pricing is determined by stressing the earnings multiples in a positive and negative market scenario, whereas sensitivity testing for the NAV calculation based on the quarterly performance cannot be applied.

Financial assets held at fair value through other comprehensive income

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

Issued debt

Issued debt measured at level 3 is valued using a discounted cash flow model for which credit spread is the main unobservable input. These instruments are issued notes with institutional investors as counterparties. Given the few market participants there is little market activity for these instruments.

(in millions)	Valuation technique	Unobservable data	Carrying value	Possible alternative assumptions: Applying minimum	Possible alternative assumptions: Applying maximum	Unobservable data range: Applying minimum	Unobservable data range: Applying maximum	Unobservable data base
30 June 2018								
Equity shares	Private equity valuation	EBITDA multiples	280	-51	18	4.7	10.6	8.7
Equity shares	Private equity valuation	Net asset value	522	-22	9			
Interest-earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	414	-27	10	36	117	58
Interest-earning securities - other	Discounted cash flow	Liquidity and credit spread	40	-7	3	325	841	413
Derivatives held for trading	Discounted cash flow	Probability of default	107	-5	9	0.2%	100.0%	34.4%
Issued debt	Discounted cash flow	Credit spread	160	-3	3	98	121	108
31 December 2017 (IAS 39)								
Equity shares	Private equity valuation	EBITDA multiples	286	-38	40	4.7	8.3	6.7
Equity shares	Private equity valuation	Net asset value	483	-18	15			
Interest-earning securities - Government bonds	Discounted cash flow	Liquidity and credit spread	427	-27	15	17	105	47
Interest-earning securities - other	Discounted cash flow	Prepayment rate	43	-9	2	211	774	298
Derivatives held for trading	Discounted cash flow	Probability of default	106	-5	8	0.2%	100.0%	16.7%
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Prepayment rate						
Issued debt	Discounted cash flow	Credit spread	168	-1	8	97	130	111

Financial assets and liabilities not carried at fair value

The methods and assumptions applied to estimate the fair values of financial instruments not carried at fair value are consistent with those set out in note 21 of the Consolidated Annual Financial Statements 2017.

(in millions)	Carrying value	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value	Difference
						30 June 2018
Assets						
Cash and balances at central banks	28,826	28,826			28,826	
Securities financing	16,830		16,830		16,830	
Loans and advances banks	10,084		8,824	1,269	10,093	9
Loans and advances customers	275,941		17,951	264,296	282,247	6,306
Total	**331,681**	**28,826**	**43,605**	**265,565**	**337,996**	**6,315**
Liabilities						
Securities financing	12,756		12,756		12,756	
Due to banks	14,646		5,376	9,227	14,603	43
Due to customers	238,058		59,359	168,565	227,924	10,134
Issued debt	77,206	45,789	32,128		77,918	-712
Subordinated liabilities	9,683	9,690	514		10,204	-521
Total	**352,349**	**55,479**	**110,133**	**177,792**	**343,405**	**8,944**

(in millions)	Carrying value	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value	Difference
						31 December 2017
Assets						
Cash and balances at central banks	29,783	29,783			29,783	
Securities financing	15,686		15,686		15,686	
Loans and advances banks	10,665		9,671	990	10,661	-3
Loans and advances customers	274,906		19,454	263,914	283,369	8,462
Total	**331,039**	**29,783**	**44,811**	**264,905**	**339,499**	**8,459**
Liabilities						
Securities financing	11,412		11,412		11,412	
Due to banks	16,462		7,531	8,917	16,447	15
Due to customers	236,699		88,095	147,501	235,596	1,103
Issued debt	75,429	42,752	33,725		76,477	-1,047
Subordinated liabilities	9,720	8,922	1,595		10,517	-797
Total	**349,722**	**51,673**	**142,358**	**156,417**	**350,448**	**-726**

12 Loans and advances banks

(in millions)	30 June 2018	31 December 2017
Interest-bearing deposits	3,511	4,914
Loans and advances	4,088	2,871
Mandatory reserve deposits with central banks	314	251
Other	2,176	2,635
Subtotal	**10,089**	**10,671**
Less: loan impairment allowance	5	7
Loans and advances banks	**10,084**	**10,665**

Loans and advances banks decreased by EUR 0.6 billion to EUR 10.1 billion at 30 June 2018, mainly as a result of a decrease in the interest bearing deposits partly offset by an increase in the loans and advances.

Interest-bearing deposits decreased by EUR 1.4 billion to EUR 3.5 billion at 30 June 2018, mainly as a result of a decline in interbank deposits.

Loans and advances increased by EUR 1.2 billion to EUR 4.1 billion at 30 June 2018, mainly as a result of higher pledged cash collateral relating to derivatives.

Mandatory reserve deposits are held with local central banks in accordance with statutory requirements. These deposits are not available to finance ABN AMRO's day-to-day operations.

Other loans decreased by EUR 0.5 billion to EUR 2.2 billion at 30 June 2018, mainly as a result of a drop in discounted drafts for commodities customers.

13 Loans and advances customers

This item is comprised of loans and advances to non-banking clients.

(in millions)	30 June 2018	31 December 2017
Residential mortgages (excluding fair value adjustment)	150,393	150,562
Fair value adjustment from hedge accounting on residential mortgages	2,148	2,264
Residential mortgages, gross	**152,541**	**152,825**
Less: loan impairment allowances - residential mortgage loans	155	134
Residential mortgages	**152,387**	**152,691**
Consumer loans, gross	12,329	12,426
Less: loan impairment allowances - consumer loans	330	304
Consumer loans	**11,999**	**12,122**
Corporate loans	98,368	94,220
Fair value adjustment from hedge accounting on corporate loans	1,356	1,425
Financial lease receivables	4,872	4,530
Factoring	3,388	2,962
Corporate loans, gross[1]	**107,985**	**103,138**
Less: loan impairment allowances - corporate loans	2,276	2,020
Corporate loans at amortised cost	**105,708**	**101,118**
Corporate loans at fair value through P&L	1,872	
Corporate loans	**107,580**	**101,118**
Government and official institutions	1,472	1,595
Other loans	4,369	7,371
Fair value adjustment from hedge accounting on other loans	12	11
Other loans at fair value through P&L	4	
Other loans and advances customers, gross	**5,856**	**8,977**
Less: loan impairment allowances - other	6	2
Other loans and advances customers	**5,851**	**8,975**
Loans and advances customers	**277,817**	**274,906**

[1] Excluding loans at fair value through P&L.

Loans and advances customers increased by EUR 2.9 billion to EUR 277.8 billion at 30 June 2018, mainly as a result of an increase in corporate loans.

Corporate loans and other loans were impacted due to IFRS 9 becoming effective. We refer to note 1 for more information.

Residential mortgages decreased slightly by EUR 0.3 billion to EUR 152.4 billion. Redemptions exceed new production slightly.

Consumer loans also decreased slightly, by EUR 0.1 billion, arriving at EUR 12.0 billion, mainly due to repayments on loans by retail clients.

Corporate loans increased by EUR 6.5 billion to EUR 107.6 billion, mainly due to an increase in term loans (EUR 3.0 billion) and in cash positions for trading customers (EUR 1.7 billion).

Other loans and advances customers decreased by 3.1 billion to EUR 5.9 billion, mainly due to a decrease in the Clearing business (EUR 1.4 billion).

The changes mentioned above include the fair value adjustment from hedge accounting on mortgages and corporate loans.

Details on loans impairments are provided in the Risk, funding & capital information section.

14 Aquisitions and divestments

(in millions)	First half 2018 Acquisitions	First half 2018 Divestments	First half 2017 Acquisitions	First half 2017 Divestments
Net assets acquired/Net assets divested	46			1,400
Cash used for acquisitions/received for divestments	**-46**	**-15**		**-1,104**

The acquisitions and divestments in the first half of 2018 mainly regard the investments in equity accounted investments.

The divestments in the first half of 2017 regard the sale of ABN AMRO's Private Banking operations in Asia and the Middle East, which was completed on 30 April 2017.

15 Due to banks

This item comprises amounts due to banking institutions, including central banks and multilateral developments banks.

(in millions)	30 June 2018	31 December 2017[1]
Deposits from banks:		
Current accounts	2,109	2,588
Demand deposits	41	31
Time deposits	11,867	11,147
Cash collateral on securities lent	607	2,673
Other	22	23
Total due to banks	**14,646**	**16,462**

[1] The comparative figures have been restated. For additional information, refer to note 1.

Due to banks decreased by EUR 1.8 billion to EUR 14.6 billion at 30 June 2018 (31 December 2017: EUR 16.5 billion). This decrease was mainly attributable to a decline in Cash collateral on securities lent.

Current accounts decreased by EUR 0.5 billion to EUR 2.1 billion at 30 June 2018, mainly due to positions of international credit institutions.

Time deposits increased by EUR 0.7 billion to EUR 11.9 billion at 30 June 2018, mainly as a result of Collateral Management.

Cash collateral on securities lent decreased by EUR 2.1 billion to EUR 0.6 billion, mainly as a result of a decrease in Cash collateral on securities lent from several central banks and credit institutions.

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16 Due to customers

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

(in millions)	30 June 2018	31 December 2017[1]
Current accounts	83,383	83,627
Demand deposits	125,692	125,995
Time deposits	27,852	26,536
Other	1,130	541
Total due to customers	**238,058**	**236,699**

[1] The comparative figures have been restated. For additional information, refer to note 1.

Due to customers increased by EUR 1.4 billion to EUR 238.1 billion at 30 june 2018. This resulted from an increase in time deposits (EUR 1.3 billion) and an increase in other (EUR 0.6 billion), offset by a decrease in current accounts (EUR 0.2 billion) and demand deposits (EUR 0.3 billion).

Time deposits increased by EUR 1.3 billion to EUR 27.9 billion at 30 june 2018, mainly due to the increase of activities on the money market.

Other increased by EUR 0.6 billion to EUR 1.1 billion at 30 june 2018 mainly due to an increase of cash collateral in Markets.

17 Issued debt and subordinated liabilities

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 30 June 2018 and 31 December 2017 respectively.

(in millions)	30 June 2018	31 December 2017
Bonds and notes issued	62,894	59,527
Certificates of deposit and commercial paper	14,305	15,896
Saving certificates	6	6
Total at amortised cost	**77,206**	**75,429**
Designated at fair value through profit or loss	1,045	1,182
Total issued debt	**78,251**	**76,612**
- of which matures within one year	26,179	23,790

Total issued debt increased by EUR 1.6 billion to EUR 78.3 billion at 30 June 2018 (31 December 2017 EUR 76.6 billion). This increase was mainly driven by growth in long term mortgages resulting in a rise of the long term covered bond portfolio. Moreover, corporate loan growth led to an increase of unsecured medium notes. The increase of long term issued debt was partly offset by a decrease in certificates of deposit and commercial paper within our targeted bandwidth for short term funding.

The amounts of issued and redeemed debt during the period are shown in the Consolidated statement of cash flows. Further details of the funding programmes are provided in the Risk, funding & capital chapter.

Financial liabilities designated at fair value through profit or loss

The change for the period in fair value of the structured notes attributable to a change in credit risk amounted to a loss of EUR 14 million in H1 2018 (full-year 2017: EUR 15 million).

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For all financial liabilities designated at fair value through profit or loss, the amount that ABN AMRO would contractually be required to pay at maturity was EUR 0.9 billion at 30 June 2018 (31 December 2017: EUR 1.1 billion).

Subordinated liabilities

The following table shows the outstanding subordinated liabilities issued by ABN AMRO and the amounts outstanding at 30 June 2018 and 31 December 2017 respectively.

(in millions)	30 June 2018	31 December 2017
Subordinated liabilities	9,683	9,720

Subordinated liabilities remained stable at EUR 9.7 billion at 30 June 2018 compared with 31 December 2017.

No perpetual loans were recorded at reporting date.

The issued and outstanding loans qualifying as subordinated liabilities were subordinated to all other current and future liabilities.

18 Provisions

The following table shows a breakdown of provisions at 30 June 2018 and 31 December 2017 respectively.

(in millions)	30 June 2018	31 December 2017
Insurance fund liabilities	8	62
Provision for pension commitments	74	76
Restructuring provision	306	404
Other staff provision	117	122
Legal provisions	605	692
Credit commitments provisions	43	6
Other provisions	105	167
Total provisions	**1,257**	**1,529**

Total provisions decreased by EUR 0.3 billion to EUR 1.3 billion at 30 June 2018, compared with EUR 1.5 billion at 31 December 2017. This was mainly due to decreases in the restructuring provisions (EUR 0.1 billion) and the legal provisions (EUR 0.1 billion), which were partly offset by more credit commitments provisions resulting from IFRS 9.

Interest rate derivatives to SME clients

In 2015 ABN AMRO started a review, at the request of both the Netherlands Authority for the Financial Markets (AFM) and the Dutch Ministry of Finance, to determine whether the bank had acted in accordance with its duty of care obligations with respect to the sale of interest rate derivatives to SME clients. In the second quarter of 2015 ABN AMRO first recognised a provision for the compensation of clients who had suffered losses. In December 2015 the AFM announced that it found the review performed by banks to be insufficient. In light of this finding, the Dutch Minister of Finance appointed a committee of independent experts (the Committee) to develop a Uniform Recovery Framework in consultation with the participating banks.

On 5 July 2016 the Committee presented the Uniform Recovery Framework. On that same date ABN AMRO announced it would adhere to this framework. As a result, ABN AMRO increased its provision. Since 5 July 2016, the Committee, the AFM, the banks and the external file reviewers have worked together to monitor how the Uniform Recovery Framework works in practice. The Committee has now added the findings to the Uniform Recovery Framework, which was finalised on 19 December 2016.

ABN AMRO has set up its own client reassessment process and the related checks and balances. In the first quarter of 2017, ABN AMRO started the reassessment of around 6,800 clients with some 9,000 interest rate derivatives. Later, the reassessment was slightly expanded so that on 31 May 2018 the reassessment consisted of 7,079 clients with 10,638 interest rate derivatives. Due inter alia to the complexity of the reassessment, it was not feasible to propose a solution to the Issuer's clients before the end of 2017. ABN AMRO aims to propose a solution under the Uniform Recovery Framework for the vast majority of these clients before the end of 2018. However, it is possible that the review of some of the more complex files will not be finalised until 2019. At various points in the process, the reassessments will be checked by an independent external file reviewer, in ABN AMRO's case audit firm PwC, and will be supervised by the AFM. The total provision for SME derivatives-related issues amounted to EUR 396 million at 30 June 2018. This amount consists of the total client compensation (EUR 541 million) and project costs (EUR 232 million), after payments already made for both elements (EUR 377 million).

Euribor-based mortgages

ABN AMRO has sold mortgage loans with floating, often Euribor-based, interest rates (close to 1% of the total mortgage portfolio) to consumers. An important element of the pricing model of these mortgage loans is the ability of ABN AMRO to on-charge costs, allocated and unallocated, to its clients by adjusting the margin charge on the Euribor. In many of these products, ABN AMRO has structured its ability to do so in provisions in its terms and conditions that allow it to unilaterally adjust the margin charge or the floating interest rate, pricing or contract terms. ABN AMRO's external funding costs (spread on top of Euribor) have gone up and in 2009 and 2012 ABN AMRO adjusted the margin charge upward in many cases. As a result, clients are contesting the ability of ABN AMRO to do so. The complaints are based on a number of specific and general legal principles. In 2012, on top of multiple individual cases, class actions were brought by Stichting Stop de Banken and Stichting Euribor in relation to mortgage agreements with a floating interest rate based on Euribor, alleging that ABN AMRO was contractually not allowed to unilaterally increase the level of the applicable margin and that it had violated its duty of care. ABN AMRO lost the class action cases in the lower court in November 2015. In its judgement, the Amsterdam court took a rather principled view of unconditional (pricing) amendment provisions. ABN AMRO filed for an appeal against this judgement. On 19 December 2017, the Amsterdam Court of Appeal Amsterdam ruled that ABN AMRO was not allowed to increase the surcharges. The Court ruled that the amendment clauses which ABN AMRO used to increase the surcharges were unfair and consequently these clauses were quashed. ABN AMRO decided to appeal to the Supreme Court (Hoge Raad) and filed the necessary documents in view thereof at the Supreme Court on 16 March 2018. Currently the bank is working on further documentation for the appeal proceedings which will be filed in late August 2018. A verdict of the Supreme Court is expected early in 2019. ABN AMRO has recognised a provision for this matter.

ICS Redress scheme

International Card Services B.V. (ICS), the credit card business of ABN AMRO, has identified certain issues from its past in respect of the granting of credit to consumers, as a result of which certain clients have been provided with loans above their lending capacity. This has been reported to the AFM. ICS has drafted a redress scheme to address remedial measures for clients affected, which will, among other things, include financial compensation for certain clients. The recovery framework is currently being executed and is expected to be finalised by the end of 2018. ABN AMRO has recognised a provision in respect of this redress scheme.

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19 Commitments and contingent liabilities

(in millions)	30 June 2018	31 December 2017
Committed credit facilities	37,099	32,772
Guarantees and other commitments:		
Guarantees granted	2,538	2,509
Irrevocable letters of credit	5,861	6,526
Recourse risks arising from discounted bills	7,663	7,130
Total guarantees and other commitments	**16,062**	**16,165**
Total	**53,161**	**48,938**

The total of committed credit facilities, guarantees and other commitments increased by EUR 4.2 billion to EUR 53.2 billion at 30 June 2018, compared with EUR 49.0 billion at 31 December 2017. This was mainly the result of an increase of EUR 4.3 billion in the committed credit facilities, offset by a decrease of EUR 0.1 billion in the guarantees and other commitments.

The increase in committed credit facilities related to a higher volume of credit lines granted to government and official institutions and commercial clients of EUR 4.3 billion combined with a higher volume of outstanding credit offers (excluding residential mortages) of EUR 0.5 billion, which was partly offset by a lower volume of outstanding credit offers on residential mortgages of EUR 0.3 billion.

Other contingencies

ABN AMRO is involved in a number of legal proceedings which relate to the ordinary course of business in a number of jurisdictions. In presenting the Condensed consolidated Interim Financial Statements, management makes estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable. Charges other than those taken periodically for defence costs are not established for matters when losses cannot be reasonably estimated. Other contingent liabilities include an Irrevocable Payment Commitment (IPC) to the Single Resolution Board (SRB) in Brussels. In April 2016, the SRB provided credit institutions the option to fullfill part of the obligation to pay the annual ex-ante contributions to the Single Resolution Fund (SRF) through IPCs. To secure full and punctual payment, when called by the SRB, credit institutions needed to constitute cash collateral and fully transfer legal ownership to the SRB.

Interest rate derivatives to SME clients

On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a panel of independent experts for advice on the reassessment of SME and middle market interest rate derivatives. On 5 July 2016, the Uniform Recovery Framework prepared by this panel of independent experts was presented, and ABN AMRO has committed to this framework. The Uniform Recovery Framework was finalised on 19 December 2016. Due inter alia to the complexity of the reassessment, it was not feasible to propose a solution to the Issuer's clients before the end of 2017. ABN AMRO aims to propose a solution under the Uniform Recovery Framework for the vast majority of these clients before the end of 2018. However, it is possible that the review of some of the more complex files will not be finalised until 2019. It is unclear how the Uniform Recovery Framework will impact pending and future litigation. As this is a possible liability dependent on a future event, there is no provision for this possible outflow of resources and it is therefore considered a contingency. In this respect, reference is made to note 18 Provisions.

Cross liabilities

Section 2:334t of the Dutch Civil Code requires that in the event of an entity being divided into two or more parts through a legal demerger, each part remains liable to the creditors of the other demerged part. Such liabilities relate only to obligations existing as at the date of the legal demerger. As explained in more detail in Note 34 of the 2017 Condensed consolidated Annual Financial Statements, ABN AMRO was subject to a demerger with RBS N.V. in 2010.

Indemnity agreement with the Dutch State

On 1 April 2010 ABN AMRO signed an indemnity agreement with the Dutch State (currently represented by NLFI) for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings B.V. In July 2015 ABN AMRO was informed by NLFI about a claim it had received from RBS relating to these assets and liabilities in RFS Holdings B.V. This gives NLFI the right to file a claim with ABN AMRO. As of the publication date of these Condensed consolidated Interim Financial Statements, ABN AMRO is not aware that a claim will be filed by NLFI. This situation could change in the future.

20 Related parties

Parties related to ABN AMRO Bank include ABN AMRO Group N.V. with control, the Dutch state and NLFI with significant influence, associates, pension funds, joint ventures, the Executive Board, the Executive Committee, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has applied for the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27. For further information, see note 35 of the Consolidated Annual Financial Statements 2017.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Loans and advances to the Executive Board, Executive Committee members and close family members, where applicable, consist mainly of residental mortgages granted under standard personnel conditions. For further information, see note 36 of the Consolidated Annual Financial Statements 2017.

Balances with joint ventures, associates and other

(in millions)	Joint ventures	Associates	Other	Total
30 June 2018				
Assets	23	401		424
Liabilities	162	651		813
Guarantees given		15		15
Guarantees received		4		4
Irrevocable facilities		23		23
First half 2018				
Income received	18	20		38
Expenses paid	5	3	144	153
31 December 2017				
Assets	4	352		356
Liabilities	82	585		667
Guarantees given		15		15
Guarantees received		4		4
Irrevocable facilities		23		23
First half 2017				
Income received	19	26		45
Expenses paid	6	3	161	170

Assets with associates increased by EUR 49 million at 30 June 2018 compared with 31 December 2017, mainly due to higher balances on current accounts with other financial corporations.

Liabilities with Joint ventures increased by EUR 80 million at 30 June 2018 compared with 31 December 2017, mainly due to higher balances on demand deposits with other financial corporations.

Liabilities with Associates increased by EUR 66 million at 30 June 2018 compared with 31 December 2017, mainly due to higher customer deposits with other financial corporations.

Expenses paid in the column Other reflect pension contributions paid to the ABN AMRO pension fund.

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

(in millions)	30 June 2018	31 December 2017
Assets:		
Financial assets held for trading	499	480
Derivatives	862	1,076
Financial investments	5,367	6,197
Loans and advances customers	790	760
Other assets	9	9
Liabilities:		
Financial liabilities held for trading	366	98
Derivatives	1,539	1,753
Due to customers	816	882
Subordinated liabilities		
	First half 2018	First half 2017
Income statement:		
Interest income	60	69
Interest expense	18	20
Net trading income	-2	-2
Other income	19	10

Royal Bank of Scotland (RBS) is still the legal owner of specific Consortium shared assets and liabilities. This means that these assets and liabilities are for the risk and reward of RBS, Santander and the Dutch State as the shareholder of RFS Holdings B.V. On 1 April 2010, ABN AMRO signed an indemnity agreement with the Dutch State for a shortfall in capital above a certain amount relating to specific assets and liabilities of RFS Holdings.

Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships. Normal banking transactions relate to loans and deposits, financial assets held for trading and financial investments available for sale, and are entered under the same commercial and market terms that apply non-related parties.

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

Derivatives relating to both assets and liabilities decreased by EUR 0.2 billion at 30 June 2018 compared with 31 December 2017, mainly due to lower lending positions with the Dutch State. Derivatives transactions with the Dutch State related to the normal course of business.

Financial liabilities held for trading increased by EUR 0.3 billion at 30 June 2018 compared with 31 December 2017, mainly due to higher Dutch government bonds resulting from primary dealership in the Netherlands and client facilitation. Most of these contracts are hedged with short positions in government bonds.

21 Post balance sheet events

On 30 July 2018, ABN AMRO announced that it had agreed to acquire Societe Generale Private Banking NV in Belgium. The planned transaction is subject to approval by the relevant regulatory and merger control authorities. The acquisition will enable us to double our assets under management of Private Banking in Belgium to approximately EUR 12 billion. Closing of the transaction is expected in Q1 2019 and is estimated to have a minor impact on the CET 1 capital ratio.

Review report

To: the shareholders and supervisory board of ABN AMRO Group N.V.

Introduction
We have reviewed the accompanying condensed consolidated interim financial statements of ABN AMRO Group N.V., Amsterdam, which comprise the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated income statement, the condensed consolidated statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope
We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 7 August 2018

Ernst & Young Accountants LLP

Signed by W.J. Smit

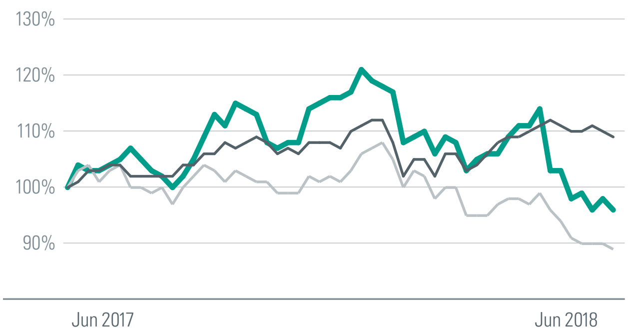
Other

ABN AMRO shares

Key developments

Between 30 March and 29 June 2018, ABN AMRO's share price (depositary receipts) declined by 9% while the STOXX Europe 600 Bank index declined by 12%.

Share price development
(in %)



Source: S&P Global Market Intelligence.

Listing information

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

Financial calendar[1]

- Ex-dividend date interim dividend 2018 – 10 August 2018
- Record date interim dividend 2018 – 13 August 2018
- Payment date interim dividend 2018 – 3 September 2018
- Publication third quarter 2018 results – 7 November 2018
- Investor day - 16 November 2018
- Publication fourth quarter 2018 results – 13 February 2019
- Publication Annual Report 2018 – 13 March 2019

[1] All dates provisional. Refer to abnamro.com/ir for latest information.

(in millions)	Q2 2018	Q2 2017	Q1 2018	First half 2018	First half 2017
Share count					
Total shares outstanding/issued and paid-up shares	940	940	940	940	940
- of which held by NLFI (shares and depository receipts)	529	594	529	529	594
- of which held by other investors (depositary receipts)	411	346	411	411	346
- as a percentage of total outstanding shares	44%	37%	44%	44%	37%
Average number of shares	940	940	940	940	940
Average diluted number of shares	940	940	940	940	940
Key indicators per share (EUR)					
Earnings per share[1]	0.71	1.00	0.59	1.30	1.64
Shareholder's equity per share	20.47	20.04	20.67	20.47	20.04
Tangible shareholder's equity per share	20.28	19.79	20.49	20.28	19.79
Dividend per share (interim dividend)[2]				0.65	0.65
Share price development (EUR)					
Closing price (end of period)	22.22	23.21	24.47	22.22	23.21
High (during the period)	26.40	25.84	28.48	26.40	25.84
Low (during the period)	21.66	21.80	23.45	21.66	20.95
Market capitalisation (end of period, in billions)	20.89	21.82	23.00	20.89	21.82
Valuation indicators (end of period)					
Price/Earnings	9.21x	8.67x	11.81x	9.21x	8.67x
Price/Tangible book value	1.10x	1.17x	1.19x	1.10x	1.17x

[1] Profit for the period excluding coupons attributable to AT1 capital securities and results attributable to other non-controlling interests divided by the average outstanding and paid-up ordinary shares.
[2] Interim/final dividend per share over the relevant period as declared/proposed by the company, subject to approval at the annual general meeting

Enquiries

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Investor call

The Executive Board will host a conference call for analysts and investors on 8 August 2018 at 11:00 am CET (12:00 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 abnamro.com/ir.

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

Disclaimer & cautionary statements

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

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

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