5 JULY 2018

ABN AMRO BANK N.V.

REGISTRATION DOCUMENT

CONTENTS

Page

1. INTRODUCTION

This document constitutes a registration document ("**Registration Document**") for the purposes of Article 5 of Directive 2003/71/EC (as amended, the "**Prospectus Directive**") and has been prepared for the purpose of giving information with respect to ABN AMRO Bank N.V. (the "**Issuer**") which, according to the particular nature of the Issuer and the securities which it may offer to the public within a member state ("**Member State**") of the European Economic Area (the "**EEA**") or apply to have admitted to trading on a regulated market situated or operating within such a Member State, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Registration Document. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Registration Document was approved on 5 July 2018 by The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, "**AFM**") as the competent authority under the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht)* implementing the Prospectus Directive.

This Registration Document, which (save as described below) is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents incorporated by Reference*").

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Registration Document, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

This Registration Document should not be considered as a recommendation by the Issuer that any recipient of this Registration Document should purchase securities of the Issuer. Each investor contemplating purchasing any securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Registration Document does not constitute an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any securities.

The delivery of this Registration Document will not in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Registration Document has been most recently amended or supplemented. Investors will need to make their own investigations and financial calculations on the basis of the financial information incorporated by reference herein in order to make an informed assessment of the future assets and liabilities, financial position, profit and losses and prospects of the Issuer and when deciding whether or not to purchase any financial instruments issued by the Issuer. The Issuer has no obligation to update this Registration Document, except when required by and in accordance with the Prospectus Directive.

This Registration Document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Registration Document and the offer or sale of securities may be restricted by law in certain jurisdictions. The Issuer does not represent that this Registration Document may be lawfully distributed, or that any securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any securities or distribution of this Registration Document in any jurisdiction where action for that purpose is required. Accordingly, no securities may be offered or sold, directly or indirectly, and neither this Registration Document nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Registration Document or any securities of the Issuer may come must inform themselves about, and observe, any such restrictions on the distribution of this Registration Document and the offering and sale of such securities.

Any securities to be issued by the Issuer in connection with this Registration Document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, any such securities may not be offered, sold or delivered within the United States of America ("**U.S.**") or to or for the account or benefit of U.S. persons.

All references in this document to "**EUR**", "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to "**Sterling**" and "**£**" refer to pounds sterling and references to "**U.S. Dollars**", "**USD**" and "**$**" refer to United States dollars.

2. RISK FACTORS

Set out below are risk factors which could affect the future financial performance of the Issuer and the Group and thereby potentially affect the Issuer's ability to fulfil its obligations in respect of securities issued or guaranteed by it. The Issuer has described the risks relating to its operations of which it is aware and that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware and any of these risks could have effects set forth above. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties the Issuer and the Group face.

Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the section headed "*4. Selected Definitions and Abbreviations*".

Throughout this section the Issuer is used as a reference to the Issuer and its consolidated subsidiaries and other group companies (including ABN AMRO Group N.V.).

1. **Conditions in the global financial markets and economy may materially adversely affect the Issuer's business financial position, results of operations and prospects.**

   The Issuer's results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; changes in consumer spending; investment and saving habits; monetary and interest rate policies of the European Central Bank ("**ECB**") and G7 central banks; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation or deflation; the stability and solvency of states, financial institutions and other companies; investor sentiment and confidence in the financial markets; or a combination of these or other factors. The business operations of the Issuer, its third party service providers and clients are also vulnerable to epidemics, weather or other forms of natural disasters, and other disasters caused by people which are wholly or partially beyond its control such as acts of terrorism, fire, acts of war, civil unrest and heightened geopolitical tension. These factors have in the past resulted in, or may in the future result in, a reduced demand for financial products and services, a deterioration in asset quality of the Issuer and increases in loan impairment charges. Moreover, a market downturn or a worsening of the Dutch, European or global economies may materially and adversely affect the value of the Issuer's assets, the ability of its clients to meet financial obligations and could cause the Issuer's loan impairment charges to rise, reduce the Issuer's fee and commission income and/or interest income or cause the Issuer to incur further mark-to-market losses which could have a material adverse effect on the Issuer's business, financial position and results of operation.

   A revival of financial market tensions like those among the Eurozone during the sovereign debt crisis may lead to renewed stress in sovereign and bank funding markets. Market conditions remain vulnerable to disruption and risks remain. Deterioration of the economic environment, including as a result of an increase in unemployment rates and/or decreases in house prices threaten the quality of the Issuer's loan portfolio, in particular for retail clients. There is also a possibility that the Issuer may have insufficient access to, or incur higher costs associated with, funding alternatives, which could have a material adverse effect on the Issuer's business, financial position, results of operations and prospects. The economy remains particularly vulnerable to a renewed rise in financial market tensions or new economic shocks, which could lead to a more severe economic downturn.

   On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**Brexit**"). The consequences and timing of the Brexit are uncertain. The Brexit may, amongst other things, lead to volatility in financial markets and may lead to liquidity disruptions or market dislocations.

   Any of the above factors may materially adversely affect the Issuer's business, financial position, results of operations and prospects.

2. **Volatility in, and the position of, financial markets, liquidity disruptions or market dislocations can adversely affect the Issuer's banking and funding activities.**

The securities and other financial markets can experience sustained periods of high volatility, unpredictable market movements, severe market dislocations and illiquidity or other liquidity disruptions. These market conditions can cause a reduction in the value of assets or collateral held by the Issuer, a decline in the profitability of certain assets, an increase in unrealized losses in the Issuer's various (asset) portfolios, a reduction in unrealized gains in the Issuer's various (asset) portfolios, volatility in the composition of the Issuer's balance sheet or in the demand for some of the Issuer's banking services and products and may impede the Issuer's timely or cost-efficient access to funding on the capital markets. In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, which may further exacerbate such rapid decreases in asset values, collateral or liquidity disruptions.

In addition, under volatile market conditions, funding transactions, as well as hedging and other risk management strategies may not be as effective at mitigating trading risks as they would be under more normal market conditions. The Issuer uses common financial derivative measures, balance sheet steering and interest rate management as part of its risk management strategy and it may not be able to manage its exposures adequately through the use of such strategies as a result of modeling, sensitivity analysis or other risk assessment method failures or as a result of appropriate derivative products not being available.

Market conditions, and periods of high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Issuer's control. See also risk factor "*1. Conditions in the global financial markets and economy may materially adversely affect the Issuer's business financial position, results of operations and prospects*". There is no assurance that market volatility will not result in a prolonged market decline, or such market declines for other reasons will not occur in the future.

Severe market events have historically been difficult to predict, and could lead to the Issuer realizing significant losses if extreme market events were to persist for an extended period of time. Therefore market volatility, liquidity disruptions, or dislocations could have a material adverse effect on the Issuer's business, financial position and results of operations.

3. Changes in interest rates and foreign exchange rates may adversely affect the Issuer's business, financial position, results of operations and cash flows.

Fluctuations in interest rates and foreign exchange rates influence the Issuer's performance. The results of the Issuer's banking operations are affected by the Issuer's management of interest rate and foreign exchange rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. If the yield on the Issuer's interest-earning assets does not increase at the same time or to the same extent as its cost of funds, or if its cost of funds does not decline at the same time or to the same extent as the decrease in yield on its interest-earning assets, the Issuer's net interest income and net interest margin may be adversely impacted. Interest rate, margin and spread changes, to the extent not hedged, may lead to mismatches in funding costs and interest income. Any of these events could have a material adverse effect on the Issuer's business, financial position, results of operations and current and future cash flows.

The Issuer's business and performance are affected by prevailing interest rates and the shape of the interest rate curve. The current interest rate environment with a sustained downward pressure on interest rates and low inflation may impact the interest rate margin of the bank. A prolonged period of flatter than usual interest rate curves, including negative interest rates, could have an adverse impact on the Issuer's business model. Furthermore, the effect of a prolonged period of low inflation and/or deflation could affect client behavior and may thereby impact the Issuer's financial position and results of operations.

In addition, the Issuer publishes the Issuer's consolidated annual financial statements in euros. Fluctuations in the foreign exchange rates used to translate other currencies into euros affect the Issuer's reported consolidated financial position, results of operations and cash flows from period to period. The Issuer also attracts its capital and funding mostly in euros, but also in a variety of other currencies. To the extent the non-euro funding is not used to provide loans in the same currency, not hedged or not adequately hedged this causes exposure to foreign exchange rate risk, which could have a material adverse effect on the Issuer's business, financial position, results of operations and cash flows.

4. Lack of liquidity is a risk to the Issuer's business and its ability to access sources of liquidity.

Liquidity risk is the risk that actual (and potential) payments or collateral posting and other obligations cannot be met on a timely basis. The Issuer discerns two types of liquidity risk. Funding liquidity risk is the risk of not being able to meet both expected and unexpected current and future cash outflows and collateral needs without affecting either daily operations or the financial position of the Issuer. Market liquidity risk is the risk that the Issuer cannot sell an asset without significantly affecting the market price due to (i) insufficient market depth (insufficient supply and demand), (ii) market disruption, (iii) changes in the applicable haircuts and market value or (iv) uncertainty about the time required to realise the liquidity value of the assets. See also the risk factor "*2. Volatility in, and the position of, financial markets, liquidity disruptions or market dislocations can adversely affect the Issuer's banking and funding activities*" above.

Liquidity risk is inherent in banking operations and can be increased by a number of enterprise-specific factors, including an over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as economic conditions, market dislocations or major disasters.

Like many banking groups, the Issuer relies on customer deposits to meet a considerable portion of its funding. However, such deposits are subject to fluctuation due to certain factors, such as a loss of confidence, increasing competitive pressures or the encouraged or mandated repatriation of deposits by foreign wholesale or central bank depositors, which could result in a significant outflow of deposits within a short period of time. An inability to grow, or any material decrease in, the Issuer's deposits could, particularly if accompanied by one of the other factors described above, have a material adverse effect on the Issuer's ability to satisfy its liquidity needs.

In addition to the use of deposits, the Issuer also relies on the availability of wholesale funding. In periods of liquidity stress the Issuer may need to seek funds from alternative sources, potentially at higher costs of funding than has previously been the case.

In addition, the funding of the Issuer may be hindered by market circumstances. The ability of the Issuer to fund its operations is strongly dependent on market factors and market developments. The risk exists that market circumstances may limit desired steering of the funding profile of the Issuer.

Any of the above factors may materially adversely affect the Issuer's funding ability, financial position and results of operations.

5. Reductions or potential reductions in the Issuer's credit ratings could have a significant impact on its borrowing ability and liquidity management through reduced funding capacity and collateral triggers, and on the access to capital and money markets as well as adversely affect the Issuer's business and results of operations.

Rating agencies assess the creditworthiness of the Issuer and its operating environment and assign a rating to the Issuer and some of the financial instruments it has issued. This information is available to investors, clients and counterparties of the Issuer. There can be no assurance that a credit rating agency will not downgrade or change the outlook on any such credit rating.

In addition, rating agencies may change their methodology from time to time, which may also result in a downgrade or a change in the outlook on any such credit rating.

Any downgrade or potential downgrade in the Issuer's ratings may increase its borrowing costs, require the Issuer to replace funding lost due to the (potential) downgrade (e.g., customer deposits), limit the Issuer's access to capital and money markets and trigger additional collateral requirements in derivatives contracts and other secured funding arrangements. In addition, a rating downgrade or potential downgrade of the Issuer could, among other things, limit the

Issuer's opportunities to operate in certain business lines and adversely affect certain other business activities.

As a result, any reductions in the Issuer's credit ratings could have a material adverse effect on the Issuer's business, results of operations, prospects, financial position, borrowing costs, ability to raise funding and capital and competitive position.

6. The regulatory environment to which the Issuer is subject gives rise to significant legal and financial compliance costs and management time, and non-compliance could result in monetary and reputational damages, all of which could have an material adverse effect on the Issuer's business, financial position and results of operations

The Issuer conducts its business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies, in most or all of the locations in which it operates or enters into transactions with clients or other parties. In various jurisdictions in which the Issuer operates supervisory authorities may impose additional restrictions and conditions on the Issuer, including but not limited to capital, liquidity, corporate governance requirements and behavioural requirements. Interpretation of requirements by supervisory authorities and courts may change over time. For further information on legal and regulatory laws and regulation the Issuer is subject to, see chapter "*The Issuer—1. ABN AMRO Bank N.V. —1.8 Regulation*".

When expanding its business to other jurisdictions or offering new products in jurisdictions in which the Issuer is already active, the Issuer may become subject to other and additional legislation and regulatory requirements. The local businesses will not only need to comply with the local laws and regulations, but also with certain laws and regulations with worldwide application, including but not limited to certain European legislation and the U.S. Foreign Account Tax Compliance ("**FATCA**") regime (for a description of FATCA, see also the risk factor "*7. The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" and "*The Issuer—1. ABN AMRO Bank N.V. —1.8 Regulation*"). The above requires the businesses to liaise in a timely manner with the Issuer's central legal and compliance departments.

The financial services industry continues to be the focus of significant regulatory scrutiny in many of the countries in which the Issuer operates. This has led to a more intensive approach to supervision and oversight, increased expectations, enhanced requirements and enforcement, and an increasing frequency and amount of data requests and visits from competent supervisory authorities. The industry and the Issuer also continue to witness increasing complaints and are faced with many questions about margins, fees, the charging on of costs and the application of penalties. Implementing and monitoring compliance with applicable requirements means that the Issuer must continue to have a large staff dedicated to these activities and to spend monetary and management resources and to create sufficient awareness with the business staff of the products and services the Issuer offers and the rules applicable to them. Furthermore, the Issuer will also need to continue monitoring compliance of products and services that the Issuer no longer offers, which may be more complex than for products and services that are currently offered. If the Issuer is unable to commit sufficient resources for regulatory compliance, this could lead to delays and errors, and may force it to choose between prioritising compliance matters over administrative support for business activities, or may ultimately force the Issuer to cease the offering of certain products or services.

Any delays or errors in implementing regulatory compliance could lead to substantial monetary damages and fines, loss of significant assets, public reprimands, a material adverse effect on the Issuer's reputation, regulatory measures in the form of cease and desists orders, fines, increased regulatory compliance requirements or other potential regulatory restrictions on the Issuer's business, enforced suspension of operations and in extreme cases, withdrawal of licences or authorisations to operate particular businesses, or criminal prosecution in certain circumstances. In addition to non-compliance by the Issuer itself, the Issuer has in the past suffered and may in the future suffer negative consequences of non-compliance by its clients that have direct access to its systems. The Issuer may also suffer negative consequences of clients operating businesses or schemes in violation of applicable rules and regulations whose activities the Issuer could be held to monitor and, where applicable, to denounce or to interrupt. The Issuer may be required to make greater expenditures and devote additional resources and management time to addressing these liabilities and requirements, which could have an adverse effect on the Issuer's business, financial position and results of operations.

The Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**"), for instance, has a legal mandate to exercise integrity supervision. DNB expects banks to have a solid systematic integrity risk analysis in place and to translate results of this analysis into actual integrity policies and control measures. Banks are in general required to devote attention to inherent integrity risks such as money laundering, financing of terrorism, sanctions, bribery and corruption, conflicts of interest, fraud and tax risks. By adequately and periodically analysing and discussing these integrity risks at board and senior management level, banks should be able to formulate dedicated integrity policies and implement appropriate measures and procedures to manage these risks.

As result of the introduction of the Single Supervisory Mechanism ("**SSM**") on 4 November 2014, the ECB has become the primary prudential supervisory authority of the Issuer. For certain matters the Issuer will remain subject to supervision by local supervisory authorities such as DNB and the Netherlands Authority for the Financial Markets in The Netherlands (Stichting Autoriteit Financiële Markten, "**AFM**").

The transition of prudential supervision from DNB to ECB has led and may lead to more intensified supervision of the Issuer. The ECB, as the new prudential supervisory authority, has collected and adopted best practices in the Eurozone and is expected to continue to do so. This practice has already resulted in changes in the interpretation of regulations which may further impact and change local practices as they currently exist. No assurance can be given that adopted practices will not differ from current practices and interpretation. As the relationship between the Issuer and the ECB is different from the Issuer's relationship with DNB, the Issuer will continue to invest in resources to familiarise the new supervisory authority with the Issuer's business and financial position and to adapt to the new supervisory approach.

The above regulatory changes and any other present or future changes that could limit the Issuer's ability to manage effectively its balance sheet, liquidity position and capital resources (including, for example, reductions in profits and retained earnings, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to provide loans as a result of market conditions), to access funding sources or access funding sources at a higher cost could have a material effect on its business, financial condition and results of operations.

The Issuer believes that oversight and scrutiny by supervisory authorities have increased significantly in recent years. This has in general led to more regulatory investigations and enforcement actions as well as an increase in the amount of fines. The last few years have seen a steep escalation in the severity of the terms which competent supervisory authorities and law enforcement authorities have required to settle legal and regulatory proceedings against financial institutions, with settlements including unprecedented monetary penalties as well as criminal sanctions. Fines and settlement amounts paid by financial institutions in the recent past have been particularly high in the United States where the Issuer also has operations. If this trend were to continue or to occur in jurisdictions in which the Issuer operates its business, the material adverse effect to the Issuer of non-compliance could be more pronounced in the future than a similar event of non-compliance would have had in the past. Non-compliance with applicable regulation may also lead to civil liability towards affected clients and, increasingly, third parties.

The regulatory environment to which the Issuer is subject gives rise to significant legal and financial compliance costs and management time, which could have an adverse effect on the Issuer's business, financial position and results of operations.

7. The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects.

In pursuit of a broad reform and restructuring of financial services regulation, national and supra-national legislatures and supervisory authorities, predominantly in Europe and in the United States but also elsewhere, continue to introduce and implement a wide range of proposals that could result in major changes to the way the Issuer's global operations are regulated and could have adverse consequences for its business, business model, financial position, results of operations, reputation and prospects. These changes could materially impact the profitability of the Issuer's businesses, the value of its assets or the collateral available for its loans, require changes to business practices or force the Issuer to discontinue businesses and expose the Issuer to additional costs, taxes, liabilities, enforcement actions and reputational risk and are likely to have a material impact on the Issuer. Recent and ongoing prudential, conduct of business and more general regulatory initiatives include:

- Regulatory capital requirements proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**"), including its proposals set out in its paper released on 16 December 2010 (revised in June 2011) and press release of 13 January 2011 (the "**Basel III Final Recommendations**"), which are being implemented in the European Union through the Capital Requirements Directive (2013/36/EU) known as "**CRD IV**" and Capital Requirements Regulation ((EU) No 575/2013) known as "**CRR**", resulting, inter alia, in the Issuer becoming subject to stricter capital and liquidity requirements and will also affect the scope, coverage, or calculation of capital. See also the risk factor "*8. As a result of capital and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance*" below.

  On 7 December 2017, the Basel Committee published its final Basel III standards. These standards are informally known as Basel IV and will be implemented in CRD and CRR. Basel IV introduced the capital floors based on standardized approaches and revisions to the standardized approaches for credit risk, operational risk, market risk and the revision of the credit valuation adjustment framework for treatment of counterparty credit risk. According to Basel IV, the capital floors and other standards will become applicable as of 2022 and a transitional regime may apply.

  Of these standards, the introduction of the standardized credit risk RWA (REA) floor is expected to have the most significant impact on the Issuer. The standards for the new standardized credit risk RWA (REA) calculation rules include (i) introduction of new risk drivers, (ii) introduction of higher risk weights and (iii) reduction of mechanistic reliance on credit ratings (by requiring banks to conduct sufficient due diligence, and by developing a sufficiently granular non-ratings-based approach for jurisdictions that cannot or do not wish to rely on external credit ratings). In addition, the standards require banks to apply advanced approaches to risk categories, applying the higher of (i) the RWA (REA) floor based on (new) standardized approaches and (ii) the RWA (REA) floor based on advanced approaches in the denominator of their ratios. The implementation of the standardized RWA (REA) floors is expected to have a significant impact on the calculation of the Issuer's risk weighted assets due to the substantial difference in RWA (REA) calculated on the basis of advanced approaches and such calculation on the basis of new standardized rules for mortgages, and, to a lesser extent, exposures to corporates.

  In the first quarter of 2016 the Basel Committee published a consultative paper proposing changes to the internal ratings-based ("**IRB**") approaches. The Basel Committee proposed, amongst other things, to remove the option to use the IRB approaches for certain exposure classes, to introduce probabilities of default ("**PD**") and loss-given-default ("**LGD**") floors for exposure classes that are still permitted under IRB approach, a greater use of supervisory Credit Conversion Factors (CCF) and constraints on Exposure at Default (EAD) estimation processes. In its final standards, the Basel Committee has (i) removed the option to use the advanced IRB (A-IRB) approach for certain asset classes, (ii) adopted "input" floors (for metrics such as PD and LGD) to ensure a minimum level of conservativism in model parameters for asset classes where the IRB approaches remain available and (iii) provided greater specification for parameter estimation practices to reduce RWA (REA) variability.

  In April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document were the change in the calculation of the derivative exposures and the credit conversion factors for off-balance sheet items. In April 2017 the Basel Committee published its final guidance on the definitions of two measures of asset quality – "non-performing exposures" and "forbearance". The Basel Committee's definitions of both terms are built on commonalities in the existing definitions and harmonise the quantitative and qualitative criteria used for asset categorization. In its final standards (as described above), the Basel Committee indicated that leverage ratio buffer requirement on 1 January 2022 shall be based on the FSB's 2020 list of G-SIBs (based on year end-2019 data).

- On 23 November 2016, the European Commission published legislative proposals to amend and supplement certain provisions of, inter alia, CRD IV, CRR, the Bank Recovery and Resolution Directive (2014/59/EU) and the Single Resolution Mechanism Regulation ((EU) No 806/2014) (the "**EU Banking Reform Proposals**"), including measures to further strengthen the resilience of EU banks, including revisions in the Pillar 2 framework, a binding 3% leverage ratio, the introduction of a binding detailed NSFR, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, revisions in the MREL (as defined below) framework, the integration of the TLAC (as defined below) standard into EU legislation (see below under "*FSB Standard for Total Loss-Absorbing Capacity*"), a revised calculation method for derivatives exposures and the transposition of the fundamental review of the trading book (FRTB) conclusions into EU legislation.

- At the end of 2015, the ECB started a targeted review of internal models ("**TRIM**") to assess whether the internal models currently used by EU banks comply with regulatory requirements, and whether they are reliable and comparable. The ECB's TRIM reviews credit and market risk models applied for calculating RWA. In addition, the EBA's review of IRB approach provides more detailed requirements on the Issuer's application of the IRB approach for credit risk RWA. Both could result in an increase of credit risk RWA. However, at the date of this Registration Document, the exact impact on the Issuer is not yet known.

- The Deposit Guarantee Schemes Directive (2014/49/EU) ("**DGSD**") has been implemented into national law with effect from 26 November 2015, the law changes the funding of the current Deposit Guarantee Scheme ("**DGS**") from an ex-post funded system to a partially ex-ante funded system.

- A euro-wide deposit insurance scheme ("**EDIS**") for bank deposits was proposed by the European Commission on 24 November 2015, consisting of a re-insurance of national DGS, moving after three years to a co-insurance scheme, in which the contribution of EDIS would progressively increase over time. As a final stage, a full European Deposit Insurance Scheme is envisaged in 2024.

- The European regulation establishing uniform rules and a uniform procedure for the resolution of banks and certain investment firms in the framework of the Single Resolution Mechanism (Regulation 806/2014) (the "**SRM**"), which was published in the Official Journal of the European Union on 30 July 2014 and entered into force on 19 August 2014, providing for a single resolution framework, a single resolution board ("**Resolution Board**") and a single resolution fund ("**Resolution Fund**").

- The European Market Infrastructure Regulation ("**EMIR**") having introduced new obligations relevant for the Issuer, which are (i) central clearing for certain classes of OTC derivatives, (ii) the application of risk mitigation techniques for non-centrally cleared OTC derivatives and (iii) reporting of both exchange traded and OTC derivative transactions. EMIR is relevant to the Issuer in general and in particular to the Issuer's clearing business. The Issuer has implemented the relevant EMIR reporting requirements. Nevertheless, a combination of a changing legal framework, a changing business environment and a substantial reliance on IT systems and data input makes compliance with such obligations challenging for the Issuer.

- The revised EU Directive on Markets in Financial Instruments (2014/65/EU, the "**MiFID II Directive**") and the accompanying regulation "**MiFIR**" (Regulation

600/2014) (together "**MiFID II**"), which replace, extend and improve existing European rules on markets in financial instruments, giving more extensive powers to supervisory authorities, increasing market infrastructure and reporting requirements, more robust investor protection, increasing both equity and non-equity market transparency, introducing a harmonised position-limits regime for commodity derivatives and introducing the possibility to impose higher fines in case of infringement of its requirements. MiFID II entered into force on 3 January 2018.

- A regulation on key information documents for packaged retail and insurance-based investment products (Regulation 1286/2014) ("**PRIIPs**") requiring a key information document ("**KID**") to be provided when offering PRIIPs to certain clients. PRIIPs entered into force on 1 January 2018.

- The Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property adopted on 4 February 2014 (the "**Mortgage Credit Directive**") aiming to afford high level consumer protection throughout the EEA. The act implementing the Mortgage Credit Directive in The Netherlands entered into force on 14 July 2016.

- A new payment services directive (Directive 2015/2366/EU, "**PSD 2**") which imposes additional requirements on the Issuer with respect to payment services in the EEA and supports the emergence of new players and the development of innovative mobile and internet payments in Europe. PSD 2 entered into force on 13 January 2018.

- In the United States, the ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which covers a broad range of regulations and requirements for financial services firms including an evolving framework of regulations and requirements for OTC derivative transactions, markets and participants.

- A banking tax for all entities that are authorised to conduct banking activities in The Netherlands.

- A proposed directive for a common Financial Transaction Tax ("**FTT**") to be implemented in 10 participating Member States, being Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone.

- Based on sections 1471-1474 of the Code and Treasury Regulations thereunder, a 30% withholding tax may be imposed on U.S. source payments to a non-U.S. (foreign) financial institution (FATCA).

- Various international and EU initiatives on automatic exchange of information (such as the OECD Common Reporting Standard, and the amended EU Directive on Administrative Cooperation), which have had and will continue to have considerable impact on client on-boarding and administrative processes of the Issuer.

- The European Commission adopted a proposal for a regulation on reporting and transparency of securities financing transactions, which came into force on 12 January 2016 (Regulation (EU) 2015/2365).

- Legislation introduced by the Dutch government banning referral fees relating to specific complex financial products and services, such as mortgages, life insurance and pension insurance, reducing fee and commission income.

- Restrictions applicable to the Dutch principal residence mortgage loan market for individuals, including a reduction in the maximum loan amount for government-guaranteed mortgage loans (Nationale Hypotheekgarantie, "**NHG**"), a reduction of the maximum permissible amount of a mortgage loan relative to the value of the property and a reduction on tax deductibility of new mortgages loans, expected to put further downward pressure on the total outstanding volume of mortgages in The Netherlands which could decrease the size of the Issuer's mortgage portfolio and to have an effect on the house prices and the rate of economic recovery which may result in an increase of defaults, prepayments and repayments.

The mortgage lending rules and the restrictions to mortgage interest relief, applicable to the principal residence mortgage market, may have a particular impact on the Issuer's principal residence mortgage business. These measures might have a material adverse effect on the sale of the Issuer's principal residence mortgage products and therefore on the aggregate loan portfolio of the Issuer, on the interest margins that it is able to earn on new and existing principal residence mortgages, as well as on the ability of its clients to pay amounts due in time and in full. See also the risk factor "*12. The Issuer's operations and assets are located primarily in The Netherlands. Deterioration of the economic environment could have a material adverse effect on the Issuer's results of operations and financial position*" below.

The tax regime applicable to the Issuer is to an extent based on the Issuer's interpretations of such laws and regulations. The Issuer cannot guarantee that such interpretations will not be questioned by the relevant authorities. There has in recent years been an increased interest by governments, political parties, the media and the public in the tax affairs of companies. This increased interest may also apply to the Issuer's tax policy or the tax affairs of the Issuer's clients. In addition, changes as to what is perceived by governments or by the public to be appropriate, ethical or sustainable behaviour in relation to tax may lead to a situation where the Issuer's tax policy is in line with all applicable tax laws, rules and regulations, but nevertheless comes under public scrutiny. These two developments could lead to reputational damage and damage to the Issuer's brand.

For further information on laws and regulation the Issuer is subject to, see chapter "*5. The Issuer—1. ABN AMRO Bank N.V. —1.8 Regulation*". The timing and full impact of new laws and regulations, including the initiatives described above, cannot be determined yet and are beyond the Issuer's control. The introduction of these and other new rules and requirements could significantly impact the manner in which the Issuer operates, particularly in situations where regulatory legislation can interfere with or even set aside national private law. New requirements may adversely affect the Issuer's business, capital and risk management strategies and may result in the Issuer deciding to modify its legal entity structure, capital and funding structures and business mix or exit certain business activities altogether or determine not to expand in certain business areas despite their otherwise attractive potential.

The large number of legislative initiatives requires constant attention from the Issuer's senior management and consume significant levels of resources to identify and analyse the implications of these initiatives. The Issuer may have to adapt its strategy, operations and businesses, including policies, procedures and documentation, to comply with these new legal requirements. Especially in view of the volume of existing initiatives, it cannot be excluded that certain new requirements will not be implemented in a timely fashion or implemented without errors or in a manner satisfactory to the applicable regulatory authority, resulting in non-compliance and possible associated negative consequences. Additionally, the Issuer may be forced to cease to serve certain types of clients or offer certain services or products as a result of new requirements. Any of the other above factors, events or developments may materially adversely affect the Issuer's businesses, financial position and results of operations and prospects.

European regulations such as EMIR, MiFID II and US regulations such as U.S. Commodity Futures Exchange Commission and U.S. Securities and Exchange Commission rules, will increase the burden of compliance on the Issuer. The extraterritorial scope of some of the regulations brings additional layers of complexity, as the Issuer can become subject to rules and regulations of national jurisdictions whilst it is not directly part of the national markets of such jurisdictions. This may have a material adverse effect on the business, financial position and results of operations and prospects of the Issuer. The increased burden of compliance and additional layers of complexity may materially adversely affect the Issuer's business, financial position and results of operations and prospects.

Significant regulatory fines may be imposed on the Issuer should the Issuer fail to comply with applicable regulations. The cost of regulatory fines and defence against current and future regulatory actions may be significant. There may also be adverse publicity associated with regulatory fines or action that could decrease customer acceptance the Issuer, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. Therefore, such regulatory fines or actions may have a material adverse effect on the business, financial position and results of operations and prospects of the Issuer.

8. As a result of capital and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance.

Effective management of the Issuer's capital and/or liquidity is critical to its ability to operate its businesses, to grow organically and to pursue its strategy. The Issuer is required by regulators in The Netherlands, the ECB and regulators in other jurisdictions in which it undertakes regulated activities, to maintain adequate capital resources and liquidity, as such regulator may deem appropriate. The maintenance of adequate capital and liquidity is also necessary for the Issuer's financial flexibility in the face of turbulence and uncertainty in the global economy.

The Basel Committee has proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, strengthen the risk coverage of the capital framework in relation to derivative positions, and to introduce a new liquidity framework under which banks must gradually meet a liquidity coverage ratio and report on their net stable funding, and to introduce reporting requirements on leverage ratio. As a follow-up on the Basel III Final Recommendations, the Basel Committee proposed to introduce a requirement for banks to use stable sources of funding and meet a minimum leverage ratio. The envisaged required minimum percentage is currently 3% as proposed by the Basel Committee. In respect of the binding leverage ratio, it has been agreed in The Netherlands that the Dutch systematically important banks, including the Issuer, will ultimately in 2018 comply with a leverage ratio of at least 4%. In the meantime, international discussions are ongoing regarding a possible leverage ratio surcharge (compared to the 3% introduced in the EU Banking Reform Proposals) for global systemically important institutions ("**G-SIIs**"). The Issuer does not currently qualify as a G-SII. On 10 October 2017, a coalition of four parties which form the new Dutch government has published its government coalition agreement (*regeerakkoord*), in which it announced, among other things, that as soon as the more stringent requirements of Basel IV come into force, the leverage ratio requirement will be brought in line with European standards. If the Issuer would become subject to a minimum leverage ratio of 4%, or more, the Issuer may be required to raise additional regulatory capital to meet the required leverage ratio. See "*Annual Report 2017 - Risk, funding & capital*", which part has been incorporated by reference into this Registration Document, for information on the Issuer's capital and liquidity position under Basel III rules known as at 31 December 2017. The Basel III framework was implemented in the EEA through CRD IV and CRR. CRD IV replaced the preceding capital requirements directives (directives with numbers 2006/48/EC and 2006/49/EC ("**CRD I**"), amendment directive with number 2009/111/EC ("**CRD II**") and amendment directive with number 2010/76/EC ("**CRD III**")) and was transposed into Dutch law by the "Implementing law CRD IV and CRR *(Implementatiewet richtlijn en verordening kapitaalvereisten*)" and entered into force on 1 August 2014. CRR has been in effect since 1 January 2014, although particular requirements will be phased in over a period of time and proposals have already been published by the European Commission to make certain amendments to CRD IV and CRR by means of the EU Banking Reform Proposals, partly drawing from the Basel Committee further banking reform proposals (see also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above). The European Banking Authority ("**EBA**") has and will continue to propose detailed rules through binding technical standard for many areas.

There can be no assurance that the Basel Committee will not further amend or supplement the Basel III framework. For example, the Basel Committee has published proposals to further strengthen the risk-weighted capital framework, including in relation to credit risk, market risk and operational risk (see also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above). Further, the Basel III framework may be implemented in a manner that is different from that which is currently envisaged or may impose more onerous requirements on the Issuer.

The Issuer has been designated by DNB as a financial institution with systemic relevance for The Netherlands. As a result, the Issuer will need to progressively build up extra capital buffers set by DNB. These buffers will become applicable in phases in the period from 2016 to and including 2019. The Issuer will be required to maintain this buffer on top of the minimum CET1 capital ratio of 4.5% it is required to meet, as well as a capital conservation buffer of 2.5%, and a counter-cyclical buffer ranging from 0 to, in principle, 2.5%. When the Issuer is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic buffer addresses. As at the date hereof, the combined buffer requirement ("**CBR**") is set at 5.52% of CET1 capital above the minimum regulatory CET1 requirement of 4.5% (or 10% in aggregate) on a full phase-in basis. However, in the future the Issuer may need to comply with a higher CBR. For example, the relevant regulator may impose a higher systemic risk buffer or introduce a countercyclical capital buffer. In case the Issuer fails to meet, partly or in full, the CBR, CRD IV requires that restrictions on distributions (including dividend payments) are imposed on the Issuer. Also, any increase by DNB of the systemic risk buffer may require the Issuer not only to increase its CET1 capital ratio but also its overall amount of MREL (see the risk factor *"9. Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding"* below).

In addition, under CRD IV competent supervisory authorities as a result of the common procedures and methodologies for the supervisory review and evaluation process ("**SREP**") may require additional capital to be maintained by a bank relating to elements of risks which are not fully covered by the Pillar 1 minimum own funds requirements ("**P1R**") described above or which address macro-prudential requirements (Pillar 2). The EBA issued guidelines on 19 December 2014 addressed to national supervisory authorities on the SREP which among other guidelines contain guidelines proposing a common approach to determine the amount and composition of additional capital requirements and which were required to be applied by the competent supervisory authorities as of 1 January 2016 (subject to certain transitional arrangements). Accordingly, a bank can be subject to (i) P1R (as referred to above), (ii) a CBR (as referred to above) and (iii) additional capital requirements as a result of the SREP. In July 2016, the ECB confirmed that SREP will for the first time comprise two elements: Pillar 2 requirements (which are binding and breach of which can have direct legal consequences for banks) ("**P2R**") and Pillar 2 guidance (with which banks are expected to comply but breach of which does not automatically trigger any legal action) ("**P2G**"). Accordingly, in the capital stack of a bank, the P2G is in addition to (and "sits above") that bank's P1R, its P2R and its CBR. It follows that if a bank does not meet its P2G, supervisory authorities may specify supervisory measures but it is only if it fails to maintain its capital buffer requirement that the mandatory restrictions on discretionary payments (including payments on its CET1 and additional tier 1 instruments) based on its maximum distributable amount will apply. These changes are also reflected in the EU Banking Reform Proposals. However, there can be no assurance as to the relationship between the "Pillar 2" additional own funds requirements and the restrictions on discretionary payments and as to how and when effect will be given to the EBA's guidelines and/or the EU Banking Reform Proposals in The Netherlands, including as to the consequences for a bank of its capital levels falling below the minimum, buffer and additional requirements referred to above.

The Issuer's capital ratios are above the regulatory minimum requirements. At 31 December 2017 the Issuer had a phase-in CET1 capital ratio of 17.7% (fully loaded 17.7%), which is well above the 2017 SREP requirement. Pursuant to the 2017 SREP requirement, the Issuer is required to hold on a consolidated basis a minimum CET1 capital ratio of 10.4%, which is composed of 4,5% Pillar 1 minimum capital requirement, 1.75% P2R, a phase-in 1.875% capital conservation buffer and a phase-in 2.25% systemic risk buffer ("**SRB**"), excluding a countercyclical buffer. The SRB is expected to grow by 0.75 percentage point per annum up to 3.0% in 2019. Based on the current understanding of the applicable and pending regulations regarding leverage ratio, the Issuer aims for a leverage ratio equal or above 4% by 2018, which it aims to achieve through management of its exposure measure, the issuance of AT1 instruments and retained earnings. The Issuer is monitoring upcoming regulatory requirements in relation to MREL and TLAC and aims for equal or above 8% MREL by year-end 2018 and pre-position for TLAC. At 31 December 2017, ABN AMRO had fully-loaded leverage ratio of 4.1% and 7.6% MREL (solely based on own funds and other subordinated liabilities). The strong funding and liquidity profile is demonstrated by a growing client deposit base with low outflows, a diversified wholesale funding maturity profile and a commitment to comply with future regulatory liquidity requirements (liquidity coverage ratio and net stable funding ratio) before they will be in force. However, current and future regulatory developments may have an impact on the Issuer's capital position. For example, in the future the Issuer may elect to meet its MREL requirement by issuing senior non-preferred notes instead of Tier 2 capital (such as the subordinated notes), which may impact the Issuer's total capital ratio.

The changes to capital adequacy and liquidity requirements in the jurisdictions in which it operates described above or any future changes may also require the Issuer to raise additional regulatory capital or hold additional liquidity buffers, for example because of different interpretations of or methods for calculating risk exposure amount, or because the Issuer does not comply with ratios and levels, or instruments and collateral requirements that currently qualify as capital or capital risk mitigating techniques no longer do so in the future. If the Issuer is unable to raise the requisite regulatory capital, it may be required to further reduce the amount of its risk exposure amount or business levels, restrict certain activities or engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or at prices which would otherwise be attractive to the Issuer. In addition, if the Issuer is not able to meet the applicable CBR, this could have an adverse effect on the market's trust in respect of the long term viability of the Issuer, which could, for example, result in liquidity outflows that could ultimately have an adverse effect on the going concern viability of the Issuer.

As a result of stricter liquidity requirements or higher liquidity buffers, the Issuer may be required to optimise its funding composition which may result in higher funding costs for the Issuer, and in having to maintain buffers of liquid assets which may result in lower returns than less liquid assets. Furthermore, if the Issuer is unable to adequately manage its liquidity position, this may prevent it from meeting its short-term financial obligations. In addition, with a net stable funding requirement and a leverage coverage ratio scheduled to be implemented through the EU Banking Reform Proposals, the Issuer might be required to attract additional stable sources of funding, which may result in higher funding costs for the Issuer.

The variety of capital and liquidity requirements of supervisory authorities in different jurisdictions may prevent the Issuer from managing its capital and liquidity positions in a centralised manner, which may impact the efficiency of its capital and liquidity management. Also, if internal processes are not sufficiently robust, this may result in higher than strictly necessary required capital and liquidity levels and increased costs.

As the SSM was introduced on 4 November 2014 and the ECB has become the primary supervisor for the prudential supervision of credit institutions in participating Member States that qualify as "significant credit institutions", including the Issuer, the ECB is responsible for, among other things, market access and will supervise capital requirements, liquidity requirements as provided for by CRD IV and CRR and governance. As a result, the Issuer may be subject to different interpretations or methods for calculating risk exposure amount and capital instruments, may be subject to higher capital add on requirements, or may be required to hold additional liquidity buffers.

The above changes and any other changes that limit the Issuer's ability to manage effectively its balance sheet, liquidity position and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk exposure amount, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions or otherwise) or to access funding sources, could have a material adverse impact on its financial position, regulatory capital position and liquidity provision.

9. Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding.

Dutch Intervention Act

In 2012, the Dutch government adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, *Wet bijzondere maatregelen financiële ondernemingen*, the "**Dutch Intervention Act**"). Pursuant to the Dutch Intervention Act, substantial new powers were granted to DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency.

The national framework for intervention with respect to banks by DNB has been replaced by the law implementing the resolution framework set out in the BRRD (as defined below). However, the powers granted to the Dutch Minister of Finance under the Dutch Intervention Act remain. The Dutch Minister of Finance may take measures or expropriate assets and liabilities of, claims against or securities issued by or with the consent of a financial firm (*financiële onderneming*) or its parent, in each case if it has its corporate seat in The Netherlands, if in the Minister of Finance's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the firm finds itself.

BRRD

On 12 June 2014, a directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (2014/59/EU, "**BRRD**") was published in the Official Journal of the European Union. The BRRD is currently in force and EU Member States were required to adopt and publish the laws, regulations and administrative provisions necessary to comply with the BRRD by 31 December 2014. The measures set out in the BRRD (including the Bail-in Tool) have been implemented in national law with effect from 26 November 2015.

The BRRD sets out a common European recovery and resolution framework which is composed of three pillars: preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), early intervention powers and resolution powers. In addition, BRRD provides preferential ranking on insolvency for certain deposits that are eligible for protection by deposit guarantee schemes (including the uninsured element of such deposits and, in certain circumstances, deposits made in non-EEA branches of EEA credit institutions). The stated aim of BRRD is, similar to the Dutch Intervention Act, to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

Single Resolution Mechanism

The BRRD is complemented by the directly binding regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM**"). The primary geographic scope of the SRM is the euro area and SRM applies to the Issuer as a primary recovery and resolution code. The SRM establishes a single European resolution board (the "**Resolution Board**") having resolution powers over the institutions that are subject to the SRM, thus replacing or exceeding the powers of the national resolution authorities within the euro area. The Resolution Board will draw up and adopt a resolution plan for the entities subject to its powers, including the Issuer. It will also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities ("**MREL**"). MREL is designed to be available to the resolution authorities for write down, write off or conversion to equity in order to absorb losses and recapitalise a failing institution in the event of resolution action being taken, and before more senior-ranking creditors suffer losses. The amount of MREL the Issuer is required to maintain over time will be based on the expected required capacity to resolve and, if appropriate, recapitalise the Issuer in the event of its failure. The Resolution Board may also use the powers of early intervention as set forth in the SRM, including the power to require an institution to contact potential purchasers in order to prepare for resolution of the institution. The Resolution Board has the authority to exercise the specific resolution powers pursuant to the SRM similar to those of the national authorities under the BRRD. The resolution tools available for the Resolution Board include the sale of business tool, the bridge institution tool, the asset separation tool and the Bail-in Tool as further specified in the SRM. The use of one or more of these tools is included in a resolution plan adopted by the Resolution Board.

Pursuant to the SRM, the Bail-in Tool may be applied to recapitalise an institution to restore its ability to comply with the licensing conditions and to sustain market confidence in the institution or to convert claims or debts to equity or reduce their principal amount. The Bail-in Tool covers bonds and notes issued by the institution subject to resolution measures, but certain defined instruments are excluded from the scope, such as covered bonds.

The Resolution Board may apply interpretations of BRRD or recovery and resolution strategies that differ from those applied by the relevant national resolution authority. Any change in the interpretation or strategy may affect the resolution plans for the Issuer, as prepared by the relevant national resolution authority.

Recovery and resolution plans

As required by the BRRD, the Issuer is required to draw up and maintain a recovery plan. This plan must provide for a wide range of measures that could be taken by the Issuer for restoring its financial position in case it significantly deteriorated. The Issuer must submit the plan to the competent resolution authority for review and update the plan annually or after changes in the legal or organisational structure, business or financial situation that could have a material effect on the recovery plan. Keeping the recovery plan up to date will require monetary and management resources.

The Resolution Board will draw up the Issuer's resolution plan providing for resolution actions it may take if the Issuer would fail or would be likely to fail. In drawing up the Issuer's resolution plan, the Resolution Board will identify any material impediments to the Issuer's resolvability. Where necessary, the Resolution Board may require the Issuer to remove such impediments. This may lead to mandatory legal restructuring of the Issuer, which could lead to high transaction costs, or could make the Issuer's business operations or its funding mix to become less optimally composed or more expensive. Although ABN AMRO Bank N.V. is the Issuer's designated resolution entity, the Resolution Board may at a later stage also require the Issuer to issue MREL at various levels within the Issuer or concentrated at the level of ABN AMRO Group N.V. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits.

Early intervention

If the Issuer does not comply with or, due to a rapidly deteriorating financial position, would be likely not to comply with capital or liquidity requirements in the near future, the supervisory authorities will have the power to impose early intervention measures. A rapidly deteriorating financial position could, for example, occur in the case of a deterioration of the Issuer's liquidity situation, increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of the Issuer, the power to make changes to the Issuer's business strategy, and the power to require the Issuer's Executive Board to convene a general meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting. Furthermore, if these early intervention measures are not considered sufficient, the Resolution Board may replace management or install a temporary administrator. A special manager may also be appointed who will be granted management authority over the Issuer instead of its existing executive board members, in order to implement the measures decided on by the Resolution Board.

Non-viability and resolution measures

If the Issuer were to reach a point of non-viability, the Resolution Board could take pre-resolution measures. These measures include the write-down and cancelation of shares, and the write-down or conversion into shares of capital instruments.

Furthermore, BRRD and SRM provide resolution authorities with powers to implement resolution measures with respect to banks which meet the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the Bail-in

Tool, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments. The Bail-in Tool comprises a more general power for resolution authorities to write-down the claims of unsecured creditors of a failing bank and to convert unsecured debt claims to equity.

Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by the relevant resolution authority, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank for this purpose. The application of resolution measures may lead to additional measures. For example, in connection with the nationalisation of SNS Reaal N.V. pursuant to the Dutch Intervention Act, a one-off resolution levy for all banks was proposed by the Minister of Finance.

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the resolution authorities are not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of shares or debt instruments, or from any other creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or prospectus or to file or register any document with any other authority, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the resolution authorities can exercise their powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply.

Resolution Fund

The SRM provides for a Resolution Fund that will be financed by banking groups included in the SRM. The Issuer will only be eligible for contribution to loss absorption by the single resolution fund after a resolution action is taken if shareholders, the holders of relevant capital instruments and other eligible liabilities have made a contribution (by means of a write-down, conversion or otherwise) to loss absorption and recapitalization equal to an amount not less than 8% of the total liabilities (including own funds and measured at the time of the resolution action). This means that the Issuer must hold on to sufficient own funds and liabilities eligible for write-down and conversion in order to have such access to the single resolution fund in case of a resolution. This may have an impact on the Issuer's capital and funding costs.

FSB Standard for Total Loss-Absorbing Capacity

In November 2015, the Financial Stability Board (the "**FSB**") published the final total loss-absorbing capacity ("**TLAC**") standard intended to enhance the loss-absorbing capacity of global systemically important banks ("**G-SIBs**") in resolution. The TLAC standard seeks to ensure that G-SIBs will have sufficient loss absorbing capacity available in a resolution of such an entity, in order to minimise any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The TLAC standard also includes a specific termsheet for TLAC which attempts to define an internationally agreed standard.

Similar requirements are also reflected in the EU Banking Reform Proposals (see also the risk factor "*7. The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects.*").

RTS on the minimum requirement for own funds and eligible liabilities under BRRD

On 23 May 2016, the European Commission adopted the regulatory technical standards on the criteria for determining MREL under BRRD (Commission Delegated Regulation (EU) 2016/1450 with regard to regulatory technical standards specifying the criteria relating to the methodology for setting MREL, the "**RTS**"). In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities, with effect from 1 January 2016 (or if earlier, the date of national implementation of BRRD). The RTS provide for resolution authorities to allow institutions an appropriate transitional period to reach the applicable MREL requirements, which should be as short as possible.

Unlike the FSB's standard, the RTS do not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution.

The MREL requirement for each institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include: the extent to which an institution has liabilities in issue which are excluded from contributing to loss absorption or recapitalisation; the risk profile of the institution; the systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Based on the RTS and pending future revisions to MREL, the SRB took a mechanical approach to calculating an informative MREL target in 2016, consisting of a Loss Absorption Amount (total P1R + P2R + CBR), a Recapitalization Amount (total P1R + P2R) and a Market Confidence Charge (CBR minus 125 basis points). The SRB is expected in the future to refine its methodology to calculate binding MREL targets, taking into account resolution strategies, business models and other bank specific features, whereby it also could opt for a non-risk weighted measure. In case of the risk weighted basis of calculating MREL targets, any fluctuation in RWAs (whether as a result of regulatory change or business environment) will not only have an impact on capital ratios but also on MREL ratios. On 20 December 2017, the SRB together with the national resolution authorities published its 2017 policy statement on MREL, which serves as a basis for setting consolidated MREL targets for banks under the remit of the SRB (including the Issuer). For the 2017 resolution planning cycle, the SRB is moving from informative targets – communicated in the 2016 MREL policy - to bank-specific binding consolidated MREL targets for the majority of the largest and most complex banks under the SRB remit, including all global systemically important institutions (G-SIIs) and banks with resolution colleges. The 2017 SRB MREL policy is part of a multi-year approach for establishing final MREL targets.

Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "**Eligible Liabilities**", meaning, under currently applicable MREL requirements, liabilities which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives.

Whilst there are a number of similarities between MREL requirements and the FSB's proposals on TLAC, there are also certain differences, including the timescales for implementation. The RTS suggests that the MREL requirements can nevertheless be implemented for G-SIBs in a manner that is "consistent with" the international framework, and contemplates a possible increase in the MREL requirement over time in order to provide for an adequate transition to compliance with the TLAC requirements (which are currently projected to apply from January 2019). Further convergence in the detailed requirements of the two regimes is expected, as proposed by the EBA in its final report on the implementation and design of the MREL framework of 14 December 2016 (the "**EBA Final MREL Report**") and by the European Commission in its EU Banking Reform Proposals. However, it is still uncertain to what extent the regimes will converge and what the final requirements will look like.

Intended TLAC and MREL alignment

The EBA Final MREL Report contains a number of recommendations to amend the current MREL framework and to implement the TLAC standard as an integral component of that framework. The EU Banking Reform Proposals contain the legislative proposal of the European Commission for the amendment of the MREL framework and the implementation of the TLAC standard. The EU Banking Reform Proposals propose the amendment of a number of aspects of the MREL framework to align it, *inter alia*, with the TLAC standard. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the EU Banking Reform Proposals also propose a number of changes to the MREL rules applicable to non-G-SIBs, including (without limitation) the criteria for the eligibility of liabilities for MREL. While the EU Banking Reform Proposals propose for a minimum harmonised or "Pillar 1" MREL requirement for G-SIBs, in the case of non-G-SIBs it is proposed that MREL requirements will be imposed on a bank-specific basis. The EU Banking Reform Proposals further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

Risks relating to the TLAC standard, RTS and the EU Banking Reform Proposals

Both the TLAC standard and the RTS may be subject to change and further implementation. On 23 November 2016, the European Commission announced the EU Banking Reform Proposals which, amongst others, intend to implement TLAC and clarify its interaction with MREL. However, the EU Banking Reform Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. As a result, it is not possible to give any assurances as to the ultimate scope, nature, timing and of any resulting obligations, or the impact that they will have on the Issuer once implemented, including the amount of currently outstanding instruments qualifying as MREL going forward. If the EU Banking Reform Proposals are implemented without transitory provisions however, it is possible that the Issuer may have to issue a significant amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. If the Issuer were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations which would have a material adverse effect on the Issuer's business, financial position and results of operations.

State Aid

On 10 July 2013, the European Commission announced the adoption of its temporary state aid rules for assessing public support to financial institutions during the crisis (the "**Revised State Aid Guidelines**"). The Revised State Aid Guidelines impose stricter burden-sharing requirements, which require banks with capital needs to obtain additional contributions from equity holders and capital instrument holders before resorting to public recapitalizations or asset protection measures. The European Commission has applied the principles set out in the Revised State Aid Guidelines from 1 August 2013. The European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in BRRD.

The Dutch Intervention Act, BRRD, SRM, the EU Banking Reform Proposals and the Revised State Aid Guidelines may increase the Issuer's cost of funding and thereby have an adverse impact on the Issuer's funding ability, financial position and results of operations. In case of a capital shortfall, the Issuer would first be required to carry out all possible capital raising measures by private means, including the conversion of junior debt into equity (which may include subordinated notes and/or the senior non-preferred notes), before one is eligible for any kind of restructuring State aid.

10. The Issuer is subject to stress tests and other regulatory enquiries, the outcome which could materially and adversely affect the Issuer's reputation, financing costs and trigger enforcement action by supervisory authorities. Stress tests could also bring to the surface information which may result in additional regulatory requirements or measures being imposed or taken which could have a material adverse effect on the Issuer's business, results of operations, profitability or reputation.

The banking sector is subject to periodic stress testing and other regulatory enquiries in respect of the resilience of banks to adverse market developments. Such stress tests are initiated and coordinated by the EBA. Stress tests and the announcements of their results by supervisory authorities can destabilise the banking or the financial services sector and lead to a loss of trust with regard to individual banks or financial services sector as a whole. The outcome of stress tests could materially and adversely affect the Issuer's reputation, financing costs and trigger enforcement action by supervisory authorities. The outcome of stress tests could also result in the Issuer having to meet higher capital and liquidity requirements, which could have a material adverse effect on the Issuer's business, results of operations, profitability or reputation.

In addition, stress tests could divulge certain information that would not otherwise have surfaced or which until then, the Issuer had not considered to be material and worthy of taking remedial action on. This could lead to certain measures or capital and funding requirements by supervisory authorities being imposed or taken, which could have a material adverse effect on the Issuer's business, results of operations, profitability or reputation.

11. The Issuer operates in markets that are highly competitive. If the Issuer is unable to perform effectively, its business and results of operations will be adversely affected.

There is substantial competition for the types of banking and other products and services that the Issuer provides in the regions in which the Issuer conducts large portions of its business, especially in The Netherlands. The competition for some of these products and services consists of traditional large banks, smaller banks, insurance companies, niche financial companies, non-financial companies that offer credit and savings products (such as car lease companies), as well as new entrants and parties that develop new business models, such as payment service providers, new mobile payment systems, mobile wallets, crowd funding and other financial technology (Fintech) initiatives. As a result, the Issuer's strategy is to maintain customer loyalty and retention. In other international markets, the Issuer faces competition from the leading domestic and international institutions active in the relevant national and international markets.

A different form of competition comes from technology firms and other new entrants, which are not subject to the same regulatory controls imposed on banks and have already entered parts of the traditional banking value chain. Commoditisation of mass market segments as a result of new technology results in fiercer competition and pressure on margins. For example, the entry into force of PSD 2 increases the number of new entrants into the payments market, which affects competition and increases the variety of payment services available (including the provision of third party access to parties other than banks).

Furthermore, the intensity of competition is influenced by many factors beyond the Issuer's control (including conditions in the financial markets, loss of trust in banks following the financial crises, consumer demand, reputation and brand recognition, prices and characteristics of products and services, distribution powers, the impact of consolidation, technological changes, emerging non-traditional competitors, regulatory action, competitive advantages of certain competitors and many other factors). In addition, the Issuer must comply with regulatory requirements that may not apply to non-banks or certain foreign competitors and which may create an unequal competitive environment. This unequal competitive environment can be reflected by the costs involved for banks, including costs and resources required for compliance with such regulatory requirements.

Moreover, government involvement and/or ownership in banks, including in the Issuer, may have an impact on the competitive landscape in the major markets in which the Issuer operates.

Furthermore, the Issuer also faces and may continue to face competition with respect to attracting capital or funding from its retail, private and corporate clients and/or investors. Competition may cause increases in funding costs which may not be recoverable from borrowers and could therefore result in declining margins which would materially and adversely affect the Issuer's profitability and financial performance.

Competitive pressures could result in increased pricing pressures on a number of the Issuer's products and services, higher capital or funding costs or could result in loss of market share and may harm the Issuer's ability to maintain or increase profitability.

12. The Issuer's operations and assets are located primarily in The Netherlands. Deterioration of the economic environment could have a material adverse effect on the Issuer's results of operations and financial position.

As of 31 December 2017, 78% of the Issuer's operating income was generated in The Netherlands and a majority of its aggregate credit exposure (as measured by 'Exposure at Default') is also located in The Netherlands (72.8% as of 31 December 2017). Accordingly, the Issuer is largely dependent upon the prevailing economic, political and social conditions in The Netherlands, particularly those which impact the mortgage market and small and medium business enterprises, which recently have been subject to major regulatory changes. Accordingly, deterioration of the economic environment in The Netherlands could have a negative effect on the Issuer's results of operations and financial position. Efforts by the Issuer to diversify, limit or hedge its portfolio against concentration risks may not be successful and any concentration risk could increase potential losses in its portfolio; this risk is mainly manifested through business and credit risk.

13. The Issuer is subject to significant counterparty risk exposure and exposure to systemic risks which may have an adverse effect on the Issuer's results.

The Issuer's businesses are subject to general credit and country risks, including credit risks of borrowers and other counterparties. Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include borrowers (under loans), the issuers whose securities the Issuer holds, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy, financial markets or real estate values, operational failure or other reasons. Further, collateral posted may prove insufficient or inadequate. This is particularly predominant in businesses and operations of the Issuer that rely on sufficient collateral, such as in relation to its securities financing operations, asset-based financing business, diamonds and jewellery credit portfolio, clearing activities or energy, commodities & transportation ("**ECT**") credit portfolio. In the past few years, the Issuer has seen adverse changes in the credit quality of its borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness. In the years prior to 2014, in line with economic developments, the Issuer saw and may see in the future increasing delinquencies, defaults and insolvencies across a range of sectors (such as small and medium sized enterprises, in the area of Lombard-lending (where borrowers are under an obligation to provide additional collateral if the value of existing collateral goes down), commercial real estate, construction and (inland) shipping) and in a number of geographies. This trend has in the past led to and may in the future lead to increasing impairment charges for the Issuer.

While the Issuer's operations and assets are located primarily in The Netherlands, it does have a number of branches, offices, business and operations located internationally as well as clients who operate in other jurisdictions, which exposes the Issuer to country risks in those jurisdictions.

The Issuer also has outsourcing arrangements with a number of third parties, notably in respect of IT, and certain services operations, such as cash centers, cash transportation, servicing of ATMs, and back office activities, for example in human resources operations. Accordingly, the Issuer is at risk of these third parties not delivering on their contractual obligations. There can be no guarantee that the suppliers selected by the Issuer will be able to provide the functions for which they have been contracted, either as a result of them failing to have the relevant capabilities, products or services, or due to inadequate service levels set by, or ineffective monitoring by, the Issuer.

The Issuer invests, as a part of discretionary portfolio management, client monies in third party investment funds which it does not control or it may advise the clients to do so. If these funds do not deliver adequate performance, the Issuer could face reputational damage, and, in the case of significant underperformance or fraud, clients may seek to be compensated by the Issuer.

The Issuer may see adverse changes in the credit quality of its borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors (such as the personal, banking and financial institution sectors) and in a number of geographies. This may lead to further impairment charges, higher costs and additional write-downs and losses for the Issuer.

The Issuer is one of a limited number of international lenders in the diamond and jewellery industry which has experienced reduced liquidity, with various banks leaving the industry or reducing their exposure. To the extent that clients of the Issuer have insufficient access to liquidity, their creditworthiness may negatively be affected, which may adversely affect the quality of the Issuer's credit portfolio in this industry. Furthermore, the diamond and jewellery industry perceives the Issuer as a leading bank in financing of the industry given its previous exposure. Market participants and representative bodies in the industry might expect the Issuer to continue to provide liquidity to the market. If the Issuer does not provide this liquidity, this may damage the Issuer's reputation.

The financial and/or commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default, or threatened default by one institution could affect the banking system and lead to significant market-wide liquidity problems and financial losses at many financial institutions. It may even lead to further defaults of other financial institutions, which is referred to as "**systemic risk**". A systemic risk event may also adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, to which the Issuer is exposed. The systemic risk of the global financial industry is still at an elevated level. High sovereign indebtedness, low capital levels at many banks and the high interconnectivity between the largest banks and certain economies are important factors that contribute to this systemic risk. A default by, or even concerns about a default by, one or more financial services institutions could lead to significant systemic liquidity problems, or losses or defaults by other financial institutions.

The above factors may lead to material losses for the Issuer and may have an adverse effect on the Issuer's business, financial position, results of operations and prospects.

14. The Issuer may be subject to increases in allowances for loan losses.

The Issuer's banking businesses establish provisions for loan losses, which are reflected in the impairment charges on loans and other receivables provisions on the Issuer's income statement, in order to maintain the Issuer's allowance for loan losses at a level that is deemed to be appropriate by management based upon an assessment of prior loss experiences, the volume and type of lending being conducted by the Issuer, industry standards, past due loans, economic conditions and other factors related to the collectability of the Issuer's loan portfolio. Although management uses a best estimate approach to determine the allowances for loan losses, that determination is subject to significant judgment which, along with the underlying risk management models and methods could be inaccurate and the Issuer may have to increase its allowances for loan losses in the future as a result of increases in non-performing assets or for other reasons. Any increase in the allowances for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on the Issuer's results of operations, profitability and financial position.

15. The Issuer depends on the accuracy and completeness of information about customers and counterparties and itself. The Issuer's business operations require meticulous documentation, recordkeeping and archiving.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, the Issuer may rely on information furnished to the Issuer by or on behalf of the customers and counterparties, including financial statements and other financial information. The Issuer also may rely on the audit report covering those financial statements. The Issuer's financial position and results of operations could be materially and adversely affected by relying on such information or on financial statements that do not comply with generally accepted accounting principles or that are materially misleading. If information about clients and counterparties turns out to be materially inaccurate, incomplete or misleading, this could lead to fines or regulatory action, violation of rules and regulations, engagement in incorrect commercial transactions.

The Issuer is also responsible for performing know your customer checks to prevent tax evasion or avoidance. However, it may not be apparent to the Issuer whether a client is engaged in tax evasion, because of the complex structure of many of these transactions. Tax evasion or avoidance by the client may be attributed to the Issuer even though it has not actively assisted clients in tax evasion or avoidance if the Issuer fails to adequately satisfy its know your customer obligations. Failure to manage tax risks could lead to reputational damage or regulatory fines and penalties.

Also, the Issuer has a monitoring duty in relation to transactions outstanding, including on client positions being either in-the-money or out-of-the-money, or the amount having been borrowed by clients being lower or higher than the value of property or security or the corresponding derivative. This monitoring allows the Issuer, amongst other things, to take appropriate commercial decisions and to verify continued suitability of the product for certain retail clients and compliance with legal requirements of the Issuer. Monitoring a large number of different products, including discontinued products that are still outstanding, is complex and it could become more difficult or even impossible if the Issuer should fail to properly document transactions or archive documentation. The risk is further exacerbated by the increased use of technology and modern media for interacting with clients. Employees may take client orders in violation of policies, including taking orders over a mobile telephone line which conversations are not recorded or it may prove impossible or very difficult to find the relevant discussion from among a large number of recordings. The Issuer conducted an internal review into transaction reporting to the AFM and found that it had not accurately reported or had omitted to report a significant number of financial markets transactions. ABN AMRO informed the AFM about the results of its internal reviews. On 6 July 2017, the AFM informed the Issuer that it imposed an administrative fine of EUR 400,000 on the Issuer and an administrative fine of EUR 500,000 on ABN AMRO Clearing, in both cases for having failed to report a significant number of transactions (see also "*The Issuer - 1. ABN AMRO Bank N.V. - 1.9 Legal and arbitration proceedings - Transaction reporting*").

The Issuer's business operations require meticulous documentation, recordkeeping and archiving. Incomplete documentation, documentation not properly executed by counterparties, inadequate recordkeeping or archiving, and the loss of documentation could materially adversely affect the Issuer's business operations in a number of ways.

Technical limitations, end of lifecycles, erroneous operational decisions, inadequate policies, human mistakes, outdated computer systems and programs for the storage of older data, system failures, system decommissioning and underperforming third party service providers (including where the business continuity and data security of such third parties proves to be inadequate), may all lead to incomplete or inappropriate documentation, or the loss or inaccessibility of documentation. Following an internal review, shortcomings in documentation were uncovered and due to the large number of client files, more may be uncovered in the future which has caused the Issuer and may cause the Issuer in the future, to pay out compensation to clients. The fact that the constituent parts of the Issuer have historically documented legal acts and transactions with clients differently, and, in consequence, different procedures, models and IT systems have been applied to similar transactions, increases this risk. If legal acts or transactions are not properly documented or the paperwork is inadequately stored, this could lead to failure to comply with legal and regulatory requirements on administrative and other record keeping requirements, delays in accessing data required to comply with regulatory requests and requirements, inability to and for making the right commercial decisions and could have an impact on providing information or evidence in regulatory and other investigations, procedures or litigation in which the Issuer may be involved.

Management requires adequate information about the Issuer, its clients and counterparties and about the state of financial markets and market data in order to make appropriate and informed commercial and strategic decisions. If management data on the Issuer's credit portfolios is inadequate, this could lead to the Issuer exceeding its concentration risk guidelines and incurring more risk than would be prudent or than is permitted pursuant to applicable rules and regulations Similarly, if, as happened in certain instances regarding savings mortgages sold, changes in the products the Issuer offers are not properly processed a mismatch may occur between the amount due at maturity and the amount saved by the client. This may lead to claims for compensation on the Issuer. Also, the strategic decisions that the Issuer takes are to a large extent dependent on accurate data. If the quality of data available to the Issuer's management is insufficient, because it is incomplete, not up-to-date, unavailable or not available in a timely fashion or because it contains mistakes or because its significance is not properly evaluated, this could have a material adverse effect on the Issuer's business, results of operations and reputation.

16. The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties.

Due to their position in society (*maatschappelijke functie*) and specific expertise, financial institutions in The Netherlands owe a special duty of care (*bijzondere zorgplicht*). Financial institutions must also comply with duty of care rules in Dutch law, which includes provisions on client classification, disclosure requirements and know-your-customer obligations. Pursuant to the General Banking Conditions (*Algemene Bankvoorwaarden*) used by Dutch banks, a bank must always act in accordance with its duty of care, irrespective of whether the service or product is sold to a professional client or a non-professional client. The duty of care does not always end at the moment when the client has purchased a given product or service, but the financial institution may have to take action upon (known) changes in circumstances affecting the client, in particular if the product or service has a long life. The scope of the rules and standards referred to above differs depending on the type of service rendered or product sold, and the nature of (the activities of) the clients and third parties affected. If a duty of care is violated, claims may be based on general principles of contract, tort or securities law, including for violation of standards of reasonableness and fairness, error, wrongful treatment or faulty due diligence. Actions may be brought individually by persons that suffered losses or damages, or on behalf of a large number of – sometimes initially unnamed persons – in class-action style proceedings. Proceedings may be brought in court and before the Dutch financial institute for out of court settlement of financial disputes "**Kifid**" (*Klachteninstituut Financiele Dienstverlening*).

Clients in the future could increasingly use "execution only" services instead of paying for advice and such shift could lead to injudicious client losses and decisions which they may seek to recover from the Issuer on the basis of duty of care principles.

A number of proceedings have been initiated against the Issuer and other Dutch banks for violation of its duty of care and a larger number of claims are threatened. Also, a number of class action groups are actively soliciting plaintiffs for mass litigation proceedings. Accordingly, there can be no assurance that additional proceedings will not be brought. Current proceedings are still pending and their outcome is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. These uncertainties are likely to continue for some time. As a result, although the consequences could be substantial for the Issuer, with a potentially material adverse effect on the Issuer's reputation, results of operations, financial position and prospects, it is not possible to reliably estimate or quantify the Issuer's exposure at this time.

Another subject that has attracted press coverage regards the provision of loans by the Issuer to students of flight training programs on the basis of expected future earnings. A large number of students has not been able to find work upon qualifying as commercial pilots; as a result they have difficulties repaying the significant principal amounts and the interest owed by them. A number of former students has complained about the Issuer's practices. Similar issues exist with other categories of clients. If, going forward, lending on the basis of future income of the borrower is not permitted due to regulatory requirements, it may lead to less volumes of lending on that basis, which might materially and adversely affect the income of the Issuer.

European and national regulations, for example, increasingly require financial institutions to provide elaborate disclosure to clients on services and products, such as through a key investor information document, to permit clients to more reliably assess the service or product and to enable them to compare it with similar services or products offered by other providers. Increased price transparency rules have entered into force, such as those based on MiFID II and the PRIIPs Regulation (Regulation 1286/2014), or are envisaged by proposed European regulations for various services and products.

After the global financial crisis, the duty of care standards applicable to financial institutions have become more stringent as a result of new regulations and resulting from a more expansive interpretation of existing rules and standards by courts and supervisory authorities. The Issuer expects these trends to continue.

Where in the past the duty of care was held to apply predominantly to clients, the application of this standard has on the basis of case law been extended more broadly for the benefit of third parties that suffer damages inflicted by clients of the financial institution. In these cases, courts held, for example, that in certain circumstances financial institutions may be expected to monitor activities of their clients, denouncing or even halting any suspected illegal activity.

Dutch courts have held that also non-profit organisations, public and semi-public institutions, and small and medium-sized enterprises ("**SME**") may benefit from a duty of care more similar to that previously applicable to retail clients only, for example with respect to interest rate derivative transactions. During the past few years, many of the (interest) derivatives sold to SME and (semi-)public institutions, such as housing corporations (*woningcorporaties*), educational institutions (*onderwijsinstellingen*), (governmental) agencies dealing with water management (*waterschappen*), healthcare institutions, municipalities and provinces, have shown a negative value as a result of a sharp fall in interest rates. This development has received negative attention in the Dutch media, in Parliament and from the AFM. Multiple lawsuits, including class actions, on the subject are pending or have resulted in settlements or court decisions and Kifid rulings. In June 2015, Parliament resolved that the government would reprimand financial institutions, remind them of their responsibility in society following from their special duty of care (*bijzondere zorgplicht*) and move them to cooperate to remove clauses in derivatives portfolios that hinder supervision (e.g., termination events referring to powers of supervisory authorities).

As required by and in consultation with the AFM, the Issuer has reviewed its SMEs interest rate derivative portfolio. In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to arrive at a uniform solution for all clients and banks. 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. On 5 July 2016 this committee of independent experts published its advice on the reassessment of SME and middle market interest rate derivatives (the "**Uniform Recovery Framework**"). ABN AMRO is adhering to this framework. The Issuer consulted with the panel of independent experts to determine how this framework affected the Issuer's review process in practice. The final Uniform Recovery Framework was published on 19 December 2016. In the first quarter of 2017 the Issuer began reassessments of around 6,800 clients with some 9,000 interest rate derivatives. As a result of an intensified scoping process as set forth in the Uniform Recovery Framework 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. The Issuer 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 (the audit firm PwC, supervised by the AFM). The total provision for SME derivatives-related issues as at 31 December 2017 amounted to EUR 471 million. See also "*The Issuer - 1. ABN AMRO Bank N.V. - 1.9 Legal and arbitration proceedings – Sale of interest rate derivatives*").

Following the extensive media attention in relation to Vestia in general, a public and political discussion was initiated as to whether (semi-)public institutions can be considered as professional clients or whether they should benefit from a higher level of protection. The AFM expressed the view that clients should be classified not only pursuant to the statutory rules regarding client classification, but also on the basis of information provided by the client in respect of its actual level of knowledge and experience with the relevant service or product. Policy guidelines on the use of financial derivatives by (semi-)public institutions of the Dutch Minister of Finance (*Beleidskader inzake het gebruik van financiële derivaten door (semi-)publieke instellingen*) published on 17 September 2013 prescribe among other things that (semi-)public institutions may only enter into financial derivatives with an investment firm if it has classified them as a non-professional client. Although the Issuer has re-classified all housing corporations, educational institutions and care institutions as non-professional clients, this may not protect it from claims for services rendered or products sold prior to the re-classification.

In addition, ABN AMRO Levensverzekering N.V. ("**ABN AMRO Levensverzekering**"), a subsidiary of Delta Lloyd ABN AMRO Verzekeringen Holding B.V. ("**ABN AMRO Verzekeringen**") in which the Issuer has a 49% interest, is exposed to claims from customers concerning unit-linked insurance contracts. ABN AMRO Levensverzekering entered into settlements with certain consumer and investor interest groups on standardised charges for individual, privately held unit-linked insurance products purchased in the past. ABN AMRO Levensverzekering has taken provisions for these settlements and remains a well-capitalised life insurance company. The Issuer in cooperation with ABN AMRO Levensverzekering is also executing the flanking policy. The public debate around insurance mis-selling (*woekerpolissen*) is however still ongoing and possible future claims and related costs may affect the capital position of ABN AMRO Levensverzekering. The Issuer has received complaints and faces, and may in the future face additional, exposure and claims for its role in distributing these products. A number of Kifid proceedings is pending against the Issuer and the insurers. See also the risk factor "*—32. The Issuer can be forced, upon a change of control over the Issuer or NN Group Bidco B.V., to buy shares it does not yet own in Dutch insurance business ABN AMRO Verzekeringen. If this risk were to materialise, the Issuer could be forced to pay a currently unknown purchase price that would likely be material, the Issuer would be required to consolidate ABN AMRO Verzekeringen into its financial statements, which may have material adverse consequences for the Issuer's capital and liquidity ratios, and any potential losses incurred by ABN AMRO Verzekeringen would from then on be entirely for the account of the Issuer*".

ICS, the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio and its internal processes and IT systems. ICS allowed credit limits to a number of its clients above their lending capacities. ICS has prepared a redress scheme that contains remedial measures for affected clients. This redress scheme is currently being implemented and the process is expected to be completed by the end of 2018. ICS reported these issues to the AFM. On 15 June 2017, the AFM announced that it is imposing a fine of EUR 2.4 million on ICS for excessive credit limits.

The developments described above are complex and could have substantial consequences for the Issuer, including an increase in claims by customers and increased costs and resources. Also, it cannot be excluded that additional sector-wide measures will be imposed by supervisory authorities or the legislator which can have a material adverse effect on the Issuer. All these developments may have a material adverse effect on the Issuer's business, reputation, results of operations, financial position and prospects.

17. The Issuer is subject to operational risks that could adversely affect its business.

The Issuer is exposed to many types of operational risk, being the risk of loss resulting from inadequate or failed internal processes, and systems, or from external events. Categories of risks identified by the Issuer as operational risks are: client, product and business practices, execution, delivery and process management, technology and infrastructure failures, malicious damage (terrorism), disasters and public safety and employee practices and workplace safety. This includes the risk of internal and external fraud, crime, cybercrime or other types of misconduct by employees or third parties, unauthorized transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer, information technology or telecommunications systems, all of which could have a material adverse effect on the Issuer's business, reputation, results of operations, financial condition and prospects. In the area of payments, over the past several years the Issuer has been subject to cybercrime fraud in the form of phishing and malware. The Issuer believes that there is a growing threat of attacks on information technology systems from individuals and groups via the internet, including the IT systems of the Issuer that contain client and Issuer information and transactions processed through these systems.

Operating the IT landscape is a core part of the Issuer's activities. The Issuer's current IT infrastructure is complex, with (i) a high number of applications (including duplicate functionalities), (ii) many interfaces and/or a large number of point-to-point interfaces that are difficult to maintain, (iii) partly outdated software for which it is hard to find skilled resources, (iv) no uniform data definitions or data models and (v) a highly diversified infrastructure with different types and versions of platforms. This results in data quality issues, high maintenance cost and necessitates manual actions in day-to-day processes, but more importantly reduces the agility for responding quickly to market trends and new innovations.

The Issuer may also be subject to disruptions of the Issuer's operating systems, arising from events that are wholly or partially beyond the Issuer's control (including, for example, computer viruses, DDos attacks, hacks data leaks or electrical or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to the Issuer, including potentially large costs to both rectify the issue and possibly reimburse losses to the client, and could have a material adverse effect on the Issuer's results of operations, financial condition and prospects. The Issuer is further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to the Issuer, and to the risk that their business continuity and data security systems prove to be inadequate. The Issuer is currently re-engineering and simplifying its IT and operations landscape. There can be no assurance that the Issuer will realise the anticipated benefits associated with this re-engineering programme in the timeframe planned, or at all. In addition, there can be no assurance that the total implementation cost currently anticipated will not be exceeded. Technological advances between now and full implementation of the programme may be faster than the re-engineering programme anticipates, resulting in the risk that the Issuer may need to make further investments in its IT landscape.

Also, the quality of data available to management may, at times, be insufficient or the data might not be available in a timely fashion. This may cause management to make improper decisions which in turn could influence the Issuer's results of operations or financial position adversely. Furthermore, the Issuer faces the risk that the design of the Issuer's controls and procedures prove to be inadequate or are circumvented. Technological efficiency and automation is an important factor for the control environment of the Issuer. Inadequate technology in the control environment may, for example, lead to delayed or late detection or reporting, or no detection or reporting at all, of errors, fraud, incidents, risks or the materialisation thereof, which may lead to losses, fines, claims, regulatory action and reputational damage. Although the Issuer has implemented risk controls and loss mitigation measures, and substantial resources are devoted to developing efficient procedures, to identify and rectify weaknesses in existing procedures and to train staff, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by the Issuer.

The Issuer also makes use of IT applications hosted by and stores data, such as for example the Issuer's HR data, with third party service providers. ABN AMRO relies on third parties in connection with its IT and market infrastructure such as Equens, Euroclear, SWIFT and exchanges. Failure of these third-party service providers could lead to interruptions in the business operations of ABN AMRO and of services offered or information provided to clients. Such failures could also prevent ABN AMRO from serving clients' needs in a timely manner. For example, for many if not most of its own and its clients' payments, the Issuer relies on SWIFT.

Subject to strict rules, critical client data is stored in applications of third parties and some third party providers have access to, or are given, privacy sensitive client or employee information. The Issuer is subject to regulations that control the flow of information such as privacy laws and the passing on of price sensitive information. As a result, information about the Issuer, its clients or its employees that is made intentionally, unintentionally or unlawfully public by employees, contractors or personnel seconded to the Issuer, including employees of third party suppliers, could lead to regulatory sanctions, breaches of privacy rules, confidentiality undertakings and other legal and contractual obligations, possibly resulting in claims against the Issuer and a loss of trust in the Issuer. In addition, leaked information may be used against the interests of the Issuer, its clients or its employees, including in litigation and arbitration proceedings.

The Issuer's business relies heavily on such IT systems and is therefore particularly exposed to operational risks relating to such systems. Any risk materializing may significantly adversely affect the Issuer's business, financial position, reputation and results of operations.

Any weakness in these systems or controls, data leakages, or any breaches or alleged breaches of applicable laws or regulations, could have a material adverse effect on the Issuer's business, financial position, reputation and results of operations.

18. The Issuer's risk management methods may leave the Issuer exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities (tail risk).

The Issuer uses various models, duration analysis, scenario analysis and sensitivity analysis as well as other risk assessment methods. Nonetheless, a chance always remains that the Issuer's risk management techniques and strategies may not be fully effective in mitigating the Issuer's risk exposure in all economic market environments or against all types of risk, including risks that the Issuer fails to identify or anticipate. Some of the Issuer's tools and metrics for managing risk are based upon the use of observed historical market behavior. The Issuer applies statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict future risk exposures. The Issuer's losses, thus, could be significantly greater than the Issuer's measures would indicate. In addition, the Issuer's quantified modelling may not take all risks into account. The Issuer's more qualitative approaches to managing risks takes into account a broader set of risks, but is less precise than quantified modelling and could prove insufficient. Unanticipated or incorrectly quantified risk exposures could result in material losses in the Issuer's banking businesses.

19. Failure to comply with anti-money-laundering, anti-bribery, tax and anti-corruption laws or international sanctions could lead to fines or harm the Issuer's reputation and could disrupt the Issuer's business and result in a material adverse effect on the Issuer's business, financial position and results of operations.

Combating money laundering, bribery and terrorist financing, tax evasion and corruption and the enforcement of compliance with economic sanctions has been a major focus of government policy relating to financial institutions in recent years (most notably for the Issuer's operations in the United States, the European Union and Asia). These laws and regulations impose obligations on the Issuer to maintain appropriate policies, procedures and controls to detect and prevent money laundering and terrorist financing, report unusual transactions and suspicions of money laundering and terrorist financing, comply with economic sanctions and combat bribery and corruption. Even though staff is regularly trained on these subjects and appropriate measures are implemented to support staff, the Issuer depends on sufficient awareness and compliance by its staff of these relevant laws and regulations for the execution of its policies, procedures and controls. The Issuer may violate anti-money laundering and counter terrorism financing rules and regulations for failure to properly identify and verify the identification of clients (including whether such client is subject to sanctions), determine a client's source of funds or the reason for the banking relationship.

Despite the Issuer's compliance programs and internal control policies and procedures, a risk remains that the Issuer's clients, employees or agents might commit reckless or negligent acts, or that they might violate laws, regulations or policies. The Issuer's ECT business may be exposed to a heightened risk of corruption since some of its clients are active in countries with relatively high scores on corruption indices.

The legislation, rules and regulations which establish sanctions regimes are often broad in scope and complex, and in recent years, governments have increased and strengthened such regimes. As a consequence, the Issuer may be forced to restrict certain business operations or unwind certain ongoing transactions or services, which may cause material losses and affect the Issuer's ability to expand.

Regardless of the Issuer's various compliance programmes, its internal security unit, internal control policies, management control procedures and other procedures and efforts to prevent breaches from materialising, there remains a risk of breaches of anti money laundering, anti-bribery, tax and anti-corruption laws or international sanctions, in the event the Issuer is unable to detect non-compliant behaviour in time or at all.

In addition, the extra-territorial reach of U.S. and EU regulations in respect of economic sanctions requires the Issuer to establish effective controls and procedures in order to prevent violations of United States and EU sanctions against designated foreign countries, nationals, entities and others. The Issuer's operations and the products and services it offers bring it within the scope of these sanctions regimes. For example, the crisis in the region of Crimea and related events led to sanctions for certain transactions in relation to Russia. Should new or escalated tensions between Russia and Ukraine or other countries emerge, or should economic or other sanctions in response to such crises or tensions be imposed, this could have a further adverse effect on the economies in the region, including the Russian economy, and could lead to further sanctions being imposed. This could have a material adverse effect on Issuer's operations and the products and services it offers in relation to such regions.

Failure by the Issuer to implement and maintain adequate programmes to combat money laundering, bribery and terrorist financing, tax evasion and corruption or to ensure economic sanctions compliance could lead to fines or harm the Issuer's reputation and could disrupt the Issuer's business and result in a material adverse effect on the Issuer's business, financial position, results of operations and prospects. See the chapter "*The Issuer—1.ABN AMRO BANK N.V.—Legal and arbitration proceedings—Dubai branch irregularities*." and "*The Issuer – 1. ABN AMRO Bank N.V. – Legal and arbitration proceedings - Discussions with tax authorities in Switzerland and Germany.*"

With respect to certain countries, such as Iran, Syria and Russia and the Crimean peninsula of Ukraine, amongst others, the U.S. State Department, the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and the European Union have issued restrictive measures and trade embargoes which together form a complex set of economic restrictions. A financial institution found to have engaged in specified activities involving targeted countries, regimes, organizations or individuals could become subject to various types of sanctions, including (but not limited to) denial of U.S. bank loans, restrictions or a prohibition on its ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, and the blocking of its property within U.S. jurisdictions.

20. The Issuer is subject to changes in financial reporting standards, such as IFRS 9 or policies, including as a result of choices made by the Issuer, which could materially adversely affect Issuer's reported results of operations and financial condition and may have a corresponding material adverse impact on capital ratios.

The Issuer's consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union, which is periodically revised or expanded. Accordingly, from time to time the Issuer is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("**IASB**"). It is possible that future accounting standards which the Issuer is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on Issuer's results of operations and financial condition and may have a corresponding material adverse effect on capital ratios. For example, IFRS 9 on financial instruments, which has replaced IAS 39, has become effective on 1 January 2018. As a result of IFRS 9, the Issuer will have to recognise credit losses on loans and other financial instruments at an earlier stage. This might lead to higher impairment charges and a higher allowance through the cycle. In addition, IFRS 9 is expected to lead to more profit and loss and capital volatility, because changes in counterparty credit quality could lead to shifts from a 12-month expected loss to a life time expected loss and *vice versa*. The first-time adoption of IFRS 9 has led to a decrease of the fully-loaded CET1 ratio of approximately 0.15% which is fully attributable to classification and measurement of public sector loans and a decrease of the fully-loaded total capital ratio of approximately 0.17%. For more information, please refer to "*6. Operating and Financial Review—6.1 Presentation of Financial Information*". These and further changes in financial reporting standards or policies, including as a result of choices made by the Issuer, could have a material adverse effect on the Issuer's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

21. The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate.

The value of certain financial instruments, such as (i) financial instruments classified as 'held-for-trading' or 'designated as at fair value through income', and (ii) financial assets classified as 'available-for-sale' recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate. Generally, to establish the fair value of these instruments, the Issuer relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data.

In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market conditions. In such circumstances, the Issuer's internal valuation models require the Issuer to make assumptions, judgements and estimates to establish fair value. Given the nature of these instruments, these internal valuation models are complex, and the assumptions, judgements and estimates the Issuer is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated in the face of changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments has had and may have a material adverse effect on the Issuer's results of operations and financial position.

22. The Issuer is subject to legal risk, which may have an adverse impact on the Issuer's business, financial position, results of operations and prospects.

In the ordinary course of business the Issuer is involved in a number of legal proceedings. The Issuer's business is subject to the risk of litigation by customers, borrowers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. It is inherently difficult to predict or quantify the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving the Issuer and its businesses. The cost to defend current and future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. Examples are the failure or perceived failure to comply with legal and regulatory rules, laws, regulations and other requirements, principles, guidelines (including but not limited to guidelines addressing possible ecological, social and ethical risks) or codes of conduct (including but not limited to the code of conduct on sustainability) by the Issuer, its customers, or other third parties linked to the Issuer, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, tax evasion or avoidance by clients, the quality and transparency of products sold to clients, the manner in which the Issuer protects its legitimate interest upon a client default or a margin obligation arising or the conduct of its employees. See also the risk factor "*16. The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties*" above and the risk factor "*23. The Issuer is subject to reputational risk*" below. As a result, litigation may adversely affect the Issuer's business. See "*The Issuer—1. ABN AMRO Bank N.V. —1.9 Legal and arbitration proceedings*".

In presenting the consolidated annual financial statements, management may make 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 and can be reasonably estimated. If the provisions made turn out not to be sufficient, the Issuer is at risk of incurring losses that have not or not sufficiently been provided for. Such losses may occur potentially years after the event that caused them. Changes in estimates may have an adverse effect on the Issuer's business, financial position, results of operations and prospects.

23. The Issuer is subject to reputational risk.

Reputational risk exists in many forms in all of the Issuer's activities. Examples are the failure or perceived failure to comply with legal and regulatory rules, laws, regulations and other requirements, principles, guidelines (including but not limited to guidelines addressing possible ecological, social and ethical risks) or codes of conduct (including but not limited to the code of conduct on sustainability) by the Issuer, its customers, or other third parties linked to the Issuer, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, tax evasion or avoidance by clients, the quality and transparency of products sold to clients, the manner in which the Issuer protects its legitimate interest upon a client default or a margin obligation arising or the conduct of its employees.

Reputational risk is, for example, generally perceived to be significant in the diamond and jewellery business, in which business the Issuer is one of a limited number of international lenders. In addition, the Issuer's reputation could also be harmed as a result of negative external publicity over which the Issuer has no or minimal control (such as social media). These factors may adversely affect the Issuer's operating results, prospects and financial position.

24. The Issuer's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may adversely affect the Issuer's performance.

Employees are one of the Issuer's most important resources and competition for qualified employees is intense. In order to attract and retain qualified employees, the Issuer seeks to compensate such employees at market levels. Higher compensation costs or the inability to attract and retain qualified employees due to regulatory restrictions on remunerations could have a material adverse effect on the Issuer's performance.

The financial industry has implemented new rules and regulations on remuneration policies such as those included in the EU Capital Requirements Directives known as CRD III and CRD IV, which in The Netherlands have been implemented in the Act on the Remuneration Policies of Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*), the Regulation on Sound Remuneration Policies (*Regeling beheerst beloningsbeleid Wft*), and the governance rules and guidelines included in the Dutch Banking Code (*Code Banken*).

Under European and Dutch law, remuneration of employees active in the financial sector is restricted. The Dutch Act on the Remuneration Policies of Financial Undertakings, which entered into force on 7 February 2015, includes certain bonus caps for employees of a Dutch financial institution, including a cap on variable remuneration of 20% of the fixed salary for employees that are employed in The Netherlands, 100% for employees that are employed elsewhere in the European Union and 200% for employees that are employed outside of Europe.

Furthermore, the Dutch rules include certain bans on any variable remuneration (effectively a bonus prohibition) for certain employees of Dutch financial institutions that have received a form of state aid. State aid includes, amongst other things, capital support, guarantees by the government and nationalisation of a financial institution in order to stabilise the financial system. As a result of this ban, members of the Executive Board as well as certain categories of senior management are not permitted to receive any variable remuneration or increases in the base salary other than increases reflecting collective adjustments, such as increases based on collective labour agreements.

The financial industry may encounter additional restrictions on employee compensation, or employee compensation may be made subject to special taxation, which could have an adverse effect on the Issuer's ability to hire or retain the most qualified employees in the future. Furthermore, regulations or taxations on employee compensation may become more restrictive for the Issuer and other Dutch financial institutions than for some of its competitors in other jurisdictions or markets, which could have an additional adverse effect on the Issuer's ability to hire or retain the most qualified employees in the jurisdictions or markets where it operates or intends to operate.

25. The Issuer's clearing business may be subject to regulatory actions and fines or may incur losses that could materially and adversely affect the Issuer's financial condition and results of operations, prospects and financial condition as well as materially and adversely affect the Issuer's reputation.

The Issuer's subsidiary ABN AMRO Clearing Bank N.V. ("**ABN AMRO Clearing**") is a global clearing firm and plays a leading role as a systematically relevant participant in the financial market infrastructure on various exchanges, trading venues and on the over-the-counter markets. ABN AMRO Clearing provides, amongst others, the following services with respect to financial instruments and derivatives: clearing, settlement, custody, financing, direct market access, securities lending and margin financing. ABN AMRO Clearing is currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe. ABN AMRO Clearing provides these services exclusively to professional clients such as principal trading groups, alternative investors, financial institutions, corporate hedgers and market makers. Due to the nature of its clients, ABN AMRO Clearing processes very large transaction volumes on a daily basis and is responsible for clearing and settlement of large percentages of the daily volumes traded on exchanges and other liquidity centres around the world.

ABN AMRO Clearing is a trading member to a number of exchanges and a general clearing member to several central counterparties ("**CCPs**"). Furthermore, ABN AMRO Clearing makes use of a number of third-party service providers and street side parties, such as brokers, other banks (such as nostro banks), settlement agents, repo and stock borrowing or lending counterparties, (sub)custodians, payment infrastructure and central securities depositaries. Failure of these parties or third party service providers could lead to interruptions in the business operations and systems of ABN AMRO Clearing, of services offered or offered in a timely manner to its clients and could lead to regulatory fines.

In accordance with applicable rules, ABN AMRO Clearing contributes to the default fund of the CCPs of which it is a clearing member. The default fund can be used in case of default by another clearing member of such a CCP. ABN AMRO Clearing may be requested to provide additional contributions to a CCP default fund in the event that this default fund is not sufficient to cover the default of another clearing member. Furthermore, ABN AMRO Clearing is exposed to counterparty risk in respect of each CCP to which ABN AMRO Clearing is a clearing member. A default by various other clearing members or a CCP itself could impact market circumstances and may therefore also materially and adversely affect the value of collateral held by ABN AMRO Clearing. Any default or other failure by a clearing member or a CCP could materially affect ABN AMRO Clearing's results of operations, prospects and financial condition.

ABN AMRO Clearing has outsourcing and offshoring arrangements with a third party in respect of certain services relating to back office operations, such as corporate actions and settlements. ABN AMRO Clearing is at risk of this third party not delivering on its contractual obligations.

ABN AMRO Clearing is exposed to operational risk arising from the uncertainty inherent to its business undertakings and decisions. Operational risk includes the risk of loss resulting from inadequate or failed internal processes, systems, human error or external events.

ABN AMRO Clearing's business operates on the basis of extensive and complex IT systems. If these systems fail to operate properly, resulting in for example trades not being settled or not being settled in a timely manner or over-the-counter transactions not being concluded in time, it could result in substantial losses for ABN AMRO Clearing as well as a potential loss of opportunity for its clients. ABN AMRO Clearing has in the past incurred and risks incurring in the future regulatory fines related to failures in the proper operation of IT systems, regardless of whether these were caused by failure of an ABN AMRO Clearing system or a third party system. As a result, the Issuer could also suffer reputational damage.

ABN AMRO Clearing offers its clients global execution services. This means that clients are provided with direct market access and as such can use ABN AMRO Clearing's memberships, which enables them to place orders directly on certain markets and stock exchanges in the name of ABN AMRO Clearing. Some clients may use automated trading systems such as algorithmic trading and high frequency trading. If these types of trading become more controversial this may lead to reputational damage for ABN AMRO Clearing and the Issuer. Any breaches by clients or by ABN AMRO Clearing itself of applicable laws, rules and regulations, including market abuse prohibitions and regulatory reporting obligations may result in regulatory actions taken against or fines being imposed on ABN AMRO Clearing. ABN AMRO Clearing has in the past incurred and risks incurring in the future regulatory fines in this regard. Furthermore, if a client fails to perform its obligations under any contract entered into in the name of ABN AMRO Clearing, ABN AMRO Clearing may be held liable. ABN AMRO Clearing may fail to effectively perform pre-trade and post-trade controls, to exercise timely risk-monitoring and transaction surveillance or to employ a kill-switch device or to perform regulatory reporting obligations, and may therefore not be successful in preventing erroneous trading, such as "fat finger errors", incorrect functioning of automated trading systems, or misconduct by its clients. This risk is particularly relevant in respect of clients who employ their own trading or order systems instead of ABN AMRO Clearing's infrastructure. Although ABN AMRO Clearing may have recourse on its clients for any of such breaches or non-performance, there remains a risk that ABN AMRO

Clearing is not able to fully recover amounts paid. Client conduct may therefore have a material adverse effect on ABN AMRO Clearing's reputation, results of operations and its financial condition.

ABN AMRO Clearing uses internal risk management methods and models for calculating its exposure to its clients. ABN AMRO Clearing could incur losses if the risk management methods and models used turn out not to be adequate.

ABN AMRO Clearing seeks to mitigate its exposure to clients through the maintenance of collateral, including for client positions that ABN AMRO Clearing finances. Often, collateral consists of cash or financial instruments, the value of which may fluctuate in very short periods of time. Therefore, ABN AMRO Clearing applies a haircut, the level of which is dependent on the volatility and liquidity of the underlying collateral. A change in the value of the collateral will be absorbed by the haircut but may nonetheless result in ABN AMRO Clearing holding insufficient collateral. ABN AMRO Clearing can accordingly be exposed to credit risk on its clients. Furthermore, if a client's collateral becomes insufficient ABN AMRO Clearing may not be able to immediately take remedial action, which may result in increased damages. If ABN AMRO Clearing does take remedial action, especially in the case of large sudden price movements, it may face a claim from its client. If a client goes bankrupt or becomes insolvent, ABN AMRO Clearing may become involved in disputes and litigation with the client's bankruptcy administrator or may become involved in regulatory investigations. This could increase ABN AMRO Clearing's operational and litigation costs and may result in losses.

ABN AMRO Clearing is a global clearing firm with branches and subsidiaries in different jurisdictions, which may be funded by ABN AMRO Clearing. Clients of ABN AMRO Clearing operate in multiple markets and require funding for their activities in multiple currencies. ABN AMRO Clearing runs an operational risk of not receiving the required funding in a timely manner at a certain location or other types of operational and regulatory risks that are inherent to a multiple-entity and multiple-country set up.

ABN AMRO Clearing services its clients from its different branches and subsidiaries. Where relevant, a client may have entered into a number of client agreements with the different branches and subsidiaries of ABN AMRO Clearing. Information of or with respect to clients may be transported between the different branches and subsidiaries of ABN AMRO Clearing. Even though the corporate interest mandates careful handling of client information, ABN AMRO Clearing runs the risk that regulations and contractual obligations that control the flow of information such as privacy laws may be breached which could result in fines from regulators, claims from clients and reputational damage and could have a material adverse effect on ABN AMRO Clearing's business, results of operations and financial condition.

ABN AMRO Clearing is a global clearer and therefore it is always exploring the possibilities of doing business in countries where it currently has no presence. ABN AMRO Clearing has a banking license in The Netherlands, but local registration, license requirements and regulatory requirements can vary for different types of investors and services. Furthermore, as long as ABN AMRO Clearing is not locally registered or has obtained a licence, restrictions might apply with respect to marketing activities. ABN AMRO Clearing risks incurring regulatory fines if it breaches any local requirements, among other things, related to soliciting business and such breach may have a reputational impact.

Under CRD IV competent supervisory authorities may, as a result of the SREP, require additional capital to be maintained by ABN AMRO Clearing relating to elements of risks which are not or not fully covered by the pillar 1 minimum own funds and combined buffer requirements.

ABN AMRO Clearing is largely dependent on its parent ABN AMRO Bank for the sourcing of liquidity. The Issuer is continuously assessing whether the internal fund transfer pricing reflects the maturity profile of the underlying client portfolio. Changes in internal fund transfer pricing could have an impact on ABN AMRO Clearing's profitability.

The analysis of whether a clearing member has become party to one or more financial instruments as a result of the client clearing transactions is complex and is further complicated by the pace of change in the market around the global clearing processes. This involves among other things the assessment of recognition of derivatives as well as the possible subsequent derecognition or offsetting of positions. Any changes to the accounting treatment of exchange traded derivatives ("**ETDs**") could have a material impact on ABN AMRO Clearing's balance sheet, profitability and financial condition and could, as a consequence, have an impact on the Issuer.

Finally, new capital requirements applicable to clearing operations could force the Issuer to hold more capital for its clearing operations, which would affect the profitability of the clearing business and which could restrict the ability of the Issuer to use this capital for other – potentially more profitable – operations. For example, mainly due to the implementation of a revised calculation method for the exposure measure for clearing services set out in Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio ("**CDR**"), the Issuer's fully-loaded leverage ratio decreased from 3.5% as at 31 March 2015 to 3.1% as at 30 June 2015. The revised calculation method led to a considerable increase in the exposure measure, particularly the derivative exposure. The CDR specifies that when a clearing member guarantees the exchange traded derivative transactions of clients towards CCPs, it must include the guarantee in the exposure measure. Furthermore, the non-renewal of waivers granted by the competent authority of the application of certain prudential requirements including capital requirements on a solo basis (solo waivers) currently in place with respect to ABN AMRO Clearing could have an adverse effect on ABN AMRO Clearing's capitalisation.

Each of the above events can materially and adversely affect ABN AMRO Clearing's, and thereby the Issuer's, results of operations, prospects and financial condition as well as materially and adversely affect the Issuer's reputation.

26. The Issuer is subject to additional risk exposure as a consequence of the Legal Demerger, Legal Separation, EC Remedy and Legal Merger that could adversely affect its business.

The execution of the Legal Demerger, Legal Separation (including in relation to the EC Remedy) and Legal Merger have created risks for the Issuer's business and stability.

Following completion of a legal demerger, creditors only have recourse to the entity to which the relevant assets and liabilities have been transferred for payments in respect of issued financial instruments. Under the Dutch Civil Code, however, each of RBS N.V. and the Issuer remains liable to creditors for certain monetary obligations of the other that existed at the date of the Legal Demerger in the event that the other cannot meet such obligations. In each case, this liability relates only to obligations existing at the date of the Legal Demerger and is limited to the amount of equity acquired at the Legal Demerger.

At the date of the Legal Demerger, the obligations of RBS N.V. exceeded the equity of ABN AMRO Bank N.V. Therefore the contingent liability of ABN AMRO Bank N.V. to creditors of RBS N.V. is limited to the amount of equity acquired at the date of the Legal Demerger.

The Issuer has made arrangements to mitigate the risks of liability to the creditors which transferred to RBS N.V. upon the Legal Demerger. RBS N.V. has also made arrangements to mitigate the risks of liability to the creditors that transferred from RBS N.V. to the Issuer. Both RBS N.V. and the Issuer hold the level of regulatory capital agreed upon with DNB for purposes of covering any residual risks. There is no assurance that the mitigating arrangements taken by the Issuer are sufficient to satisfy all claims of creditors transferred to RBS N.V. See "*5. The Issuer—1. ABN AMRO Bank N.V.—1.1 History and recent developments*".

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V., giving rise to similar cross liabilities as described. In the event that New HBU II N.V. fails to meet its obligations, ABN AMRO Bank N.V. remains liable to its creditors in respect of obligations that existed at the New HBU II N.V. demerger date. This liability is limited to the equity retained at the legal demerger date.

In addition, the Issuer is subject to several risks, including financial, liquidity, operational, legal, compliance, and reputational risk as a result of the Legal Demerger, Legal Separation and EC

Remedy Risks in connection with the Legal Demerger, Legal Separation and EC Remedy have been identified and managed from the start of these processes and risk tolerance levels have been set. However, risk exposure increases as a result of a demerger, separation or merger process and the Issuer may be exposed to large, unexpected events.

The above factors may have an impact on the execution of the Issuer's strategy and/or materially adversely affect the Issuer's results of operations, prospects and financial position.

27. Termination of Dutch State Ownership of the Issuer may result in increased perception of risk by investors, depositors and customers.

On 1 July 2015 Dutch Parliament approved the Dutch Government's decision to return ABN AMRO to the private market and on 20 November 2015 ABN AMRO Group N.V. was listed and the trading in the depositary receipts for ordinary shares commenced.

On 17 November 2016 additional depositary receipts representing ordinary shares in ABN AMRO Group N.V. were sold. Following the settlement, the stake of the Dutch State declined from 77% to 70%.

On 28 June 2017 additional depositary receipts representing ordinary shares in ABN AMRO Group N.V. were sold. Following the settlement, the stake of the Dutch State further declined from 70% to 63%.

On 15 September 2017 additional depositary receipts representing ordinary shares in ABN AMRO Group N.V. were sold. Following the settlement, the stake of the Dutch State further declined from 63% to 56%.

On 21 December 2017 NLFI announced that it has transferred approximately 59.7 million ordinary shares in ABN AMRO Group N.V. to the Stichting Administratiekantoor Continuïteit ABN AMRO Group (the "**STAK AAG**") in exchange for an equal amount of depositary receipts for ordinary shares in ABN AMRO.

The timing and the form in which further changes in the ownership of the Issuer may take is uncertain and may result in increased perception of risk by investors, depositors and customers which could adversely affect the Issuer's results of operations, prospects and financial position.

28. The Issuer is exposed to a variety of political, legal, social, reputational, economic and other risks due to its international growth strategy and existing international presence.

The Issuer intends to have a strong position in Northwest Europe and serve selected sectors globally. Accordingly, the Issuer may develop a new key market or decide to make additional investments in existing higher-risk markets, and may as a result be exposed to additional or increased social, political and economic instability, among other risks. These risks relate to a wide range of factors, including but not limited to the following: currency restrictions and exchange controls, other restrictive or protectionist policies and actions, diverse systems of laws and regulation, the imposition of unexpected taxes or other payment obligations on the Issuer, changes in political regulatory and economic frameworks, economic sanctions, risks relating to modification of contract terms, or other government actions, capital controls and restrictions on the Issuer's ability to transfer cash to or repatriate cash from its subsidiaries, restrictions in certain countries on investments by foreign companies, divergent labour regulations and cultural expectations regarding employment, and divergent cultural expectations regarding industrialisation, international business and business relationships. Sometimes, in certain jurisdictions, uncertainty may exist as to whether security interests vested for the benefit of the Issuer can be enforced as a legal or as a practical matter. The Issuer is also subject to the risk that the government of a sovereign state or political or administrative subdivisions thereof defaults on its financial obligations.

In addition, the Issuer is exposed to risks relating to its existing international presence as it has a number of subsidiaries, branches, (representation) offices, businesses and operations located outside The Netherlands and clients who operate internationally. International activities of the Issuer include internet based retail savings products in Eurozone countries (currently Germany, Belgium and Austria) through Moneyou, Private Banking activities in Western Europe, asset based financing in countries neighbouring The Netherlands, and Corporate & Institutional Banking ("**CIB**") globally. For example, the Issuer offers asset based financing to clients in various countries through its CIB business, including in Russia and in the Ukraine where the Issuer predominantly finances short term, strategic commodity exports (for example oil, grain or metals) and is accordingly exposed to sanctions risk.

No predictions can be made as to governmental regulations applicable to the Issuer's operations that may be enacted in the future, changes in political regimes or other political, social and economic instability, or as to risk of wars, terrorism, sabotage, other armed conflicts and general unrest. If the Issuer is unable to upstream capital and liquidity, including from local deposits, or has to fund itself locally, this might give rise to inefficiencies and increased costs. Furthermore, local registration or license requirements can vary for different types of investors and services. As long as ABN AMRO is not locally registered or has obtained a licence, restrictions might apply with respect to marketing activities. ABN AMRO risks incurring regulatory fines if it breaches any local requirements and such breach may have a reputational impact. A materialisation of any of the risks mentioned above may materially and adversely affect the Issuer's reputation and may limit the Issuer's ability to pursue its international growth strategy in regions where it currently operates or where it may wish to operate in the future and accordingly have a material and adverse effect on the Issuer's business, results of operations, financial condition, reputation and prospects.

29. Due to public pressure and perceived infringements of privacy law, the Issuer may be precluded as a practical matter from implementing business models based on analysis and use of client generated data.

Due to public pressure and perceived infringements of privacy law, the Issuer may be precluded as a practical matter from implementing business models based on analysis and use of client generated data. In recent years, financial institutions have attempted to introduce and explore the potential for introduction of new business models in which client behaviour is analysed – often if not always on an anonymous basis – to allow commercial use of this data by the financial institution or by third parties on a free or paid basis. Clients whose data the Issuer analyses and uses may deem the Issuer to be infringing requirements and such complaints could lead to broader calls opposing the implementation of this type of new business model, which may cause harm to the Issuer's reputation. If the Issuer were to be precluded from developing and implementing new business models based on the use and analysis of client data, this could have a material and adverse effect on its business operations and competitiveness with a material and adverse effect on the Issuer's business, results of operations and financial condition.

30. If the Issuer is unable to successfully implement its strategy, or if its strategy does not yield the anticipated benefits, or if the Issuer is unable to successfully pursue targeted business opportunities, this could have a material and adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

The core of the Issuer's strategy is aiming to be a 'relationship-driven bank', while ranking among the best banks on the digital front, having a strong position in Northwest Europe and serving selected sectors worldwide. The strategy and targets of the Issuer are based on assumptions and expectations, including but not limited to macro-economic developments, interest rates, revenue, expenses and cost of risk, that may not prove valid. Also, the benefits and impact of the Issuer's strategy and targets could fall short of what the Issuer envisages. The Issuer may, in addition, not succeed in achieving its targets, because of insufficient management attention, incorrect decisions or choices, inefficiencies or other reasons.

Furthermore, the Issuer may strive to achieve its strategy through acquisitions and/or divestments of businesses, operations, assets and/or entities. Acquisitions and divestment transactions may involve complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may therefore not be achieved or be delayed. Furthermore, the Issuer may incur unforeseen liabilities from former and future acquisitions and divestments.

In addition, the Issuer intends to continue to explore and pursue opportunities to strengthen and grow its business generally. In doing so the Issuer may launch new products and enter new markets or increase its presence in existing markets. When seeking to expand its business, the Issuer may incur risks which may be material including, among other things, the risks described in the paragraph immediately below.

The Issuer may spend substantial time, money and other resources developing new products and services or improving offerings. If these products, services or improved offerings are not successful or not as innovative as envisaged, the Issuer may miss a potential market opportunity and not be able to offset the costs of such initiatives, which may have a materially adverse effect on the Issuer's income, revenue and/or cost base. Furthermore, the Issuer may develop new products and services that are not or are not sold in compliance with applicable rules or regulations. The Issuer may incur losses, fines, claims, regulatory action and reputational damage as a result thereof. The Issuer may enter or increase its presence in markets that already possess established competitors who may enjoy the protection of barriers to entry. The Issuer may offer new products and services, or improve products and services being offered, which may require substantial time and attention of its management team, which could prevent the management team from successfully overseeing other initiatives. The Issuer may become subject to new or stricter regulatory requirements, or the supervision by new supervisory authorities or existing supervisory authorities in new geographic markets which may increase its administrative, operational and management expenses (including management attention and time) to comply with such new or stricter requirements and supervision. Finally, the Issuer may not be able to identify new business opportunities.

The ability to successfully implement the Issuer's strategy or pursue business opportunities will also be impacted by factors such as general economic and business conditions, many of which are outside the control of the Issuer.

If the Issuer's strategy is not implemented successfully, or if the Issuer's strategy does not yield the anticipated benefits, or if acquisitions or divestments do not yield the anticipated benefits and/or lead to unforeseen liabilities, or if the Issuer is unable to successfully launch new products or services, improve offerings or pursue other business opportunities in time or at all, this could have a material and adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

31. The business model of full service banks such as the Issuer may in the mid-to longer-term become difficult to sustain without substantially changing the business model.

If some of the following events were to occur simultaneously, this could constitute a threat to the viability of full service banks: more stringent capital requirements and more onerous risk weighting, increased competition, more regulation generally, disruptive technological advances, and pressure on margins. A combination of these and other factors might affect the profitability of the large full banking organisations subject to a large volume of regulations that require support by a complex and expensive IT infrastructure and that are subject to high capital and liquidity requirements for generally modest-margin services. If the Issuer does not manage to respond quickly and adequately to any reduced viability of parts of its business model, for example by entering new or growing existing successful business lines, then the Issuer's business might shrink and become less profitable. Full service banks may disappear with their services being taken over by businesses that are able to operate with fewer risks, a smaller infrastructure and with lower capital. It is possible also that certain elements of the business model of full service banks will not prove viable over time as a result of which full service banks will focus on a part of their current value chain only.

The high number of change initiatives currently present within the Issuer's organisation could potentially endanger its business objectives. The Issuer considers change initiatives necessary in order to remain competitive. However, such initiatives also involve a heavy workload for the Issuer's entire organisation and limit the availability of staff and specific resources.

32. The Issuer can be forced, upon a change of control over the Issuer or NN Group N.V., to buy shares it does not yet own in Dutch insurance business ABN AMRO Verzekeringen. If this risk were to materialise, the Issuer could be forced to pay a currently unknown purchase price that would likely be material, the Issuer would be required to consolidate ABN AMRO Verzekeringen into its financial statements, which may have material adverse consequences for

the Issuer's capital and liquidity ratios, and any potential losses incurred by ABN AMRO Verzekeringen would from then on be entirely for the account of the Issuer.

The Issuer holds a non-controlling 49% interest in ABN AMRO Verzekeringen. NN Group N.V. ("**NN**") holds the remaining 51% interest in this joint venture. Upon a change of control in the Issuer, NN has the right to request that the Issuer buys its shares in ABN AMRO Verzekeringen at a price to be determined pursuant to a mechanism provided for in the shareholders' agreement. The current ultimate holding company of the Issuer is NLFI. A change of control includes a disposal by NLFI as a result of which NLFI would no longer hold a majority interest in the Issuer.

The purchase price that the Issuer would have to pay for NN's 51% interest cannot currently be determined, but it is likely to be material. As a result of the forced acquisition of the NN interest, the Issuer would hold 100% of ABN AMRO Verzekeringen. This would require the Issuer to consolidate ABN AMRO Verzekeringen into its financial statements, which could adversely affect the Issuer, for example as a result of lower capital and liquidity ratios. The Issuer believes that ABN AMRO Verzekeringen is currently adequately capitalised, but if ABN AMRO Verzekeringen were to suffer significant losses, for example because of unexpected large claims in relation to insurance mis-selling, the Issuer might be forced to recapitalise ABN AMRO Verzekeringen. Because it would then own 100%, the amounts involved would be remarkably higher as would have been the case if it still held 49%. See also the risk factor *"—16. The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties*". Currently, ABN AMRO Verzekeringen benefits from certain know-how and product development provided by NN. If NN decides to sell its shares to the Issuer, it might no longer provide this type of technical assistance. Finally, if NN were to leave the joint venture, certain key personnel might decide to leave ABN AMRO Verzekeringen as well. The risks described above could alone and in the aggregate have a material adverse effect on the Issuer's business, its financial condition and its results of operations.

33. Dutch tax risks related to the new government's approach on tax avoidance and tax evasion.

On 10 October 2017, the new Dutch government released its coalition agreement (*Regeerakkoord*) 2017-2021, which includes, among others, certain policy intentions for tax reform. On 23 February 2018, the Dutch State Secretary for Finance published a letter with an annex containing further details on the government's policy intentions against tax avoidance and tax evasion. Two policy intentions in particular may become relevant in the context of the Dutch tax treatment of the Issuer, the Notes, and/or payments under the Notes.

The first policy intention relates to the introduction of an "interest withholding tax" on interest paid to creditors in low tax jurisdictions or non-cooperative jurisdictions as of 2021. The coalition agreement and the annex to the letter suggest that this interest withholding tax would apply to certain payments made by a Dutch entity directly or indirectly to a group entity in a low tax or non-cooperative jurisdiction. However, it cannot be ruled out that it will have a wider application and, as such, it could potentially be applicable to payments under the Notes.

The second policy intention relates to the introduction of a "thin capitalisation rule" as of 2020 that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. The heading in the coalition agreement and the annex to the letter suggest that this thin capitalisation rule will apply solely to banks and insurers (including the Issuer).

Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on the Issuer and its financial position.

3. DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued on or prior to the date hereof shall be deemed to be incorporated in, and to form part of, this Registration Document:

(a) The articles of association of the Issuer which can be obtained from https://www.abnamro.com/nl/images/Documents/010_Over_ABN_AMRO/Corporate_Governance/AAB_Articles_of_Association_20100401_EN.pdf;

(b) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2016 as set out on pages 249 to 368 in relation to the financial statements 2016, including the notes to the financial statements as set out on pages 257 to 360 and the statutory financial statements as set out on pages 361 to 365, pages 91 to 204 (certain information in the Risk, funding & capital report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 370 to 376, all as included in ABN AMRO Group N.V.'s Integrated Annual Report 2016 (the "**Annual Report 2016**") (the "**Consolidated Annual Financial Statements 2016 ABN AMRO Group N.V.**" and together with the Consolidated Annual Financial Statements 2015 ABN AMRO Group N.V., the "**Consolidated Annual Financial Statements ABN AMRO Group N.V.**") which can be obtained from https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2016/ABN_AMRO_Group_Annual_Report_2016.pdf;

(c) the Section "*Financial Review*" of the Business report on pages 50 to 56, the Risk, funding & capital report on pages 91 to 204, the Section "*Definitions of important terms*" on pages 380 to 385, the Section "*Abbreviations*" on pages 386 to 387 and the Section "*Cautionary statements*" on page 388, all as included in the Annual Report 2016;

(d) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2016, as set out on pages 158 to 293 in relation to the financial statements 2016, including the notes to the financial statements as set out on pages 167 to 270 and the statutory financial statements as set out on pages 271 to 290, pages 36 to 132 (certain information in the Risk, funding & capital report labelled as "audited" in the respective headings), and the auditor's report thereon on pages 295 to 301, all as included in ABN AMRO Bank N.V.'s Annual Report 2016 which can be obtained from https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2016/ABN_AMRO_Bank_NV_Annual_Report_2016.pdf;

(e) the Section "*Definitions of important terms*" on pages 302 to 307, the Section "*Abbreviations*" on pages 308 to 309 and the Section "*Cautionary statements on forward-looking statements*" on page 311, all as included in AMRO Bank N.V.'s Annual Report 2016;

(f) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2017 (as set out on pages 179 to 296 in relation to the financial statements 2017, including the notes to the financial statements as set out on pages 187 to 292, pages 43 to 136 (certain information in the Risk, funding & capital report), and the auditors' report thereon on pages 298 to 305, all as included in ABN AMRO Group N.V.'s Integrated Annual Report 2017, the "**Annual Report 2017**") (the "**Consolidated Annual Financial Statements 2017 ABN AMRO Group N.V.**") which can be obtained from https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2017/ABN_AMRO_Group_Annual_Report_2017.pdf;

(g) the Section "*Notes to the reader*" on page 1, the Section "*Key figures and profile*" on page 3, the Section "*ABN AMRO shares*" on page 4, the Section "*Financial review*" of the Strategy and performance report on pages 14 to 19, the Risk, funding & capital report on pages 43 to 136, the Section "*Other information*" on pages 306 to 308, the Section "*Definitions of important terms*" on pages 309 to 310, the Section "*Abbreviations*" on page 311 and the Section "*Cautionary statements*" on page 312, all as included in the Annual Report 2017;

(h) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2017, as set out on pages 154 to 287 in relation to the financial statements 2017, including the notes to the financial statements as set out on pages 162 to 268, pages 40 to 123 (certain information in the Risk, funding & capital report), and the auditors' report thereon on pages 289 to 296, all as included in ABN AMRO Bank N.V.'s Annual Report 2017 which can be obtained from https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2017/ABN_AMRO_Bank_NV_Annual_Report_2017.pdf;

(i) the Section "*Notes to the reader*" on page 2, the Section "*Key figures and profile*" on page 3, the Section "*Financial review*" of the Executive Board report on pages 10 to 15, the Section "*Legal structure*" on page 144, the Section "*Other information*" on pages 297 to 299, the Section "*Definitions of important terms*" on pages 300 to 301, the Section "*Abbreviations*" on page 302 and the Section "*Cautionary statements*" on page 303, all as included in ABN AMRO Bank N.V.'s Annual Report 2017; and

(j) the quarterly report titled "*Quarterly Report First quarter 2018"* dated 14 May 2018 which can be obtained from https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2018/ABN_AMRO_Quarterly_Report_2018_Q1.pdf. The information set out therein is unaudited,

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Any information or other document themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Registration Document shall not form part of this Registration Document, except where such information or other documents are specifically incorporated by reference into this Registration Document.

Any information contained in any of the documents specified above which is not incorporated by reference in this Registration Document is either not relevant to investors or is covered elsewhere in this Registration Document. Any statements on the Issuer's competitive position included in a document which is incorporated by reference herein and where no external source is identified are based on the Issuer's internal assessment of generally available information.

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference. Requests for such documents should be directed to the Issuer (at its registered office at: Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, by telephone: +31 20 6282282 or by e-mail: investorrelations@nl.abnamro.com). This Registration Document and copies of documents incorporated by reference in this Registration Document can also be obtained from https://www.abnamro.com/en/investor-relations/index.html. The other information stated on or linked to through this website or any other website referred to in any document incorporated by reference into this Registration Document is not a part of this Registration Document.

4. SELECTED DEFINITIONS AND ABBREVIATIONS

Definitions

In this Registration Document, unless the context otherwise requires:

"**AACF**" refers to ABN AMRO Commercial Finance B.V.

"**AAHG**" refers to ABN AMRO Hypotheken Groep B.V.

"**AAAM funds**" refers to ABN AMRO asset management funds.

"**AA Luxembourg**" refers to ABN AMRO Bank (Luxembourg) SA.

"**AA Mellon JV**" refers to ABN AMRO Mellon Global Securities N.V.

"**ABN AMRO**" or the "**Group**" refers to ABN AMRO Group N.V. incorporated on 18 December 2009 ("**ABN AMRO Group**") and its consolidated subsidiaries.

"**ABN AMRO Bank**" or the "**Issuer**" refers to ABN AMRO Bank N.V. incorporated on 9 April 2009 (formerly known as "**ABN AMRO II N.V.**").

"**ABN AMRO Bank Standalone**" refers to ABN AMRO Bank N.V. in the period between the Legal Demerger on 6 February 2010 and the Legal Merger on 1 July 2010, which contained the businesses of ABN AMRO Holding acquired by the Dutch State.

"**ABN AMRO Clearing**" refers to ABN AMRO Clearing Bank N.V.

"**ABN AMRO Holding**" refers to ABN AMRO Holding N.V. and its consolidated subsidiaries which was acquired by the Consortium and renamed RBS Holdings N.V. upon the Legal Separation. "**RBS Holdings N.V.** " is part of The Royal Bank of Scotland Group plc.

"**ABN AMRO Lease**" refers to ABN AMRO Lease N.V.

"**ABN AMRO Levensverzekering**" refers to ABN AMRO Levensverzekering N.V.

"**ABN AMRO Pensions**" refers to APG-ABN AMRO Pensioeninstelling N.V.

"**ABN AMRO Verzekeringen**" refers to Delta Lloyd ABN AMRO Verzekeringen Holding B.V.

"**AFM**" refers to *Stichting Autoriteit Financiële Markten*.

"**Ageas**" refers to ageas SA/NV (formerly known as "**Fortis SA/NV**") and ageas N.V. (formerly known as "**Fortis N.V.**") together.

"**Alfam**" refers to Alfam Holding N.V.

"**ALM/T**" refers to ALM/Treasury.

"**Annual Report 2016**" refers to ABN AMRO Group N.V.'s Annual Report 2016.

"**Annual Report 2017**" refers to ABN AMRO Group N.V.'s Integrated Annual Report 2017.

"**Banque Neuflize OBC**" refers to Banque Neuflize OBC S.A.

"**Basel Committee**" refers to the Basel Committee on Banking Supervision.

"**Basel III Final Recommendations**" refers to the proposals of the Basel Committee set out in its paper released on 16 December 2010 (revised in June 2011) and press release of 13 January 2011.

"**Bethmann**" refers to Bethmann Bank AG.

"**BLMIS**" refers to Bernard L. Madoff Investment Securities.

"**BRRD**" refers to the Banks Recovery and Resolution Directive (2014/59/EU).

"**CCPs**" refers to central counterparties.

"**CFTC**" refers to the U.S. Commodity Futures Exchange Commission.

"**Consolidated Annual Financial Statements ABN AMRO Group N.V.**" refers to the Consolidated Annual Financial Statements 2016 ABN AMRO Group N.V. together with the Consolidated Annual Financial Statements 2017 ABN AMRO Group N.V.

"**Consolidated Annual Financial Statements 2016 ABN AMRO Group N.V.**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2016 as set out on pages 249 to 368 in relation to the financial statements 2016, including the notes to the financial statements as set out on pages 257 to 360 and the statutory financial statements as set out on pages 361 to 365, pages 91 to 204 (certain information in the Risk, funding & capital report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 370 to 376, all as included in ABN AMRO Group N.V.'s Integrated Annual Report 2016.

"**Consolidated Annual Financial Statements 2017 ABN AMRO Group N.V.**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2017 (as set out on pages 179 to 296 in relation to the financial statements 2017, including the notes to the financial statements as set out on pages 187 to 292, pages 43 to 136 (certain information in the Risk, funding & capital report), and the auditors' report thereon on pages 298 to 305, all as included in ABN AMRO Group N.V.'s Integrated Annual Report 2017.

"**Consortium**" refers to The Royal Bank of Scotland Group plc, Ageas and Banco Santander S.A. which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ("**RFS Holdings**").

"**Council**" refers to the Council of the European Union.

"**CRD**" refers to the Capital Requirement Directives (Directive 2006/48/EC and Directive 2006/49/EC).

"**CRD IV**" refers to the Capital Requirements Directive (Directive 2013/36/EU).

"**Credit Umbrella**" refers to a financial guarantee that covered part of the potential credit losses on the portfolio existing at the time of the closing of the transaction, included in the sale of the EC Remedy Businesses to Deutsche Bank.

"**CRR**" refers to the Capital Requirements Regulation (Regulation (EU) No 575/2013).

"**DGSD**" refers to the Deposit Guarantee Schemes Directive (Directive 2014/49/EU).

"**DNB**" refers to The Dutch Central Bank (*De Nederlandsche Bank N.V.*).

"**Dodd-Frank Act**" refers to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

"**Dutch Intervention Act**" refers to the Special Measures Financial Institutions Act (*Wet bijzondere maatregelen financiële ondernemingen*).

"**Dutch State**" refers to the State of The Netherlands.

"**EBA Final MREL Report**" refers to EBA's final report on the implementation and design of the MREL framework of 14 December 2016.

"**EC**" refers to the European Commission.

"**EC Remedy**" refers to the divestment of the EC Remedy Businesses by ABN AMRO Bank Standalone in order to satisfy the conditions imposed by the European Commission for approval of the integration of FBN with ABN AMRO Bank Standalone through the Legal Merger.

"**ECB**" refers to the European Central Bank.

"**EC Remedy Businesses**" refers to New HBU II N.V. and IFN Finance BV.

"**ECT**" refers to energy, commodities & transportation.

"**EDIS**" refers to the euro-wide deposit insurance scheme for bank deposits proposed by the European Commission on 24 November 2015.

"**EMIR**" refers to the European Market Infrastructure Regulation (Regulation (EU) No 648/2012).

"**EU Banking Reform Proposals**" refers to the European Commission's legislative proposals to amend and supplement certain provisions of, *inter alia*, CRD IV, CRR, the Bank Recovery and Resolution Directive (2014/59/EU) and the Single Resolution Mechanism Regulation ((EU) No 806/2014) that were published on 23 November 2016.

"**Executive Board**" refers to the executive board (*bestuur*) of ABN AMRO.

"**EY**" refers to Ernst & Young Accountants LLP.

"**FATCA**" refers to sections 1471-1474 of the United States Internal Revenue Code of 1986 enacted by the United States as part of the HIRE Act in March 2010 (commonly referred to as Foreign Account Tax Compliance Act).

"**FBN**" refers to the legal entity Fortis Bank (Nederland) N.V., previously named "**Fortis Bank Nederland (Holding) N.V.**", which merged with ABN AMRO Bank Standalone pursuant to the Legal Merger.

"**FBNH**" refers to Fortis Bank Nederland (Holding) N.V.

"**FFI**" refers to a non-U.S. financial institution.

"**FFI Agreement**" refers to an agreement concluded between the FFI and the IRS, under which an FFI agrees to comply with certain reporting, client due diligence and withholding requirements.

"**Finance**" refers to Finance, an area of Group Functions.

"**Fitch**" refers to Fitch Ratings Ltd.

"**Former ABN AMRO Group**" refers to the former group of ABN AMRO headed by ABN AMRO Holding N.V. as acquired on 17 October 2007 by the Consortium through RFS Holdings.

"**Former Fortis group**" refers to the former group of companies headed by Fortis SA/NV (renamed "**ageas SA/NV**") and Fortis N.V. (renamed "**ageas N.V.**").

"**IASB**" refers to the International Accounting Standards Board.

"**ICAAP**" refers to internal capital adequacy assessment process.

"**ICS**" refers to International Card Services B.V.

"**IDD**" refers to the Insurance Distribution Directive (Directive 2016/97/EC).

"**IFRS**" refers to the International Financial Reporting Standards.

"**IFRS-EU**" refers to the International Financial Reporting Standards as adopted by the European Union.

"**IGA**" refers to an Inter-governmental Agreement between the local Government in a so called IGA jurisdiction and the U.S. to facilitate the implementation of FATCA.

"**IPO**" refers to an initial public offering.

"**IRS**" refers to the United States Internal Revenue Service.

"**Legal Demerger**" refers to the legal demerger effectuated on 6 February 2010 in accordance with the demerger proposal filed with the Amsterdam Chamber of Commerce on 30 September 2009, thereby demerging the majority of the Dutch State acquired businesses formerly held by RBS N.V. into ABN AMRO Bank Standalone.

"**Legal Merger**" refers to the legal merger effectuated on 1 July 2010 between ABN AMRO Bank Standalone and FBN. ABN AMRO Bank Standalone was the surviving entity and FBN was the disappearing entity.

"**Legal Separation**" refers to the transfer on 1 April 2010 of the shares of ABN AMRO Bank Standalone from ABN AMRO Holding to ABN AMRO Group N.V.

"**Mellon**" refers to Mellon Bank N.A.

"**MiFID II**" refers to the MiFID II Directive and the MiFIR.

"**MiFID II Directive**" refers to the Markets in Financial Instruments II Directive (Directive 2014/65/EU).

"**MiFIR**" refers to the Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014).

"**Moneyou**" refers to Moneyou B.V.

"**Moody's**" refers to Moody's Investors Service, Limited.

"**Mortgage Credit Directive**" refers to the Directive on credit agreements for consumers relating to residential immovable property (2014/17/EU).

"**MREL**" refrers to minimum requirements for own funds and eligible liabilities.

"**Neuflize Vie**" refers to Neuflize Vie S.A.

"**NLFI**" refers to *Stichting administratiekantoor beheer financiële instellingen* (trade name NL Financial Investments).

"**OTC**" refers to over-the-counter.

"**PR&I**" refers to People, Regulations & Identity, an area of Group Functions.

"**PRIIPs**" refers to packaged retail and insurance-based investment products.

"**PRIIPs Regulation**" refers the Regulation on key information documents for packaged retail and insurance-based investment products (Regulation (EU) No 1286/2014).

"**Prospectus Directive**" refers to the Prospecive Directive (Directive 2003/71/EC) as amended (including by Directive 2010/73/EU), and as implemented in the Relevant Member State).

"**PSD 2**" refers to a revised Payment Services Directive proposed by a legislative package in the field of the EU payments framework adopted by the European Commission on 24 July 2013.

"**REA**" refers to risk exposure amount.

"**RBS N.V.**" refers to The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. prior to the Legal Demerger.

"**Revised State Aid Guidelines**" refers to the temporary state aid rules for assessing public support to financial institutions during the crisis, the adoption of which was announced by the European Commission on 10 July 2013.

"**RM&S**" refers to Risk Management & Strategy, an area of Group Functions.

"**S&P**" refers to Standard & Poor's Credit Market Services Europe Limited.

"**Securities Act**" refers to the United States Securities Act of 1933, as amended.

"**SMEs**" refers to small and medium enterprises.

"**SR**" refers to the Single Rulebook, a pillar of the EU banking union.

"**SREP**" refers to the supervisory review and evaluation process.

"**SRM**" refers to the Single Resolution Mechanism, a pillar of the EU banking union.

"**SSM**" refers to the Single Supervisory Mechanism, a pillar of the EU banking union.

"**Supervisory Board**" refers to ABN AMRO's supervisory board.

"**TOPS**" refers to Technology, Operations & Property Services, an area of Group Functions.

"**U.S. person**" refers to a U.S. Person as defined in Regulation S under the Securities Act.

"**VEB**" refers to the Dutch *Vereniging voor Effectenbezitters*.

"**Wft**" refers to the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) and its subordinate and implementing decrees and regulations.

5. THE ISSUER

1. ABN AMRO BANK N.V.

ABN AMRO is a full-service bank with a primary focus on The Netherlands and selective operations internationally, serving retail, private and corporate banking clients based on an in-depth financial expertise and extensive knowledge of numerous industry sectors. ABN AMRO is also internationally active in a number of specialized activities such as energy, commodities & transportation ("**ECT**") and clearing, private banking and asset based lending in a select number of countries.

All results are presented on an underlying basis for 2017, 2016 and 2015. Underlying results are non-IFRS measures and have not been audited or reviewed. Management believes these underlying results provide a better understanding of the underlying trends in financial performance. See for further information "*Operating and Financial Review*".

1.1 History and recent developments

The formation of ABN AMRO is the result of various legal and operational separations, combinations, and restructurings arising from the acquisition of ABN AMRO Holding N.V. by the Consortium in October 2007. In October 2008, the Dutch State acquired FBN. In December 2008, the Dutch State directly acquired FBN's interest in RFS Holdings B.V. This interest comprised Dutch commercial clients (SMEs and corporates), Dutch consumer clients and Dutch and international private clients (including the international diamonds and jewellery business) of the Former ABN AMRO Group.

As a result of the Legal Demerger and Legal Separation, ABN AMRO Bank was formally separated from the Former ABN AMRO Group and transferred to ABN AMRO Group N.V. by 1 April 2010. Effective 1 July 2010, FBN and ABN AMRO Bank merged to form the new ABN AMRO Bank N.V., a wholly-owned subsidiary of ABN AMRO Group N.V.

On 1 April 2010, ABN AMRO completed the sale of the EC Remedy Businesses to Deutsche Bank. This sale was a prerequisite set by the European Commission for the integration of the Dutch State acquired businesses and FBN into the new ABN AMRO Bank. The operational separation of the EC Remedy Businesses was finalized in 2012. The sale of the EC Remedy Businesses to Deutsche Bank included a financial guarantee that covered part of the potential credit losses on the portfolio existing at the time of the closing of the transaction (the "**Credit Umbrella**") and a cross liability with New HBU II N.V. In 2012, the Credit Umbrella was terminated.

With effect from 1 June 2015 ABN AMRO Group N.V. has withdrawn its statement of joint and several liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*).

On 1 July 2015 Dutch Parliament approved the Dutch Government's decision to return ABN AMRO to the private market and on 20 November 2015 ABN AMRO Group N.V. was listed and trading in the depositary receipts for ordinary shares commenced.

On 17 November, 2016 Stichting Administratiekantoor Beheer Financiële Instellingen (NL Financial Investments, "**NLFI**"), on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 77% to 70%.

On 28 June 2017 additional depositary receipts representing ordinary shares in ABN AMRO Group N.V. were sold. Following the settlement, the stake of the Dutch State further declined from 70% to 63%.

On 15 September 2017 additional depositary receipts representing ordinary shares in ABN AMRO Group N.V. were sold. Following the settlement, the stake of the Dutch State further declined from 63% to 56%.

On 21 December 2017 NLFI announced that it has transferred approximately 59.7 million ordinary shares in ABN AMRO Group N.V. to the STAK AAG in exchange for an equal amount of depositary receipts for ordinary shares in ABN AMRO.

1.2 Business description

ABN AMRO was previously organised into Retail Banking, Private Banking, Corporate Banking and Group Functions. In 2017 ABN AMRO amended its segmentation and announced a new management structure. Under this new management structure ABN AMRO is organised into Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking, Finance, Risk Management, Technology & Innovation and Transformation & HR. The new management structure includes an Executive Board at both ABN AMRO Group N.V. and ABN AMRO Bank N.V. levels and an Executive Committee at ABN AMRO Bank N.V. level. With the Q1 2017 Report, ABN AMRO changed its reporting structure in line with the new management structure. ABN AMRO now has five reporting segments: Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking and Group Functions (as described below). See also section 1.11 (*Recent Developments*).

1.3 Retail Banking

Business scope and clients

Retail Banking renders services to approximately five million retail clients in The Netherlands with investable assets of up to EUR 500,000. Up to 2017 (inclusive) Retail Banking served approximately 300,000 small businesses with an annual turnover of up to EUR 1 million. In January 2018 these small business clients were transferred to Commercial Banking to give them access to the services and expertise they require.

Retail Banking offers a wide variety of banking and insurance products and services through the Issuer's branch network, online, via contact centers and through subsidiaries.

Main subsidiaries

The Retail Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive)[1]:

ABN AMRO Hypotheken Groep

ABN AMRO Hypotheken Groep B.V. ("**AAHG**") offers all ABN AMRO labelled residential mortgage products, including Direktbank, Florius and Moneyou brands.

Moneyou

Moneyou B.V. ("**Moneyou**") operates as an internet bank offering savings accounts and mortgages and is active in The Netherlands, Belgium, Germany and Austria.

Alfam

Alfam Holding N.V. ("**Alfam**") provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans.

International Card Services

International Card Services B.V. ("**ICS**") issues, promotes, manages and processes more than 25 different credit cards in partnership with companies, including credit card transactions and offers other financial services, such as revolving credit facilities.

ABN AMRO Verzekeringen

Delta Lloyd ABN AMRO Verzekeringen Holding B.V. ("**ABN AMRO Verzekeringen**") is an associate of ABN AMRO Bank N.V. (49%). NN Group N.V. holds the remaining 51% in this joint venture. ABN AMRO Verzekeringen offers life and non-life insurance products under the ABN AMRO brand.

ABN AMRO Pensions

APG-ABN AMRO Pensioeninstelling N.V. ("**ABN AMRO Pensions**") is a joint venture of ABN AMRO (70%) and APG (30%), the largest pension institution in The Netherlands. ABN AMRO Pensions is a

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[1] Unless explicitly indicated otherwise, all subsidiaries are wholly-owned by ABN AMRO.

premium pension institution ('PPI') which offers pension schemes without insurance based on longevity or death.

1.4 Commercial Banking

Commercial Banking is an established business partner of the Dutch corporate sector. Operating in 15 economic sectors, it has a developed domestic franchise, combined with an asset-based finance presence in the United Kingdom, Germany, France and Belgium. It serves a total of approximately 65,000 clients. Its clients are corporates in all sectors of the economy, with annual turnover of between EUR 1 million and EUR 250 million. It offers a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge. As at 1 January 2018, a group of approximately 300,000 small business clients were transferred from Retail Banking to Commercial Banking (see "Retail Banking" above).

Commercial Banking works in close partnership with other parts of ABN AMRO on product development, marketing and communication.

Main subsidiaries

The Commercial Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive)[2]:

ABN AMRO Lease N.V. ("**ABN AMRO Lease**") delivers asset-based solutions (equipment lease and finance) and is active in The Netherlands, Belgium, Germany and the United Kingdom.

ABN AMRO Commercial Finance Holding B.V. ("**AACF**") provides working capital funding for debtors and inventory. AACF acts through its subsidiaries in The Netherlands, France, Germany and the United Kingdom.

On 1 January 2018 the ABN AMRO commercial finance entities in The Netherlands, Germany and the United Kingdom merged with ABN AMRO Lease N.V., which was renamed ABN AMRO Asset Based Finance N.V. at that date.

1.5 Private Banking

Business scope and clients

Private Banking offers fully-integrated financial advice and a broad array of services focused on wealth structuring, wealth protection and wealth transfer. Private Banking operates under local brands, such as ABN AMRO MeesPierson in The Netherlands, Neuflize OBC in France and Bethmann Bank in Germany.

In line with ABN AMRO's ambition to be a leading Northwest European private bank, ABN AMRO's Private Banking business in Asia and the Middle East was successfully transferred to LGT in the first quarter of 2017.

Private Banking managed EUR 200.6 billion Client Assets at year-end 2017, all in Europe. Private Banking is present in The Netherlands, France, Germany, Belgium, Luxembourg and the Channel Islands.

ABN AMRO offers private banking services in The Netherlands to high net-worth individuals with investable assets in The Netherlands exceeding EUR 500,000 or more than EUR 1 million outside The Netherlands and ultra-high net worth individuals with more than EUR 25 million in investable assets.

Main subsidiaries

The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive)[3]:

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2 Unless explicitly indicated otherwise, all subsidiaries are wholly owned by ABN AMRO.

3 Unless explicitly indicated otherwise, all subsidiaries are wholly owned by ABN AMRO.

Banque Neuflize OBC

Banque Neuflize OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth, articulated around dedicated advisory and product offers.

Bethmann Bank

Bethmann Bank AG is a private bank and enjoys a strong local heritage and brand recognition in the German market. Bethmann Bank AG covers all major regions of Germany and offers all Private Banking and Private Wealth Management related services.

Neuflize Vie

Neuflize Vie S.A. is a joint venture of Banque Neuflize OBC (60%) and AXA (40%). It was created to offer life insurance products to high net-worth and ultra-high net-worth individuals and has developed customised solutions with a focus on unit-linked contracts.

1.6 Corporate & Institutional Banking (CIB)

Corporate & Institutional Banking has a total client base of approximately 3,000. In The Netherlands, it serves business clients with revenues exceeding EUR 250 million. In Northwest Europe (France, Germany, United Kingdom and Belgium), it serves clients in eight selected sectors with revenues exceeding EUR 100 million. These clients are served by Client Service Teams, which offer specific product or sector knowledge. Corporate & Institutional Banking is mainly active in the Americas, Europe and Asia Pacific. Its five product units offer loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Market) and specialised products (Clearing and Private Equity).

Corporate & Institutional Banking's business activities are organised according to sector, geography and product.

Corporate & Institutional Banking works in close partnership with Commercial Banking on product development, marketing and communications.

Main subsidiaries

The CIB business of ABN AMRO is supported by the following subsidiary (this list is not exhaustive)[4]:

ABN AMRO Clearing Bank

ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe.

1.7 Group Functions

Group Functions supports the Group's businesses by delivering services in the areas of audit, corporate governance, finance, risk, human resources, legal, compliance, communication, change management, technology, operations, property management, strategy, sustainability, and housing. Group Functions is organised into the following main departments: Innovation & Technology, Finance, Risk Management, Transformation & HR, Group Audit Corporate and Stategy & Sustainability. The majority of the Group Functions costs are allocated to the respective businesses.

Innovation & Technology

Innovation & Technology supports the Group by providing services in the areas of IT (software and hardware). operations facility management, information security, procurement, and programme and project management, both in The Netherlands and internationally. It consists of the following main departments: Agile at Scale, Business Services, Innovation and IT.

Finance

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4 Unless explicitly indicated otherwise, all subsidiaries are wholly owned by ABN AMRO.

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

Risk Management

Risk Management helps to secure a sound risk/return ratio, maintaining a bank-wide moderate risk profile as part of the Issuer's long-term strategy, as determined by the Issuer's risk appetite. Risk Management consists of the following main departments: Business Management, Risk Management, Compliance, Credit Risk, Financial Restructuring and Recovery, Legal and Operational Risk Management.

Transformation & HR

The primary responsibility of Transformation & HR is to help the Group's businesses keep clients the central focus stage by managing human resources and the Group's corporate identity and reputation. Transformation & HR aims to prevent reputational damage and strives to manage and improve ABN AMRO's reputation, brand name and brand value inside and outside The Netherlands in a consistent manner and to position the Group as a trustworthy and sustainable organisation. Transformation & HR consists of the following main departments: Human Resources and Branding & Communications.

Group Audit, Stategy & Sustainability and Corporate Office

Group Audit provides independent oversight and control, on behalf of senior and executive management, of the core processes, policies and procedures that are designed to ensure that the Group complies with both the letter and spirit of general and industry-specific legislation and regulations. In this way, it helps to protect the Group's reputation. Strategy & Sustainability provides advice on strategy and the implementation of various strategic initiatives and activities, including acquisitions and divestments, and strategic programmes for the Group and its stakeholders. Additionally it formulates the Group's overall sustainability strategies and ensures that sustainable banking is embedded in the Group's business practices. The Corporate Office is also part of Group Functions. The Corporate Office supports and advises the Supervisory Board, the Executive Board, the Executive Committee and the Employee Council in relation to matters concerning corporate governance, supervision and employee consultation.

Group Functions is supported by the following subsidiaries (this list is not exhaustive)[5]:

ABN AMRO Funding USA LLC

ABN AMRO Funding USA LLC is active in the US market, issuing ABN AMRO's US dollar Commercial Paper funding for clients operating in the US and for clients with US dollar loans.

Stater N.V.

Stater N.V. offers administrative services related to mortgage loans. Stater works for ABN AMRO and other parties supplying mortgage loans.

1.8 **Regulation**

Regulation and supervision in the European Union

The European Union is working on a broad range of measures aimed at bringing more stability and transparency to the European financial sector. Major developments include Basel III/CRD IV, the creation of a banking union, the European Market Infrastructure Regulation (EMIR), the revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (together, MiFID II), the Bank Recovery and Resolution Directive (BRRD), a renewed Deposit Guarantee Scheme Directive (DGS), the Packaged Retail Investment Products (PRIIPs) Regulation, the Mortgage Credit Directive, the

[5] Unless explicitly indicated otherwise, all subsidiaries are wholly owned by ABN AMRO.

proposed new Payment Services Directive (PSD 2), the Data Protection Regulation and the EU Banking Reform Proposals.

New proposals are continuously being introduced at global, European and national levels. Regulations are becoming more stringent and supervision stricter. Implementing the new laws and regulations may be costly and could have an impact on ABN AMRO's business. ABN AMRO continues to allocate a significant amount of resources to prepare for these changes.

Solvency Supervision

ABN AMRO is subject to an evolving regulatory landscape with respect to the supervision of its solvency and capital adequacy.

Capital adequacy framework (Basel)

In 2004, the Basel Committee endorsed the publication of the "International Convergence of Capital Measurement and Capital Standards: a Revised Framework", commonly referred to as Basel II. The Capital Requirements Directive, representing the translation of Basel II to EU legislation, was approved by the European Parliament in 2005. This acceptance by the European Parliament cleared the way for the implementation of the Capital Requirements Directive in Europe, with a published compliance date of 1 January 2007. The process of implementing Basel II into Dutch legislation (through the Wft) and regulation was completed in December 2006, when DNB published its supervisory rules.

Basel II provides for three approaches of increasing sophistication for the calculation of credit risk capital: the Standardized Approach; the Internal Ratings Based Foundation Approach; and the Advanced Internal Ratings Based Approach. Basel II also introduced capital requirements for operational risk for the first time.

Basel II is structured around three "pillars":

- Pillar 1 sets out minimum regulatory capital requirements, namely the minimum amount of capital banks must hold against credit, operational and market risks.

- Pillar 2 sets out the key principles for supervisory review of an institution's risk management framework and, ultimately, its capital adequacy. It also sets out specific oversight responsibilities for the board and senior management, thus reinforcing principles of internal control and other corporate governance practices. Pillar 2 requires each institution to conduct an internal capital adequacy assessment process ("**ICAAP**").

- Pillar 3 aims to bolster market discipline through enhanced disclosure by banks.

ABN AMRO transitional agreement and current compliance with the Basel II capital adequacy framework

Basel II Pillar 1

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

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

ABN AMRO has implemented the Internal Models Approach ("**IMA**") for calculating market risk capital for the trading book and submitted the application for IMA to the regulator for approval. ABN AMRO obtained formal approval from the regulator for the use of the IMA approach for calculating regulatory capital in February 2016.

Since the start of 2017, ABN AMRO has used its internal Advanced Measurement Approach ("**AMA**") model for calculating regulatory capital. This AMA model is also used to calculate economic capital for operational risks. The bank applies a 99.95% confidence level to calculate the operational risk economic capital, whereas a 99.9% confidence level is applied to calculate regulatory operational risk capital. The bank does not use insurance or other risk transfer mechanisms for calculating the operational risk capital.

Basel II Pillar 2

ABN AMRO's capital requirement under Pillar 2 is based on internal models for economic capital and the view of the regulator, as expressed in the ICAAP and Supervisory Review and Evaluation Process (SREP). The economic capital models were integrated in 2011 to ensure suitability for the merged bank. Economic capital requirements are monitored monthly and reported in quarterly Capital Adequacy Assessments Reports and in the yearly ICAAP statement. ABN AMRO also delivers an Internal Liquidity Adequacy Assessment Process ("**ILAAP**") report to the regulator on an annual basis.

In addition to regulatory capital, ABN AMRO also calculates economic capital (EC) and uses it as the key metric for internal risk measurement and management. Economic capital is the amount of capital ABN AMRO needs to hold to achieve a sufficient level of protection against large unexpected losses that could result from extreme market conditions. Economic capital is used for risk aggregation to determine the required capital, for capital allocation, ex-post performance measurement (RARORAC) and risk appetite setting, e.g. industry concentration risk limits. Economic capital figures are also used at the transactional level in loan pricing tools. These tools serve as a decision-making mechanism for assessing the attractiveness of a new transaction, in terms of risk-adjusted return on capital. Economic capital is based on internal assessments and requirements. For the calculation of economic capital, ABN AMRO has internal models. With these models economic capital is calculated on a 99.95% confidence level and a one-year time horizon.

Stress testing is an important management instrument used by ABN AMRO. The main objective of stress testing is to ensure that ABN AMRO operates within its moderate risk appetite, to increase risk awareness throughout ABN AMRO and to safeguard business continuity by means of proactive management and the review of potential future scenarios. ABN AMRO applies stress testing on a regular basis to assess the effect of potential plausible but unlikely events and developments on ABN AMRO. These events may be systemic (e.g. multi-year macro-economic stress) or ABN AMRO-specific. Bank-wide stress testing, as applied by ABN AMRO, takes into account all material risks ABN AMRO is exposed to. The following types of stress tests are executed:

- Sensitivity analysis to identify the sensitivity between specific risk drivers and ABN AMRO's financials;
- Scenario analysis to gain insight into potential scenarios that are considered relevant;
- Reverse stress testing to gain insight into events that would break ABN AMRO's minimum capital and liquidity ratios, results of which are used in contingency planning.

ABN AMRO's Scenario & Stress Test Committee (which is a sub-committee of the Group Risk Committee) and the Executive Committee are extensively involved in bank-wide stress testing. They discuss and decide on scenario development, impact determination and management actions. As part of the overall risk management framework, ABN AMRO performs internal stress tests to assess the capital and liquidity adequacy based on internally developed stress testing scenarios and identified risk factors. In the stress scenario, it has been assumed that the economy is hit by several shocks simultaneously. The scenario variables include, amongst others, GDP, unemployment rate, property prices, interest rates, inflation and equity prices.

Based on the latest stress test results (i.e. ICAAP stress test 2018) no additional capital actions were required. The stress test results have been incorporated into capital planning by taking into account the minimum capital levels under stress. Besides bank-wide stress testing, ABN AMRO performs stress testing by focusing on specific portfolios or business lines. Furthermore, ABN AMRO participates in *ad hoc* stress test exercises as requested by regulatory bodies, such as DNB and EBA.

Basel II Pillar 3

Since 2012 ABN AMRO integrates the Pillar 3 report in its Annual Report.

New Basel regulation

ABN AMRO has implemented CRD III (the European Union implementation of Basel 2.5). The impact on capital has been limited as ABN AMRO currently applies the standardized approach to the large majority of market risk.

CRD IV (the European Union implementation of Basel III) has led to an increase in RWA (REA), mainly due to an increase in the capital requirement for the treatment of mark-to-market counterparty risk losses through the Credit Value Adjustment (CVA) capital charge.

CRD

The Capital Requirements Directives ("**CRD**") came into force on 1 January 2007 and was introduced as a supervisory framework in the European Union, designed to ensure the financial soundness of credit institutions. The Directive reflects the Basel II rules on capital measurement and capital standards.

In response to the global crisis which started in 2008, the Basel Committee on Banking Supervision implemented a number of changes to the Basel II framework. These changes are implemented in the EU through modifications to the CRD.

CRD II

The first modifying directive, CRD II, was adopted in 2009, and the changes became effective in The Netherlands in December 2010. CRD II included changes regarding the classification of hybrid capital instruments, the introduction of a retention requirement for own securitizations, new requirements for liquidity risk management, and technical changes of the credit risk requirement.

CRD III

The second modifying directive, CRD III, was adopted by the European Union on 14 December 2010. CRD III includes changes to remuneration rules, increased capital requirements for the trading book, increased capital requirements for re-securitization (securitizations that have underlying securitization positions), enhanced disclosure of securitization exposures and other technical amendments.

Basel III/CRD IV

Certain reform proposals under consideration, including the proposals of the Basel Committee as set out in the Basel III Final Recommendations, which has been implemented in the European Union through CRD IV, result in the Issuer becoming subject to stricter capital requirements and affects the scope, coverage, or calculation of capital, all of which require the Issuer to reduce business levels or restrict certain activities or to raise capital. Regulatory reform proposals could also result in the imposition of additional restrictions on the Issuer's activities if it were to no longer meet certain capital requirements at the level of the financial holding company.

CRD IV replaced its predecessor capital requirements directives (CRD I, II and III). The proposals became effective as of 1 January 2014.

The Basel Committee proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, to strengthen the risk coverage of the capital framework in relation to derivative positions and to introduce a new liquidity framework and a leverage ratio. The Basel Committee has subsequently introduced several amendments and refinements to Basel III, particularly in respect of its liquidity requirements, capital requirements and other areas. The Basel Committee has indicated that it continues to consider potential revisions to the Basel III regime. The Basel Committee has published proposals to further strengthen the risk-weighted capital framework, including in relation to credit risk, market risk and operational risk.

On 7 December 2017, the Basel Committee published its final Basel III standards. These standards are informally known as Basel IV and will be implemented in CRD and CRR. Basel IV introduced the capital floors based on standardized approaches and revisions to the standardized approaches for credit risk, operational risk, market risk and the revision of the credit valuation adjustment framework for treatment of counterparty credit risk. According to Basel IV, the capital floors and other standards will become applicable as of 2022 and a transitional regime may apply.

Of these standards, the introduction of the standardized credit risk RWA (REA) floor is expected to have the most significant impact on the Issuer. The standards for the new standardized credit risk RWA (REA) calculation rules include (i) introduction of new risk drivers, (ii) introduction of higher risk weights and (iii) reduction of mechanistic reliance on credit ratings (by requiring banks to conduct sufficient due diligence, and by developing a sufficiently granular non-ratings-based approach for jurisdictions that cannot or do not wish to rely on external credit ratings). In addition, the standards require banks to apply advanced approaches to risk categories, applying the higher of (i) the RWA (REA) floor based on (new) standardized approaches and (ii) the RWA (REA) floor based on advanced approaches in the denominator of their ratios. The implementation of the standardized RWA (REA) floors is expected to have a significant impact on the calculation of the Issuer's risk weighted assets due to the substantial difference in RWA (REA) calculated on the basis of advanced approaches and such calculation on the basis of new standardized rules for mortgages, and, to a lesser extent, exposures to corporates.

In the first quarter of 2016 the Basel Committee published a consultative paper proposing changes to the IRB approaches. The Basel Committee proposed, amongst other things, to remove the option to use the IRB approaches for certain exposure classes, to introduce PD and LGD floors for exposure classes that are still permitted under IRB approach, a greater use of supervisory Credit Conversion Factors (CCF) and constraints on EAD estimation processes. In its final standards, the Basel Committee has (i) removed the option to use the advanced IRB (A-IRB) approach for certain asset classes, (ii) adopted "input" floors (for metrics such as PD and LGD) to ensure a minimum level of conservativism in model parameters for asset classes where the IRB approaches remain available and (iii) provided greater specification of parameter estimation practices to reduce RWA (REA) variability.

In April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document were the change in the calculation of the derivative exposures and the credit conversion factors for off-balance sheet items. In April 2017 the Basel Committee published its final guidance on the definitions of two measures of asset quality – "non-performing exposures" and "forbearance". The Basel Committee's definitions of both terms are built on commonalities in the existing definitions and harmonise the quantitative and qualitative criteria used for asset categorization. In its final standards (as described above), the Basel Committee indicated that leverage ratio buffer requirement on 1 January 2022 shall be based on the FSB's 2020 list of G-SIBs (based on year end-2019 data).

The changes to capital adequacy and liquidity requirements in the jurisdictions in which it operates described above or any future changes may also require the Issuer to raise additional regulatory capital or hold additional liquidity buffers. Furthermore, the variety of capital and liquidity requirements of regulators in different jurisdictions may prevent the Issuer from managing its capital and liquidity positions in a centralized manner, which may impact the efficiency of its capital and liquidity management. If the Issuer is unable to raise the requisite regulatory capital, it may be required to further reduce the amount of its risk exposure amount or business levels, restrict certain activities or engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or at prices which would otherwise be attractive to the Issuer. If the Issuer is unable to adequately manage its liquidity position, this may prevent it from meeting its short-term financial obligations.

Banking Union

The EU banking union consists of three pillars: the Single Supervisory Mechanism ("**SSM**"), the Single Resolution Mechanism ("**SRM**") and the Single Rulebook ("**SR**").

- *Single Supervisory Mechanism*

Under the SSM, the ECB has become the primary supervisor for the prudential supervision of credit institutions in participating Member States that qualify as "significant credit institutions" as of 4 November 2014. In the European Union, around 118 credit institutions are identified as significant banks, and ABN AMRO is one of them. The ECB will be responsible for market access, among other things, and will supervise capital requirements and governance.

In advance of the SSM, the ECB carried out a comprehensive assessment which comprised a supervisory risk assessment, an asset quality review and a stress test. The supervisory risk assessment was to review (quantitatively and qualitatively) key risks, including liquidity, leverage and funding. The asset quality review was to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions. Finally the stress test was to examine the resilience of banks' balance sheets to stress scenarios.

- *Single Resolution Mechanism*

On 19 August 2014, the European Regulation (EU) No 86/2014 establishing uniform rules and a uniform procedure for the resolution of banks and certain investment firms in the framework of the Single Resolution Mechanism and a Single Resolution Fund (the "**SRM**") entered into force. The SRM provides for a single resolution framework, a single resolution board ("**Resolution Board**") and a single resolution fund ("**Resolution Fund**").

The primary geographic scope of the SRM is the euro area and SRM applies to the Issuer as a primary recovery and resolution code complementing the Dutch implementation measures relating to the BRRD. The Resolution Board has resolution powers over the institutions that are subject to the SRM, thus replacing or exceeding the powers of the national authorities. The Resolution Board shall draw up and adopt a resolution plan for the entities subject to its powers, including the Issuer. It shall also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities subject to write-down and conversion powers which the Issuer will be required to meet at all times. The Resolution Board may also use the powers of early intervention as set forth in the SRM, including the power to require an institution to contact potential purchasers in order to prepare for resolution of institution. The Resolution Board has the authority to exercise the specific resolution powers pursuant to the SRM similar to those of the national authorities under the BRRD. The resolution tools available to the Resolution Board include the sale of business tool, the bridge institution tool, the asset separation tool and the Bail-in Tool as further specified in the SRM. The use of one or more of these tools is included in the resolution plan adopted by the Resolution Board.

Pursuant to the SRM, the Bail-in Tool may be applied to recapitalise an institution to restore its ability to comply with the licensing conditions and to sustain market confidence in the institution or to convert claims or debts to equity or reduce their principal amount. The Bail-in Tool covers bonds and notes issued by the institution subject to resolution measures, but certain defined instruments are excluded from the scope, such as covered bonds.

The Issuer will only be eligible for contribution to loss absorption by the Resolution Fund after a resolution action is taken if shareholders or the holders of relevant capital instruments and other eligible liabilities have made a contribution (by means of a write-down, conversion or otherwise) to loss absorption and recapitalization equal to an amount not less than 8% of the total liabilities (including own funds and measured at the time of the resolution action). See for further information on the Resolution Fund "*Issuer - 4. Operating and Financial Review - 4.2 Key factors affecting results of operations*".

- *Single Rule Book*

  The key pillars of the SR are the rules on stronger prudential requirements of CRD IV, the deposit guarantee scheme and a framework for bank recovery and resolution.

  - *CRD IV*

    CRD IV transposes the Basel III Final Recommendations into the EU legal framework. CRD IV applies from 1 January 2014 and sets stronger prudential requirements for banks. The new rules will make EU banks more solid and will strengthen their capacity to adequately manage the risks linked to their activities and absorb losses they may incur in doing business. Furthermore, these new rules will strengthen the requirements regarding banks' corporate governance arrangements and processes, for example regarding diversity within management and rules on bonuses. The Issuer expects the European Banking Authority (EBA) to continue to introduce a large number of technical standards, guidelines and recommendations in the course of 2018, further defining EU banks' obligations. In addition, on 23 November 2016, the European Commission published the EU Banking Reform Proposals which are wide-ranging and cover multiple areas, including the Pillar 2 framework, a binding 3% leverage ratio, the introduction of a binding detailed NSFR, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, the MREL framework, the integration of the TLAC standard into EU legislation (see below under "FSB Standard for Total Loss-Absorbing Capacity") and the transposition of the fundamental review of the trading book (FRTB) conclusions into EU legislation. See also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above.

- *EU Deposit Guarantee Scheme Directive and euro-wide deposit insurance scheme (EDIS)*

  On 15 April 2014, the European Parliament adopted the new EU Deposit Guarantee Scheme Directive (the "**DGS Directive**") which was published in the Official Journal of the EU on 12 June 2014. The DGS Directive was required to be transposed into national law by 3 July 2015. In The Netherlands a decree implementing the DGS Directive was adopted by the Dutch Minister of Finance on 26 November 2015. The DGS continues to guarantee repayment of certain client deposits up to EUR 100,000 held at European banks in the event of bankruptcy or resolution. The funding of the DGS has been amended from an ex-post funded system to a partially ex-ante funded system. This means that participating financial institutions will have to contribute to the scheme on a periodic basis rather than facing charges only when an actual insolvency event occurs requiring them to compensate the clients of the affected financial institutions. The new ex-ante funding system was required to be transposed into national law by 3 July 2015, however the requirement for the relevant deposit guarantee schemes to have available means at the target level of 0.8% of the amount of covered deposits held with its members, including the Issuer, must be achieved by 3 July 2024. Contributions are based on the covered deposits of the bank and risk based contributions. The Netherlands may also impose minimum contributions. The ex-ante funding system has increased the Issuer's expenses in connection with the DGS. In addition, if the available financial means of the relevant DGS is insufficient to repay depositors when deposits become unavailable, an additional contribution may be required, which will in principle not exceed 0.5% of the covered deposits held with the Issuer per calendar year. Additional requirements of the DGS Directive include a broadening of the scope of clients for whom the deposit guarantee will be available (in addition to consumer deposits, deposits of businesses will be included, whereas currently only companies who published abridged annual accounts fall within its scope), information requirements to customers and the shortening of the period for making payments under the DGS Directive from 20 working days (until 31 December 2018) to 7 working days (from 1 January 2024). Based on national legislation (*Besluit Bijzondere Prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft*) the information requirements (i.e., pre contractual information and the provision of information at least once a year on deposits that are covered by the DGS) apply as of 1 January 2015.

  On 24 November 2015, the European Commission has proposed EDIS for bank deposits and has set further measures to reduce remaining risks in the banking sector in parallel. The scheme would develop over time and in three stages. It would consist of a re-insurance of national Deposit Guarantee Schemes (DGS), moving after three years to a co-insurance scheme, in which the contribution of EDIS will progressively increase over time. As a final stage, a full European Deposit Insurance Scheme is envisaged in 2024.

- *Banks Recovery and Resolution Directive*

  On 12 June 2014, a directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (2014/59/EU, "**BRRD**") was published in the Official Journal of the European Union.

EU Member States were required to adopt and publish the laws, regulations and administrative provisions necessary to implement the BRRD by 31 December 2014 and to apply their implementing measures from 1 January 2015, with the Bail-in Tool for other eligible liabilities to apply from 1 January 2016, at the latest. The measures as set out in the BRRD (including the Bail-in Tool) have been implemented into national law with effect from 26 November 2015.

The BRRD sets out a common European recovery and resolution framework which is composed of three pillars: preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), early intervention powers and resolution powers. The stated aim of BRRD is, similar to the Dutch Intervention Act, to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. It also provides for a national, prefunded resolution fund that each Member State will have to establish and build up. All banks will have to pay into these funds, and contributions will be higher for banks that take more risks.

On 23 November 2016, the European Commission published the EU Banking Reform Proposals which propose to make certain amendments to, amongst others, the BRRD. See also the risk factor "7. *The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*".

On 27 December 2017, the directive (EU) 2017/2399 on the ranking of unsecured debt instruments in insolvency hierarchy (Bank Creditor Hierarchy) which proposes to amend the BRRD was published. The directive changes the insolvency hierarchy and introduces a new statutory category of unsecured "non-preferred" senior debt for banks. This category will rank just below the ordinary senior debt and other senior liabilities for the purposes of resolution, but will still rank as part of the senior unsecured debt category (only as a "non-preferred" senior debt). The directive does not affect the existing stock of bank debt and would only apply to debt when designated as such by the issuing bank.

Recovery and resolution plans

As required by the BRRD, the Issuer is required to draw up and maintain a recovery plan. This plan must provide for a wide range of measures that could be taken by the Issuer for restoring its financial position in case it significantly deteriorated. The Issuer must submit the plan to the competent resolution authority for review and update the plan annually or after changes in the legal or organisational structure, business or financial situation that could have a material effect on the recovery plan. Keeping the recovery plan-up-to-date will continue to require monetary and management resources.

The resolution authorities responsible for a resolution in relation to the Issuer will draw up the Issuer's resolution plan providing for resolution actions it may take if the Issuer would fail or would be likely to fail. In drawing up the Issuer's resolution plan, the resolution authorities will identify any material impediments to the Issuer's resolvability. Where necessary, the resolution authorities may require the Issuer to remove such impediments. This may lead to mandatory legal restructuring of the Issuer, which could lead to high transaction costs, or could make the Issuer's business operations or its funding mix to become less optimally composed or more expensive. The resolution authority may also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities (MREL) calculated as a percentage of total liabilities and own funds and taking into account the resolvability, risk profile, systemic importance and other characteristics of the bank, subject to write-down and conversion powers which the Issuer will be required to meet at all times. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits and its ability to pay dividends. For further information on recovery and resolution plans applicable to the Issuer see the risk factor "*9. Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*".

Early intervention

If the Issuer does not comply with or, due to a rapidly deteriorating financial position, would be likely not to comply with capital or liquidity requirements in the near future, the resolution authorities will have the power to impose early intervention measures. A rapidly deteriorating financial position could, for example, occur in the case of a deterioration of the Issuer's liquidity situation, increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of the Issuer, the power to make changes to the Issuer's business strategy, and the power to require the Issuer's Executive Board to convene a general meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting. Furthermore, if these early intervention measures are not considered sufficient, DNB may replace management or install a temporary administrator. A special manager may also be appointed who will be granted management authority over the Issuer instead of its existing executive board members, in order to implement the measures decided on by DNB.

Resolution measures

If the Issuer were to reach a point of non-viability, the resolution authorities could take pre-resolution measures. These measures include the write-down and cancelation of shares, and the write-down or conversion into shares of capital instruments.

Furthermore, BRRD and SRM provide resolution authorities with powers to implement resolution measures with respect to banks which meet the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the Bail-in Tool, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments. The Bail-in Tool comprises a more general power for resolution authorities to write-down the claims of unsecured creditors of a failing bank and to convert unsecured debt claims to equity.

Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by the relevant resolution authority, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank for this purpose.

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the resolution authorities are not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of shares or debt instruments, or from any other creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or prospectus or to file or register any document with any other authority, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the resolution authorities can exercise their powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply. As detailed above, under the heading – *Single Resolution Mechanism*, the Resolution Board has taken on many of the powers and responsibilities assigned to resolution authorities in the BRRD.

MiFID II

In April 2004, the Markets in Financial Instruments Directive 2004/39/EC ("**MiFID**") came into force. MiFID regulates the provision of investment services and investment activities and replaced the Investment Services Directive 1993/22/EEC, which established the single European passport for investment firms. MiFID provides a harmonized regime for investment services and investment activities and aims to increase competition and reinforce investor protection. It streamlines supervision on the basis of home country control and enhances the transparency of markets. Furthermore, MiFID harmonized conduct of business rules, including best execution, conflict of interest, customer order handling rules and rules on inducements. MiFID abolished the concentration rule, creating a more competitive regime between order execution venues. It furthermore imposes market transparency rules on investment firms, regulated markets and multilateral trading systems for both pre- and post-trading for, *inter alia*, equities.

On 15 April 2014 the European Parliament adopted updated rules for investment firms and markets in financial instruments, after an agreement in principle was reached with the Council on 14 January 2014. The new rules, which were published in the Official Journal of the European Union on 12 June 2014, consist of a Directive ("**MiFID II Directive**") and a Regulation with direct force in the EU ("**MiFIR**") (together: "**MiFID II**"). The rules of the MiFID II Directive were initially required to be transposed into EU Member State law by 3 July 2016 and the EU Member States were initially required to apply most of these rules as from 3 January 2017. However, the European legislature has extended the application and transposition dates for most of these MiFID II Directive rules with one year. Most rules of the MiFID II Directive apply from 3 January 2018. The update covers topics such as market infrastructure, more robust investor protection and strengthened supervisory powers. MiFID II increases equity market transparency and, for the first time, establishes a principle of transparency for non-equity instruments such as bonds and derivatives. Investment firms operating an internal matching system which executes client orders in financial instruments on a multilateral basis may in future be required to seek authorisation as a Multilateral Trading Facility or Organised Trading Facility, a new category of multilateral trading venue through which transactions in non-equity instruments may be executed. To meet the G20 commitments, MiFID II provides for strengthened supervisory powers and a harmonised position limits regime for commodity derivatives to improve transparency, support orderly pricing and prevent market abuse. A new framework will improve conditions for competition in the trading and clearing of financial instruments. MiFID II introduces trading controls for algorithmic trading activities. Stronger investor protection is achieved by introducing better organisational requirements, such as client asset protection or product governance. MiFID II strengthens the existing regime to ensure effective and harmonised administrative sanctions. A harmonised regime for granting access to EU markets for firms from third countries is based on an equivalence assessment of third country jurisdictions by the European Commission. As MiFID II significantly extends not only the scope but also the detail of existing (MiFID) regulations, the Issuer will have to review existing activities and, where necessary, may need to adjust the manner in which it operates. ABN AMRO will also need to provide more information to its clients, such as about the costs and charges involved in providing investment services.

EMIR

Regulation (EU) 648/2012 of 4 July 2012, the European Market Infrastructure Regulation ("**EMIR**"), on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories entered into force on 16 August 2012. Regulatory technical standards supplementing EMIR entered into force on 15 March and 15 September 2013. Further regulatory technical standards supplementing EMIR are to be expected. EMIR introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR also establishes common organisational, conduct of business and prudential standards for central counterparties ("**CCPs**") and trade repositories. The main obligations relevant for ABN AMRO under EMIR are (i) central clearing for certain classes of OTC derivatives, (ii) the application of risk mitigation techniques for non-centrally cleared OTC derivatives and (iii) reporting of both exchange traded and OTC derivatives transactions. EMIR will apply directly to any entity (financial as well as non-financial) established in the EU that has entered into a derivative contract, and applies indirectly to non-EU counterparties trading with EU parties.

For non-centrally cleared OTC derivatives, ABN AMRO will need to comply with certain operational risk management requirements, including timely confirmation, portfolio reconciliation, record keeping and (in future) the increased exchange of collateral. The implementation of EMIR increases ABN AMRO's reporting requirements on outstanding and new derivative contracts. As from 12 February 2014, ABN AMRO is obliged to report both exchange traded and OTC derivative transactions to an authorised or recognised trade repository or (where no trade repository is available to record the details of a derivative contract) to ESMA.

A number of developments are ongoing with respect to EMIR as a result of the European Commission's extensive assessment of this regulation. As of 1 November 2017, a number of amendments to EMIR have become applicable relating to the regulatory technical standards ("**RTS**") on the minimum details of the data to be reported to trade repositories and the implementing technical standards with regard to the format and frequency of trade reports to trade repositories. These amendments are included in the Commission Delegated Regulation (EU) 2017/104 and Commission Implementing Regulation (EU) 2017/105:

- On the basis of Commission Delegated Regulation (EU) 2015/2205, Commission Delegated Regulation (EU) 2016/592 and Commission Delegated Regulation (EU) 2016/1178, an obligation to centrally clear certain OTC EUR, GBP, JPY, USD, NOK, PLN and SEK interest rate swaps and certain credit default swaps is coming into force in a phased manner with different starting dates for each of 4 categories of counterparties.

- On 29 September 2017, the ESMA published its final draft technical standards specifying the trading obligation for derivatives under MiFIR. MiFIR's trading obligation will move over-the-counter (OTC) trading in liquid derivatives onto organised venues thus increasing market transparency and integrity alike. MiFIR, which implements parts of the MiFID II framework, outlines the process for determining which derivatives should be traded on-venue. The final draft technical standards came into force on 3 January 2018.

- Commission Delegated Regulation (EU) 2016/2251 supplementing EMIR with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty came into force on 4 January 2017. Its date of application differs per category of counterparty and specific obligation, ranging from 1 March 2017 to 20 September 2020.

- As a consequence of an extensive assessment of EMIR and evaluation thereof, the European Commission proposed two sets of amendments. The first set of amendments were published in May 2017, and it is intended that these amendments introduce simpler and more proportionate rules on OTC derivatives that will reduce costs and burdens for market participants, without compromising financial stability (see the Commission's Proposal in COM 2017/0208).

Packaged Retail and Insurance-based Investment Products

Packaged Retail and Insurance-based Investment Products ("**PRIIPs**") are investment products offered to retail clients in 'packaged' form, which are exposed to investment risks irrespective of whether the products in question are securities, insurance or banking-based. Investors do not invest directly in the underlying investment products; instead, the provider of the investment product combines, includes or groups together different assets in the packaged product. Such packaged products can be complex for investors to understand. Those selling these products can also face conflicts of interest since they are often remunerated by the product manufacturers rather than directly by the retail investors. A complex patchwork of regulation has developed to address these risks, and inconsistencies and gaps in the patchwork have raised concerns as to the overall effectiveness of the regulatory regime, both in relation to its capacity to protect investors and its ability to ensure the markets work efficiently. These concerns have been further heightened by the impact of the financial crisis.

A regulation on key information documents for packaged retail and insurance-based investment products (Regulation 1286/2014, the "**PRIIPs Regulation**") requires a key information document ("**KID**") to be provided when offering PRIIPs to certain clients. This document must include information on the features, risks and costs. The PRIIPs Regulation covers, among other products, insurance-based investment products, structured investment products and collective investment schemes. The PRIIPs Regulation entered into force on 29 December 2014 and applies directly in all Member States from 1 January 2018.

Mortgage Credit Directive

The European Parliament has adopted new mortgage lending rules: the Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property adopted on 4 February 2014 (the "**Mortgage Credit Directive**"). The Mortgage Credit Directive aims to afford high level consumer protection throughout the EEA. The directive applies to secured credit and home loans. The main provisions of the directive include consumer information requirements. In the pre-contractual phase, certain standardised information must be included in any advertising for credit agreements detailing information on the interest rate or indicating figures relating to costs. In addition, banks are required to ensure that consumers are provided with personalised information needed to compare mortgage products available in the market. The directive would oblige banks to conduct a documented creditworthiness assessment before granting the loan. The directive also imposes requirements on early repayment. Consumers must have the right to discharge fully or partially their obligations under a credit agreement prior to its expiry. In such cases, the consumer shall be entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract. The changes referred to above may adversely impact the Issuer's business model and may force the Issuer to make substantial investments to meet the above requirements. The rules pursuant to the Mortgage Credit Directive entered into force on 14 July 2016.

PSD 2 and Multilateral Interchange Fees Regulation

On 24 July 2013, the European Commission adopted a new legislative package in the field of the EU payments framework. The package included a proposal for a revised Payment Services Directive ("**PSD 2**") and a Regulation on Interchange Fees for Card-Based Payment Transactions ("**Interchange Fees Regulation**").

The PSD 2 has been finalised and was published as a consolidating new Directive (2015/2366) in the Official Journal of the European Union on 23 December 2015. The PSD 2 has replaced the previous Payment Services Directive (2007/64/EC) as from 13 January 2018. The main objectives of PSD 2 are to (i) contribute to a more integrated and efficient European payments market, (ii) improve the level playing field (including new players), (iii) make payments safer and more secure, (iv) improve consumer protection, and (v) encourage lower prices for payments.

The Interchange Fees Regulation (2015/751) was published in the Official Journal of the European Union on 19 May 2015, and applies from 8 June 2015, with the exception of certain provisions that apply from 9 December 2015 and other provisions that apply from 9 June 2016. The main objective of the Interchange Fees Regulation is to create a level playing field by removing barriers between national payment markets and allowing new entrants to enter the market, driving down the fees that retailers pay their banks and ultimately allowing consumers to benefit from lower retail prices.

Key elements of the PSD 2 that could impact ABN AMRO are: (i) access to payment accounts by other parties than the bank where the customer holds an account (Third Party Access), and (ii) security requirements. Third Party Access as described in the PSD 2 may force the Issuer to make substantial investments and expose it to more or intensified competition and can be a threat as parties other than banks focus on the customer-engagement components of the value chain and leave the commoditized transactional components to banks which could lead to disintermediation. Security is and will remain a core element in the service offering of banks whereby it is important that the security requirements in the PSD 2 strike the right balance between ease of use and risk. A key element of the Interchange Fees Regulation that could impact ABN AMRO are transparency requirements on interchange fees to merchants (detailed invoice), which will increase the cost base of banks.

Data Protection Regulation

In 2012 the European Commission presented its proposal to reform the general EU legal framework on the protection of personal data. The main policy objectives in this reform are to: (i) modernise the EU legal system for the protection of personal data, in particular to meet the challenges resulting from globalisation and the use of new technologies, (ii) strengthen individuals' rights and at the same time reduce administrative formalities to ensure a free flow of personal data within the EU and beyond, (iii) improve the clarity and coherence of the EU rules for personal data protection and achieve consistent and effective implementation of the privacy rules and application of the fundamental right to the protection of personal data in all areas of the EU's activities. The European Commission intends to achieve this by substituting the current EU Data Protection Directive of 1995 for a new EU general data protection regulation that will apply directly and uniformly throughout the European Union. This reform will have a major impact on the private sector and provides for significant fines, with fines that could amount to 4% of the worldwide turnover of a company or EUR 20 million, whichever one is higher. The Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**") was adopted on 27 April 2016 and will apply from 25 May 2018. The GDPR, despite being a regulation and not a directive, allows member states to further enact local legislation on a number of aspects. This means that local implementation legislation may be enacted throughout Europe. In The Netherlands, a draft has been published and shortly been open for consultation in which the local legislator makes use of such possibility. It is uncertain when this act will be officially adopted. It is expected to enter into force on 25 May 2018. In parallel with EU legislative amendments to strengthen privacy protection, there are a number of Dutch initiatives in this field that entered into force on 1 January 2016: (i) an amendment of the Dutch Data Protection Act imposing the obligation to report data leaks, with fines up to EUR 450,000 for non-compliance, and (ii) the new power of the Dutch privacy regulator to impose fines of up to EUR 810,000 or 10% of the annual turnover per infringement. In addition to this, on 10 January 2017 the European Commission published a draft regulation concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (the "**E-Privacy Regulation**"). The E-Privacy Regulation affects in principle only the telecommunications sector, however all other sectors are affected by it to the extent they make use of electronic communication means such as e-mail or telephone, or cookies or other similar techniques for commercial purposes. The fines for infringing the E-Privacy Regulation are the same as those of the GDPR. The text is not yet final and the impact on the industry still needs to be determined. The European Commission, the European Parliament and Council will first need to enter into the tripartite negotiations on the final text. The European Commission urges however the European Parliament and the Council to work swiftly and to ensure its smooth adoption by 25 May 2018, the date as from which the GDPR will apply.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both inside and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution established in a participating Member State, and at least one party is established in a participating Member State. A financial institution may be or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Other

Other developments include a proposal adopted by the European Commission for a regulation on reporting and transparency of securities financing transactions. This securities financing transaction regulation came into force on 12 January 2016 (Regulation (EU) 2015/2365).

Supervision of insurance activities

As from 1 January 2016, the insurance companies in ABN AMRO (in The Netherlands, Belgium, France, and Luxembourg) must comply with a new solvency framework and prudential regime commonly referred to as "**Solvency II**". Solvency II consists of a European Directive (2009/138/EC) as implemented in Dutch law as per 1 January 2016, a European Regulation ((EU) 2015/35) and a number of technical standards and guidelines issued by EIOPA. Solvency II completely overhauls the solvency framework and prudential regime currently applicable to insurers and requires them to make adaptations in many areas to comply with this new regime.

Solvency II consists of three pillars. The first pillar is made up of quantitative requirements, most importantly introducing a risk-based solvency capital requirement calculated on the basis of a market value consistent balance sheet and taking into account the actual risks run by the insurer and their interconnectedness. Only own funds that meet strict requirements are eligible to meet the solvency capital requirement. The second pillar complements the first with qualitative requirements regarding the governance of insurers. Rules in this pillar most importantly relate to the internal organisation of insurers including rules on key functions, risk management and the internal control of insurers. In the area of risk management the requirement of an own risk and solvency assessment (ORSA) is introduced requiring insurers to undertake a self-assessment of their risks, corresponding solvency requirements, and adequacy of own funds. The third pillar introduces a greater level of transparency than currently, requiring extensive reporting to supervisory authorities and a solvency and financial condition report to be made public.

Insurers are also subject to conduct of business rules that are very similar to those applicable to banks. Insurers are furthermore subject to the PRIIPs Regulation and EMIR and will also become subject to the IDD once implemented in Dutch law. If insurers offer mortgage credit, they are also subject to the rules on mortgage lending. Anyone acquiring a qualifying holding in an insurer must comply with rules on structural supervision as is the case with respect to banks.

As is the case with respect to banks, Dutch insurers are subject to certain rules on recovery and resolution. For life insurers the Wft provides for a relief scheme (*opvangregeling*) that can be deployed by DNB in certain specific circumstances. The relief can consist of obligatory reinsurance of all or part of the life insurer's portfolio or obligatory transfer of the life insurer's portfolio. As already set out above, insurers are also subject to the Dutch Intervention Act. In case DNB perceives signs of a dangerous development regarding the insurer's own funds, solvency or technical provisions and it can reasonably be foreseen that this development cannot be sufficiently or timely reversed, DNB may request the court to declare the insurer subject to an emergency regulation (*noodregeling*). The rules on emergency regulation are similar to those applying to banks.

Insurance brokerage

On 23 February 2016 the Insurance Distribution Directive ("**IDD**", formerly known as the Insurance Mediation Directive II) came into force and replaced Directive 2002/92/EC ("**Insurance Mediation Directive**"). The Insurance Mediation Directive regulates brokers and other intermediaries selling insurance products. In contrast to the Insurance Mediation Directive, the scope of the IDD is extended to all sellers of insurance products, focussing especially on market integration, fair competition between distributors of insurance products and policyholder protection. Member States were required to implement the IDD into national legislation by 23 February 2018.

Key features of the IDD are, among other things, mandatory disclosure requirements obliging insurance intermediaries to disclose to their customers the nature of remuneration they receive, including any contingent commissions, and in case the remuneration is directly payable by the customer the amount of the remuneration, or if the full amount of remuneration cannot be calculated, the basis of its calculation. Insurers carrying out direct sales will be required to comply with information and disclosure requirements and certain conduct of business rules, including a general obligation to act honestly, fairly and professionally in accordance with customers' best interests.

UCITS V/AIFM Directive/MMFR

Directive 2014/91/EU ("**UCITS V**") introduces an obligation for management companies to establish and maintain for those categories of staff whose professional activities have a material impact on the risk profiles of the UCITS that they manage, remuneration policies and practices that are consistent with sound and effective management, and further harmonises the tasks and duties of depositaries.

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers ("**AIFM Directive**"), together with the supplementing Regulation 231/2013 of 19 December 2012, establishes a framework for the regulation and supervision of the alternative investment fund ("**AIF**") industry, particularly hedge funds and private equity funds, but essentially covering all non-UCITS investment funds. The AIFM Directive actually lays down the rules for the authorisation, ongoing operation and transparency of the managers of alternative investment funds (AIFMs) which manage and/or market alternative investment funds (AIFs) in the European Union. The AIFM Directive came into force on 21 July 2011 and was implemented in the Wft on 22 July 2013.

When directly or indirectly offering units or shares of AIFs to, or placing such units or shares with investors, banks and investment firms must ascertain whether the units or shares are being marketed in accordance with the Wft.

On 20 July 2017, Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on Money Market Funds ("**MMFR**") came into force. The MMFR introduces new rules aimed at making money market funds ("**MMFs**") more resilient to crises and at the same time securing their financing role for the economy, which rules will apply from 21 July 2018. MMFs are either UCITS or AIFs that invest in short-term financial instruments and have specific objectives. The MMFR aims to make MMFs safer and provide for more transparency, investor information and investor protection by requiring MMFs to diversify their asset portfolios, invest in higher-quality assets, follow strict liquidity and concentration requirements and have sound stress testing processes in place.

4th EU AML/CFT Directive

On 26 June 2015, Directive EU 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. The provisions of the directive were to be transposed into the laws of the EU Member States (*Wet ter voorkoming van witwassen en financieren van terrorisme or WWFT*) and were to be applied by 26 June 2017. However, as of the date of this Registration Document, the Dutch legislator has not yet implemented these provisions. Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism (EU AML/CFT requirements) relate to additional requirements for identification and verification of the ultimate beneficial owner and extension of the definition of politically exposed persons (PEPs) to domestic PEPs. The changes will have considerable impact on client on-boarding processes and may require re-papering of client files to meet the obligations on a group wide level.

Regulation and supervision in The Netherlands

General

The Dutch regulatory system applicable to ABN AMRO is a comprehensive system based on the provisions of the Wft which came into effect on 1 January 2007. The Wft sets out rules regarding prudential supervision (by DNB) and supervision of conduct (by the AFM). Prudential supervision focuses on the solidity of financial undertakings and contributes to the stability of the financial sector. Supervision of conduct focuses on orderly and transparent financial market processes, clear relations between market participants and due care in the treatment of clients (including supervision of the securities and investment businesses).

In addition to the supranational regulatory developments described above, the Dutch government and regulators have proposed a number of measures such as the introduction of a bank tax, an intervention act, a ban on referral fees and changes to the system of the Dutch Deposit Guarantee Scheme.

Prudential Supervision

The ECB is formally the competent authority responsible for the supervision of the Issuer's compliance with the prudential requirements including (i) the own funds requirements, securitisation, large exposure limits, liquidity coverage ratio and net stable funding requirements, the leverage ratio and the supervisory reporting and public disclosure of information on those matters and (ii) the requirement to have in place robust governance arrangements, including the fit and proper requirements for the persons responsible for the management of the Issuer, remuneration policies and practices and effective internal capital adequacy assessment processes (ICAAP), and for the carrying out of supervisory reviews and stress tests to determine whether a sound management and coverage of risks are ensured by the Issuer's arrangements, strategies, processes and mechanisms as well as for the carrying out of supervisory tasks in relation to recovery plans and early intervention. The ECB is also the competent authority to assess notifications of the acquisition of qualifying holdings in banks and to grant a declaration of no objection for such holdings.

Supervision by DNB

DNB is required to assist the ECB with the preparation and implementation of any acts relating to the supervisory tasks of the ECB and must follow instructions given by the ECB in that respect. In addition, DNB has remained the competent authority in respect of prudential requirements not having a basis in EU law such as the requirements in respect of customer due diligence and the liquidity requirements other than the liquidity coverage ratio and net stable funding requirements provided for by the CRR. DNB has also remained the competent authority under other supervisory laws and regulations relevant to ABN AMRO's business, such as anti-money laundering legislation.

As part of the Supervisory Review and Evaluation Process ("**SREP**") ECB and DNB may perform an analysis of the Issuer's business model and strategy, and form a view on its viability and sustainability. If necessary, they may take measures to address any problems and concerns. Such measures may include the requirement to make changes to the business plan and strategy, or require the Issuer to reduce risks that are inherent in certain products by requiring changes to the offering of these products or improvements of the governance and control arrangements around product development and maintenance. They may also include measures to reduce risks inherent to the Issuer's systems by requiring improvements of its systems or require the Issuer to raise additional regulatory capital. Such measures may adversely impact the Issuer's business and may force the Issuer to make substantial investments to meet the above requirements.

Emergencies

The Wft contains an emergency regulation (*noodregeling*) which can be declared in respect of a credit institution by a Dutch court at the request of DNB if such credit institution is in a position which requires special measures for the protection of its creditors. As of the date of the emergency, only the court appointed administrators have the authority to exercise the powers of the representatives of the credit institution. Furthermore, the emergency regulation provides for special measures for the protection of the interests of the creditors of the credit institution. A credit institution can also be declared in a state of bankruptcy by the court.

Dutch Intervention Act

In anticipation of the EC proposal for a crisis management framework, the Dutch Intervention Act entered into force in June 2012 (with retrospective effect to January 2012). The Dutch Intervention Act provides a framework ensuring timely and orderly resolution of financial institutions in the event of serious problems, without the necessity to enter into bankruptcy proceedings. It grants substantial new powers to DNB and the Dutch Minister of Finance, enabling them to deal with ailing Dutch banks prior to insolvency.

The national framework for intervention with respect to banks by DNB has been replaced by the law implementing the resolution framework set out in the BRRD (as defined below). However, the powers granted to the Dutch Minister of Finance under the Dutch Intervention Act remain. The Dutch Minister of Finance may take measures or expropriate assets and liabilities of, claims against or securities issued by or with the consent of a financial firm (*financiële onderneming*) or its parent, in each case if it has its corporate seat in The Netherlands, if in the Minister of Finance's opinion the stability of the financial system is in serious and immediate danger as a result of the situation in which the firm finds itself.

Financial Markets Amendment Act 2016

A consultation document for the Financial Markets Amendment Act 2016 was published on 26 June 2014 and a consultation document for the Financial Markets Amendment Decree 2016 was published on 31 March 2015. The 2016 Amendment Act and Decree entered into force on 1 January 2016. Three of the important changes relate to the introduction of early intervention powers to temporarily dismiss board members of financial institutions should there be doubts about their suitability, the introduction of protection for derivatives transactions counterparties against bankruptcy of intermediaries and the implementation of the conclusions of a review of the Dutch Intervention Act.

Financial Markets Amendment Decree 2017

A consultation document for the Financial Markets Amendment Decree 2017 was published on 27 July 2016. The 2017 Amendment Decree entered into force on 1 July 2017. Two of important changes relate to (i) the extension of the inducement ban for advisors and intermediaries advising on investments in investment funds with a prohibition for such advisors and intermediaries to be paid a fee by the client that is directly debited from the investment account of the client and (ii) the introduction of a requirement for financial institutions providing automated advice to have procedures in place to ensure compliance with the same laws and regulations that apply to advice given in person.

Financial Markets Amendment Act 2018

A consultation document for the Financial Markets Amendment Act 2018 was published on 27 July 2016. The 2018 Amendment Act is expected to enter into force on 1 July 2018. Two of the important changes relate to (i) the introduction of a requirement for the AFM and the DNB to disclose confidential information in respect of entities, their managing directors and shareholders to the Ministry of Finance and (ii) introduction of the attachment prohibition (*verbod op derdenbeslag*) when monies or assets are placed with DNB for the settlement of payments.

Mortgage Lending Rules

In The Netherlands, additional restrictions apply to the principal residence mortgage loan market for individuals. These restrictions have been introduced against the background of a stagnant Dutch economy and in an environment of decreasing house prices and a significant reduction in the volume of houses sold. The maximum loan amount for government-guaranteed mortgage loans (*Nationale Hypotheekgarantie*, "**NHG**") is currently capped at EUR 265,000. This cap is related to the average value of houses. In addition, the Dutch government has further restricted the maximum permissible amount of a mortgage loan to 100% (including 2% transfer tax) of the value of the property as from 1 January 2018. The lowering of this loan-to-value rate is expected to put further downward pressure on the total outstanding volume of mortgages in The Netherlands which could decrease the size of the Issuer's mortgage portfolio.

In The Netherlands, subject to a number of conditions, mortgage loan interest payments used to be fully deductible from the income of the borrower for income tax purposes. However, new legislation on tax deductibility of new mortgages loans took effect on 1 January 2013. To be eligible for tax deductibility, new mortgage loans must be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme. Existing mortgage loans are not impacted. However, for all mortgage loans, new and existing, tax deductibility will be gradually reduced by 0.5% per year from the current maximum of 50% to a maximum of 38% in 2041. This percentage will however not be reduced below the third bracket (which is 40.85% in 2018) for income tax purposes in any given year. Changes to the deductibility of interest payments may, amongst other things, have an effect on the house prices and the rate of economic recovery on mortgage loans for mortgage loan providers (such as the Issuer) and may result in an increase of defaults, prepayments and repayments of mortgage loans.

On 10 October 2017, the new Dutch government released its coalition agreement (*Regeerakkoord*) 2017 - 2021, in which it announced, among other things, that from 2020 the decrease of the maximum interest deductibility for mortgage loans will be accelerated and will decrease with 3% annually to 37% in 2023. Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on tax deductibility of interest and other factors relevant in relation to the mortgage loans.

Ban on referral fees and bonuses

On 1 January 2013, the Dutch government introduced a ban on referral fees relating to specific complex financial products, such as mortgages, life insurance and pension insurance. The goals are to increase transparency for consumers and ensure that the interests of consumers and their advisors are aligned. Financial advisors are required to provide transparency related to costs, terms of service and relations with relevant third parties and referral fees are prohibited for these products.

A similar ban on referral fees came into effect into effect as of 1 January 2014 in relation to certain investment services, including, but not limited to, (i) individual portfolio management, (ii) investment advice and (iii) execution-only services, all in relation to financial instruments. The prohibition affects for instance inducement fees which used to be paid by investment funds to distributors. Under the new rules, only the client itself is allowed to pay commissions to the investment services provider. ABN AMRO has in response introduced new investment products in The Netherlands, which include advisory fees for investment advisory services and fees for execution only services. As of 1 January 2014, all clients who use these services must pay these fees. As of 1 January 2014, the majority of the funds held in discretionary portfolio management do not involve inducements or distribution fees. For the remaining minority of clients (primarily where clients wish to continue their investments in particular funds), ABN AMRO passes on amounts received to the individual clients.

The Dutch government introduced rules in 2012 restricting the payment of bonuses by financial institutions that receive State support. The rules target both companies that will receive state support in the future as well as companies that have received state support in the past. The rules include a ban on performance-related variable remuneration (i.e. bonuses) as well as restrictions on other parts of the remuneration paid to managing directors and/or to persons determining the day-to-day policy of the financial institution. The rules also apply to institutions that do not receive state aid directly but are part of a state-aided group.

Conduct of business supervision

The Wft provides a comprehensive framework for the conduct of securities trading in or from The Netherlands. The body responsible for carrying out conduct of business supervision in The Netherlands is the AFM.

Conduct-of-business supervision focuses on ensuring orderly and transparent financial market processes, proper relationships between market participants and the exercise of due care by financial undertakings in dealing with clients.

Dutch bank tax

As of 1 October 2012, the Dutch government introduced a banking tax for all entities that are authorised to conduct banking activities in The Netherlands. The tax is based on the amount of the total liabilities on the balance sheet of the relevant bank as at the end of such bank's preceding financial year, with exemptions for equity, for deposits that are covered by the Deposit Guarantee Scheme and for certain liabilities relating to the insurance business. The levy on short-term funding liabilities is 0.044% and the levy on long-term funding liabilities is 0.022%.

Due to the introduction of the bank tax, ABN AMRO incurred a EUR 98 million surcharge in 2015, a EUR 98 million surcharge in 2016 and a EUR 103 million surcharge in 2017, increasing expenses and the cost/income ratio. This measure will lead to costs in subsequent years.

Regulation in the rest of the world

ABN AMRO's operations elsewhere in the world are subject to regulation and control by local supervisory authorities, and its offices, branches and subsidiaries in such jurisdictions are subject to certain reserve, reporting and control and other requirements imposed by the relevant central banks and regulatory authorities.

Dodd-Frank Act

The Dodd-Frank Act covers a broad spectrum of issues ranging from systemic supervision, changes in the regulation of investment advisers and OTC derivatives markets, to measures aimed at improving consumer protection. Most of the impact on ABN AMRO's businesses results from the rules on OTC derivatives that are primarily used in the Markets business. For example, various provisions, such as mandatory clearing of swaps, trade execution through swap execution facilities, and reporting of OTC derivatives, apply to the Issuer when transacting with U.S. persons. Other provisions apply only if ABN AMRO is required to register as a swap entity with the applicable U.S. regulator.

The U.S. Commodity Futures Exchange Commission ("**CFTC**") and the SEC continue to issue regulations to implement the OTC derivatives provisions of the Dodd-Frank Act. The CFTC has issued all of its implementing rules; the SEC has adopted some of its implementing rules, while others have not yet been finalised. The final phase of the CFTC's rulemaking involves rules relating to capital of registered swap entities and margin for uncleared swaps, which are currently being phased in. Based on its current activity in U.S.-regulated derivatives markets, ABN AMRO has not registered as a swap dealer with the CFTC. While the SEC adopted final rules and forms for the registration of security-based swap dealers and major security-based swap participants in 2015, those rules are not currently in effect. ABN AMRO is monitoring legal developments and OTC derivatives volumes to determine whether it needs to register with either the CFTC or the SEC.

FATCA

FATCA was enacted by U.S. authorities in March 2010. The objective of FATCA is to increase the ability to detect U.S. persons evading tax by holding accounts with non-U.S. (foreign) financial institutions ("**FFI**"). Based on sections 1471-1474 of the Code and Treasury Regulations thereunder, FATCA imposes a 30% withholding tax on U.S. source payments to an FFI, unless the FFI either concludes an agreement with the United States Internal Revenue Service (the "**IRS**"), under which an FFI agrees to comply with certain reporting, client due diligence and withholding requirements (an "**FFI Agreement**") or is based in certain so-called IGA jurisdictions, where the local government has concluded an inter-governmental agreement with the U.S. to facilitate the implementation of FATCA (an "**IGA**"). On 18 December 2013, the U.S. and The Netherlands entered into an IGA. All jurisdictions in which the Issuer operates have substantially concluded an IGA with the U.S.

ABN AMRO intends to become fully FATCA compliant, and expects FATCA to continue having an impact on client on-boarding processes, client administration and reporting systems. In addition, clients may receive requests to provide additional or updated information and documentation.

Information exchange and reporting

There are various international and EU initiatives on automatic exchange of information for tax purposes (such as the OECD Common Reporting Standard and the amended EU Directive on Administrative Cooperation). These initiatives call on jurisdictions to obtain information from financial institutions such as ABN AMRO. The information so obtained will be automatically exchanged with other jurisdictions. These initiatives have had and will continue to have considerable impact on client on-boarding and administrative processes of ABN AMRO. Increasingly, countries in which ABN AMRO operates request ABN AMRO to report information in greater detail than had been required, including information related to deposits held, and dividends and interests received, by clients. The manner and detail of reporting requirements differs from country to country. Accordingly, an increasing number of requests are made to ABN AMRO and entering into relationships with new clients is becoming more complex. Therefore, ABN AMRO may be required to make significant investments in money and time in order to be able to continue to operate in all countries where it operates.

Sanctions

Sanctions are political instruments in the foreign and security policy of countries and international organisations (such as the United Nations and EU). Sanctions regimes imposed by governments, including those imposed by the European Union, US, including the Office of Foreign Assets Control, or other countries or international bodies prohibit ABN AMRO and its clients from engaging in trade or financial transactions with certain countries, businesses, organizations and individuals. These legislative, regulatory and other measures include anti-terrorism measures, international sanctions, blockades, embargoes, blacklists and boycotts imposed by, amongst others, the EU, the United States and the United Kingdom, but also by individual countries. Violation of sanction regimes may have material implications such as criminal penalties, administrative fines and the prohibition to do business in the country that proclaimed the sanctions.

For further information on laws and regulations applicable to ABN AMRO see, *inter alia*, the risk factors "*6. The regulatory environment to which the Issuer is subject gives rise to significant legal and financial compliance costs and management time, and non-compliance could result in monetary and reputational damages, all of which could have an adverse effect on the Issuer's business, financial position and results of operations*", "7*. The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*", "*8. As a result of capital and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance*", "*9. Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*" and "*10. The Issuer is subject to stress tests and other regulatory enquiries, the outcome of which could negatively impact the Issuer's reputation, financing costs and trigger enforcement action by supervisory authorities. Stress tests could also bring to the surface information which may result in additional regulatory requirements or measures being imposed or taken which could have a negative impact on the Issuer's business, results of operations, profitability or reputation*".

1.9 Legal and arbitration proceedings

ABN AMRO is involved in a number of governmental, legal and arbitration proceedings in the ordinary course of its business in a number of jurisdictions, including those set out in this section. However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that, save as set out below, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

Settlement with Ageas

In 2009, Ageas SA/NV (formerly known as "**Fortis SA/NV**") and ageas N.V. (formerly known as "**Fortis N.V.**") (together, "**Ageas**") initiated legal proceedings against ABN AMRO Capital Finance Ltd, ABN AMRO Bank and the Dutch State claiming EUR 363 million compensation for which Ageas was liable on the cash settlement date. Furthermore, on 7 December 2010 and in accordance with the transaction documentation, the EUR 2 billion of 8.75% Mandatory Convertible Securities converted into ordinary Ageas shares and the final (semi-annual) coupon was paid. Ageas claimed it was entitled to receive EUR 2 billion of ABN AMRO ordinary shares by way of compensation. On 28 June 2012, however, ABN AMRO Group N.V., ABN AMRO Bank and Ageas agreed to settle all disputes, including the proceedings initiated by Ageas regarding the two aforementioned claims, between ABN AMRO Group N.V., ABN AMRO Bank, the Dutch State and Ageas in relation to the equity transactions which resulted in the takeover of the Dutch activities of the Former Fortis group by the Dutch State on 3 October 2008. Previously, the EUR 2.0 billion liability resulting from the MCS was retained in the balance sheet, of which EUR 1.75 billion continued to qualify as Tier 1 capital. Under IFRS this obligation was required to be classified as a liability instead of equity since the number of shares to be issued by ABN AMRO, if any, for the conversion of the liability was unclear as the contract did not stipulate a fixed amount of shares to be delivered. After the settlement, core Tier 1 capital increased by EUR 1.6 billion, being the sum of the EUR 2.0 billion liability and the one-off settlement amount of EUR 400 million as paid by ABN AMRO to Ageas. As a result, Tier 1 and total capital decreased by EUR 150 million.

Certain MCS-related hedge fund claims of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 are not included in the settlement. These related proceedings initiated by certain hedge funds in Belgium against the four issuers of the MCS are still pending. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims of the hedge funds. This verdict underlines the verdict in the summary proceedings (*kort geding*) of November 2010 that the MCS holders could not unilaterally amend the terms and conditions of the contract. Certain hedge funds have filed an appeal against the verdict. ABN AMRO remains confident that the MCS holders do not have the unilateral power to amend the terms and conditions of the MCS and therefore also continues to be positive about the outcome of the appeal proceedings.

Madoff fraud

ABN AMRO Bank, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. In some instances, ABN AMRO Bank and/or a subsidiary made collateralized loans to client funds that had indirect exposure to Bernard L. Madoff Investment Securities ("**BLMIS**"). In other instances, a subsidiary of ABN AMRO Bank entered into total return swap transactions with client funds that were indirectly exposed to BLMIS, and also purchased reference portfolio interests in funds that were exposed to BLMIS. If those BLMIS exposed funds remain impaired, ABN AMRO Bank estimates that its and its subsidiaries' losses could amount to EUR 922 million as provisionally provided for in 2008. In addition, certain subsidiaries of ABN AMRO Bank provided other services (including custodial and administration services) to client funds that had exposure to BLMIS. The provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. ABN AMRO Bank subsidiaries are defending themselves in these proceedings to which they are defendants. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO Bank subsidiaries' potential liability, if any. ABN AMRO Bank and its relevant subsidiaries are continuing to investigate and implement strategies for recovering the losses suffered.

As previously reported, a total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. In 2011, 2012 and 2013, one of ABN AMRO Bank's subsidiaries was able to sell shares and limited partnership interests that were provided to it as collateral or which it had bought to hedge its exposure in the context of the collateralized loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52 million, EUR 78 million and EUR 253 million, respectively, and an equivalent amount provided for in 2008 was subsequently released.

Sale of interest rate derivatives

The sale of derivatives to SME clients has led to complaints and to court cases against financial institutions that sold the derivatives, including ABN AMRO. Multiple lawsuits on the subject are pending or have resulted in settlements or court decisions and Kifid rulings. Clients of ABN AMRO have claimed, among other things that the risks relating to the products sold to them were not, or not sufficiently, disclosed, that the products sold to them were not suited for their circumstances, and/or that ABN AMRO owed them a duty of care which ABN AMRO had breached and/or that ABN AMRO was restricted in exercising their contractual right to increase margin on loans covered by an interest rate swap. The significant losses incurred by Vestia in connection with a substantial derivatives portfolio have for example been prominently reported in the media and multiple proceedings are ongoing to recover losses and other damages from ABN AMRO.

In addition, in these matters, regulatory and other authorities have taken and may in the future take further measures against or impose fines on the parties involved, including ABN AMRO, which may be material. As required by and in consultation with the AFM, ABN AMRO has reviewed its SMEs interest rate derivative portfolio. The objective of this review, which was completed in the first half of 2015, was to determine whether ABN AMRO acted in accordance with the laws and regulations applicable at the time. The outcome of the review was that ABN AMRO in several instances is unable to determine conclusively that it has fully complied with its duty of care obligations in connection with the sale of interest rate derivatives to SME clients. In these cases it could not be fully established that clients were sufficiently informed about the risk of their particular combination of floating rate interest loan and interest rate derivative, specifically in the scenario of declining interest rates.

For example, the review revealed cases of mismatch between the loan and the interest rate derivative. This could be caused by an early prepayment of the loan or mismatches in other features of the loan and the interest rate derivative. A mismatch could lead to the relevant SME client being overhedged. As a result, these SME clients are faced with a risk exposure which is in most cases equal to the difference between the floating interest rate to be received and the fixed interest rate to be paid in the interest rate derivative, to the extent of the overhedge. To resolve the overhedge situation, the interest rate derivative has to be (partially) unwound. However, as a result of the declining floating interest rates, the interest rate derivative has a negative mark-to-market value. Pursuant to the terms of the interest rate derivatives contract, the mark-to-market value has to be settled by the parties when unwinding interest rate derivatives. This settlement results in a payment obligation by the SME client, which is similar to the penalty paid upon early repayment of an equivalent fixed interest rate loan. ABN AMRO has proactively engaged with all of its SMEs interest rate derivative portfolio clients to discuss the outcome of the review and, if necessary, offer such clients an alternative product or another solution. ABN AMRO has in a number of SME client files agreed to (i) (partially) unwind the interest rate swap and/or (ii) partly compensate the SME clients.

Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings.

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to come to a uniform solution for all clients and banks. 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 committee of independent experts. On 5 July 2016 this committee of independent experts published the first draft Uniform Recovery Framework. On 19 December 2016 the final Uniform Recovery Framework was published. ABN AMRO is adhering to and participating in the Uniform Recovery Framework. As a result, ABN AMRO increased the provision charged to the results in the second quarter of 2016 by around EUR 360 million (this increase was exclusive of implementation costs). The provision was increased mainly to cover an additional consideration and an expanded scope of the reassessment. Originally, all SME and middle market clients with a current interest rate derivative at 1 April 2014 were in scope of the reassessment. The new recovery framework includes clients who had one or more interest rate derivatives between 1 April 2011 and 1 April 2014. On 31 May 2018 the total reassessment consisted of 7,079 clients with 10,638 interest rate derivatives. In addition, clients who had older interest rate derivatives, but terminated them prematurely, can ask ABN AMRO to be considered for a reassessment provided, among other things, that the interest rate derivative contract was concluded after 1 January 2005 and had an initial contractual expiry date after 1 April 2011. The total provision for SME derivatives-related issues as at 31 December 2017 amounted to EUR 471 million. See also the risk factor "*16. The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties*".

DNB thematic review of customer due diligence

In April 2014, DNB conducted a thematic review into the management of integrity risks and compliance with anti-money laundering laws and regulations at Private Banking in The Netherlands, focusing on customers from countries with a high risk of money laundering. In its inspection of customer files at Private Banking in The Netherlands, DNB found that, in a number of client acceptance files and reviews, the identification and verification of ultimate beneficial owners, source of wealth and/or analysis of tax risks were not documented adequately. ABN AMRO immediately initiated a programme called Vertrouwd en Verantwoord Bankieren (Reliable and Responsible Banking**)** in The Netherlands aiming to upgrade relevant client acceptance and anti-money laundering policies, to raise awareness amongst staff and to improve the quality of the documentation in customer due diligence files and the risk assessment thereof. DNB imposed an order requesting the remediation of approximately 100,000 customer due diligence files at Private Banking in the Netherlands. Upon completion of the remediation DNB lifted this order in March 2017. The Reliable and Responsible Banking programme has been finalized within Private Banking and is currently being implemented within the other business lines of ABN AMRO as well.

Intertrust

In connection with the sale of the Issuer's 75% share of a trust business to Intertrust International Holding B.V. ("**Intertrust**") in 2009, the Issuer has, in the share purchase agreement, given certain indemnities to Intertrust. In this respect currently two matters are relevant.

- Since 2013, litigation has been threatened, but not brought, against the Swiss part of the trust business by one of the latter's clients in connection with an alleged loss of value of certain assets that were allegedly transferred late by the Swiss part of the trust business to this client. The client would have suffered a loss of approximately CHF 62 million excluding interest. In 2014, Intertrust brought litigation against ABN AMRO and the other seller under the SPA to establish that any damages that Intertrust might suffer as a result of any claim by the client fall within the scope of the indemnification given by ABN AMRO. As the client has not commenced formal proceedings, Intertrust and ABN AMRO and the other seller have agreed in 2015 to suspend, for the time being, the proceedings on the scope of the indemnity.

- In a different matter, on 2 May 2017 Intertrust was summoned to appear before the Paris district court in relation to a dispute between two heirs to a family inheritance involving two foundations administered by Intertrust. One heir alleges that the Intertrust entities have cooperated to embezzlement of assets from the inheritance by the other heir. The claims against the Intertrust entities are (i) EUR 5 million in damages, (ii) joint and several liability for the claims against the second heir, which could amount up to EUR 30 million and (iii) legal costs. In addition, legal proceedings including damages claims in this matter are pending in Curacao. The Issuer is of the opinion that this claim against Intertrust falls outside the scope of the indemnification given by the Issuer and the other seller in the share purchase agreement.

Adjustment of margin charge on mortgage loans with floating interest rates

ABN AMRO has sold mortgage loans with floating, often EURIBOR-based, interest rates (close to 1% of the total mortgage portfolio). An important element of the pricing model of these mortgage loans is the ability for ABN AMRO to charge costs - allocated and unallocated - on to its clients by adjusting the margin charge on top of the prevailing floating interest rate. In many of these products, ABN AMRO has structured its ability to do so in provisions in its terms and conditions that allow it to unilaterally adjust pricing or contract terms. As the external funding costs (spread on top of EURIBOR) of ABN AMRO has gone up and ABN AMRO has adjusted the margin charge upward in many cases, ABN AMRO is faced by clients contesting the ability of ABN AMRO to do so. The complaints are based on a number of specific and general legal principles. In 2012, a class action was brought by two foundations (*stichtingen*), Stichting Stop de Banken and Stichting Euribar, in relation to mortgage agreements with a floating interest rate based on EURIBOR, alleging that ABN AMRO was contractually not allowed to unilaterally increase the level of the applicable margin and violated its duty of care. On the same subject, ABN AMRO was found to have violated its duty of care with respect to an individual out of court settlement proceeding by the appeals commission of Kifid. In the meantime, multiple individual proceedings and an additional class action have been initiated against ABN AMRO.

ABN AMRO lost the class action cases at the lower court in November 2015. The Amsterdam court's judgement took a principled view of unconditional pricing amendment provisions.

ABN AMRO filed an appeal against this judgement. On 19 December 2017, the Amsterdam Court of Appeal ruled that ABN AMRO was not allowed to increase the surcharges on Euribor mortgages. The court ruled that the amendment clauses used by the bank in its general conditions to increase the margin charged were unfair, based on the European Directive on unfair conditions in consumer contracts. Consequently, these clauses were quashed. The court ruled that the clauses were unfair because they were not transparent as: (i) the mortgage credit agreement was not clear about the fact that the interest rate contained a variable margin and/or how high the surcharge was, (ii) clients were not informed about the different cost components of the margin and could not foresee the economic consequences up-front, and (iii) therefore, clients had not explicitly chosen for a variable margin and its economic consequences when entering into the mortgage credit agreement. ABN AMRO decided to appeal (*cassatie*) to the Supreme Court (*Hoge Raad*) and filed the necessary documents in view thereof on 16 March 2018.

ABN AMRO has recorded a provision, but is unable to accurately assess potential exposures as a result of further potential litigation in reaction of the appeal court's decision.

Transaction reporting

ABN AMRO conducted an internal review into transaction reporting to the AFM and found that it had not accurately reported or had omitted to report a significant number of financial markets transactions. Transaction reporting is the submission of data to the AFM about financial market transactions which includes details of the product traded, the trade counterparty and the trade characteristics such as buy/sell, price and the quantity concerned. ABN AMRO informed the AFM about the results of its review and back reported the related transactions. On 6 July 2017, the AFM notified ABN AMRO that it has imposed an administrative fine of EUR 400,000 for having failed to report a significant number of transactions.

Imtech

ABN AMRO has extended credit to the Imtech N.V. group of businesses and it holds shares in Imtech N.V. further to an underwriting commitment in an Imtech N.V. rights offering. The Imtech N.V. group has been in financial difficulties ever since certain fraudulent events, perpetrated by certain managers and staff, were discovered a few years ago. In April 2015, Stichting Imtechclaim has threatened to initiate a collective action lawsuit against Imtech N.V., KPMG Accountants N.V. and the underwriters of the Imtech N.V. rights offerings. By letter of 20 January 2018, Stichting Imtechclaim and Imtech Shareholders Action Group B.V. have held ING, Rabobank, Commerzbank and ABN AMRO liable for (alleged) misstatements in the prospectuses and for (alleged) *actio pauliana.* In the course of 2015 the Vereniging van Effectenbezitters ("**VEB**") announced that it had concluded an agreement with the liquidators of Imtech and is preparing actions against various parties involved in the Imtech matter, including against banks. The VEB wrote to ABN AMRO and the other underwriters by letter dated 28 March 2018 and holds ING, Rabobank, Commerzbank and ABN AMRO liable for (alleged) misstatements in the prospectuses.

Novacap

Deutsche Bank AG, as legal successor of Hollandsche Bank-Unie N.V. and New HBU II N.V. (together "**HBU**"), is involved in proceedings in connection with NovacapFloraris Termijnfonds ("**Novacap**"), a EUR 85 million investment fund for flower bulb-contracts. Around 2003, HBU provided loans to a group of clients to invest in Novacap. Novacap was supposed to invest these moneys in tulip bulbs, but turned out to be a fraudulent scheme. In connection with the sale by ABN AMRO of HBU to Deutsche Bank AG in 2009, ABN AMRO has agreed to indemnify and hold harmless Deutsche Bank AG for and against any losses in respect of Novacap litigation.

Since 2008, Deutsche Bank AG received claims for liability from several parties, most notably from the Stichting Belangenhartiging Bloembollen Ondernemers ("**SBBO**"). SBBO claims an amount in excess of EUR 208 million. SSBO and a number of other parties involved have repeatedly written to Deutsche Bank AG to stop the relevant statutory limitation periods from lapsing. To date, no legal proceedings were started by the majority of these parties, including SSBO. However, in view of a recent judgment in legal proceedings against Deutsche Bank AG initiated by another party in connection with Novacap, it cannot be excluded that further claims and legal proceedings will be initiated.

Stichting Havensteder

In 2016, housing corporation Stichting Havensteder ("**Havensteder**") initiated litigation against the Issuer containing allegations regarding two loans granted by the Issuer to a legal predecessor of Havensteder. Pursuant to the terms of the two loans, the Issuer has the right to extend the maturity of the loans at a certain date against a certain fixed interest rate. The relevant loans are co-signed and guaranteed by semi-public institution WSW (*Waarborgfonds Sociale Woningbouw*). Havensteder claims that the loans are void on the basis of (*inter alia*) error and abuse of circumstances. In addition, Havensteder holds the Issuer liable for consequential damages as a result of, among other things, an alleged breach of duty of care. Havensteder claims an amount of EUR 60 million, being the alleged actual termination value of the relevant loans.

Partner Logistics

In August 2016, the Issuer received a writ of summons from an indirect shareholder of the Issuer's former clients Partner Logistics Group B.V. and Partner Logistics Europe B.V. Both companies declared bankruptcy in the course of 2012. The indirect shareholder now alleges that the Issuer has acted wrongfully in the context of the bankruptcy of both companies and claims damages allegedly suffered by it in the amount of EUR 200 million. In response to the writ of summons, the Issuer filed its statement of defence with the Amsterdam court on 18 January 2017. The court has ordered another round of pleadings, after which parties have filed their statements of reply (the indirect shareholder) and rejoinder (the Issuer) in the course of 2017. The indirect shareholder has responded on the Issuer’s exhibits in a further statement of 18 January 2018. The Issuer has subsequently responded to parts of this statement on 14 March 2018. As a next step there will be an oral hearing on 10 September 2018.

Claims relating to the history of ABN AMRO

A group of former Fortis SA/NV and Fortis N.V. shareholders, including the VEB is litigating against, among other persons, Ageas, certain banks and a number of former Fortis SA/NV and Fortis N.V. directors. The VEB alleges damages in excess of EUR 17 billion. The VEB announced on 14 March 2016 that it has reached a settlement with Ageas. Following renegotiation upon instruction of the Court of Appeal in Amsterdam, Ageas has made EUR 1.3 billion available for this settlement. The settlement is in the process of being approved by the Court of Appeal in Amsterdam. The claimants in certain other actions have been successful in establishing misleading disclosure by, among other persons, Ageas. ABN AMRO is not a party to any of these proceedings. Although ABN AMRO believes that there is no basis for successful claims against it in connection with these matters, it cannot be excluded that it is joined in current proceedings, or that proceedings in connection with the matters described above are brought against it.

Discussions with tax authorities in Switzerland and Germany

The tax treatment of certain transactions relating to discontinued securities financing activities in ABN AMRO's international offices, which date back to the time before ABN AMRO assumed control of FBNH, were the subject of discussions with the Swiss and German tax authorities. In Switzerland, the discussion regarded subsidiaries of FBNH that held long positions in Swiss traded equities and reclaimed dividend withholding tax. In 2010, the Swiss tax authority announced that it would not pay out further pending refund claims and would try to reclaim amounts already paid as the transactions were only motivated by tax reasons and therefore the subsidiaries were not considered beneficial owners of the respective underlying dividends. In 2017, the respective files were closed. As a result, ABN AMRO received a partial refund of earlier payments made.

In Germany, investigations are being conducted by German authorities into equity arbitrage trading extending over dividend record dates by various banks and other parties. A subsidiary previously owned by a subsidiary of FBNH sold shares in a Luxembourg entity by way of a management buy-out, which held the shares in a different German company (referred to, for purposes of this section, as the "German company"). ABN AMRO assumed the German company's tax liabilities in the merger with FBNH. In 2012, the German tax authorities issued notices to the German company of intent to reclaim dividend withholding tax amounts claimed by the German company in the years 2007 through 2009. ABN AMRO has paid amounts in relation to these notices in the first quarter of 2017. In 2018, almost all outstanding tax issues were settled, which resulted in a refund of partial payments earlier made. Remaining tax issues are not material.

ABN AMRO has furthermore received information requests from authorities and third parties in respect of such customer dealings in the past, and it cannot be excluded that ABN AMRO might be affected by official investigations in the future. ABN AMRO could become subject to claims and sanctions, which may be material.

Ciccolella

ABN AMRO had granted credit facilities to Ciccolella Holding International B.V. and its subsidiaries, which were active in the flower trade business. As Ciccolella Holding International B.V. made losses and had liquidity issues, ABN AMRO terminated the facilities. Ciccolella Holding International B.V. and its subsidiaries were declared bankrupt in February 2013. The listed parent company of Ciccolella Holding International B.V. and one of its subsidiaries have brought proceedings against ABN AMRO and certain other parties on the basis of tort law principles. ABN AMRO would have contributed to the liquidity crisis as a result of not granting sufficient credit under the credit facilities. The amounts claimed are substantial. ABN AMRO was summoned before an Italian District Court. In May 2016 the Italian Supreme Court judged that the Italian Courts have no jurisdiction in this matter. The Issuer views the possibility of ABN AMRO being summoned before a Dutch court as remote.

Indemnity to the Dutch State

ABN AMRO Group N.V. and the Issuer have jointly and severally indemnified the Dutch State under an indemnity agreement for certain claims and liabilities. These include the Dutch State's obligation to provide funding or capital for the benefit of former ABN AMRO group business operations and assets and liabilities that were not allocated to any Consortium member for any amount in excess of EUR 42.5 million. 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 the Issuer even though the Issuer has been informed by NLFI on 29 October 2015 that it will not file this claim with the Issuer based on the then available information. This situation might change in the future. ABN AMRO Group N.V. and ABN AMRO Bank have also provided indemnifications for certain other matters, such as not properly performing certain agreed services and obligations as well as for claims made against or liabilities suffered by the Dutch State as a result of the implementation by ABN AMRO Group N.V. and ABN AMRO Bank of certain opinions, suggestions or requirements which the Dutch State has made or imposed before 1 April 2010. It is not clear whether ABN AMRO Group N.V. or ABN AMRO Bank will have to pay any amounts under these indemnity agreements. It cannot be excluded that the Dutch State makes additional claims under these indemnification obligations. Significant claims could materially and adversely affect the Issuer's results of operations, prospects and financial condition. The indemnity does not contain a monetary limitation.

ICS

ICS, the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio and its internal processes and IT systems. ICS allowed credit limits to a number of its clients above their lending capacities. ICS has prepared a redress scheme that contains remedial measures for affected clients. The redress scheme is currently being implemented and the process is expected to be completed by the end of 2018. ABN AMRO has recognised a provision in respect of this redress scheme. ICS reported these issues to the AFM. On 15 June 2017 the AFM announced that it is imposing a fine of EUR 2.4 million on ICS for excessive credit limits.

1.10 **Material Agreements**

The following agreement has been entered into by ABN AMRO other than in the ordinary course of business and is material to ABN AMRO's business operations as of the date of this Registration Document.

IBM Global Master Services Agreement

On August 31, 2005, ABN AMRO Bank entered into a Global Master Services Agreement ("**GMSA**") with International Business Machines Corporation ("**IBM**") whereby ABN AMRO Bank outsourced the operational part of its core information and communication technology ("**IT**") to IBM. In 2010, this global outsource agreement was renewed, integrating the joint IT services requirements of both ABN AMRO and FBNH. As of 1 January 2015, ABN AMRO Bank and IBM renewed the GMSA for another 10 years, resulting in a restructuring of the services and a rationalisation of the cost base. The GMSA provides for a phased reduction of the annual charges. IBM has agreed to this, subject to ABN AMRO Bank meeting the relevant customer dependencies and staying within agreed volume boundaries. Changes requested by ABN AMRO Bank may have an impact on the reduction of the charges. The parties may, on request of ABN AMRO Bank, enter into negotiations on a possible extension of the GMSA upon expiry. ABN AMRO Bank also has the right to unilaterally extend the GMSA for a period of one year.

The services that IBM delivers are of vital importance to the products ABN AMRO Bank delivers to its clients, both in The Netherlands and internationally. The IT landscape includes all IT related hardware, software, processes and professionals necessary for ABN AMRO Bank to deliver its services to its clients. IBM's services can be divided into four areas: (1) data centre services, (2) end user services, (3) service management integration, and (4) related project services.

1.11 **Recent developments**

ABN AMRO was previously organised into Retail Banking, Private Banking, Corporate Banking and Group Functions. In 2017 ABN AMRO amended its segmentation and announced a new management structure. Under this new management structure ABN AMRO is organised into Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking, Finance, Risk Management, Technology & Innovation and Transformation & HR. The new management structure includes an Executive Board at both ABN AMRO Group N.V. and ABN AMRO Bank N.V. levels and an Executive Committee at ABN AMRO Bank N.V. level. With the Q1 2017 Report, ABN AMRO changed its reporting structure in line with the new management structure. ABN AMRO now has five reporting segments: Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking and Group Functions (as described below).

The statutory Executive Board in its current form consists of Kees van Dijkhuizen as the Chief Executive Officer (CEO), Clifford Abrahams as the Chief Financial Officer (CFO), Christian Bornfeld the Chief Innovation & Technology Officer (CI&TO) and Tanja Cuppen as the Chief Risk Officer (CRO).

ABN AMRO Bank N.V.'s Executive Committee consists of the members of the Executive Board together with five other members, and is chaired by the CEO. The Executive Committee structure follows the number of represented business lines (Retail Banking, Commercial Banking, Private Banking and Corporate & Institutional Banking) and also includes one role with bank-wide responsibilities (Transformation & HR).

The following persons have been appointed to the Executive Committee:

- CEO Retail Banking: Mr Frans van der Horst
- CEO Commercial Banking: Ms Daphne de Kluis
- CEO Private Banking: Mr Pieter van Mierlo
- Chief Transformation & HR; Mr Gert-Jan Meppelink
- CEO Corporate & Institutional Banking: Mr Rutger van Nouhuijs

On 25 May 2018 ABN AMRO announced that its Supervisory Board has proposed to appoint Tom de Swaan to the Supervisory Board for a period of four years. Upon approval by the General Meeting, the

Supervisory Board will appoint Tom de Swaan as Chairman of the Supervisory Board of ABN AMRO Group N.V. and ABN AMRO Bank N.V. The appointment is subject to approval by the regulators.

2. SHAREHOLDER, GROUP AND CONTROL

2.1 Shareholder

ABN AMRO Group N.V. is ABN AMRO Bank's sole shareholder. ABN AMRO Bank is the only direct subsidiary of ABN AMRO Group N.V. and ABN AMRO Group N.V. has no significant activities other than holding the shares in ABN AMRO Bank.

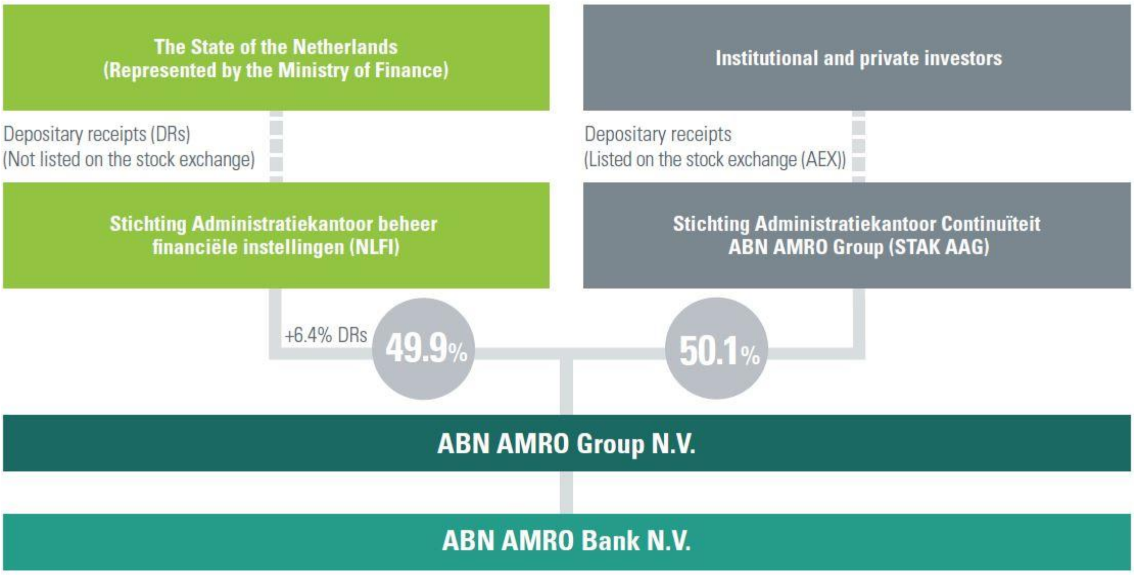
On the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by two foundations: NLFI and STAK AAG. Both foundations have issued depositary receipts for shares in ABN AMRO Group N.V. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group N.V. and traded on Euronext Amsterdam.

On the date of this Registration Document, STAK AAG holds 50.1% of the shares in the issued capital of ABN AMRO Group N.V. The Dutch State holds an interest in ABN AMRO Group N.V. through NLFI. On the date of this Registration Document, NLFI holds a stake of 56.3% in ABN AMRO Group N.V., of which 49.9% is directly held via ordinary shares and 6.4% is indirectly held via depository receipts. As such NLFI holds a total voting interest of 56.3% in ABN AMRO Group N.V. NLFI has waived, in its capacity of holder of depository receipts only, for as long as NLFI holds the depository receipts, any meeting and voting rights attached to the depository receipts other than the right to vote on the underlying shares of the depository receipts held by NLFI in the shareholders meeting of ABN AMRO Group N.V. in accordance with the general terms of administration (*administratievoorwaarden*) of STAK AAG.

Material or principal decisions of NLFI require the prior approval of the Dutch Minister of Finance, who can also give binding voting instructions with respect to such decisions. NLFI is not permitted to dispose of or encumber the shares, except pursuant to an authorization from and on behalf of the Dutch Minister of Finance.

NLFI entered into a relationship agreement with ABN AMRO Group N.V. with respect to their mutual relationship after the IPO (the "**Relationship Agreement**"). Upon the IPO, the Relationship Agreement replaced an earlier memorandum of understanding between NLFI and ABN AMRO Group N.V. The Relationship Agreement will terminate if and when NLFI (directly or indirectly) holds less than 10% of ABN AMRO Group N.V.'s issued share capital, except for a limited number of clauses, which will not terminate under any circumstances.

STAK AAG is independent from ABN AMRO and is a holder of shares in ABN AMRO Group N.V.'s issued share capital. STAK AAG has acquired such shares for the purpose of administration (*ten titel van beheer*) in exchange for depositary receipts. This structure can serve as a defence measure. The STAK AAG also aims to promote the exchange of information between ABN AMRO Group N.V. on the one hand and holders of depositary receipts and shareholders on the other hand, for example, by organising a meeting of depositary receipt holders prior to ABN AMRO Group N.V.'s General Meeting. STAK AAG will also report on its activities periodically, at least once a year. This report was published by STAK AAG for the first time in 2016. In addition, further selldowns of NLFI's shareholding in ABN AMRO Group N.V. will take place through STAK AAG (and in the form of depositary receipts).



2.2 **Group Governance**

ABN AMRO Group N.V. is a public company with limited liability incorporated on 18 December 2009 under the laws of The Netherlands. The company has a two-tier board consisting of a Supervisory Board and an Executive Board. As noted in "*The Issuer—3. Management and Governance*", the memberships of the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank are the same as are the memberships of the Executive Boards of ABN AMRO Group N.V. and ABN AMRO Bank and the committees of these boards.

2.3 **Control**

Until 29 September 2011, the Dutch State had direct control over ABN AMRO. On 29 September 2011, all shares in the capital of ABN AMRO Group N.V. held by the Dutch State were transferred to NLFI, as described above. The Dutch State is not involved in the day-to-day management of ABN AMRO.

The depositary receipts for the shares in the capital of ABN AMRO Group N.V. have been issued without its cooperation. As a matter of Dutch law, the Dutch State, as the holder of the depositary receipts, will not have certain statutory rights applicable had the depositary receipts been issued with the cooperation of ABN AMRO Group N.V., including the general right to attend and speak at shareholders' meetings. This is in keeping with the intended commercial, non-political management of the shares. The general terms of administration (*administratievoorwaarden*) provide for the exchangeability of the depositary receipts into ordinary shares in anticipation of the exit of the Dutch States as a shareholder of ABN AMRO Group N.V.

In August 2013, the Dutch Minister of Finance sent a letter to Parliament, stating, amongst others that an IPO was the most realistic exit strategy for ABN AMRO and that the final decision would depend on four prerequisites: (a) stability of the financial sector, (b) readiness of the market, (c) readiness of ABN AMRO and (d) the intention to recover as much as possible of the total investments of the Dutch State. On 1 July 2015 Dutch Parliament approved the Dutch Government's decision to return ABN AMRO to the private market. On 20 November 2015 ABN AMRO Group N.V. was listed and trading in the depositary receipts for ordinary shares commenced.

On 17 November 2016 NLFI, on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 77% to 70%.

On 28 June 2017 NLFI, on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 70% to 63%.

On 15 September 2017 additional depositary receipts representing ordinary shares in ABN AMRO Group N.V. were sold. Following the settlement, the stake of the Dutch State further declined from 63% to 56%.

On 21 December 2017 NLFI announced that it has transferred approximately 59.7 million ordinary shares in ABN AMRO Group N.V. to the STAK AAG in exchange for an equal amount of depositary receipts for ordinary shares in ABN AMRO. As a result of the transfer, NLFI continues to hold a stake of 56.3% in ABN AMRO Group N.V., of which 49.9% is directly held via ordinary shares and 6.4% indirectly via depository receipts. The remaining 43.7% is held by institutional and retail investors in the form of depository receipts.

The Minister of Finance remains responsible for selling the shares held by NLFI. NLFI's objects therefore exclude disposing of and encumbering the shares, except pursuant to authorization from the Minister of Finance. One of NLFI's objects is to advise the Minister of Finance on the Dutch State's sale of the shares.

In addition, pursuant to the articles of association of NLFI, the Minister of Finance establishes the conditions for administration and custody of the shares. Any principal and material decisions of NLFI require the prior approval of the Minister of Finance. The Minister of Finance is able to provide binding voting instructions with respect to material and principal decisions.

2.4 **Share capital of ABN AMRO Group N.V.**

As at 30 May 2018, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 2.4 billion distributed over 2,200,000,000 ordinary shares and 200,000,000 class B ordinary shares.

All shares have a nominal value of EUR 1.00 each and each share entitles the shareholder to one vote per share.

As at 31 December 2017, issued and paid-up capital by ABN AMRO Group N.V. consisted of 940,000,001 ordinary shares (EUR 940 million).

3. MANAGEMENT AND GOVERNANCE

ABN AMRO Group N.V. is a public company with limited liability incorporated on 18 December 2009 under the laws of The Netherlands. The company has a two-tier board governance consisting of a Supervisory Board and an Executive Board. As noted above and in this section, the memberships of the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank are the same, as are the memberships of the Executive Boards of ABN AMRO Group N.V. and ABN AMRO Bank and the committees of these boards.

3.1 **Supervisory Board of ABN AMRO Group N.V. and ABN AMRO Bank N.V.**

Responsibilities of the Supervisory Board

ABN AMRO's supervisory board (the "**Supervisory Board**") supervises ABN AMRO's executive board (the "**Executive Board**"), as well as ABN AMRO's general course of affairs and its business. In addition, it is charged with assisting and advising management. In performing their duties, the members of the Supervisory Board are guided by the interests and continuity of ABN AMRO and its enterprise and take into account the relevant interests of ABN AMRO's stakeholders. Specific powers are vested with the Supervisory Board, including the approval of certain resolutions of the Executive Board.

In accordance with the best practice provisions of the Dutch Corporate Governance Code, Supervisory Board members at ABN AMRO are appointed for a maximum of three four-year terms. The current tenures of the members of the Supervisory Board will terminate in accordance with the retirement and reappointment schedule prepared by the Board.

Composition of the Supervisory Board

The following persons are appointed as members of the Supervisory Board (an overview of their principal activities outside of ABN AMRO is included)[6]:

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
Steven ten Have *Acting Chairman*	30 March 2010 Reappointed on 29 May 2018 for a period of 2 years. Appointed as Acting Chairman as per 5 February 2018.	*Current position:* Partner with Ten Have Change Management and full professor of Strategy & Change Management/ Director of the Msc.-programme Change Management at Vrije Universiteit Amsterdam.	*Other positions:*Member of the Education Council of The Netherlands Chairman of Stichting "Center for Evidenced Based Management" Deputy expert member of Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal)
Arjen Dorland	18 May 2016	*Last position:* Executive Vice President of Technical and Competitive IT, Royal Dutch Shell.	*Supervisory position:* Member of Supervisory Council, Stichting Naturalis Biodiversity Center Member supervisory board Essent N.V.
Frederieke Leeflang	18 May 2016	*Current position:* Special advisor at Dentons Boekel N.V.; Director F.J. Legal B.V. *Last executive position held:* Lawyer, Competition and European law at Dentons Boekel N.V.	*Supervisory positions:* Member (vice chairperson) Supervisory Council, Onderwijsstichting Zelfstandige Gymnasia (Educational Foundation of Independent Gymnasia); Member Supervisory Council, Stichting KWF Kankerbestrijding (Dutch Cancer Society); Chairman of the Audit Advisory Committee of the Dutch Court of Audit

6 Except for their principal functions in ABN AMRO or its subsidiaries, directors' other functions within ABN AMRO or its subsidiaries have not been included. Each member of the Supervisory Board is also member of the Supervisory Board of ABN AMRO Group N.V.

			(Algemene Rekenkamer). *Other positions:* Chairperson, Advisory Council, Centrum Indicatiestelling Zorg (CIZ, Care Assessment Centre); Board member, De Amsterdamsche Kring; Board member (vice chairperson), Amsterdam Diner Foundation.
Annemieke Roobeek	30 March 2010 Reappointed on 30 May 2017 for such period until the new member shall be appointed (such period, for the avoidance of doubt, in any event not being longer than 4 years)	Current position: Professor of Strategy and Transformation Management at (Nyenrode Business Universiteit) and director and owner of MeetingMoreMinds B.V., owner of Open Dialogue B.V. and co-owner of XL Labs B.V.	*Supervisory positions: Member of Supervisory Board, Abbott Healthcare Products B.V.* *Member of Supervisory Board, KLM N.V.* *Other positions:* *Chairperson, PGGM Advisory Board for Responsible Investment; Chairperson, Stichting INSID, Institute for sustainable innovation & development directed by His Royal Highness Prince Carlos* *de Bourbon de Parme; Member, "Inspirational Board" (Advisory Board), CPI Governance; Member, International Advisory Board of Howaldt & Co, Hamburg, Germany.*
Jurgen Stegmann	12 August 2016	*Current position:* Director and owner Stegmanagement B.V. *Last position:* Chief Financial Officer at Robeco Groep N.V.	*Supervisory positions: Member Supervisory Board, Stichting Woonstad Rotterdam* *Member Supervisory Board, Janssen de Jong Groep B.V.*
Tjalling Tiemstra	18 May 2016	*Current position:* Director and owner, Drs J.S.T. Tiemstra Management Services B.V. *Last position:* Chief Financial Officer of Hagemeyer N.V.	*Supervisory positions: Member Supervisory Board, DKG Holding B.V.* *Member Supervisory Board, Stichting Reinier de Graaf HAGA Groep* *Member Supervisory Board, Royal Haskoning DHV B.V.* *Other positions:* *Board member, Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis*

Westminster); Board member, Stichting Preferente Aandelen (Preference Shares) Wolters Kluwer; Board member, Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares); Member Advisory Board, Dienst Uitvoering Onderwijs (DUO) (Education Executive Agency of the Dutch Ministry of Education, Culture and Science); Member Monitoringcommissie Code Pensioenfondsen (Monitoring Committee Dutch Pension Funds Code); Member Advisory Board, Court of Justice of Rotterdam; Deputy expert member, Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal); Chairman, Governance, Risk & Compliance Committee of Nederlandse Beroepsorganisatie van Accountants (NBA) (Dutch Institute of Chartered Accountants).

On 25 May 2018 ABN AMRO has announced that the Supervisory Board proposed to appoint Tom de Swaan as chairman of the Supervisory Board (see also "*1.11 Recent Developments"* above).

Activities of the Supervisory Board

The Supervisory Board of ABN AMRO has three committees:

Audit Committee

The Audit Committee is tasked with the direct supervision of all matters relating to financial reporting and control. In doing so, it is responsible for supervising (and advising the complete Supervisory Board) in respect of, amongst other things, (i) the assessment of the principles of valuation and determination of results for the financial statements, (ii) internal control and financial reporting functions, (iii) internal and external audit, (iv) risk assessment of issues that could impact the financial reporting, (v) compliance with applicable laws and regulations, (vi) mediation between internal or external auditors and/or management, and (vii) reporting to the Supervisory Board. The committee is composed of Tjalling Tiemstra (Chair), Arjen Dorland and Jurgen Stegmann.

Remuneration, Selection & Nomination Committee

The Remuneration, Selection & Nomination Committee is responsible for supervising (and advising the complete Supervisory Board) with regard to, amongst other things, (i) remuneration policies and execution thereof for members of the Executive Board, the Supervisory Board and selected members of senior management, (ii) the selection, appointments and reappointments regarding the Supervisory Board and the Executive Board, (iii) succession plans of the Supervisory Board and the Executive Board, (iv) the knowledge, skills, experience, performance, size, composition and profile of both boards, (v) the performance of the members of both boards, and (vi) reporting on the execution of the remuneration policies through a remuneration report. The committee is composed of Arjen Dorland (Acting Chair), Steven ten Have, Frederieke Leeflang and Annemieke Roobeek.

Risk & Capital Committee

The Risk & Capital Committee is responsible for supervising (and advising the complete Supervisory Board) with respect to, amongst other things, (i) risk management and risk control (including pricing policies), (ii) compliance, (iii) the allocation of capital and liquidity, (iv) ABN AMRO's risk appetite, (v) compliance with applicable laws and regulations (including codes of conduct and internal procedures), (vi) risk awareness within ABN AMRO, (vii) sound remuneration policies and practices in light of risk, capital, liquidity and expected earnings, (viii) proposing corrective and/or disciplinary measures against members of the Executive Board in the event of breach of applicable laws and regulations, and (ix) periodic review of the Group's actual risk profile. The committee is composed of Jurgen Stegmann (Chair), Arjen Dorland, Frederieke Leeflang, Annemieke Roobeek and Tjalling Tiemstra.

3.2 Executive Board of ABN AMRO Group N.V. and ABN AMRO Bank N.V.

Responsibilities of the Executive Board

The members of the Executive Board collectively manage ABN AMRO and are responsible for its strategy, structure and performance. In carrying out their duties, the members of the Executive Board are guided by the interests and continuity of ABN AMRO and its businesses taking into due consideration the interests of all of ABN AMRO's stakeholders, such as its clients and employees, its shareholders and society at large. The Executive Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting. The Executive Board has installed a number of committees that are responsible for decision-making on certain subjects and advising the Executive Board on certain matters.

Executive Board members are appointed for a period of three years and may be reappointed for a term of three years at a time.

Composition of the Executive Board

The following persons are appointed as members of the Executive Board, together with an indication of their principal activities outside of ABN AMRO[7]:

Name	Date of Appointment	Principal activities performed outside ABN AMRO which are significant with respect to ABN AMRO
Kees van Dijkhuizen, *CEO and Chairman*	1 May 2013 Appointed as CEO as per 1 January 2017.	*Other positions:* Chairman, Government Committee on Export, Import and Investment Guarantees; Member; AFM Capital Market Committee; Board member Dutch Banking Association.
Clifford Abrahams, *Chief Financial Officer*	1 September 2017	*Supervisory positions:* No *Other positions:* No
Christian Bornfeld, *Chief Innovation & Technology Officer*	1 March 2018	*Supervisory positions:* No *Other positions:* No
Tanja Cuppen, *Chief Risk Officer*	1 October 2017	*Supervisory positions:* No *Other positions:* Member of Investment

7 Except for their principal functions in ABN AMRO Bank or its subsidiaries, directors' other functions within ABN AMRO Bank or its subsidiaries have not been included. Each member of the Executive Board is also member of the Executive Board of ABN AMRO Group N.V.

Name	Date of Appointment	Principal activities performed outside ABN AMRO which are significant with respect to ABN AMRO
		Committee, Argidius Foundation, Zug, Switzerland

3.3 **Conflict of interest and address information**

There are no actual or potential conflicts of interest between the duties to ABN AMRO Group N.V. and/or ABN AMRO Bank of the members of the Executive Board and the Supervisory Board set out above and their private interests and/or duties which are of material significance to ABN AMRO Group N.V. and/or ABN AMRO Bank and any of such members.

The business address of the members of the Executive Board and the Supervisory Board is Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

6. OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of ABN AMRO's results of operations and financial condition relates to the Consolidated Annual Financial Statements of ABN AMRO Group N.V. This should be read, subject to the cautionary statements noted in "Risk Factors", in conjunction with the Consolidated Annual Financial Statements of ABN AMRO Group N.V. and the related notes incorporated by reference in this Registration Document and other financial information included elsewhere in this Registration Document.

Results of operations are presented based on underlying results. Underlying results are non-IFRS measures and have not been audited or reviewed. Management believes these underlying results provide a better understanding of the underlying trends in financial performance. The underlying results have been derived by adjusting the reported results, which are reported in accordance with IFRS, for defined Special Items.

These non-IFRS financial measures are not measures of financial performance under IFRS and should not be considered as an alternative to any IFRS financial measure. In addition, such measures, as defined by ABN AMRO, may not be comparable to other similarly titled measures used by other companies, because the abovementioned non-IFRS financial measures are not uniformly defined and other companies may calculate them in a different manner than ABN AMRO does, limiting their usefulness as comparative measures. ABN AMRO believes that these non-IFRS measures are important in order to understand ABN AMRO's performance and capital position.

The reported results for the years ended as at 31 December 2017, 2016 and 2015 which are included in this Operating and Financial Review are derived from the audited financial statements.

The Consolidated Annual Financial Statements of ABN AMRO Group N.V. are presented in euros, which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise noted). Certain figures in this section may not add up exactly due to rounding. In addition, certain percentages in this section have been calculated using rounded figures.

6.1 **Presentation of Financial Information**

Consolidated Annual Financial Statements 2017 and 2016

The Consolidated Annual Financial Statements of ABN AMRO Group N.V. are prepared on the basis of a mixed valuation model as follows:

- Derivative financial instruments are valued at fair value through profit or loss.
- Financial assets and liabilities held for trading or designated as measured at fair value through profit or loss.
- Available-for-sale financial assets are valued at fair value through other comprehensive income.
- Investments in associates of a private equity nature are valued at fair value through profit or loss.
- Other financial assets (including loans and receivables) and liabilities are valued at amortised cost less any impairment, if applicable.
- The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk.
- Non-financial assets and liabilities are generally stated at historical cost.
- Associates and joint ventures are accounted for using the net equity method.

The Consolidated Annual Financial Statements of ABN AMRO Group N.V. are prepared on the going concern assumption. The Annual Financial Statements are presented in euros, which is the reporting currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

Changes in accounting policies 2017

During 2017 ABN AMRO adopted the following amendments to IFRS:

- IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments of IAS 7 require enhanced disclosures about changes in liabilities arising from financing activities. By disclosing the information in note 26 Due to banks, note 27 Due to customers and note 28 Issued debt and subordinated liabilities, together with the audited information in the capital and funding disclosures in the Risk, funding & capital section, ABN AMRO complies with the enhanced disclosure requirements. This information should be read in conjunction with the financing activities in the cash flow statement, which shows, for example, the proceeds and repayment of issued debt and subordinated liabilities.
- IAS 12 Income taxes: Recognition of Deferred Tax Assets for Unrealised losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This amendment did not have any impact on ABN AMRO.
- Annual Improvements to IFRS Standards 2014-2016 Cycle IFRS 12: Disclosure of Interests in Other Entities provides clarifications to the scope of the standard which became effective on 1 January 2017.
- Annual Improvements to IFRS Standards 2014-2016 Cycle IFRS 1: First-Time adoption became effective on 1 January 2018 and will have no significant impact on the Annual Financial Statements.
- Annual Improvements to IFRS Standards 2014-2016 Cycle IAS 28: Investments in Associates and Joint Ventures, became effective on 1 January 2018 and will have no significant impact on the Annual Financial Statements.

New standards, amendments and interpretations not yet effective

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

IFRS 9 Financial instruments

IFRS 9 Financial Instruments was endorsed by the EU in November 2016. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and includes new requirements for the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. ABN AMRO will apply the principles of IFRS 9 retrospectively from 1 January 2018 onwards. In line with the transitional provisions of the standard, ABN AMRO will not restate comparative figures.

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. The business model in which a financial asset is held is determined at portfolio level. Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. Financial assets can only be classified at amortised cost or FVOCI when the contractual cash flows are SPPI. Bifurcation of embedded derivatives from a financial asset is not allowed. ABN AMRO's analysis of the business models and contractual cash flows of financial assets resulted in two changes: For one portfolio of corporate loans, which was reclassified in 2015 from held for trading to loans and receivables (see note 20), a revised amortised cost measurement needs to be applied, as if these loans had always been measured at amortised cost. This results in a reduction in the carrying amounts of these loans as at 1 January 2018. Certain portfolios of corporate loans have embedded derivatives that are bifurcated under IAS 39. These are loans where the return is based on the price of underlying commodity contracts or loans with a floating rate of interest, and where the interest reset period does not match the interest reference rate. Under IFRS 9, these contracts were analysed in their entirety and failed the SPPI criterion. As such, they will be retrospectively classified at FVTPL as at 1 January 2018. ABN AMRO has chosen to measure all equity securities 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, such that the change in the fair value that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income. These changes result in a transfer from retained earnings to other comprehensive income as at 1 January 2018. There were no other significant changes in the classification and measurement of financial instruments as at 1 January 2018.

IFRS 9 replaces the 'incurred loss' model by the 'expected credit loss ("**ECL**") model', which is designed to be forward-looking. The IFRS 9 impairments requirements are applicable to financial assets measured at amortised cost or FVOCI, as well as to loan commitments and financial guarantee contracts. These assets will be divided into three groups, depending on the stage of credit risk deterioration:

- Financial assets 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 revenue is recognised, based on the gross carrying amount;
- Financial assets with significantly increased credit risk (stage 2): lifetime expected credit loss ("**LECL**") is recognized, being expected credit losses that result from all possible default events over the expected life of the financial. Interest revenue is recognised, based on the gross carrying amount;
- Credit-impaired financial assets (stage 3): these financial assets are defaulted and consequently a LECL is recognised. Interest revenue is recognised, based on the amortised cost.

ABN AMRO has chosen to apply the same default definition under IFRS 9 as it currently uses for credit risk management purposes (see Risk Management chapter). The key quantitative metric determining when a financial asset 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 characteristics of the financial asset, the financial condition of the borrower, the number of days past due, the geographical region and future developments in the economy. Due to limitations in the availability of historical data, the LPD cannot yet be determined for certain financial assets. In the case of these financial assets, ABN AMRO currently uses a proxy for LPD. The key qualitative triggers chosen by the bank to identify when to transfer a financial asset to stage 2 are forbearance on a financial obligation and the watch status of a borrower. As a backstop, 30 days past due leads to a transfer to stage 2.

ABN AMRO makes a distinction between two types of calculation methods for credit loss allowances:

- Specific LECL for credit-impaired (stage 3) significant, individual financial assets: if significant doubts arise regarding a client's ability to meet its contractual obligations and/or one of the default triggers is met. The amount of the specific impairment loss is based on the discounted value of the expected future cash flows;
- Collective 12M ECL and LECL for non-credit-impaired (stage 1 and 2) financial assets and collective LECL for credit-impaired (stage 3) insignificant, individual financial assets that have similar credit risk characteristics, that are clustered in portfolios and that are collectively assessed for impairment losses. 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. In addition, the Lifetime Probability of Default (LPD) is calculated in order to determine whether a counterparty has experienced a significant increase in credit risk compared with the date of origination. Forward-looking information is incorporated by means of three different, probability-weighted macroeconomic scenarios, alongside the stress-testing processes and methodologies.

The IFRS 9 hedge accounting criteria aim to simplify general hedge accounting requirements and to align hedge accounting more closely with risk management. All micro hedge accounting strategies, as well as macro cash flow hedge accounting, are in scope of IFRS 9. Macro fair value hedging is not in scope of IFRS 9. Based on an impact assessment, ABN AMRO has decided to continue applying IAS 39 for hedge accounting, including application of the EU carve-out. The new hedge accounting requirements will therefore not impact on ABN AMRO's financial statements as at 1 January 2018.

The revised disclosures as required by IFRS 7 'Financial Instruments: Disclosures' will be included in the 2018 financial statements.

IFRS 9 was implemented in January 2018:

- The classification and measurement requirements resulted in an estimated reduction of approximately EUR 200 million in the carrying amounts of specific financial assets;

- The impairments requirements resulted in an increase of approximately EUR 200 million in credit loss allowances. This increase is mainly based on the difference between the combined 12M ECL and LECL on stage 1 and 2 financial assets under IFRS 9 and the Incurred But Not Identified (IBNI) impairment loss recognised under IAS 39.

The combined effect, net of tax, will be deducted from equity. The CET1 ratio, after adjustment of the shortfall deduction, decreased by approximately 0.15% (fully-loaded). The total capital ratio decreased by approximately 0.17% (fully-loaded). The estimated transitional impact of IFRS 9 is significantly below the impact mentioned in the EBA impact assessment of 2016. The difference is predominantly the result of the current positive economic climate. ABN AMRO is well capitalised and will be able to absorb the transitional impact within the existing capital plan. The estimated impact is based on assumptions, accounting estimates and judgements that remain subject to change until the interim 2018 financial statements are finalised. Since the ECL model includes forward-looking elements, such as future economic conditions, impairment losses are expected to be more volatile under IFRS 9 than under IAS 39. 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 significantly increase, ABN AMRO may apply the transitional provisions, subject to prior permission from the ECB.

IFRS 15 Revenue from Contracts with Customers

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 European Union in October 2017 and is effective for annual periods beginning on or after 1 January 2018. Based on our analysis, the standard will not have an impact on the Annual Financial Statements.

IFRS 16 Leases

The new standard on leases was issued by the IASB in January 2016 and will become effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'Operational' and 'Financial' lease for lessees. The requirements for lessor accounting remain largely unchanged. ABN AMRO is currently assessing the impact of the new standard.

New standards, amendments and interpretations not yet endorsed

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

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

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

IAS 28, Long-term Interests in Associates and Joint Ventures. In October 2017 the IASB issued amendments to IAS 28 which 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 our initial analysis, the amendments should not have a significant impact.

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 Annual Financial Statements is expected to be insignificant.

Amortisation of mortgage penalty interest

During Q4 2017, ABN AMRO adjusted its accounting policy for mortgage penalty interest received from interest rate renewals before the end of the interest period. Adjustments to the carrying value of these mortgages resulting from interest rate renewals are now amortised over the remaining original interest term, whereas previously the new interest term was used. ABN AMRO is of the opinion that the change in accounting policy enhances comparability with market participants and results in a more reliable representation, given that the term now used is the one to which the mortgage penalty interest relates. Changing the amortisation term resulted in increased amortisation of EUR 11 million as at 31 December 2016 and EUR 38 million as at 31 December 2017. For materiality reasons, the comparative figures have not been adjusted, thus resulting in a release of EUR 49 million in net interest income at year-end 2017

Changes in accounting policies 2016

During 2016 ABN AMRO adopted the following amendments and interpretations:

- IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements.
- IAS 1 Presentation of Financial Statements: Disclosure Initiative.
- Annual Improvements to IFRSs 2012-2014 Cycle.
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation.
- IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.

Implementation of these amendments had no material effect on the Annual Financial Statements of ABN AMRO Group.

Offsetting treatment of notional cash pool agreements and bank saving mortgages

As a result of an IFRIC rejection notice of 6 April 2016, ABN AMRO adjusted its accounting policy for offsetting. ABN AMRO offsets balances if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

The IFRIC rejection notice provides additional offsetting guidance for cash pooling agreements. The adjusted offsetting policy is applied consistently to all assets and liabilities, if applicable. In order to meet the revised offsetting requirements, ABN AMRO adjusted the offsetting procedures for most notional cash pooling agreements throughout 2016. Historic figures have been adjusted accordingly. Some agreements were replaced with alternative arrangements. As a result, notional cash pooling balances that cannot be supported with a settlement of those balances closely after the reporting date are presented gross. At year-end 2016 this resulted in an increase of EUR 1.7 billion in the loans and receivables - customers balance and the due to customers balance (2015: EUR 15.5 billion). The majority of the EUR 13.8 billion decrease in loans and receivables - customers and due to customers over 2016 can be explained by adjusted offsetting procedures.

In addition to the offsetting changes on notional cash pooling, ABN AMRO concluded that offsetting is no longer applied to bank saving mortgages. As a result, bank saving mortgages are presented gross. Historic figures have been adjusted accordingly. This resulted in an increase in the loans and receivables - customers balance and the due to customers balance of EUR 1.8 billion at 31 December 2016 (2015: EUR 1.5 billion).

New Segmentation

ABN AMRO is currently organised into Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking and Group Functions. This segmentation was implemented by ABN AMRO during the course of 2017. The new management structure resulted in to a slightly amended segment reporting structure (see presentation chapter). Prior to those changes ABN AMRO had four reporting segments (Retail Banking, Private Banking, Corporate Banking and Group Functions) with the Corporate Banking segment divided into three business lines (Commercial Clients, International Clients and Capital Markets Solutions). Under the new structure ABN AMRO has five reporting segments: Retail Banking, Commercial Banking (former Commercial Clients), Private Banking, Corporate & Institutional Banking (a combination of the former International Clients and Capital Market Solutions) and Group Functions.

The financial results in the Section 4.4 "*Results of operations for the years ended 31 December 2017 and 2016*" are presented in accordance with this new structure. The financial results in Section 4.5 "*Results of the operations for the years ended 31 December 2016 and 2015*" are presented according to the organisational structure that was in place during these years, which differs from the current structure.

6.2. Key factors affecting results of operations

Drivers of Profitability

The profitability of ABN AMRO Group is mainly affected by the following key income and expense drivers as well as loan impairments, as specified below.

Key drivers of operating income

The Group's operating income mainly results from interest-based business and fee and commission-based business.

Interest-based business

Interest-based revenue is the largest contributor to ABN AMRO's operating income generating 69% of total operating income in 2017 and 76% of total operating income in 2016. The Group earns interest (Interest income) on assets such as residential mortgages, consumer loans, commercial loans and other assets. The Group pays interest (Interest expense) on its liabilities to depositors and other creditors. Net interest income is the difference between interest income and interest expenses. In 2017, Retail Banking generated 53% of ABN AMRO's net interest income, Commercial Banking 22%, Private Banking 10%, and Corporate & Institutional Banking 15%. In 2016, Retail Banking generated 53% of ABN AMRO's net interest income, Commercial Banking 21%, Private Banking 10%, and Corporate & Institutional Banking 15%.

The Group's net interest income is driven by the combination of the proceeds of lending and the cost of funding (through deposits and wholesale funding). The asset side of the balance sheet is generally less sensitive to changes in interest rates compared to the liability side of the balance sheet. This is due to the fact that a significant proportion of the assets have a longer term fixed interest and maturity whereas liabilities typically have a shorter term or no maturity and variable interest rates, and thus re-price quickly in reaction to a change in market interest rates. Interest increases will therefore initially have a negative effect on net interest income. The net interest income can be analysed by two components: the net interest income generated through business activities and the ALM mismatch result.

Net interest income from business activities comprises the business margin as well as capital[8] and indirect liquidity[9] costs. The business margin is defined as the margin the business makes on granting loans to or taking in deposits from clients as well as interest related fees, for example commitment fees charged on current accounts. The business margin should cover the required return on allocated equity and all remaining operational and risk costs borne by the business. To be able to determine the business margin, the related cost of funding is needed. ALM charges (in case of an asset) or compensates (in case of a liability) the cost of funds to the business, which is done through the funds transfer pricing (FTP) methodology. The Group's policy is that interest rate risk and liquidity risk related to the interest-based business is managed centrally by ALM within Group Functions and that the business is responsible for the business margin. To enable ALM to manage these risks, the risks are transferred from the business to

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8 Capital costs are costs incurred by ALM for maintaining capital buffers on top of equity. These costs are not part of the FTP and are charged lump sum by ALM to the business.

9 Indirect liquidity costs are costs incurred by ALM for maintaining a liquidity buffer. These costs are not part of the FTP and are charged lump sum by ALM to the business.

ALM by application of the FTP methodology. This means that these risks taken by the businesses need to be transferred to ALM in order to have a full overview of ABN AMRO's position. The FTP is comprised of an interest base rate (e.g. EURIBOR/LIBOR), based on the interest maturity of the transaction and a liquidity spread, based on the contractual or behavioural maturity of the transaction. Business segments either pay the FTP rate, for loans and other receivables, or receive the FTP rate, for deposits, to ALM. The mismatch in maturities between assets and liabilities is managed centrally by ALM and the resultant interest mismatch position is defined as the interest results recorded in ALM. Generally the steering of the interest mismatch position is done via hedging transactions, with the aim to reduce the sensitivity of the net interest income to future interest rates moves. From time-to-time, ABN AMRO could anticipate future interest rate moves and may try to enhance its interest income by taking certain positions in the swap market, for example.

Fee and commission-based business

The secondary contributor to ABN AMRO's operating income is its fee and commission-based business generating 19% of total Group operating income in 2017 and 22% of total ABN AMRO’s operating income in 2016. Fee and commission income can arise as compensation for services provided by ABN AMRO to its clients. This income can arise from transaction services, asset management services, payment services or other services. The profitability of fee and commission-based businesses depends on fees and commissions charged to the client for providing these services and the related fee and commission expenses incurred by ABN AMRO. In 2017, Commercial Banking generated 12% of ABN AMRO's net fee and commission income, Corporate & Institutional Banking 31%, Private Banking 33%, Retail Banking 23% and Group Functions 2%. In 2016, Commercial Banking generated 11% of ABN AMRO's net fee and commission income, Corporate & Institutional Banking 30%, Private Banking 32%, Retail Banking 26% and Group Functions 1%.

Within ABN AMRO the main fee contributors are:

1. *Transaction fees on securities*

Transaction fees on securities are fees charged to clients for executing buying or selling securities by order of clients. The majority of these transaction fees on securities arises from ABN AMRO's Clearing activities and Private Banking.

2. *Payment services fees*

Payment services fees are generated from providing payment products and services to clients. These concern products and services facilitating efficient payment transactions, such as debit and credit cards, acceptance of cash and non-cash payments (e.g. cheque), granting of bank guarantees, and the offering of bank accounts. This type of fees arises mainly from Retail Banking and Corporate & Institutional Banking.

3. *Asset Management fees*

Asset Management fees arise mainly from discretionary portfolio management, where the client hands over all assets to be managed by ABN AMRO, and investment advisory, where ABN AMRO advises the client on how to manage his or her assets. The main contributor to asset management fees come from Private Banking:

- Discretionary portfolio management fees are generated from an all-in fee. An all-in fee means that no additional charges are levied on top of the fee paid for the investment services. The fee is a fixed percentage over the asset value. The percentage is based on the total asset value of the client and the risk profile of the client.

- Investment advisory fees arise from either an all-in fee or an advice fee. The main difference between all-in fee and advice fee is that transaction costs are included in the all-in fee and are charged separately as a transaction fee in the latter.

4. *Guarantees and commitment fees*

A guarantee given by ABN AMRO is mainly paid for by a one-off percentage of the guaranteed limit. A commitment fee is the pricing of the unutilized portion of a credit facility. These type of fees arise predominantly in Corporate & Institutional Banking.

Fees and commissions are impacted by economic developments in general (i.e., fewer payments and less guarantees fees as a result of lower economic activity) and the performance of securities markets in particular (lower number and volume of transactions resulting in less transaction and asset management fees). Transaction fees also benefit from volatility, even if markets go down.

Key drivers of operating expenses

Personnel expenses

Banking is a human capital intensive business, as it is, for an important part, a relationship driven business with increasing compliance and risk management requirements. Therefore, Personnel expenses contribute significantly to ABN AMRO's expenses and amounted to 46% of the Group's operating expenses in 2017 and 49% of the Group's operating expenses in 2016. This means that ABN AMRO is dependent on conditions and trends in local labour markets, primarily the Dutch market. Personnel expenses comprise of all expenses related to personnel on the payroll of ABN AMRO and consists of fixed salary, employer social security charges, employee benefits (e.g. pension premiums, jubilee benefits) and variable remuneration. Expenses related to personnel not on ABN AMRO's payroll, such as external consultants and temporary staff, are included in general and administrative expenses.

The majority of the Group's personnel expenses consist of salaries and wages in addition to pension expenses.

General and administrative expenses

Financial services companies typically have relatively large fixed operating costs related to automated product and transaction systems, that bear little to no direct relationship with the business volume. This means that an increase in the business volume may not be fully translated into expense growth, and vice versa. Expense savings mainly comes from the periodic improvement of the efficiency of administrative processes and systems.

The majority of General and administrative expenses relate to information technology followed by agency staff, contractors and consultancy costs. General and administrative expenses amounted to 49% of the ABN AMRO's operating expenses in 2017 and 47% of the ABN AMRO's operating expenses in 2016.

Regulatory charges have increased significantly in the period under review and are expected to increase further. Regulatory charges are all expenses directly charged by regulatory or supervisory institutions to ABN AMRO (see also "*Key Factors Affecting Financial Condition and Results of Operations"* and "*Regulatory Developments*" below). Regulatory charges mainly comprise of:

Bank tax

Following the 2008 financial crisis, several countries introduced additional charges to the financial services industry. These charges are commonly known as bank taxes. Bank taxes are paid to local tax authorities. The amount of Dutch bank tax to be paid is based upon the preceding December adjusted IFRS consolidated balance sheet total of ABN AMRO. In addition to the Dutch Bank tax, ABN AMRO is liable to bank taxes in several other jurisdictions.

As from 2015 and beyond, the following additional regulatory charges are charged to ABN AMRO:

Deposit Guarantee Scheme

As of 1 July 2015, banks gathering guaranteed deposits under a Dutch banking license are required by law to fund the Dutch Deposit Guarantee Scheme. The contributions are based on the level of deposits guaranteed and the risk profile of ABN AMRO, as determined by the regulator. The contribution of ABN AMRO to the Dutch Deposit Guarantee Schema have to be paid quarterly. ABN AMRO is also subject to several deposit guarantee schemes outside the Netherlands. For countries other than the Netherlands, the contributions and terms and conditions can differ from the Dutch Deposit Guarantee Scheme.

National Resolution Fund and Single Resolution Fund

ABN AMRO has made contributions to the National Resolution Funds in 2015, 2016 and 2017 and has made contributions to the Single Resolution Fund as of 1 January 2016. For further information, please see "*Risk Factors - Proposals for resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*." and "*Issuer – 1. ABN AMRO BANK N.V. – 1.8 Regulation*". Major changes in laws and regulations and in their interpretation could materially and adversely affect the Group's business, business model, financial condition, results of operations and prospects.

The terms and conditions for the contributions to the Funds as mentioned above can vary in different countries or regions.

European Central Bank

As of 4 November 2014 the European Central Bank assumed supervisory oversight of ABN AMRO in a joint supervisory team with the Dutch Central Bank. Since 2015 onwards, ABN AMRO has been required to pay a yearly contribution for this supervision. In addition to the abovementioned regulatory charges, ABN AMRO has seen an increase of costs related to implementation and compliance with new regulations.

Sale of Private Banking Asia

In the second quarter of 2017 ABN AMRO concluded the sale of the Private Banking business in Asia (the Private Banking Asia divestment). The total gross sale proceeds amounted to EUR 263 million (tax-exempt), recorded as other operating income. Costs related to the sale were EUR 21 million in personnel expenses and EUR 35 million in other expenses (both tax-exempt).

Other Key drivers of impairment charges on loans and other receivables

The ABN AMRO's results of operations are also affected by the level of impairment charges on loans and other receivables. These impairment charges result from changes in the quality of assets. The quality of assets are impacted by the economic developments in general and the housing market in particular, as the mortgage portfolio counts for more than 56% of ABN AMRO's loan book (as defined by total loans and receivables - customers) for the year ended 31 December 2017. Impairment charges on loans and other receivables are closely related to the interest-based business, as it is based on credit risk and compensation for credit risk is charged to the client as part of the business margin on interest-earning assets.

Key Factors Affecting Financial Condition and Results of Operations

The Group's business and performance, including its results of operations, are affected by Dutch, European and global economic and market conditions and future economic prospects, particularly in the Netherlands in which ABN AMRO's operating income is predominantly generated (78% for the year ended 31 December 2017 based on underlying results).

The Group's operations are also affected by the developments in the Dutch housing and mortgage market with 39% of total assets of ABN AMRO for the year ended 31 December 2017 consisting of residential mortgages. Finally, regulatory developments in Europe and the Netherlands have also had an impact on ABN AMRO's financial results and are expected to continue to affect the results of ABN AMRO in the near future.

Economic developments

The Dutch economy gained strength, and the growth revival was broadly based. Cuts in government spending are no longer constraining domestic spending. Business owners in virtually all sectors gained confidence. They saw new opportunities for doing business in the Netherlands and abroad and, as a result of higher profits and relatively low financing charges, had the resources to invest. The increase in investments was good for employment. Favourable conditions in the job market strengthened consumer confidence, which was also boosted by the recovery of the housing market and the government's intended reduction of tax and social insurance contributions. The renewed confidence was reflected in higher consumption levels.

In addition to domestic spending, foreign demand also drove the economic recovery. The global economy picked up, with both emerging and developed economies gaining strength. This revival boosted global trade. The Netherlands, internationally a relatively competitive economy, benefited more than most other countries. Its main trade partners experienced accelerated growth. As in the Netherlands, political uncertainty caused by elections did not hamper growth in Germany or France, and Belgium's economy also improved. Only the United Kingdom was out of step, with the British economy slowing down partly as a result of continued uncertainty surrounding Brexit. Given the close ties between the British and Dutch economies, companies in the Netherlands are likely to be affected more severely by a hard Brexit than those in most other European Union member states.

Although economic growth picked up, inflation remained very low due to fiercer international competition, technological innovation and changes in the labour market. In addition, production capacity was not fully utilised. As the Dutch economy was in line with other eurozone economics, the ECB continued with its expansionist monetary policy. While the Fed raised its official interest rates a few times, the ECB continued to buy debt securities and announced that it would extend its purchase programme to 2018, albeit at a lower monthly amount.

In this way, the ECB pushed down long-term interest rates, attempted to stimulate lending and hoped to encourage investors to make higher-risk investments that generate higher growth. The ECB's policy persuaded asset managers to venture further out across the credit risk spectrum and into longer maturities. It also helped to create a favourable environment for banks looking for wholesale funding and prompted banks to lower interest rates on deposits.

The combination of low mortgage interest rates and the favourable job market outlook made home buyers optimistic. Investors also gained interest in the housing market. At nearly 242,000 transactions, the number of house purchases in the Netherlands was at a record high in 2017. As a result, however, fewer homes were up for sale, particularly in the country's larger cities. The number of new-build homes delivered could not keep pace with growing demand. Given the limited number of building permits, the supply of new homes will lag demand for the time being. Against this background, house prices kept rising. Prices were nearly at levels seen before the financial crisis. As a result, the number of homeowners in negative equity declined rapidly.

The housing market recovery was accompanied by a further increase in mortgage production. Growth of the portfolio of outstanding mortgages remained modest, though, as many homeowners paid off their mortgages due to low interest rates on savings accounts and tax exemptions on gifts to home owners and home buyers. ABN AMRO was able to increase lending to Dutch businesses even though the overall market shrank. National lending had been decreasing since 2013, partly because larger companies received direct access to investors and favoured issuing bonds to taking out bank loans. In addition, many business owners preferred to rely on their own sources of funding. However, with businesses stepping up their investments, their own resources were no longer sufficient and they started turning to banks again. As a result, lending to businesses declined less sharply than it had in the past.

Regulatory developments

For further information on ABN AMRO's regulatory environment and a number of specific regulatory initiatives and frameworks that can have a significant impact on ABN AMRO's business, financial condition and results of operations, please see "*Issuer – 1. ABN AMRO BANK N.V. – 1.8 Regulation*".

6.3 Explanation of key income statement items

Operating income

Operating income includes net interest income, net fee and commission income and other operating income.

Net interest income

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method except for those financial instruments held for trading. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities. The effective interest rate method requires the Group to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as expected lives of the assets and liabilities. Due to the large number of products, there are no individual estimates that are material to ABN AMRO's results or financial position. Interest income and expenses of trading balances are included in net trading income. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

Net fee and commission income

ABN AMRO applies IAS 18 Revenue. Fees and commissions are recognised as the services are provided. The following fee types are identified:

- Service fees are recognised on a straight line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts;
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction. Commission revenue is recognised when the performance obligation is complete. Loan syndication fees are recognised as revenue when the syndication has been completed.

Fees and commissions dependent on the outcome of a particular event or contingent upon performance are recognised when the following criteria have been met:

- The fees are realised, and earned;
- The earnings process is completed by performing according to the terms of the arrangements, not simply by originating a revenue-generating arrangement;
- If services are rendered or rights to use assets extend continuously over time (for example, interest or rent), and when reliable measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

Other operating income

Other operating income comprises net trading income, results from financial transactions, share of result in equity accounted investments and other income. Withholding taxes are included in trading income.

Net trading income

In accordance with IAS 39, trading positions are held at fair value and net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities which are trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in own credit spreads where these impact the value of our trading liabilities. The funding value adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives.

Share of result in equity accounted investments

Share of result in equity accounted investments comprises ABN AMRO's share of the profit or loss of equity accounted investments.

Other income

Other income includes all other banking activities such as leasing activities and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IAS 39 for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in own credit spreads. Dividend income from non-trading equity investments is recognised when entitlement is established.

Operating expenses

Operating expenses include personnel expenses, general and administrative expenses and depreciation and amortization of tangible and intangible assets.

Personnel expenses

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate.

Other expenses

Other expenses comprises general and administrative expenses and depreciation and amortisation of tangible and intangible assets. General and administrative expenses includes, among other items, agency staff, contractors, consultancy, staff related, IT, housing, post, telephone, transportation and marketing costs. Regulatory charges, including Dutch bank tax is also included in general and administrative expenses. Depreciation and amortization of tangible and intangible assets includes depreciation on tangible assets, amortisation on intangible assets and impairment losses on tangible and intangible assets.

Operating result

Result from operating activities, defined as the net result of operating income and operating expenses.

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables consist of impairment losses on loans and other receivables. These impairment losses are defined as the difference between the carrying amount of a loan classified as impaired and the present value of estimated future cash flows on the loan. Impairment losses on property and equipment, goodwill and other intangible assets, are not included under impairment charges on loans and other receivables but recognised in the income statement as depreciation and amortisation expense. For more information regarding impairment charges, please see "*Annual Report 2016 – Risk, funding & capital – Risk & capital management – Credit risk management*".

Operating profit/(loss) before taxation

The profit or loss before tax is defined as the operating result less impairment charges on loans and other receivables.

Income tax expense

ABN AMRO is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise.

Profit/(loss) for the period

Profit or loss for the period is defined as the profit or loss before tax less income tax expenses or credit.

6.4 **Results of operations for the years ended 31 December 2017 and 2016**

Unless otherwise stated, results of operations are presented based on underlying results, which are derived by adjusting the results reported in accordance with IFRS for defined Special Items, discussed below. Management believes these non-IFRS underlying results provide a better understanding of the underlying trends in financial performance as compared to results that have been prepared in accordance with IFRS.

The tables below shows a reconciliation of ABN AMRO's reported and underlying results of operations for the years ended 31 December 2017 and 31 December 2016. Underlying results are non-IFRS measures and have not been audited. In the first quarter of 2017, the former business line Corporate Banking was split into two new business lines: Commercial Banking andCorporate & Institutional Banking.

Reconciliation of Reported to Underlying Results

	Year ended 31 December					
	2017			**2016**		
	Reported	**Special items**	**Underlying**	**Reported**	**Special items**	**Underlying**
	(in millions of euros)					
Net interest income	6,456		6,456	6,267	-10	6,277
Net fee and commission income	1,747		1,747	1,810		1,810
Other operating income	1,086		1,086	150	-351	501
Operating income	*9,290*		*9,290*	*8,227*	*-361*	*8,588*
Personnel expenses	2,590		2,590	2,777		2,777
Other expenses	2,991		2,991	2,880		2,880
Operating expenses	5,582		5,582	5,657		5,657
Operating result	***3,708***		***3,708***	***2,570***	***-361***	***2,931***
Impairment charges on loans and other receivables	-63		-63	114		114
Operating profit/(loss) before taxation	***3,771***		3,771	***2,456***	***-361***	***2,817***
Income tax expense	979		979	650	-90	740
Profit/(loss) for the period	**2,791**		**2,791**	**1,806**	**-271**	**2,076**

Impact of Special Items

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Operating income		
SME derivatives		-361
Total impact on Operating income		*-361*
Operating expenses		
Total impact on Operating expenses		
Total impact on Loan impairments		
Loan impairments		
Total impact on income tax expense		**-90**
Total impact on result for the period		**-271**

Selected consolidated Financial Information

The table below summarizes the Group's results of operations on an underlying basis for the years ended 31 December 2017 and 31 December 2016.

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	6,456	6,277
Net fee and commission income	1,747	1,810
Other operating income	1,086	501
Operating income	*9,290*	*8,588*
Personnel expenses	2,590	2,777
Other expenses	2,991	2,880
Operating expenses	5,582	5,657
Operating result	***3,708***	***2,931***

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Impairment charges on loans and other receivables	-63	114
Operating profit/(loss) before taxation	***3,771***	***2,817***
Income tax expense	979	740
Underlying profit/(loss) for the period	**2,791**	**2,076**
Special items		**-271**
Reported profit/(loss) for the period	***2,791***	***1,806***
Attributable to:		
Owners of the parent company	2,721	1,762
Holders of AT1 capital securities	53	43
Other non-controlling interests	18	1

	Year ended 31 December	
	2017	2016
Net interest margin (NIM) (in bps) (1)	157	152
Underlying cost/income ratio	60.1%	65.9%
Underlying cost of risk (in bps) (1)(2)	-2	4
Underlying return on average Equity(3)	14.5%	11.8%
Underlying earnings per share (in EUR)(4)	2.89	2.16
Dividend per share5)	1.45	0.84

	Year ended 31 December	
	2017	2016
Client Assets6) (in billions)	316	323
FTEs	19,954	21,664

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".
(2) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
(3) Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.
(4) Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.
(5) Dividend per share and payout ratio subject to approval of the annual general meeting in May 2018.
(6) Client Assets consist of assets including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Clients Assets also include cash and securities of clients held on accounts with ABN AMRO.

Underlying profit/(loss) for the period

ABN AMRO's underlying profit for 2017 increased by EUR 715 million to EUR 2,791 million (2016: EUR 2,076 million). The increase was driven by a combination of higher operating income (partly due to a gain on the Private Banking Asia divestment), a lower cost base and impairment releases (strong economic developments and model updates).

Reported profit/(loss) for the period

Reported profit for 2017 increased by EUR 985 million to EUR 2,791 million (2016: EUR 1,806 million). Besides movements in underlying profit, the increase was driven by a provision for SME derivatives-related issues of EUR 271 million in 2016 which was recorded as a special item.

The underlying return on equity (ROE) improved to 14.5% (2016: 11.8%).

Operating income

Operating income increased by EUR 702 million to EUR 9,290 million (2016: EUR 8,588 million). The increase was mainly caused by an increase in Net interest income.

Net interest income

Net interest income increased by 179 million to EUR 6,456 million (2016: EUR 6,277 million). Excluding the Private Banking Asia divestment, net interest income grew by EUR 213 million. 2017 results were impacted by positive incidentals[10]. Excluding these, positive volume developments in mortgages, improving margins on deposits (consumer and corporate) and growth of the loan book were offset by lower net interest income at Corporate & Institutional Banking and increased buffer and steering costs at Group Functions. The net interest margin (NIM), partly supported by favourable incidentals, increased to 157bps in 2017 (2016: 152bps).

Net fee and commission income

Net fee and commission income decreased by EUR 63 million to EUR 1,747 million (2016: EUR 1,810 million). Excluding the Private Banking Asia divestment, net fee and commission income decreased by EUR 13 million. Higher fee and commission income at Private Banking was offset by lower fee and commission income at Retail Banking due to rate reductions and declining clearing fees due to lower volatility in the market. 2017 included a reclassification of Stater (mortgage service provider) related income from other operating income to net fee and commission income of EUR 73 million (2016 figures restated as well).

Other operating income

Other operating income increased to EUR 1,086 million (2016: EUR 501 million). Excluding the Private Banking Asia divestment, other operating income grew by EUR 338 million. This was largely driven by improved CVA/DVA/FVA[11] results (EUR 75 million versus EUR 2 million negative in 2016), better equity participations results (EUR 114 million versus EUR 13 million in 2016) and improved hedge accounting-related results (EUR 181 million versus EUR 39 million negative in 2016). 2017 results included the proceeds of the sale of the remaining equity stake in Visa Inc. of EUR 114 million (2016 included a EUR 116 million gain on the sale of Visa Europe shares). 2016 results included the Equens revaluation gain of EUR 52 million and the proceeds of a provision release of EUR 21 million related to the sale of Private Banking Switzerland (2011).

Personnel expenses

Personnel expenses decreased by EUR 187 million to EUR 2,590 million (2016: EUR 2,777 million). Excluding the Private Banking Asia divestment, personnel expenses decreased by EUR 162 million. The decrease was supported by lower restructuring provisions. 2016 included EUR 321 million in restructuring provisions related to the reorganisation of control and support activities and further digitalisation and process optimisation. 2017 included EUR 156 million in restructuring provisions. Adjusted for the provisions, higher pension costs and additional expenses due to wage inflation were partly offset by cost savings due to lower FTE levels resulting from the existing restructuring programmes.

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[10] **For a full list of incidentals, please refer to financial factsheet (tab 5.5b) as posted on our investor relations website.*

[11] *CVA = credit value adjustment refers to an adjustment made on the valuation of an OTC derivative transaction in order to properly reflect the credit risk of the derivative counter party.*

DVA = debt value adjustment related to how a company handles changes in fixed income securities it has issued, if the debt decreases in price on the market this can be interpreted as a decrease in liabilities and can be therefore be reported as a profit

FVA = funding value adjustment the funding cost/benefits resulting from borrowing or lending the shortfall/excess of cash arising from day-to-day derivatives business operations.

Other expenses

Other expenses increased by EUR 111 million to EUR 2,991 million in 2017 (2016: EUR 2,880 million). Higher costs in 2017 included EUR 139 million for project costs regarding SME derivatives-related issues (2016: EUR 55 million provision and EUR 34 million for project costs), costs associated with the PB Asia divestment (EUR 35 million), a goodwill impairment at Private Banking of EUR 36 million and additional handling costs associated with the ICS and Euribor provision. 2017 also included higher regulatory levies (2017: EUR 300 million versus 2016: EUR 253 million). Excluding these factors other expenses declined due to the various cost control programmes. This was also reflected in the decrease in external FTEs (decrease of 330 compared with 2016).

Operating result

Operating result increased by EUR 777 million to EUR 3,708 million in 2017 (2016: EUR 2,931 million). The increase is caused mainly by an increase in Net interest income and a decrease of Personnel expenses.

Impairment charges on loans and other receivables

Impairment charges decreased to a EUR 63 million release in 2017 (2016: EUR 114 million charge). The strong economic development resulted in net releases in the mortgage portfolio and consumer loans. Impairments were also positively impacted by EUR 58 million in IBNI releases (2016: EUR 189 million release) and favourable model updates.

Income tax expenses

Income tax expenses amounted to EUR 979 million in 2017 (2016: 740 million) and included a decrease of deferred tax assets of EUR 24 million following the tax reform in the USA.

Selected Consolidated Balance Sheet Movements

	As at 31 December	
	2017	**2016**
	(in millions of euros)	
Assets:		
Cash and balances at central banks	29,783	21,861
Financial assets held for trading	1,600	1,607
Derivatives	9,825	14,384
Financial investments	40,964	45,497
Securities financing[(1)]	16,645	17,589
Loans and receivables – banks	10,665	13,485
Loans and receivables – customers	274,906	267,679
Other	8,783	12,380
Total assets	**393,171**	**394,482**
Liabilities:		
Financial liabilities held for trading	1,082	791
Derivatives	8,367	14,526
Securities financing[(1)]	12,875	11,625
Due to banks	16,462	13,419
Due to customers	236,699	228,758
Issued debt	76,612	81,278
Subordinated liabilities	9,720	11,171
Other	10,025	13,976
Total liabilities	*371,841*	*375,544*
Equity:		
Equity attributable to owners of the parent company	19,303	17,928
AT1 capital securities	2,007	1,004
Equity attributable to non-controlling interests	20	5
Total equity	*21,330*	*18,937*
Total liabilities and equity	**393,171**	**394,482**
Committed credit facilities[(2)]	32,772	25,288
Guarantees and other commitments	16,165	15,873

(1) Securities financing consists of securities borrowing and lending and sale and repurchase transactions.

(2) 2016 figures have been adjusted as a result of process optimisation regarding credit offers, which resulted in a downward adjustment.

Total assets

Total assets decreased by EUR 1.3 billion to EUR 393.2 billion at 31 December 2017 (31 December 2016: EUR 394.5 billion). Growing loans and receivables (customers) and cash balances were partly offset by lower derivatives and financial investments.

Cash and balances at central banks

Cash and balances at central banks increased by EUR 7.9 million to EUR 29.8 billion at 31 December 2017 (31 December 2016: EUR 21.9 billion). The increase was mainly due to a shift from financial investments to cash.

Financial assets held for trading

Financial assets held for trading remained flat at EUR 1.6 billion at 31 December 2017 (31 December 2016: EUR 1.6 billion).

Derivative assets

Derivatives declined by EUR 4.6 billion to EUR 9.8 billion at 31 December 2017 (31 December 2016: EUR 14.4 billion) as a result of mid- to long-term interest and FX rates movements impacting the valuation of derivatives. This impact is also observed in derivative liabilities.

Financial investments

Financial investments decreased by EUR 4.5 billion to EUR 41.0 billion at 31 December 2017 (31 December 2016: EUR 45.5 billion). This was driven by a lack of sufficiently effective yielding investment opportunities.

Securities financing

Securities financing decreased by EUR 1.0 billion to EUR 16.6 billion at 31 December 2017 (31 December 2016: EUR 17.6 billion).

Loans and receivables – banks

Loans and receivables – banks decreased by EUR 2.8 billion to EUR 10.7 billion at 31 December 2017 (31 December 2016: EUR 13.5 billion).

Loans and receivables – customers

Loans and receivables – customers increased by EUR 7.2 billion to EUR 274.9 billion at 31 December 2017 (31 December 2016: EUR 267.7 billion). Residential mortgages increased by EUR 1.3 billion as Retail Banking benefited from a combined market share on new mortgage production of 21%[12]and higher overall market volumes. Consumer loans were stable year-on-year. Corporate loans to clients increased by EUR 1.1 billion. Growth within Commercial Banking was widely driven, predominantly in asset-based finance and real estate. Corporate & Institutional Banking mainly showed growth within financial institutions, large corporates and natural resources. Growth within Corporate & Institutional Banking was impacted by further USD depreciation (approximately EUR 3.5 billion negative impact) and an increase in commodity prices (approximately EUR 1.3 billion positive impact).

Other assets

Other assets decreased by EUR 3.6 billion to EUR 8.8 billion at 31 December 2017 (31 December 2016: EUR 12.4 billion). 2016 included the held for sale reclassification related to the Private Banking Asia divestment of EUR 3.4 billion.

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[12] *Source: Calculated based on information provided by the Dutch Land Registry (Kadaster), 2017*

Loans and receivables – customers

	As at 31 December	
	2017	**2016**
	(in millions of euros)	
Residential mortgages	150,562	149,255
Consumer loans	12,426	12,539
Corporate loans to clients [1]	85,455	84,362
Of which: Commercial Banking	*39,150*	*37,891*
Of which: Corporate & Institutional Banking	*38,814*	*38,311*
Total client loans[2]	*248,443*	*246,155*
Loans to professional counterparties	16,258	12,948
Other loans[3]	8,966	7,448
Total loans and receivables[2]	*273,666*	*266,551*
Fair value adjustments from hedge accounting	3,700	4,794
Less: loan impairment allowance	2,460	3,666
Total loans and receivables – customers	**274,906**	**267,679**

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

Total liabilities

Total liabilities decreased by EUR 3.7 billion to EUR 371.8 billion at 31 December 2017 (31 December 2016: EUR 375.5 billion). An increase in due to customers and due to banks was more than offset by lower derivatives, issued debt securities and other liabilities.

Financial liabilities held for trading

Financial liabilities held for trading increased by EUR 0.3 billion to EUR 1.1 billion at 31 December 2017 (31 December 2016: EUR 0.8 billion).

Derivative liabilities

Derivatives declined by EUR 6.2 billion to EUR 8.3 billion at 31 December 2017 (31 December 2016: EUR 14.5 billion) on the back of mid- to long-term interest and FX rates movements impacting the valuation of derivatives.

Securities financing

Securities financing increased by EUR 1.3 billion to EUR 12.9 billion at 31 December 2017 (31 December 2016: EUR 11.6 billion).

Due to banks

Due to banks increased by EUR 3.1 billion to EUR 16.5 billion at 31 December 2017 (31 December 2016: EUR 13.4 billion). Matured debt is partially replaced by TLTRO (see issued debt securities).

Due to customers

Due to customers increased by EUR 7.9 billion to EUR 236.7 billion ar 31 December 2017 (31 December 2016: EUR 228.8 billion). The increase was supported by all business lines but was mostly driven by Private Banking and Corporate & Institutional Banking.

Due to customers

	As at 31 December	
	2017	**2016**
	(in millions of euros)	
Retail Banking	102,785	102,750
Commercial Banking	35,724	34,939

	As at 31 December	
	2017	2016
	(in millions of euros)	
Private Banking	65,031	61,825
Corporate & Institutional Banking	30,273	27,436
Group Functions	2,886	1,808
Total Due to customers	**236,699**	**228,758**

Issued debt

Issued debt securities decreased by EUR 4.7 billion to EUR 76.6 billion at 31 December 2017 (31 December 2016: EUR 81.3 billion). Matured debt was partially replaced by TLTRO (see due to banks).

Subordinated liabilities

Subordinated liabilities decreased by EUR 1.5 billion to EUR 9.7 billion at 31 December 2017 (31 December 2016: EUR 11.2 billion). This was partially offset by the issuance of AT1 (reported under equity).

Total equity

Total equity increased by EUR 2.4 billion to EUR 21.3 billion at 31 December 2017 (31 December 2016: EUR 18.9 billion) mainly due to the inclusion of reported profit, partly offset by dividend payments, and the issuance of AT1 capital instruments.

Results of Operations by Segment for the Years Ended 31 December 2017 and 2016

The sections below summarises ABN AMRO's results of operations by segment for the years ended 31 December 2017 and 31 December 2016.

Retail Banking

Retail Banking provides a full range of transparent banking products and high-quality services to individuals (investable assets up to EUR 500,000) and small businesses (turnover less than EUR 1 million). Retail Banking offers its products and services under the ABN AMRO brand, and specific products and services under different labels. Retail Banking clients have access to a seamless omni-channel distribution network providing extensive digital and physical coverage, a top-class digital offering, an extensive network of 202 branches and our 24/7 Advice & Service Centres.

The table below summarises the Retail Banking segment's results for the years ended 31 December 2017 and 31 December 2016.

Retail Banking: Selected Financial Information

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Net interest income	3,439	3,355
Net fee and commission income	406	463
Other operating income	150	140
Operating income	*3,995*	*3,959*
Personnel expenses	486	470
Other expenses	1,657	1,741
Operating expenses	2,143	2,211
Operating result	***1,853***	***1,747***
Impairment charges on loans and other receivables	-100	79
Operating profit/(loss) before taxation	***1,953***	***1,669***
Income tax expense	496	422
Underlying profit/(loss) for the period	**1,456**	**1,247**

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Special items		
Reported profit/(loss) for the period	**1,456**	**1,247**

	Year ended 31 December	
	2017	2016
Underlying cost/income ratio	53.6%	55.9%
Underlying cost of risk[(1)] (in bps)	-6	5

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

	Year ended 31 December	
	2017	2016
Loan-to-Deposit ratio	153%	152%
Loans and receivables – customers (in billions)	157.2	156.3
Of which Client loans (in billions)	157.6	156.9
Due to customers (in billions)	102.8	102.7
Risk-weighted assets (risk exposure amount; in billions)	28.7	31.8
FTEs	5,192	5,266
Total Client Assets	115.1	117.9
Of which Cash	102.8	102.8
Of which Securities	12.3	15.1

Underlying profit/(loss) for the period

Retail Banking's underlying profit increased by 17%. The increase was driven by net impairment releases and to a lesser extent higher net interest income and lower expenses.

Net interest income

Net interest income at EUR 3,439 million (2016: EUR 3,355 million) grew by 3%. Interest income on mortgages benefited from higher volumes. Margin pressure on new mortgage production due to increased competition was offset by higher margins on the re-pricing portion of the mortgage book. Lending income declined on the back of lower volumes and margins. Income from savings and deposits benefited from higher margins following the reduction of the rate paid on main retail deposits. 2017 income was negatively impacted by a EUR 42 million provision for the Euribor claim and a EUR 8 million provision for ICS (2016: EUR 47 million).

Net fee and commission income

Net fee and commission income decreased by 12% to EUR 406 million in 2017 (2016: EUR 463 million). This decrease was partly due to lower fees being charged for payment packages to small businesses (as from January 2017). In addition, there were lower securities related fees due to the migration of client assets to Private Banking.

Other operating income

Other operating income increased to EUR 150 million (2016: EUR 140 million). Other income was mostly driven by the sale of the remaining equity stake in Visa Inc. shares resulting in a pre-tax gain of EUR 114 million in 2017. 2016 included a EUR 116 million pre-tax gain on the sale of Visa Europe shares of which EUR 101 million was booked within Retail Banking.

Personnel expenses

Personnel expenses increased to EUR 486 million (2016: EUR 470 million). The increase was due to a restructuring provision for International Card Servises (ICS) of EUR 24 million. Excluding this, personnel expenses decreased due to lower FTE (5,192 versus 5,266 in 2016). The FTE reduction was supported by an increase in online and mobile banking and associated branch reduction (202 branches versus 221 in 2016).

Other expenses

Other expenses at EUR 1,657 million decreased by 5%. This was due to lower costs being allocated from Group Functions highlighting the impact from existing cost saving programmes. 2017 included additional investments in the digital banking subsidiary Moneyou and higher regulatory levies (EUR 155 million in 2017 compared to EUR 136 million in 2016). 2016 included a provision for ICS handling costs of EUR 16 million.

Operating result

The operating result improved by 6%. The cost/income ratio improved by 2.3% (53.6% in 2017 compared to 55.9% in 2016) as both operating income and operating expense results improved.

Impairment charges

Impairment charges improved to a EUR 100 million release (2016: EUR 79 million charge). The results were driven by the strong performance of the Dutch economy. In addition, impairment charges benefited from favourable model updates. 2017 impairment charges also benefited from additional IBNI releases (EUR 60 million versus EUR 49 million in 2016).

Loans and receivables – customers

Loans and receivables - customers increased to EUR 157.2 billion at 31 December 2017 (31 December 2016: EUR 156.3 billion). Growth in the residential mortgage portfolio is partly offset by lower consumer loans. The residential mortgage portfolio amounted to EUR 147.5 billion, an increase of EUR 1.4 billion. The increase is driven by a combined market share of approximately 21% (2016: approximately 21%) and higher market volumes.

Due to customers

Total client assets decreased to EUR 115.1 billion at 31 December 2017 (31 December 2016: EUR 117.9 billion). This is due to lower securities and is mostly driven by internal client transfers to Private Banking.

Commercial Banking

Commercial Banking is an established business partner of the Dutch corporate sector. Operating in 15 economic sectors, Commercial Banking has a domestic franchise, combined with an asset-based finance presence in the UK, Germany, France and Belgium. It serves a total of approximately 65,000 clients. Its clients are corporates in all sectors of the economy with annual turnover between EUR 1 million and EUR 250 million. Commercial Banking offers them a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge.

The table below summarises the Commercial Banking segment's results for the years ended 31 December 2017 and 31 December 2016.

Commercial Banking: Selected Financial Information

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	1,421	1,349
Net fee and commission income	202	202
Other operating income	63	57
Operating income	*1,687*	*1,608*
Personnel expenses	315	280
Other expenses	573	580
Operating expenses	888	860
Operating result	***798***	***748***

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Impairment charges on loans and other receivables	-180	-179
Operating profit/(loss) before taxation	***978***	***927***
Income tax expense	245	233
Underlying profit/(loss) for the period	**733**	**694**
Special items		-8
Reported profit/(loss) for the period	**733**	**686**

	Year ended 31 December	
	2017	2016
Underlying cost/income ratio (in %)	52.7%	53.5%
Underlying cost of risk[1] (in bps)	-45	-46

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

	As at 31 December	
	2017	2016
Loan-to-Deposit ratio (in %)	110%	107%
Loans and receivables customers – customer (in billion)	39.2	37.3
Of which Client loans (in billion)	39.6	38.6
Due to customers (in billion)	35.7	34.9
Risk weighted assets (risk exposure amount; in billion)	23.8	20.6
FTEs	2,773	2,751

Underlying profit/(loss) for the period

Commercial Banking's underlying net profit increased by 6% driven by favourable income results.

Net interest income

Net interest income at EUR 1,421 million grew with 5% compared with 2016. The increase was partly related to favourable unearned interest releases. Excluding this, net interest income increased driven by higher asset and liability volumes partly offset by lower margins. Margin on liabilities declined driven by the low interest rate climate.

Net fee and commission income

Net fee and commission income remained flat at EUR 202 million (2016: EUR 202 million).

Other operating income

Other operating income was slightly up to EUR 63 million (2016: EUR 57 milion) driven by positive revaluation results.

Personnel expenses

Personnel expenses increased to EUR 315 million (2016: EUR 280 million). The increase was driven by a restructuring provision within Asset Based Finance (EUR 12 million), wage inflation, higher pension costs and higher FTE. The increase in FTE was due to a transfer from Group Functions to facilitate the shift to a more agile (flexible) way of working.

Other expenses

Other expenses at EUR 573 million decreased by 1%. Additional costs due to investments in IT, digital investments and Duty of Care were more than offset by lower allocated costs from Group Functions as a result from the ongoing cost saving programmes and an increase in salary expenses due to a transfer of FTEs from Group Functions.

Operating result

The operating result went up by EUR 50 million. The underlying Cost Income (C/I) ratio improved to 52.7% in 2017 (2016: 53.5%).

Impairment charges

Impairment charges on loans and other receivables remained stable year-on-year. In addition to the strong economic environment, the releases in 2017 were supported by favourable model updates. 2017 included EUR 6 million in IBNI releases (EUR 137 million in 2016).

Total client loans

Total client loans increased to EUR 39.6 billion at 31 December 2017 (31 December 2016: EUR 38.6 billion). Growth was predominantly driven by asset-based finance and real estate and was impacted by a transfer of clients to Corporate & Institutional Banking.

Loans and receivables – customers

Loans and receivables – customers increased to EUR 39.2 billion at 31 December 2017 (31 December 2016: EUR 37.3 billion).

Due to customers

Due to customers increased to EUR 35.7 billion at 31 December 2017 (31 December 2016: EUR 34.9 billion).

Private Banking

Private Banking is a leading private bank in the eurozone in terms of client assets, with dedicated professionals who have in-depth knowledge of their clients. Private Banking's international expertise combined with local involvement and over 300 years of experience in private banking forms the basis of our long-standing client relationships. These strengths allow Private Banking to continuously adapt to changing client needs and market trends, and to understand the past, present and future financial situations of our clients. Private Banking offers clients multi-channel wealth management services, enabling them to use its services whenever and wherever it suits them.

The table below summarises the Private Banking segment's results for the years ended 31 December 2017 and 31 December 2016.

Private Banking: Selected Financial Information

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Net interest income	659	645
Net fee and commission income	573	580
Other operating income	307	89
Operating income	*1,540*	*1,315*
Personnel expenses	472	501
Other expenses	624	544
Operating expenses	1,095	1,045
Operating result	***444***	***269***
Impairment charges on loans and other receivables	-6	20
Operating profit/(loss) before taxation	***450***	***249***
Income tax expense	64	50
Underlying profit/(loss) for the period	**386**	**199**
Special items		
Reported profit/(loss) for the period	**386**	**199**

	Year ended 31 December	
	2017	2016
Underlying cost/income ratio (in %)	71.1%	79.5%
Underlying cost of risk[1] (in bps)	-5	13
Gross margin on client assets (in bps)	77	67

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

	As at 31 December	
	2017	2016
Loan-to-Deposit ratio (in %)	19%	20%
Loans and receivables customers – customers (in billion)	12.2	12.1
Due to customers (in billion)	12.4	12.3
Due to customers (in billion)	65.0	61.8
Risk weighted assets (risk exposure amount, in billion)	9.4	7.7
FTEs	3,240	3,844

Underlying profit/(loss) for the period

Private Banking's underlying profit amounted to EUR 386 million. Excluding Private Banking Asia, profit increased by EUR 11 million supported by income growth and net loan impairment releases.

Net interest income

Net interest income amounted to EUR 659 million (2016: EUR 645 million). Excluding Private Banking Asia, net interest income rose by EUR 48 million. The increase was largely driven by increased income on deposits due to higher volumes and margins. 2017 was negatively impacted by a EUR 10 million provision for the Euribor claim.

Net fee and commission income

Net fee and commission income amounted to EUR 573 million. Excluding Private Banking Asia, fee and commission income increased by EUR 43 million. The increase was shown across both the domestic and international business and is mostly driven by higher asset management fees. Fee and commission income also positively benefited from the migration of clients from Retail Banking.

Other operating income

Other operating income increased by EUR 218 million. The increase was largely driven by the sale proceeds of the Private Banking Asia divestment amounting to EUR 263 million (tax exempt). 2016 results included the proceeds of a provision release of EUR 21 million related to the sale of Private Banking Switzerland (2011).

Personnel expenses

Personnel expenses were EUR 472 million. Excluding Private Banking Asia, personnel expenses declined with 1%. This decrease was supported by lower FTEs. Compared with 2016, FTE levels decreased by 604 (largely driven by the Private Banking Asia divestment). Further FTE reduction is expected as a result of the digital transformation of the private bank.

Other expenses

Other expenses increased to EUR 624 million (2016: EUR 544 million). Excluding Private Banking Asia, other expenses increased by EUR 66 million. This was driven by a goodwill impairment of EUR 36 million within Private Banking International, investments in the new online wealth manager Prospery and higher regulatory levies. In addition, 2016 included a release following the settlement of an insurance claim of EUR 24 million.

Operating result

The operating result improved slightly year on year (+1%) excluding the sale of Private Banking Asia. The cost/income ratio improved to 71.1%, largely driven by the gain on the Private Banking Asia divestment.

Impairment charges

Impairment charges amounted to a release of EUR 6 million compared with a EUR 20 million charge in 2016. This improvement is largely driven by lower additions in the Netherlands and Luxembourg.

Loans and receivables – customers

Loans and receivables – customers increased to EUR 12.2 billion at 31 December 2017 (31 December 2016: EUR 12.1 billion).

Due to customers

Due to customers increased to EUR 65.0 billion at 31 December 2017 (31 December 2016: EUR 61.8 billion). The increase was predominantly driven by the Netherlands and is mostly related to the internal client transfer from Retail Banking to Private Banking.

Client assets

Client assets amounted to EUR 200.6 billion at 31 December 2017. Excluding the impact of the PB Asia divestment (EUR 16.7 billion), the growth in client assets was supported by better market performance (especially Q1 2017) and the inflow of new assets.

Net new assets were EUR 5.7 billion and were mostly driven by internal client transfers from Retail Banking.

Private Banking: Client assets

	As at 31 December	
	2017	**2016**
	(in billions of euros)	
Opening balance as at 1 January	*204.9*	*199.2*
Net new assets (excl sales/acquisitions)	5.7	0.6
Market performance	6.8	5.0
Divestments/acquisitions	-16.7	
Closing Balance at 31 December	**200.6**	**204.9**
Breakdown by assets type:		
Cash	67.2	67.6
Securities	133.4	137.2
- *Of which custody*	36.7	35.4
Breakdown by geography:		
The Netherlands (in %)	55%	48%
The rest of Europe (in %)	45%	44%
The rest of the world (in %)	0%	9%

Corporate & Institutional Banking

Corporate & Institutional Banking has a total client base of approximately 3,000. In the Netherlands, it serves business clients with revenues exceeding EUR 250 million. In Northwest Europe (France, Germany, United Kingdom and Belgium), Corporate & Institutional Banking serves clients in eight selected sectors with revenues exceeding EUR 100 million. These clients are served by Client Service Teams which offer specific product or sector knowledge. Corporate & Institutional Banking is currently active in 13 countries in the Americas, Europe, the Middle East and Africa, and Asia Pacific. Its five product units cover loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Markets) and specialised products (Clearing and Private Equity).

The table below summarises the Corporate & Institutional Banking segment's results for the years ended 31 December 2017 and 31 December 2016.

Corporate & Institutional Banking: Selected Financial Information

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	975	931
Net fee and commission income	538	549
Other operating income	317	118
Operating income	*1,830*	*1,598*
Personnel expenses	442	400
Other expenses	827	735
Operating expenses	1,269	1,135
Operating result	***561***	***463***
Impairment charges on loans and other receivables	219	210
Operating profit/(loss) before taxation	***342***	***254***
Income tax expense	121	71
Underlying profit/(loss) for the period	**221**	**182**
Special items		-263
Reported profit/(loss) for the period	**221**	**-81**

	Year ended 31 December	
	2017	**2016**
Underlying cost/income ratio (in %)	69.3%	71.0%
Underlying cost of risk[1] (in bps)	38	41

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

	As at 31 December	
	2017	**2016**
Loan-to-Deposit ratio (in %)	173%	176%
Loans and receivables customers – customers (in billion)	59.7	54.2
Of which Client loans (in billion)	38.9	38.3
Due to customers (in billion)	30.3	27.4
Risk weighted assets (risk exposure amount; in billion)	37.7	34.3
FTEs	2,542	2,387

Underlying profit/(loss) for the period

Underlying net profit increased by EUR 39 million driven by net interest income and other operating income growth.

Reported net profit increased by EUR 302 million. In addition to movements in the underlying profit this was driven by the increase in the provision for SMEs with derivatives-related issues which was recorded as a special item in Q2 2016. The total gross impact was EUR 361 million, of which EUR 351 million was recorded in the net trading income at Global Markets.

Net interest income

Net interest income increased to EUR 975 million (2016: EUR 931 million). 2017 was positively impacted by favourable unearned interest releases and the recognition of TLTRO funding benefit. Excluding these, net interest income grew due to positive volume and margin developments (loans and deposits), mainly within Natural Resources, Transportation and Financial Institutions. In addition, 2017 included more interest related fees on the back of the growing number of new loan facilities. Net interest income at Global Markets decreased as favourable results from 2016, mainly within collateral management, were not replicated.

Net fee and commission income

Net fee and commission income decreased to EUR 538 million (2016: EUR 549 million). This decrease was largely driven by lower clearing fees due to less volatility in financial markets as compared with 2016.

Other operating income

Other operating income increased to EUR 317 million (2016: EUR 118 million). This was driven by higher CVA/DVA/FVA results (EUR 75 million in 2017 compared to negative EUR 2 million in 2016), positive Equity Participations results (EUR 114 million in 2017 compared to EUR 13 million in 2016) and lower provisions for SME derivative related issues (EUR 21 million compared to EUR 25 million in 2016).

Personnel expenses

Personnel expenses increased to EUR 442 million (2016: EUR 400 million). In addition to wage inflation and higher pension costs, the increase is driven by a higher number of FTEs (up 155 compared with 2016) to support the growth initiatives.

Other expenses

Other expenses increased to EUR 827 million (2016: EUR 735 million). Higher costs in 2017 include EUR 139 million project costs for SME derivatives-related issues (2016: EUR 55 million provision and EUR 34 million project costs). In addition, regulatory expenses were higher in 2017 (EUR 76 million versus EUR 63 million in 2016).

Operating result

Operating result increased to EUR 561 million (2016: EUR 463 million).This is caused mainly by the increase of Other operating income.

Impairment charges

Impairment charges were up EUR 9 million. The impairment charges included an IBNI charge of EUR 8 million (2016: EUR 1 million). The impairment charges on the ECT portfolio were lower at EUR 186 million, a decrease of EUR 23 million compared with 2016.

Total client loans

Total client loans increased to EUR 38.9 billion at 31 December 2017 (31 December 2016: EUR 38.3 billion). Growth was mainly shown within Financial Institutions, Large Corporates and Natural Resources. Presented growth figures include the effect of an increase in commodity prices (approximately EUR 1.3 billion positive impact) and further USD depreciation (approximately EUR 3.5 billion negative impact).

Due to customers

Due to customers increased by EUR 2.9 million to EUR 30.3 billion at 31 December 2017 (31 December 2016: EUR 27.4 billion). Even though negative rates are being charged to a large portion of the clients, deposits have still grown due to excess liquidity in the market. Growth was mostly driven by Financial Institutions and Large Corporates.

Group Functions

Group Functions consists of various departments that provide essential support to the business segments. Its departments include Finance, Risk Management, Innovation & Technology, Transformation & HR, Group Audit, Corporate Office and Strategy & Sustainability. The majority of the costs of Group Functions are allocated to the respective business segments. Items not allocated to the business segments include operating results from specific (commercial) activities and specific one-off items (individually determined).

The table below summarises the Group Functions results for the years ended 31 December 2017 and 31 December 2016.

Group Functions: Selected financial information

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	-38	-2
Net fee and commission income	28	15
Other operating income	248	96
Operating income	*238*	*108*
Personnel expenses	876	1,125
Other expenses	-689	-720
Operating expenses	187	405
Operating result	***51***	***-297***
Impairment charges on loans and other receivables	4	-15
Operating profit/(loss) before taxation	***48***	***-282***
Income tax expense	52	-36
Underlying profit/(loss) for the period	**-4**	**-245**
Special items		
Reported profit/(loss) for the period	**-4**	**-245**

	As at 31 December	
	2017	2016
Securities financing – assets (in billions)	13.0	12.9
Loans and receivables - customers (in billions)	6.6	7.8
Securities financing – liabilities	10.9	10.5
Due to customers (in billions)	2.9	1.8
Risk weighted assets (risk exposure amount; in billions)	6.5	9.8
FTEs	6,206	7,416

Underlying profit/(loss) for the period

Underlying result was a loss of EUR 4 million, an improvement of 98% driven by favourable hedge accounting results, lower provisions and a declining cost base.

Net interest income

Net interest income amounted to a loss of EUR 38 million (2016: EUR 2 million loss). Higher buffer and steering costs were only partly offset by a release of penalty fees (mortgages) of EUR 49 million.

Net fee and commission income

Net fee and commission income increased to EUR 28 million (2016: EUR 15 million). The increase was driven by additional fees from Securities Financing activities and additional income from Stater (mortgage service provider). 2017 figures include a reclassification of Stater related income from other operating income to net fee and commission income (EUR 73 million, historic figures restated as well).

Other operating income

Other operating income increased to EUR 248 million (2016: EUR 96 million). The increase was largely driven by favourable hedge accounting-related results. 2016 figures included the Equens revaluation gain of EUR 52 million. In addition, both years included tax-exempt provisions related to the part of the securities financing activities that were discontinued in 2009.

Personnel expenses

Personnel expenses decreased to EUR 876 million (2016: EUR 1,125 million). The decrease was supported by lower restructuring provisions. 2016 included EUR 321 million in restructuring provisions related to the reorganisation of control and support activities and further digitalisation and process optimisation. 2017 included an additional EUR 156 million in restructuring provisions of which EUR 112 million was booked in Group Functions. Excluding these provisions, personnel expenses declined on the back of lower FTE resulting from the ongoing cost saving programmes (6,206 FTE compared with 7,416 FTE in 2016). FTE levels were also impacted by a transfer of FTE from Group Functions to the business lines to embed a more agile way of working.

Other expenses

Other expenses amounted to negative EUR 689 million (2016: negative EUR 720 million). Lower expenses resulting from the various cost saving programmes were offset as fewer costs were allocated to the commercial business lines. 2017 included a EUR 17 million impairment related to the ATM network, compared with a EUR 27 million office space-related provision in 2016.

Operating result

Operating result increased to EUR 51 million (2016: EUR 297 million loss).

6.5 **Results of operations for the years ended 31 December 2016 and 2015**

Unless otherwise stated, results of operations are presented based on underlying results, which are derived by adjusting the results reported in accordance with EU IFRS for defined Special Items, discussed below.

Management believes these non-IFRS underlying results provide a better understanding of the underlying trends in financial performance as compared to results that have been prepared in accordance with EU IFRS. The table below shows a reconciliation of the Group's reported and underlying results of operations for the years ended 31 December 2016 and 31 December 2015. Underlying results are not audited.

As a result of an IFRIC rejection notice of 6 April 2016, ABN AMRO adjusted its accounting policy for offsetting in 2016 (*Please see section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool* agreements *and bank saving* mortgages"). Accordingly, all 2015 figures for the line items Loans and receivables - customers and Due to customers as at 31 December 2015 have been adjusted retrospectively as a result of the change in accounting policy, unless otherwise stated.

The 2016 and 2015 figures in this chapter are presented according to the organisational structure that was in place during these years. Therefore, the segments that are presented in this chapter are Retail Banking, Private Banking, Corporate Banking and Group Functions.

Reconciliation of Reported to Underlying Results

	Year ended 31 December					
	2016			**2015**		
	Reported	**Special items**	**Underlying**	**Reported**	**Special items**	**Underlying**
	(in millions of euros)					
Net interest income	6,267	-10	6,277	6,076	—	6,076
Net fee and commission income	1,810	—	1,810	1,829	—	1,829
Other operating income	150	-351	501	550	—	550
Operating income	*8,227*	*-361*	*8,588*	*8,455*	—	*8,455*
Personnel expenses	2,777	—	2,777	2,492	—	2,492
Other expenses	2,880	—	2,880	2,736	—	2,736
Operating expenses	5,657	—	5,657	5,228	—	5,228
Operating result	***2,570***	***-361***	***2,931***	***3,227***	**—**	***3,227***
Impairment charges on loans and other receivables	114	—	114	505	—	505
Operating profit/(loss) before taxation	***2,456***	***-361***	***2,817***	***2,722***	**—**	***2,722***
Income tax expense	650	-90	740	798	—	798
Profit/(loss) for the period	**1,806**	**-271**	**2,076**	**1,924**	**—**	**1,924**

Selected Consolidated Financial Information

The table below summarises the Group's results of operations on an underlying basis for the years ended 31 December 2016 and 31 December 2015.

	Year ended 31 December	
	2016	**2015**
	(in millions of euros)	
Net interest income	6,277	6,076
Net fee and commission income	1,810	1,829
Other operating income	501	550
Operating income	*8,588*	*8,455*
Personnel expenses	2,777	2,492
Other expenses	2,880	2,736
Operating expenses	5,657	5,228
Operating result	2,931	3,227
Impairment charges on loans and other receivables	114	505
Operating profit/(loss) before taxation	***2,817***	***2,722***
Income tax expense	740	798
Underlying profit/(loss) for the period	**2,076**	**1,924**

	Year ended 31 December	
	2016	2015
	(in millions of euros)	
Special items	-271	—
Reported profit/(loss) for the period	**1,806**	**1,924**
Of which Non-controlling interests	*1*	*5*

	Year ended 31 December	
	2016	2015
Net interest margin (NIM) (in bps) [(1)]	152	146
Underlying cost/income ratio (in %)	65.9%	61.8%
Underlying cost of risk (in bps) [(1) (2)]	4	19
Underlying return on average Equity (in %) [(3)]	11.8%	12.0%
Underlying earnings per share (in EUR) [(4)]	2.16	2.03

	Year ended 31 December	
	2016	2015
Client Assets (in EUR billion) [(5)]	322.7	313.5
FTEs	21,664	22,048

(1) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.
(2) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.
(3) Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.
(4) Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.
(5) Client's Assets consists of the total liquidity volume and the total securities volume of the Group's clients, including restricted and custody shares.

Underlying profit/(loss) for the period

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

Reported profit/(loss) for the period

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

In December 2016 a final version of the settlement for SME derivatives-related issues was presented by the committee of independent experts. A new element in the Uniform Recovery Framework is that all files and client compensation proposals must be reviewed by independent external parties. This additional review will lead to higher-than-expected execution costs for which we recorded a provision of EUR 55 million in 2016 (in other expenses of Corporate Banking). In addition, the existing provision for compensation has been increased throughout 2016 by EUR 35 million (EUR 10 million in NII and EUR 25 million in other operating income of Corporate Banking). The total provision for compensation for SME derivatives-related issues taken in 2015 and 2016 amounts to EUR 520 million. This was recorded primarily in other operating income and, to a lesser extent, NII. In Q2 2016, the addition to the provision of EUR 361 million was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the Uniform Recovery Framework. International Card Services (ICS), the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio. A number of clients were given a credit facility above their lending capacity. This has been reported to the AFM, and the clients who were affected will be compensated. A provision of EUR 47 million was recorded in Q4 2016 (in NII). In addition to the compensation, a provision of EUR 16 million has been recorded (in other expenses) for execution costs. ICS is part of Retail Banking.

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

Operating income

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

Net interest income

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

Net fee and commission income

Net fee and commission income, at EUR 1,810 million in 2016, was EUR 19 million lower than in 2015. This was mainly related to uncertainty and volatility in the financial markets which negatively impacted Private Banking in particular and, to a lesser extent, Retail Banking. The decline in fee income at Retail Banking was also caused by a reduction of client rates for payment packages in 2016. In 2017, ABN AMRO reclassified EUR 67 million (for 2016) of fee income related to administrative services from other income to fee & commission income.

Other operating income

Other operating income came to EUR 501 million in 2016, down from EUR 550 million in 2015. In 2017, ABN AMRO reclassified EUR 67 million (for 2016) of fee income related to administrative services from other income to fee & commission income. This was partly offset due to book profits/revaluation gains on stakes in Visa Europe (EUR 116 million) and Equens (EUR 52 million). Both years included provisions for SME derivatives-related issues as well as tax-exempt provisions related to the part of securities financing activities discontinued in 2009. CVA/DVA/FVA results (EUR 2 million negative in 2016 versus EUR 76 million positive in 2015), Equity Participations results (EUR 13 million in 2016 versus EUR 98 million in 2015) and hedge accounting-related results (EUR 39 million in 2016 versus EUR 182 million in 2015) were all lower.

Personnel expenses

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

Other expenses

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

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

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

Operating result

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

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables were EUR 114 million in 2016 compared with EUR 505 million in 2015. Continued improvement of economic conditions in the Netherlands resulted in EUR 210 million lower additions and EUR 185 million higher releases of impairments previously taken. Both years recorded significant IBNI releases.

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

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

The cost of risk

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

Operating profit/(loss) before taxation

Profit before tax amounted to EUR 2,817 million in 2016, EUR 95 million higher than in 2015.

Income tax expense

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

Selected Consolidated Balance Sheet Movements

	As at 31 December	
	2016	**2015**
	(in millions of euros)	
Assets:		
Cash and balances at central banks	21,861	26,195
Financial assets held for trading	1,607	1,706
Derivatives	14,384	19,138
Financial investments	45,497	40,542
Securities financing(1)	17,589	20,062
Loans and receivables – banks	13,485	15,680
Loans and receivables – customers(2)	267,679	276,375
Other	12,380	7,676
Total assets(2)	**394,482**	**407,373**
Liabilities:		
Financial liabilities held for trading	791	459
Derivatives	14,526	22,425
Securities financing(1)	11,625	11,372
Due to banks	13,419	14,630
Due to customers(2)	228,758	247,353
Issued debt	81,278	76,207
Subordinated liabilities	11,171	9,708
Other	13,976	7,635
Total liabilities(2)	*375,544*	*389,789*
Equity:		
Equity attributable to owners of the parent company(3)	17,928	16,564
Capital securities(3)	1,004	1,004
Equity attributable to other non-controlling interests	5	17
Total equity	*18,937*	*17,584*
Total liabilities and equity	**394,482**	**407,373**

	As at 31 December	
	2016	2015
	(in millions of euros)	
Committed credit facilities(4)	25,288	21,559
Guarantees and other commitments	15,873	13,868

(1) Securities financing consists of securities borrowing and lending and sale and repurchase transactions.
(2) These figures have been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".
(3) 2015 figures have been adjusted to be comparable with 2016 figures due to AT1 instruments (Bank) being part of non-controlling interest.
(4) 2016 figures have been adjusted as a result of process optimisation regarding credit offers, which resulted in a downward adjustment. 2015 figures have not been adjusted

Total assets

Total assets decreased by EUR 12.9 billion to EUR 394.5 billion at 31 December 2016 (31 December 2015: EUR 407.4 billon). Excluding netting adjustments, total assets increased by EUR 0.7 billion. This was mainly due to an increase in loans and receivables - customers and financial investments, partly offset by lower derivative assets and cash and balances with central banks.

Cash and balances at central banks

Cash and balances at central banks decreased by EUR 4.3 billion to EUR 21.9 billion at 31 December 2016 (31 December 2015: EUR 26.2 billion), reflecting a shift to financial investments (higher yield).

Financial assets held for trading

Financial assets held for trading remained stable.

Derivative assets

Derivatives decreased by EUR 4.8 billion to EUR 14.4 billion at 31 December 2016 (of which EUR 11.5 billion related to trading and EUR 2.9 billion related to non-trading) (31 December 2015: EUR 19.1 billion), on the back of mid- to long-term interest rate movements impacting the fair value of derivatives. This is also observed in the derivative liabilities.

Financial investments

Financial investments increased by EUR 5.0 billion to EUR 45.5 billion at 31 December 2016 (31 December 2015: EUR 40.5 billion). After a period of a lack of new short-term bonds with a yield higher than the overnight ECB deposit rate, a shift from cash into financial investments took place as of March 2016.

Securities financing

Securities financing decreased to EUR 17.6 billion at 31 December 2016 (31 December 2015: EUR 20.1 billion).

Loans and receivables – banks

Loans and receivables – banks decreased by EUR 2.2 billion to EUR 13.5 billion at 31 December 2016 (31 December 2015: EUR 15.7 billion).

Loans and receivables – customers

Loans and receivables – customers decreased by EUR 8.7 billion to EUR 267.7 billion at 31 December 2016 (31 December 2015: EUR 276.4 billion). Excluding netting adjustments, loans and receivables – customers increased by EUR 4.9 billion. Following the announcement in December on the intended sale of private banking activities in Asia and the Middle East, these client assets are classified as held for sale (other assets). This has an impact on client loans (loans and receivables - customers) of EUR 3.4 billion negative (EUR 1.6 billion negative consumer loans and EUR 1.8 billion negative corporate loans) on 31 December 2016. All further remarks are based on the table below (excluding netting adjustments, including the held for sale reclassification). Residential mortgages increased by EUR 0.5 billion. New mortgage production grew on the back of low mortgage interest rates, insufficient residential construction activity and more favourable economic conditions in the Netherlands. The market share in new production increased to 21.9% (Source: Dutch Land Registry) (2015: 19.9%). Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Consumer loans decreased by EUR 2.6 billion, of which EUR 1.6 billion outflow related to the reclassification of the private banking activities in Asia and the Middle East.

Loans and receivables – customers

	As at 31 December	
	2016	**2015**
	(in millions of euros)	
Residential mortgages (excluding netting adjustments)[1]	147,472	146,932
Consumer loans	12,539	15,147
Corporate loans to clients (excluding netting adjustments) [1][2]	82,640	78,195
Total client loans (excluding netting adjustment)[1,3])	*242,651*	*240,274*
Netting adjustment[1]	3,505	17,056
Total client loans[3]	246,156	257,330
Loans to professional counterparties	12,947	12,194
Other loans[4]	7,448	6,357
Total loans and receivables[2]	*266,551*	*275,881*
Fair value adjustments from hedge accounting	4,794	4,849
Less: loan impairment allowance	3,666	4,355
Total loans and receivables – customers	**267,679**	**276,375**

(1) These figures have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".
(2) Corporate loans excluding loans to professional counterparties.
(3) Gross carrying amount excluding fair value adjustment from hedge accounting.
(4) Other loans consists of loans and receivables to government, official institutions and financial markets parties.

Total liabilities

Total liabilities decreased by EUR 14.2 billion to EUR 375.5 billion at 31 December 2016 (31 December 2015: EUR 389.8 billion). Excluding netting adjustments, total liabilities decreased by EUR 0.7 billion. The decrease in due to customers and derivatives was partly offset by higher issued debt and other liabilities.

Financial liabilities held for trading

Financial liabilities held for trading increased to EUR 0.8 billion at 31 December 2016 (31 December 2015: EUR 0.5 billion).

Derivative liabilities

Derivatives decreased by EUR 7.9 billion to EUR 14.5 billion (of which EUR 9.5 billion trading and EUR 5.0 billion non-trading) at 31 December 2016 (31 December 2015: EUR 22.4 billion) on the back of mid- to long-term interest and FX rates movements impacting the valuation of derivatives. This is also observed in derivative assets.

Securities financing

Securities financing increased by EUR 0.3 billion to EUR 11.6 billion at 31 December 2016 (31 December 2015: EUR 11.4 billion).

Due to banks

Due to banks decreased to EUR 13.4 billion at 31 December 2016 (31 December 2015: EUR 14.6 billion).

Due to customers

Excluding netting adjustments, due to customers decreased by EUR 5.0 billion to EUR 225.3 billion at 31 December 2016 (31 December 2015: EUR 230.3 billion). A decline was recorded at Private Banking, largely due to a reclassification of the private banking activities in Asia and the Middle East to other liabilities that impacted due to customers by EUR 5.7 billion negative. Due to customers at Corporate Banking decreased by EUR 2.2 billion, partly due to charging negative rates to a wider range of clients compared with 2015. Furthermore, due to customers at Corporate Banking is more volatile by nature due to third party banking clients. Both were partly offset by an increase in due to customers at Retail Banking of EUR 2.3 billion, partly related to an increase in deposits at Moneyou.

Due to customers

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

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

Issued debt

Issued debt increased by EUR 5.1 billion to EUR 81.3 billion at 31 December 2016 (31 December 2015: EUR 76.2 billion) as short-term funding increased, partly offset by lower long-term funding.

Subordinated liabilities

Subordinated liabilities increased by EUR 1.5 billion to EUR 11.2 billion at 31 December 2016 (31 December 2015: EUR 9.7 billion) as a result of three Tier 2 capital issuances of in total EUR 2.4 billion in 2016.

Total equity

Total equity increased by EUR 1.4 billion to EUR 18.9 billion at 31 December 2016 (31 December 2015: EUR 17.6 billion), mainly due to the inclusion of reported profit for 2016, partly offset by dividend payments.

RESULTS OF OPERATIONS BY SEGMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

The sections below summarises ABN AMRO's results of operations by segment for the years ended 31 December 2016 and 31 December 2015.

Retail Banking

The table below summarises the Retail Banking segment's results for the years ended 31 December 2016 and 31 December 2015.

Retail Banking: Selected Financial Information

	Year ended 31 December	
	2016	**2015**
	(in millions of euros)	
Net interest income	3,355	3,302

	Year ended 31 December	
	2016	**2015**
	(in millions of euros)	
Net fee and commission income	463	527
Other operating income	140	25
Operating income	*3,959*	*3,853*
Personnel expenses	470	487
Other expenses	1,741	1,619
Operating expenses	2,211	2,106
Operating result	***1,747***	***1,748***
Impairment charges on loans and other receivables	79	99
Operating profit/(loss) before taxation	***1,669***	***1,649***
Income tax expense	422	423
Underlying profit/(loss) for the period	**1,247**	**1,226**
Special items	—	—
Reported profit/(loss) for the period	**1,247**	**1,226**

	Year ended 31 December	
	2016	**2015**
Underlying cost/income ratio (in %)	55.9%	54.6%
Underlying cost of risk[1,2] (in bps)	5	6

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

(2) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting.

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

(1) For management view purposes, these numbers have not been adjusted for the revised accounting relating to the netting.

Underlying profit/(loss) for the period

Retail Banking's underlying profit increased by EUR 21 million to EUR 1,247 million in 2016 (2015: EUR 1,226 million). This increase was mainly the result of the gain on the sale of Visa Europe and lower impairment charges, partly offset by higher regulatory levies and higher (allocated) project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme).

Net interest income

Net interest income, at, increased by EUR 53 million to EUR 3,355 million in 2016 (2015: EUR 3,302 million). This improvement can largely be attributed to a provision for inconsistencies in interest calculations between the bank and its business partners regarding one of the mortgage products which was booked in 2015 (EUR 29 million) and partly released in 2016. Net interest income in 2016 was negatively impacted by a provision for ICS (EUR 47 million) while 2015 included a provision for Euribor mortgages (EUR 41 million).

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

Net fee and commission income

Net fee and commission income decreased by EUR 64 million to EUR 463 million in 2016 (2015: EUR 527 million), due in part to a reduction of fees charged for payment packages. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact as well.

Other operating income

Other operating income increased by EUR 115 million to EUR 140 million in 2016 (2015: EUR 25 million) mainly due to a profit (EUR 101 million) related to the gain on the sale of Visa Europe.

Personnel expenses

Personnel expenses decreased by EUR 17 million to EUR 470 million in 2016 (2015: EUR 487 million). The number of FTEs in Retail Banking decreased in 2016 due to a reduction in the number of branches and a transfer of employees to Private Banking related to the lower threshold for private banking clients.

Other expenses

Other expenses increased by EUR 122 million to EUR 1,741 million in 2016 (2015: EUR 1,619 million). This was largely due to an increase in regulatory levies (EUR 136 million in 2016 compared to EUR 87 million in 2015) and higher (allocated) project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme). The execution costs provision for ICS in 2016 (EUR 16 million) was offset by stricter cost control.

Operating result

The operating result remained stable at EUR 1,747 million in 2016 (2015: EUR 1,748 million). The underlying cost/income ratio deteriorated by 1.3 percentage points to 55.9% as both operating income and operating expenses increased compared with 2015.

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables were limited in 2016 (EUR 79 million) and EUR 20 million below the 2015 level (EUR 99 million). Both years included significant IBNI releases, although these were higher in 2015. An IBNI release of EUR 81 million was recorded in 2016, of which EUR 32 million was due to a reclassification to impairments. The reclassification has no impact on overall impairment charges and was carried out to align the definitions of defaulted and impaired loans (see also the Risk, funding & capital section). The IBNI release in 2015 amounted to EUR 85 million.

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

Loans and receivables – customers

Loans and receivables - customers grew by EUR 0.3 billion to EUR 154.5 billion at 31 December 2016 (31 December 2015: EUR 154.2 billion), of which EUR 144.5 billion in residential mortgages. The Retail Banking mortgage portfolio increased by EUR 0.7 billion in 2016. New mortgage production grew as a result of low mortgage interest rates, insufficient residential construction activity and more favourable economic conditions in the Netherlands. The market share in new production increased to 21.9%1 (2015: 19.9%). Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments.

Due to customers

Due to customers increased by EUR 2.3 billion to EUR 101.0 billion at 31 December 2016 (31 December 2015: EUR 98.7 billon), partly related to an increase in deposits at Moneyou.

Private Banking

The table below summarises the Private Banking segment's results for the years ended 31 December 2016 and 31 December 2015.

Private Banking: Selected Financial Information

	Year ended 31 December	
	2016	**2015**
	(in millions of euros)	
Net interest income	645	589
Net fee and commission income	580	619
Other operating income	89	101
Operating income	*1,315*	*1,310*
Personnel expenses	501	501
Other expenses	544	549
Operating expenses	1,045	1,050
Operating result	***269***	***260***
Impairment charges on loans and other receivables	20	-4
Operating profit/(loss) before taxation	***249***	***264***
Income tax expense	50	49
Underlying profit/(loss) for the period	**199**	**214**
Special items	—	—
Reported profit/(loss) for the period	**199**	**214**

	Year ended 31 December	
	2016	**2015**
Underlying cost/income ratio (in %)	79.5%	80.2%
Underlying cost of risk[(1)] (in bps)	13	-2
Gross margin on client assets (in bps)	67	65

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

	As at 31 December	
	2016	**2015**
Loan-to-Deposit ratio (in %)	20%	25%
Loans and receivables - customers (in EUR billion)	12.1	16.6
Due to customers (in EUR billion)	61.8	66.5
Risk weighted assets (in EUR billion)	7.7	8.2
FTEs	3,844	3,722

Underlying profit/(loss) for the period

Private Banking's underlying profit decreased by EUR 15 million to EUR 199 million in 2016 (2015: EUR 214 million). The decline was the result of higher impairment charges, partly offset by an increased operating result.

Net interest income

Net interest income increased by EUR 56 million to EUR 645 million in 2016 (2015: EUR 589 million). This was mainly the result from higher margins on deposits, partly offset by lower average lending volumes.

Net fee and commission income

Net fee and commission income decreased by EUR 39 million to EUR 580 million in 2016 (2015: EUR 619 million). Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact on the stock markets. This led to lower average client assets and a decline in transaction volumes.

Other operating income

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

Personnel expenses

Personnel expenses remained stable at EUR 501 million in 2016 (2015: EUR 501 million). Lower personnel expenses in the international activities were offset by higher personnel expenses in the domestic activities. The number of FTEs employed in Private Banking's domestic activities increased in 2016 due to a transfer of employees from Retail Banking.

Other expenses

Other expenses decreased by EUR 5 million to EUR 544 million in 2016 (2015: EUR 549 million). The decline was mainly due to the favourable settlement of an insurance claim in 2016 (EUR 24 million), several smaller provision releases and strict cost control. This was partly offset by higher regulatory levies (EUR 18 million in 2016 versus EUR 11 million in 2015) and higher allocated project costs for the continuous improvement of products, services and IT processes.

Operating result

The operating result improved by 4% to EUR 269 million in 2016 (2015: EUR 260 million). The underlying cost/income ratio decreased by 0.7 percentage points to 79.5%.

Impairment charges on loans and other receivables

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

Loans and receivables – customers

Loans and receivables - customers decreased by EUR 4.5 billion to EUR 12.1 billion at 31 December 2016 (31 December 2015: EUR 16.6 billion. Of this decrease, EUR 3.4 billion was related to the reclassification of the private banking activities in Asia and the Middle East to held for sale. Excluding the reclassification, the decrease related to both the domestic and international activities.

Due to customers

Due to customers decreased by EUR 4.7 billion to EUR 61.8 billion at 31 December 2016 (31 December 2015: EUR 66.5 billion). Of this decrease, EUR 5.7 billion was related to the reclassification of private banking activities. Excluding the reclassification, growth was mainly achieved in the Netherlands partly related to internal client transfers from Retail Banking to Private Banking based on the lower threshold.

Private Banking: Client Assets

	As at 31 December	
	2016	**2015**
	(in billions of euros)	
Opening balance as at 1 January	*199.2*	*190.6*
Net new assets	0.6	1.5
Market performance	5.0	7.1
Divestments/acquisitions	-	-
Other (including sales/acquisitions)	-	-
Balance at 31 December	**204.9**	**199.2**
Breakdown by assets type:		
Cash	67.6	66.5
Securities	137.2	132.8
Breakdown by geography:		
The Netherlands (in %)	48%	48%

	As at 31 December	
	2016	2015
	(in billions of euros)	
The rest of Europe (in %)	44%	44%
The rest of the world (in %)	9%	8%

Client Assets

Client assets grew to EUR 204.9 billion at 31 December 2016 (31 December 2015: EUR 199.2 billion). This was mainly due to a positive market performance in 2016, especially in the second half of the year. Total client assets includes EUR 17.9 billion related to the private banking portfolio in Asia and the Middle East (held for sale).

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

Corporate Banking

The table below summarises the Corporate Banking segment's results for the years ended 31 December 2016 and 31 December 2015.

Corporate Banking: Selected Financial Information

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

	Year ended 31 December	
	2016	2015
Underlying cost/income ratio (in %)	62.2%	62.2%
Underlying cost of risk[(1)(2)] (in bps)	3	47

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

[(2)] For management view purposes, the 31 December 2016 figures have not been adjusted for the revised accounting relating to the netting.

	As at 31 December	
	2016	2015
Loan-to-Deposit ratio[(1)]	137%	121%

	As at 31 December	
	2016	**2015**
Loans and receivables - customers (excluding netting adjustment, in billions)[1]	75.2	68.3
Due to customers (excluding netting adjustment, in billions)[1]	60.7	62.9
Risk weighted assets (risk exposure amount, in billions)	54.9	55.1
FTEs	5,138	4,959

(1) For management view purposes, these figures have not been adjusted for the revised accounting relating to the netting.

Underlying profit/(loss) for the period

Corporate Banking's underlying net profit increased by EUR 280 million to EUR 876 million in 2016 (2015: EUR 596 million). The key drivers for the improvement were a rise in operating income and a sharp decrease in impairment charges. This was partly offset by increased operating expenses including an execution costs provision for SME derivatives-related issues (gross amount of EUR 55 million).

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

Corporate Banking's reported net profit increased by EUR 9 million to EUR 605 million in 2016 (2015: EUR 596 million). In Q2 2016, the addition to the provision for SMEs with derivatives-related issues of EUR 361 million gross (EUR 271 million net of tax) was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the advice of the committee of independent experts on the reassessment of SME interest rate derivatives.

Net interest income

Net interest income increased by EUR 138 million to EUR 2,280 million in 2016 (2015: EUR 2,142 million). The improvement was recorded in all segments.

Commercial Clients posted a modest rise in net interest income of EUR 44 million to EUR 1,349 million in 2016 (2015: EUR 1,305 million). Margins on loans and deposits increased as well as average deposit volumes. Average loan volumes were lower compared with 2015 due to a reallocation of a portfolio to Group Functions in Q4 2015. Both years were impacted by the provision for SME derivatives-related issues.

Net interest income in International Clients increased by EUR 35 million to EUR 744 million in 2016 (2015: EUR 709 million), benefiting from growth in the ECT Clients loan portfolio (mainly international). This was partly offset by lower margins on deposits.

Net interest income in Capital Markets Solutions improved by EUR 59 million to EUR 186 million in 2016 (2015: EUR 127 million), mainly at Sales & Trading (partly due to favourable one-offs as a result of collateral management).

Net fee and commission income

Net fee and commission income remained flat at EUR 751 million in 2016 (2015: EUR 751 million). Higher fees due to more cleared volumes at Capital Markets Solutions were offset by lower fees at International Clients.

Other operating income

Other operating income went down by EUR 52 million to EUR 175 million in 2016 (2015: EUR 227 million). The decrease was driven by lower tax-exempt results on the Equity Participations portfolio due to less favourable market conditions (including the ongoing low oil price). Moreover, the CVA/DVA/FVA results were EUR 51 million lower compared with 2015 (EUR 2 million negative in 2016 versus EUR 49 million positive in 2015). This was partly offset by lower additions to the provision for SME derivatives-related issues current year.

Personnel expenses

Personnel expenses amounted to EUR 680 million in 2016, up by EUR 4 million compared with 2015 (EUR 676 million). Personnel expenses increased due to higher pension expenses and a growth in the number of FTEs, partly offset by lower restructuring provisions in 2016.

Other expenses

Other expenses grew by EUR 52 million to EUR 1,316 million in 2016 (2015: EUR 1,264 million) due to a provision at Capital Markets Solutions for SME derivatives-related issues (EUR 55 million) and higher project costs for continuous improvement of products, services and IT processes (including TOPS 2020). This was partly offset by EUR 27 million lower regulatory levies (EUR 96 million in 2016 versus EUR 122 million in 2015) and several smaller favourable one-offs in 2016.

Operating result

The operating result went up by EUR 31 million to EUR 1,211 million in 2016 (2015: EUR 1,180 million). At 62.2%, the underlying cost/income ratio in 2016 remained flat compared to 2015

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables amounted to EUR 31 million in 2016, down by EUR 388 million compared with 2015 (EUR 419 million). The decrease in impairment charges is fully recognised in Commercial Clients due to the further broad recovery of the Dutch economy. Slightly higher impairment charges in International Clients were offset by lower additions in Capital Markets Solutions. In 2016 an IBNI release of EUR 136 million was recorded for Corporate Banking, compared with a EUR 125 million release in 2015.

Total client loans

Total client loans (excluding netting adjustment) increased by EUR 6.9 billion to EUR 75.2 billion at 31 December 2016 (31 December 2015: EUR 68.3 billion), largely due to an increase in loans at International Clients (mainly ECT Clients). Growth over 2016, especially in the fourth quarter, was supported by an increase in oil prices, leading to higher utilisation of credit lines for commodity clients, and the strengthening of the US dollar (see also the Risk chapter).

Due to customers

Due to customers (excluding netting adjustment) decreased by EUR 2.2 billion to EUR 60.7 billion at 31 December 2016 (31 December 2015: EUR 62.9 billion).

Group Functions

Group Functions consists of various departments that provide essential support to the business segments. Its departments include Finance, Risk Management & Strategy ("**RM&S**"), People, Regulations & Identity, Technology ("**PR&I**"), Operations & Property Services ("**TOPS**"), Group Audit and the Corporate Office. The majority of the costs of Group Functions are allocated to the business segments. Items not allocated to the business segments include operating results from specific (commercial) activities and specific one-off items (individually determined).

The table below summarises the Group Functions results for the years ended 31 December 2016 and 31 December 2015.

Group Functions: Selected Financial Information

	Year ended 31 December	
	2016	**2015**
	(in millions of euros)	
Net interest income	-2	44
Net fee and commission income[1]	15	-68
Other operating income[1]	96	197
Operating income	*108*	*172*

	Year ended 31 December	
	2016	2015
	(in millions of euros)	
Personnel expenses	1,125	828
Other expenses	-720	-695
Operating expenses	405	133
Operating result	***-297***	***39***
Impairment charges on loans and other receivables	-15	-8
Operating profit/(loss) before taxation	***-282***	***48***
Income tax expense	-36	160
Underlying profit/(loss) for the period	**-245**	**-112**
Special items	—	—
Reported profit/(loss) for the period	**-245**	**-112**

(1) 2016 figures have been adjusted as ABN AMRO reclassified EUR 67 million (for 2016) of fee income related to administrative services from other income to fee and commission income

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

Underlying profit/(loss) for the period

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

Net interest income

Net interest income decreased by EUR 46 million to a loss of EUR 2 million in 2016 (2015: EUR 44 million) as the interest result came down, in line with the flattening of the yield curve (partly offset by ABN AMRO's duration strategy. More information is provided in the Market risk in the banking book paragraph). Moreover, interest paid on cash deposits with the ECB increased due to higher average volumes and more unfavourable (negative) rates. Both were partly offset by lower funding costs on Dutch State funding (Dutch State Treasury Agency) following a partial redemption in 2016. Both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

Net fee and commission income

Net fee and commission income decreased by EUR 83 million to EUR 15 million in 2016 (2015: loss of EUR 68 million), partly driven by lower fees paid to Capital Markets Solutions related to securities financing activities. In 2017, ABN AMRO reclassified EUR 67 million (for 2016) of fee income related to administrative services from other income to fee and commission income. 2016 figures have been adjusted accordingly.

Other operating income

Other operating income decreased by EUR 101 million to EUR 96 million in 2016 (2015: EUR 197 million) primarily as lower hedge accounting related results were recorded in 2016 (EUR 39 million in 2016 versus EUR 182 million in 2015). Moreover, no CVA/DVA results were recorded in 2016 compared with favourable CVA/DVA adjustments in 2015 (EUR 27 million positive). This was partly offset by profit/ revaluation gains on stakes in Visa Europe (EUR 14 million) and Equens (EUR 52 million). Both years included tax exempt provisions related to the part of the securities financing activities discontinued in 2009. In 2017, ABN AMRO reclassified EUR 67 million (for 2016) of fee income related to administrative services from other income to fee and commission. 2016 figures have been adjusted accordingly.

Personnel expenses

Personnel expenses, at EUR 1,125 million in 2016, went up by EUR 297 million compared with 2015 (EUR 828 million). The increase was due to EUR 321 million of restructuring provisions related to the announced reorganisation of the control and support activities (EUR 144 million in Q3 2016) and digitalisation and process optimisation (EUR 177 million in Q4 2016). This was partly offset by several smaller restructuring provisions recorded in 2015.

Other expenses

Other expenses decreased by EUR 25 million to minus EUR 720 million in 2016 as more costs were allocated to the commercial segments compared with 2015 (minus EUR 695 million). Expenses increased by EUR 82 million as 2015 included some favourable incidentals, including a EUR 35 million release related to DSB and a VAT return, partly offset by a final settlement (EUR 55 million) with Vestia (a Dutch housing corporation). The year 2016 includes a EUR 13 million restructuring provision for office space (plus EUR 14 million accelerated depreciation) and higher projects costs for continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes).

6.6 Other references

Liquidity and Funding

Please see "*Annual Report 2017 – Risk, funding & capital management – Funding & liquidity risk management*" and "*Annual Report 2017 - Risk, funding & capital review – Liquidity risk & Funding*" in the Risk, funding & capital section of the Annual Report 2017, which has been incorporated by reference herein.

Please also see "*Annual Report 2016 – Risk, funding & capital management – Funding & liquidity risk management*" and "*Annual Report 2016 - Risk, funding & capital review – Liquidity risk & Funding*" in the Risk, funding & capital section of the Annual Report 2016, which has been incorporated by reference herein.

Risk Management and Review

Please see " *Annual Report 2017 – Risk, funding & capital management*" and "*Risk, funding & capital review* " in the Risk, funding & capital section of the Annual Report 2017, which has been incorporated by reference herein.

Please also see " *Annual Report 2016 – Risk, funding & capital management*" and "*Risk, funding & capital review* " in the Risk, funding & capital section of the Annual Report 2016, which has been incorporated by reference herein.

Capital Management

Please see "*Annual Report 2017 – Risk, funding & capital management – Capital management*" in the Risk, funding & capital section of the Annual Report 2017, which has been incorporated by reference herein.

Please see "*Annual Report 2016 – Risk, funding & capital management – Capital management*" in the Risk, funding & capital section of the Annual Report 2016, which has been incorporated by reference herein.

Critical Accounting Policies

Please see "*Annual Report 2017 - Notes to the Annual Financial Statements – 1 Accounting policies*" in Annual Financial Statements of the Annual Report 2017, which has been incorporated by reference herein.

Please also see "*Annual Report 2016 - Notes to the Annual Financial Statements – 1 Accounting policies*" in Annual Financial Statements of the Annual Report 2016, which has been incorporated by reference herein.

Related Party Transactions

Please see "*Annual Report 2017 - Notes to the Annual Financial Statements – 35 Related parties*" in Annual Financial Statements of the Annual Report 2017, which has been incorporated by reference herein.

Please also see "*Annual Report 2016 - Notes to the Annual Financial Statements – 35 Related parties*" in Annual Financial Statements of the Annual Report 2016, which has been incorporated by reference herein.

7. GENERAL INFORMATION

Corporate information

ABN AMRO Bank N.V. was incorporated on 9 April 2009. ABN AMRO Bank N.V. is a public limited liability company incorporated under the laws of The Netherlands and has its statutory seat in Amsterdam, The Netherlands and its registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands. ABN AMRO Bank N.V. is registered with the Trade Register of the Chamber of Commerce under number 34334259.

Shareholder and change of control

ABN AMRO Group N.V. is ABN AMRO Bank's sole shareholder. Following the Legal Merger, ABN AMRO Bank is the only direct subsidiary of ABN AMRO Group N.V. and ABN AMRO Group N.V. has no significant activities other than holding the shares in ABN AMRO Bank. The Executive Board and the Supervisory Board of ABN AMRO Group N.V. are composed of the same members as ABN AMRO Bank. As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by two foundations: NLFI and STAK AAG. NLFI holds 56% and STAK AAG holds 44% of the shares in the issued capital of ABN AMRO Group N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Group N.V. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group N.V. and traded on Euronext Amsterdam. See "5. *The Issuer—3. Management and Governance*".

Documents available

As long as this Registration Document is valid as described in Article 9 of the Prospectus Directive, copies of the following documents will, when published, be available, free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, telephone: +31 20 6282282; e-mail: investorrelations@nl.abnamro.com. This Registration Document and copies of documents incorporated by reference in this Registration Document can also be obtained from https://www.abnamro.com/en/investor-relations/index.html:

(i) an English translation of the most recent Articles of Association of the Issuer;

(ii) copies of the documents listed under "*Documents Incorporated by Reference*";

(iii) the most recently available audited financial statements of ABN AMRO Group N.V. and the most recently available unaudited interim financial statements of ABN AMRO Group N.V.;

(iv) a copy of this Registration Document; and

(v) any future supplements to this Registration Document and any other documents incorporated herein or therein by reference.

The other information stated on or linked to through this website or any other website referred to in any document incorporated by reference into this Registration Document is not a part of this Registration Document.

Information sourced from a third party

All information presented in this Registration Document sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the information inaccurate or misleading.

Issuer ratings

Credit rating agencies periodically review the creditworthiness and publish ratings which assess the level of risk attached to debt instruments. Credit ratings on ABN AMRO Bank N.V. (or their legal predecessors) are presented in the table below.

Corporate rating	S&P	Moody's	Fitch
Long term credit rating	A	A1	A+
Outlook long term credit rating	Positive	Stable	Stable
Short term credit rating	A-1	P-1	F1

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Significant or material change

There has been no (i) material adverse change in the Issuer's prospects since 31 December 2017 or (ii) significant change in the financial position of the Issuer and its subsidiaries since 31 March 2018.

There has been no (i) material adverse change in the ABN AMRO Group N.V.'s prospects since 31 December 2017 or (ii) significant change in the financial position of the ABN AMRO Group N.V. and its subsidiaries since 31 March 2018.

Independent Auditor

The consolidated annual financial statements of ABN AMRO Group N.V. and the Issuer for the years emded 31 December 2016 and of 31 December 2017, incorporated by reference in this Registration Document, have been audited by Ernst & Young Accountants LLP, independent auditors, as stated in their report appearing herein. The individual auditors of EY are members of the Dutch Professional Association of Accountants (*Nederlandse Beroepsorganisatie van Accountants*). EY has given, and has not withdrawn, its consent to the incorporation by reference of its reports into this Registration Document in the form and context in which it is incorporated.

Legal and arbitration proceedings

ABN AMRO is involved in a number of governmental, legal and arbitration proceedings in the ordinary course of its business in a number of jurisdictions, including those set out in "*5. The Issuer — 1. ABN AMRO Bank N.V.— 1.9 Legal and arbitration proceedings*". However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that, save as set out above, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is BFXS5XCH7N0Y05NIXW11.

Issuer

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

LEGAL ADVISORS

Clifford Chance LLP
Droogbak 1A
1013 GE Amsterdam
The Netherlands

AUDITORS

Independent Auditor to ABN AMRO Group N.V. and the Issuer
Ernst & Young Accountants LLP
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1083 HP Amsterdam
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