**28 May 2015**

# ABN AMRO BANK N.V.

## REGISTRATION DOCUMENT

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## 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 28 May 2015 by The Netherlands Authority for the Financial Markets (the "**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 ("**US**") or to or for the account or benefit of US 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.

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 outlook for the global economy over the near to medium term remains challenging. 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 resulted, 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 negatively impact 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 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 related to eurozone sovereign debt concerns may lead to renewed stress in sovereign and bank funding markets. Dutch GDP growth lagged behind average eurozone growth and showed declines through 2012 and 2013 and limited growth in 2014. Market conditions remain vulnerable and risks remain. As a result, there is 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. In addition, economic conditions remain challenging. 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.

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 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.

Since the start of the financial crisis in 2007, both the debt and the equity securities markets have been very volatile. Under these extreme 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 as part of its risk management strategy and it may not be able to manage its exposures adequately through the use of such derivatives 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, please also see 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, and even negative interest rates, could have an adverse impact on the business model of the bank. 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 bank. Market liquidity risk is the risk that the bank 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 negative impact 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 any such credit rating 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 negative impact 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 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 "*5. The Issuer—1. ABN AMRO Bank N.V. —1.7 Regulation*".

When expanding its business to other jurisdictions or offering new products in jurisdictions the Issuer is already active in, 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 certain European legislation and the U.S. Foreign Account Tax Compliance ("**FATCA**") regime (see for a description of FATCA 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 " *5. The Issuer—1. ABN AMRO Bank N.V. —1.7 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. 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 negative 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.

As result of the introduction of the Single Supervisory Mechanism ("**SSM**") on 4 November 2014, the European Central Bank ("**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 the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**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 may for the years to come have a significant impact on supervision of the Issuer. It cannot be excluded that the ECB, as the new prudential supervisory authority, will collect and adopt best practices in the Eurozone, which may impact and change local practices as they currently exist. This may result in a change in the interpretation of regulations. As the relationship between the Issuer and the ECB will likely be different from the Issuer's relationship with DNB, the Issuer may be forced to significantly 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 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 negative 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.***

Since 2009, as many emergency government programs slowed or wound down, global regulatory and legislative focus has generally moved to a next phase of broader reform and a restructuring of financial regulation. Legislators and supervisory authorities, predominantly in Europe and in the United States but also elsewhere, are currently introducing and implementing 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:

- New 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.

- The Deposit Guarantee Schemes Directive (2014/49/EU) ("**DGSD**") being transposed into national law in July 2015, which will require the funding of the current Deposit Guarantee Scheme ("**DGS**") to be changed from an ex-post funded system to a partially ex-ante funded system.

- 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..

- The revised EU Directive on Markets in Financial Instruments ("**MiFID**") and the accompanying regulation "**MiFIR**" (together "**MiFID II**"), which replaces, extends and improves 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.

- 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.

- 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.

- A proposed new payment services directive ("**PSD II**") which may impose additional requirements on the Issuer with respect to payment services in the EEA and support the emergence of new players and the development of innovative mobile and internet payments in Europe.

- In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), enacted in July 2010, covering a broad range of regulations and requirements for financial services including a new framework of regulations and requirements for OTC derivative transactions, markets and participants.

- A banking tax introduced by the Dutch government 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 11 participating Member States, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone.

- Based on sections 1471-1474 of the United States Internal Revenue Code of 1986 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, EU Savings Directive, amended EU Directive on Administrative Cooperation), which, when implemented, may have considerable impact on client on-boarding and administrative processes of the Issuer.

- A proposal adopted by the European Commission on 29 January 2014 for a regulation which would give banks' supervisors the power to require banks to separate certain potentially risky trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability, accompanied by a proposal for a regulation on reporting and transparency of securities financing transactions.

- 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 negative impact 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 or long-term persistence of a difficult economic environment could have a negative 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.

For further information on laws and regulation the Issuer is subject to, see chapter "*5. The Issuer—1. ABN AMRO Bank N.V. —1.7 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.

***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 or 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 continuing 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. In the future, reporting requirement on stable funding and leverage ratio might be replaced or complemented by a requirement for banks to use stable sources of funding and meet a minimum leverage ratio. The envisaged required minimum percentage is unknown but likely to be set at 3%. The Dutch government aims for a higher percentage of 4% for institutions that have systemic relevance, and is lobbying for this higher percentage within the European Union. 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 2014 - Risk & Capital Report", which 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 2014. 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 applies from 1 January 2014. There can be no assurance, however, that the Basel Committee will not amend or supplement the Basel III framework. 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 Basel Committee is conducting further work on systemically important financial institutions and contingent capital in close coordination with the Financial Stability Board. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in debt (which could be introduced by statute, possibly impacting existing as well as future issues of debt and exposing them to the risk of conversion into equity and/or write-down of principal amount). Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank becomes non-viable. 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. 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 0-2.5%. As at the date hereof, the combined buffer requirement is set at 5.5 % of CET1 capital above the minimum regulatory CET 1 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 combined buffer requirement. For example, the relevant regulator may impose a higher systemic risk buffer or introduce a countercyclical capital buffer.

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 combined buffer requirements, 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, if a net stable funding requirement or leverage coverage ratio is implemented in the future, 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 single 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. 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.*

*Dutch Intervention Act*

The Dutch government has adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, *Wet bijzondere maatregelen financiele ondernemingen*, the "**Dutch Intervention Act**"). Pursuant to the Dutch Intervention Act, substantial new powers are granted to DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The Dutch Intervention Act empowers DNB or the Minister of Finance, as applicable, to commence proceedings leading, *inter alia*, to:

(a) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser;

(b) transfer of all or part of the business of the relevant bank to a "bridge bank"; and

(c) public ownership (nationalisation) of the relevant bank and expropriation of debt securities.

Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB or the Minister of Finance, 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. The Dutch Intervention Act 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.

The national framework for intervention by DNB is likely to be amended 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 are likely to remain. The Dutch Minister of Finance may, take measures or expropriate assets 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.

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 majority of the measures set out in the BRRD should have been implemented in national law with effect from 1 January 2015, with the bail-in power for other eligible liabilities to apply from 1 January 2016, at the latest. At the date of this Registration Document the implementation of the BRRD into Dutch law has not yet been completed. It is expected that a draft legislative proposal will be presented to the Dutch Parliament during the course of 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 measures of this directive apply since 1 January 2015 with the exception of the bail-in resolution tool which may be applied as from 1 January 2016 at the latest. 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.

*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 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 Board (as defined below) may also require the Issuer to issue additional liabilities. 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.

*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 managing board to convene a general meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting.

*Resolution measures*

If the Issuer were to reach a point of non-viability, the resolution authority could take pre-resolution measures. These measures include the write down and cancelation of shares, and the conversion of capital instruments into shares. A write down or conversion of capital instruments into shares could adversely affect the rights and effective remedies of holders of Notes and the market value of their Notes could be negatively affected.

BRRD provides resolution authorities with broader powers to implement resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of the bank's business, the separation of assets, 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. BRRD contemplates that such measures apply since 1 January 2015, except for certain provisions which may affect the Notes as described in the risk factor "*9. Proposed and new banking legislation dealing with ailing banks give regulators resolution powers (including powers to write down debt)*" below.

***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 scope of the SRM is the euro area and SRM will, once applicable, be applied to the Issuer as a primary recovery and resolution code instead of the Dutch implementation measures relating to the BRRD. 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 authorities. 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 subject to write-down and conversion powers which the Issuer will be required to meet at all times. The Resolution Board will 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 will have 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 will be included in a resolution plan to be 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 provisions relating to resolution plans and cooperation between the Resolution Board and the national authorities are in effect as of 1 January 2015. The resolution powers of the Resolution Board will take effect from 1 January 2016.

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 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 access to the single resolution fund in case of a resolution. This may have an impact on the Issuer's capital and funding costs. Application of the uniform rules is set to be implemented in four stages: 19 August 2014, 1 November 2014, 1 January 2015 and 1 January 2016.

*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. In these guidelines, 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 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, 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 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.***

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 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 negatively impact 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 negative impact 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 negative impact 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 and crowd funding. 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.

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.

The European Commission has also imposed certain conditions in order to approve the support package and restructuring plan for the Issuer that restrict it from conducting certain activities, including acquisitions, which could adversely affect the Issuer's competitive position, market share, results of operations, prospects and financial position.

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 negatively 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 or long-term persistence of a difficult economic environment could have a negative effect on the Issuer's results of operations and financial position.***

As of 31 December 2014, 81% of the Issuer's operating income was generated in The Netherlands and a majority of its aggregate credit exposure is also located in The Netherlands (approximately 75% as of 31 December 2014). 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 has been subject to major regulatory changes. Accordingly, deterioration or long-term persistence of the difficult 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 (Commercial Finance and Lease), 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. The Issuer has seen increasing delinquencies, defaults and insolvencies across a range of sectors (such as small and medium sized enterprises, commercial real estate, construction and (inland) shipping) and in a number of geographies. This trend has in the past led to and may continue to lead to 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.

The Issuer also has outsourcing arrangements with a number of third parties, notably in respect of IT, and certain services operations, such as cash centres, 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.

In view of the current global economic outlook, the Issuer may continue to 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 trend has led to and may continue to lead to further impairment charges, higher costs, 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. As of 2012, the Issuer also decided to reduce its exposure to this industry. 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 perceive 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 its best efforts to establish 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 negatively 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 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, human mistakes, system failures 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 of documentation. 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. 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 duty of care (*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*).

A number of proceedings have been initiated against the Issuer 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.

European and national regulations, for example, increasingly require financial institutions to provide elaborate disclosure to clients on services and products, such as through the proposed 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 or are envisaged by proposed European regulations for various services and products, such as those based on MiFID II and PRIIPs. In the Dutch market, the AFM and Dutch banks have agreed upon providing (non-professional) clients increased price transparency as of 1 January 2015 in anticipation of similar rules seth forth in MiFID II. These rules impose obligations on financial institutions to make clear to potential clients what a service or product costs and when prices may be changed.

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.

Most recently, Dutch courts have held that also non-profit organisations, public and semi-public institutions, and small and medium-sized enterprises may benefit from a duty of care more similar to that previously applicable to non-professional clients only, for example with respect to interest rate swap 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.

The AFM is currently investigating derivatives offered to SMEs. The sale of derivatives to these clients has led to complaints and to court cases against financial institutions who sold the derivatives, including the Issuer. Clients of the Issuer have claimed, among other things, that the products sold to them contained risks that were not, or not sufficiently, disclosed to them, that the products sold to them were not suited for their circumstances or that the Issuer owed them a duty of care which the Issuer had breached. The demise of housing corporation Vestia in connection with a substantial derivatives portfolio has for example been prominently publicised and multiple proceedings are ongoing to recover losses and other damages. In addition, in these matters, supervisory and other authorities have taken and may take measures against or impose fines on the parties involved, including the Issuer.

Following the extensive media attention in relation to Vestia in general, a public and political discussion was initiated as to whether SME and (semi-)public institutions can 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.

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 negative impact 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, 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 or telecommunications systems. 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).

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 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. 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.

Any weakness in these systems or controls, or any breaches or alleged breaches of applicable laws or regulations, could have a materially negative impact 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 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, 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 and the European Union). 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. 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.

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 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.

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 recent crisis in the region of Crimea and related events has led to sanctions for certain transactions in relation to Russia. Should the crisis in Crimea continue or 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 negative 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 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.

***20. The Issuer is subject to changes in financial reporting standards 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 impact on capital ratios.***

The Issuer's consolidated financial statements are prepared in accordance with IFRS, 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. For example, the final version on Phase II of IFRS 9 on financial instruments (IFRS 9: impairments), which will replace IAS 39, will result in significant changes to the Issuer's consolidated financial statements. The main objective of IFRS 9 is to provide users of financial statements with more useful information about the Issuer's expected credit losses in its financial assets and its commitments to extend credit. As a result of IFRS 9, the Issuer will have to more timely recognise credit losses on loans and other financial instruments which is expected to lead to higher loan loss allowances, and corresponding lower capital on implementation. In addition, Phase II of IFRS 9 will lead to significant changes in financial instrument disclosures. This contemplated accounting change will become effective for annual periods beginning on or after 1 January 2018. 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 impact 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 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. 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 "*5. The Issuer—1. ABN AMRO Bank N.V. —1.8 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 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, the quality and transparency of products sold to clients 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 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 changes to the Capital Requirements Directives known as CRD III and CRD IV, which have been implemented in the Remuneration Policy Decree (*Besluit beheerst beloningsbeleid Wft*), the Bonus Prohibition Act (*Wet Bonusverbod*) and the governance rules and guidelines as embedded in the Dutch Banking Code (*Code Banken*).

Under Dutch and European law, remuneration of employees active in the financial sector is restricted. The Dutch rules ("*Wet beloningsbeleid financiële ondernemingen*", that entered into force as of 7 February 2015) essentially include a cap on variable remuneration of 20% of the fixed salary for employees of a Dutch financial institution that are employed in The Netherlands, 100% for employees of a Dutch financial institution that are employed elsewhere in Europe and 200% for employees of a Dutch financial institution that are employed outside of Europe. Pursuant to transitional regulations, financial institutions will only be allowed to pay variable remuneration exceeding the relevant bonus caps until 1

January 2016, provided that the obligation to pay this remuneration results from an agreement concluded prior to 1 January 2015.

Furthermore, the new Dutch rules introduce a ban on any variable remuneration for any Dutch financial institution that has 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 new ban, members of the Managing 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 increase reflecting collective adjustments, such as increases based on collective labour agreements.

The financial industry may experience 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. Regulations or taxations on employee compensation may also 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 the bank operates or intends to operate.

### *25. The Issuer’s clearing business may incur losses or may be subject to regulatory actions and fines that could negatively affect the Issuer’s result of operations, prospects and financial position as well as negatively affect the Issuer’s reputation.*

ABN AMRO Clearing Bank N.V. ("**ABN AMRO Clearing**") is active in clearing of securities and other financial instruments and one of a limited number of firms offering market access and clearing services.

ABN AMRO Clearing’s business operates on the basis of extensive and complex IT systems. If these systems fail to operate properly, and in particular if this would result in trades not being settled or not being settled in time, the Issuer, as well as its clients and other third parties could incur substantial losses. This may also be the case where the reason for the interruption is external. As a result, the Issuer could also suffer reputational damage and clients could decide to take their business elsewhere. A relatively small number of ABN AMRO Clearing’s clients represent a large part of its operating income. The loss of one or more of these clients could have a material adverse effect on ABN AMRO Clearing’s and therefore the Issuer's results of operations and financial position.

ABN AMRO Clearing is a member of a number of central counterparties ("**CCPs**"). Consequently, ABN AMRO Clearing may be liable for a portion of the obligations incurred by a CCP as a result of the default of other clearing members. In accordance with the applicable rules, ABN AMRO Clearing contributes to the default fund of these CCPs. Furthermore, ABN AMRO Clearing is exposed to counterparty risk in respect of the CCP itself. A default by another clearing member or a CCP could also negatively affect securities prices and therefore the value of collateral held by ABN AMRO Clearing. Any default or other failure by a clearing member or CCP could materially impact ABN AMRO Clearing’s results of operations, prospects and financial position.

ABN AMRO Clearing offers its clients global execution services. This means that clients who use and trade via ABN AMRO Clearing have direct market access and can engage in automated trading, which enables them to place orders directly on certain markets and stock exchanges in the name of ABN AMRO Clearing. Any breaches by clients or by ABN AMRO Clearing itself of applicable laws, rules and regulation, including market abuse prohibitions and reporting obligations, may result in regulatory actions taken against or fines being imposed on ABN AMRO Clearing. 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 device to manually stop trading activities or to perform reporting obligations, and may therefore not be successful in preventing erroneous trading, such as "fat thumb errors", or misconduct by its clients. This risk is particularly relevant in respect of clients who employ their own systems instead of ABN AMRO Clearing’s infrastructure. Although ABN AMRO Clearing may have recourse to its clients for any of such breaches or non-performance, there remains a risk that ABN AMRO Clearing is not able to recover amounts paid. ABN AMRO Clearing may also incur reputational damage. Client conduct may therefore have a material adverse effect on ABN AMRO Clearing’s reputation, results from operations and its financial position.

ABN AMRO Clearing depends for most of its financing on the Issuer. As such the Issuer will have a substantial credit exposure to ABN AMRO Clearing at all times. ABN AMRO Clearing seeks to mitigate its exposure to clients through the maintenance of collateral. Often, collateral consists of securities the value of which may fluctuate greatly in very short periods of time. A sudden drop in the value of these collateral securities may result in ABN AMRO Clearing holding insufficient collateral. ABN AMRO Clearing and thereby the Issuer can accordingly be exposed to credit risk from ABN AMRO Clearing's 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 additional costs or liabilities. If ABN AMRO Clearing does take remedial action, 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 various parties, including CCPs, the client's bankruptcy estate and other creditors, or may become involved in regulatory investigations. This could increase ABN AMRO Clearing's and thereby the Issuer's operational and litigation costs and may result in losses if collateral received by ABN AMRO Clearing declines in value.

Each of the above events can negatively affect ABN AMRO Clearing's, and thereby the Issuer's, results of operations, prospects and financial position as well as negatively 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—EC Remedy*".

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 29 September 2011, direct control of ABN AMRO was transferred to the NLFI, see "*The Issuer —2. Shareholder, Group and Control"*. The Dutch State keeps all options open for a return to the private market for ABN AMRO, but has indicated it favors an IPO. In August 2013, the Dutch Minister of Finance sent a letter to Parliament, stating, amongst others that an IPO is the most realistic exit strategy for ABN AMRO and that the final decision will depend on four prerequisites: (a) the financial sector is stable, (b) the market is ready, (c) ABN AMRO is ready and (d) the intention is to recover as much as possible of the total investments. In the meantime, ABN AMRO has started IPO preparations. A decision on the timing of the IPO has not yet been taken as of the date of this Registration Document, and Stichting administratiekantoor beheer financiële instellingen (trade name NL Financial Investments, "NLFI") remains the sole shareholder of ABN AMRO until the IPO.

The timing and the form in which a change 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 market price of the Issuer’s securities and its business, financial position and results of operations.

***28. The European Commission has imposed certain conditions on the Issuer that could adversely affect the Issuer's competitive position, its business and results of operations.***

The European Commission has imposed certain conditions in order to approve the support package and restructuring plan for ABN AMRO Group N.V. that restrict the Issuer from conducting certain activities. Examples are a ban on acquisitions above a certain amount, price leadership conditions and other restrictions.

Most measures were implemented for three years, starting from 5 April 2011. The restrictions imposed on acquisitions and advertising State ownership will apply until 5 April 2016 or, if earlier, the moment on which the Dutch State holds less than 50% of the Ordinary Shares.

Any of these restrictions could have a negative impact on the Issuer’s competitive position. Since the markets in which the Issuer operates are expected to remain highly competitive in all areas, these conditions could adversely affect the Issuer’s market share, results of operations, prospects and 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;

(b) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2014 (as set out on pages 258 to 265 in relation to the financial statements 2014, including the notes to the financial statements as set out on pages 266 to 372, pages 87 to 210 (certain information in the Risk & Capital Report), and the auditors' report thereon on pages 376 to 382, all as included in ABN AMRO Group N.V.'s Annual Report 2014, the "**Annual Report 2014**") (the "**Consolidated Annual Financial Statements 2014**");

(c) the Section "*Strategic Priorities*" of the Strategic Report on pages 17 to 21, the Sections "*Business Review*" and "*Financial Review*" of the Business Report on pages 31 to 75, the Risk & Capital Report on pages 87 to 210, the Section "*Definitions of important terms*" on pages 383 to 388, the Section "*Abbreviations*" on pages 389 and 390 and the Section "*Cautionary statements*" on page 392, all as included in the Annual Report 2014;

(d) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2013 (as set out on pages 243 through 251 in relation to the financial statements 2013, including the notes to the financial statements as set out on pages 252 through 366 and the information marked as audited in Chapter 15 (*Risk management*) on pages 132 through 213, in Chapter 16 (*Capital management*) on pages 214 through 222, in Chapter 17 (*Liquidity & funding*) on pages 223 through 237 and in Chapter 18 (*Securitisation*) on pages 238 through 242 and the auditors' report thereon on pages 370 through 373, all as included in ABN AMRO Group N.V.'s Annual Report 2013, the "**Annual Report 2013**") (the "**Consolidated Annual Financial Statements 2013**" and together with the Consolidated Annual Financial Statements 2014, the "**Consolidated Annual Financial Statements**");

(e) Chapter 10 (*Strategy*) on pages 60 through 66, Chapter 14 (*Introduction to Risk & Capital management*) on pages 125 through 131, Chapter 15 (*Risk management*) on pages 132 through 213, Chapter 16 (*Capital management*) on pages 214 through 222, Chapter 17 (*Liquidity & funding*) on pages 223 through 237, Chapter 18 (*Securitisation*) on pages 238 through 242, Chapter 22 (*Definitions of important terms*) on pages 382 through 387, Chapter 23 (*Abbreviations*) on pages 388 through 390 and Chapter 24 (*Cautionary statement on forward-looking statements*) on pages 391 and 392 of the Annual Report 2013,

(f) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2014, as set out on pages 257 to 265 in relation to the financial statements 2014, including the notes to the financial statements as set out on pages 266 to 371, pages 87 to 210 (certain information in the Risk & Capital Report), and the auditors' report thereon on pages 377 to 383, all as included in ABN AMRO Bank N.V.'s Annual Report 2014;

(g) the Issuer’s publicly available unaudited abbreviated statutory financial statements 2013 for the financial year ended 31 December 2013 prepared on the basis of article 2:403 of the Dutch Civil Code (*Burgerlijk Wetboek*); and

(h) The quarterly report titled "*Quarterly Report first quarter 2015*" dated 13 May 2015. 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). Such documents can also be obtained in electronic form from the Issuer's website (http://www.abnamro.com/en/investor-relations/debt-investors/unsecured-funding/euro-medium-term-notes.html). The other information included on or linked to through this website or in this Registration Document or any website referred to in any document incorporated by reference into this Registration Document is not a part of this Registration Document.

# 4. 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.

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

"**AFM**" refers to the Dutch *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 2014**" refers to ABN AMRO Group N.V.'s Annual Report 2014.

"**AuM**" refers to Assets under Management.

"**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**" means the Banks Recovery and Resolution Directive.

"**C&MB**" refers to Commercial & Merchant Banking.

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

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

"**Consolidated Annual Financial Statements 2014**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2014 (as set out on pages 258 to 265 in relation to the financial statements 2014, including the notes to the financial statements as set out on pages 266 to 372, pages 87 to 210 (certain information in the Risk & Capital Report), and the auditors' report thereon on pages 376 to 382, all as included in ABN AMRO Group N.V.'s Annual Report 2014.

"**Consolidated Annual Financial Statements 2013**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2013 (as set out on pages 243 through 251 in relation to the financial statements 2013, including the notes to the financial statements as set out on pages 252 through 366 and the information marked as audited in Chapter 15 (*Risk management*) on pages 132 through 213, in Chapter 16 (*Capital management*) on pages 214 through 222, in Chapter 17 (*Liquidity & funding*) on pages 223 through 237 and in Chapter 18 (*Securitisation*) on pages 238 through 242 and the auditors' report thereon on pages 370 through 373, all as included in ABN AMRO Group N.V.'s Annual Report 2013).

"**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 requirements directives.

"**CRD IV**" refers to together, (i) the CRD IV Directive, (ii) the CRD IV Regulation and (iii) the Future Capital Instruments Regulations.

"**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.

"**DBRS**" refers to DBRS Rating Limited.

"**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.

"**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.

"**EMIR**" refers to the European Market Infrastructure Regulation EU/648/2012.

"**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.

"**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 International Accounting Standards Board.

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

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

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

"**IFRS-EU**" refers to 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.

"**KID**" refers to a standard key information document.

"**KPMG**" refers to KPMG Accountants N.V., independent auditors.

"**LC&MB**" refers to Large Corporates & Merchant Banking.

"**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.

"**Managing Board**" refers to ABN AMRO's managing board.

"**MCI**" refers to Maas Capital Investments B.V.

"**MiFID**" refers to the Markets in Financial Instruments Directive 2004/39/EC.

"**MiFID II**" refers to the Markets in Financial Instruments II Directive (2014/65/EU) and the Markets in Financial Instruments Regulation (Regulation 600/2014).

"**MoneYou**" refers to MoneYou B.V.

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

"**MTF**" refers to Multilateral Trading Facility.

"**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.

"**OTF**" refers to Organised Trading Facility.

"**PFS**" refers to Prime Fund Solutions.

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

"**PRIPS**" refers to Packaged Retail Investment Products.

"**Prospectus Directive**" refers to 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.

"**R&PB**" refers to Retail & Private Banking.

"**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 France SAS, a division of The McGraw-Hill Companies, Inc.

"**Securities Act**" refers to the under 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.

"**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.

"**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 2014, 2013 and 2012.

### 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.

*EC Remedy*

On 1 April 2010, ABN AMRO completed the sale of the EC Remedy Businesses to Deutche 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 the Credit Umbrella and a cross liability with New HBU II N.V. In 2012, the Credit Umbrella was terminated.

*State Ownership and the role of NLFI*

The Dutch State keeps all options open for a return to the private market for ABN AMRO, but has indicated it favors an IPO. In August 2013, the Dutch Minister of Finance sent a letter to Parliament, stating, amongst others that an IPO is the most realistic exit strategy for ABN AMRO and that the final decision will depend on four prerequisites: (a) the financial sector is stable, (b) the market is ready, (c) ABN AMRO is ready and (d) the intention is to recover as much as possible of the total investments. In the meantime, ABN AMRO has started IPO preparations. A decision on the timing of the IPO has not yet been taken as of the date of this Registration Document and NLFI remains the sole shareholder of ABN AMRO until the IPO.

*European Commission Conditions*

In connection with the acquisition of Fortis Bank Nederland Holding and certain other transactions, the Dutch State provided state aid to the ABN AMRO. In April 2011, the European Commission approved this support package (as well as a proposed restructuring) subject to a number of conditions. The following two conditions (both market conduct measures) continue to apply at this time:

- a ban on acquisitions above a certain amount with the exception of acquisitions in the area of private equity and ECT (subject to certain conditions); and
- a ban on advertising state ownership.

### 1.2 Business description

ABN AMRO is organized into Retail Banking, Private Banking, Corporate Banking and Group Functions. Each member of the Managing Board is responsible for either a business segment or a support unit within Group Functions. The Chairman of the Managing Board oversees the general management of ABN AMRO and is responsible for Group Audit and the Corporate Office.

In 2014, ABN AMRO amended its business segmentation to present the aforementioned reporting segments. For comparative purposes, the historical figures for the years 2013 and 2012 have also been adjusted to this new segmentation. The new segmentation has no effect on the historical overall group results or financial position of the bank. The main changes are listed below:

- Commercial & Merchant Banking has been renamed Corporate Banking. Corporate Banking comprises three sub-segments: Commercial Clients, International Clients and Capital Markets Solutions:
  - Commercial Clients serves business clients with revenues from EUR 1 million up to EUR 250 million, and clients active in Commercial Real Estate (excluding publicly listed companies). ABN AMRO’s Lease and Commercial Finance activities are also part of this sub-segment;
  - International Clients serves business clients with revenues exceeding EUR 250 million, as well as Energy, Commodities & Transportation (ECT) clients, Diamond & Jewelry Clients (previously named International Diamond & Jewelry Group), Financial Institutions and Listed Commercial Real Estate clients;
  - Capital Market Solutions serves clients by providing products and services related to financial markets. This sub-segment also includes ABN AMRO Clearing;
- Diamond & Jewelry Clients, previously part of Private Banking, is now a part of International Clients, as this client group requires similar products and services;
- YourBusiness Banking clients (SMEs with revenues up to EUR 1 million) are now served by Retail Banking instead of Commercial Clients;
- To improve the collateral management and strengthen the bank-wide liquidity function, the Securities Financing activities have been moved to ALM/Treasury (part of Group Function).

## 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 1 million and approximately 300,000 small businesses in The Netherlands with an annual turnover of up to EUR 1 million. The YourBusiness Banking service model allows small businesses to conduct their banking affairs through the channel of their choice: online, by telephone with an advisor, or face-to-face with a YourBusiness Banking specialist.

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 following subsidiaries[1] of ABN AMRO Bank relate to Retail Banking:

*ABN AMRO Hypotheken Groep*

ABN AMRO Hypotheken Groep B.V. ("**AAHG**") is the supplier of all ABN AMRO-labeled residential mortgage products. AAHG is the legal and economic owner of the residential mortgage portfolios of its Florius brand.

*MoneYou*

MoneYou B.V. ("**MoneYou**") operates as an internet bank offering savings accounts to consumers and commercial clients and residential mortgages in The Netherlands, Belgium and Germany.

*Alfam*

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

Alfam Holding N.V. ("**Alfam**") is ABN AMRO's competence center for consumer finance. Alfam sells consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and Green Loans.

*International Card Services*

International Card Services B.V. ("**ICS**") is ABN AMRO's credit card specialist. 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. ICS is active in The Netherlands and Germany.

*ABN AMRO Verzekeringen*

Delta Lloyd ABN AMRO Verzekeringen Holding B.V. ("**ABN AMRO Verzekeringen**") is an associate of ABN AMRO Bank N.V. (49%). Delta Lloyd N.V. holds 51% interest. ABN AMRO Verzekeringen offers life and non-life insurance products to consumers and commercial clients under the ABN AMRO brand. ABN AMRO acts as an intermediary for ABN AMRO Verzekeringen by selling and providing advice on a comprehensive range of life and non-life insurance products, for which ABN AMRO receives commission payments. ABN AMRO Verzekeringen is able to offer a complete package of insurance products to clients.

*ABN AMRO Pensions*

APG-ABN AMRO Pensioeninstelling N.V. ("**ABN AMRO Pensions**") is a joint venture of ABN AMRO (70%) with APG Groep N.V. ("**APG**") (30%), the largest pension institution in The Netherlands. ABN AMRO Pensions is a Premium Pension Institution which offers pension schemes without insurance based on long life or death.

### 1.4 Private Banking

***Business scope and clients***

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

Private Banking globally managed EUR 190.6 billion assets under management as of 31 December 2014, primarily in the eurozone.

ABN AMRO offers private banking services to clients with freely investable assets exceeding EUR 1 million (or USD 1 million in Asia). Client service teams offer different service models according to client wealth bands:

- ***High Net Worth Individuals*** with AuM in excess of EUR 1 million (Private Banking);
- ***Ultra High Net Worth Individuals*** with AuM in excess of EUR 25 million (Private Wealth Management).

Within these two main client groups, ABN AMRO offers a comprehensive set of tailored services to suit the particular needs of specific client segments, such as:

- ***Family money*** provides specific services tailored to the needs of families, including wealth transfer to the next generation;
- ***Entrepreneurs and their enterprises*** advises entrepreneurs and family businesses, where business and personal needs are often interlinked;
- ***Charities and Institutions*** offers dedicated expertise to foundations and charitable organizations.

In Germany, ABN AMRO acquired in 2011 LGT Deutschland into its subsidiary Bethmann Bank, which is in alignment with the bank's strategy, brings new clients, assets and capabilities, and secured Bethmann Bank's top-five position in the important German private banking market.[2] In 2013, Bethmann Bank signed an agreement to acquire the domestic private banking activities of Credit Suisse in Germany through an asset and liability transaction, which acquisition was completed in 2014.

In France, Banque Neuflize OBC offers a private banking model based on an integrated approach to private and commercial wealth articulated around a dedicated advisory and products offer. Banque Neuflize OBC and its subsidiaries cover a range of activities including traditional banking services, asset management and discretionary portfolio management (through Neuflize OBC Investissements, Neuflize Private Assets, its leading asset managers), life insurance (with Neuflize Vie) and advisory services: estate planning, financial engineering, corporate finance, art advisory and real estate.

In The Netherlands, the Institutions & Charities dedicated client teams address the specific needs of fundraising, religious, public and institutional clients.

Private Banking is also expanding its business in Asia, building client service teams by recruiting private bankers, investment advisors and other key specialists to enhance its relationship management-focused offering.

***Main subsidiaries***

The following subsidiaries[3] of ABN AMRO Bank relate to Private Banking:

*Banque Neuflize OBC*

Banque Neuflize OBC S.A. ("**Banque Neuflize OBC**") is 99.9%-owned by ABN AMRO Bank N.V. It operates 11 branches in main French cities. Banque Neuflize OBC provides an integrated approach to private and commercial wealth while also offering specialist services such as art advisory.

*Neuflize Vie*

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

*Bethmann*

Bethmann Bank AG, ("**Bethmann**") a wholly-owned subsidiary of ABN AMRO Bank, enjoys a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany. Bethmann offers Private Banking and Private Wealth Management related services.

### 1.5 Corporate Banking

***Business scope and clients***

Corporate Banking offers corporate clients a broad range of standard and tailor made products and services based on in-depth sector knowledge.

ABN AMRO's primary focus is on The Netherlands, where it offers a comprehensive range of products and services to commercial clients. Internationally, ABN AMRO serves its Dutch client base abroad through local Dutch Desks in selected markets where their international activities take place. Clients have access to the bank's international network including the ten largest financial and logistics hubs in the world. Internationally, Corporate Banking offers selected specialized activities where it holds or can achieve a leading position: serving clients that are internationally active in the energy, commodities and transportation sectors ("**ECT**"), clearing activities on more than 85 exchanges globally (ABN AMRO Clearing Bank N.V.) and asset based financing through ABN AMRO Commercial Finance and ABN AMRO Lease.

[2] Scorpio Private Banking Benchmark Report 2013

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

Basel III imposes stricter requirements on capital buffers and liquidity ratios of banks and institutional parties, who are looking for investments that offer greater yields than high-grade government bonds, and clients want to be less reliant on bank loans by seeking alternative sources of funds. Corporate Banking intends to play an active role in this disintermediation trend by providing alternative liquidity sources to its clients, including syndicated loans and capital markets solutions. Corporate Banking aims to pursue this approach based on its strategic relationship with clients, in-depth knowledge of client sectors and relationships with investors.

***Commercial Clients***

Commercial Clients serves Netherland based clients with annual turnover between EUR 1 million and EUR 250 million, as well as mid-sized to large professional clients in the Dutch real estate and certain public sectors. In addition, Commercial Clients offers asset-based financing to clients in The Netherlands, Belgium, France, Germany and the United Kingdom through its subsidiaries ABN AMRO Commercial Finance and ABN AMRO Lease. Commercial Clients has set up agreements with partner banks to offer services to clients in countries where ABN AMRO is not present.

***International Clients***

International clients offers integrated financial and strategic advice and solutions to Netherlands-based corporate clients with annual turnover exceeding EUR 250 million. International Clients also serves ECT clients, financial institutions and diamond & jewellery clients internationally.

***Capital Markets Solutions***

Capital Markets Solutions consists of Sales and Trading and ABN AMRO Clearing Bank. Sales and trading supports Commercial Clients and International Clients by providing capital markets products to these business lines. ABN AMRO Clearing Bank intermediates in the international capital markets with a client base of investors and liquidity providers to the markets.

***International Diamond & Jewelry Group***

International Diamond & Jewelry Group is an important global player in the financing of the diamond and jewelry industry, offering financial services to internationally active businesses. Its position is underpinned by a footprint in eight key diamond centres, innovative global trade services and financing solutions such as lending and trade finance-based products. As a founding member of the Responsible Jewellery Council, ABN AMRO aims to promote the highest standards in the diamond industry.

***Main subsidiaries***

The following subsidiaries[4] of ABN AMRO Bank are related to Corporate Banking:

*ABN AMRO Lease*

ABN AMRO Lease N.V. ("**ABN AMRO Lease**") delivers asset-based solutions (equipment lease and finance) to SMEs, a broad range of national and international operating corporates and the public sector. ABN AMRO Lease provides lease finance for their customers (vendor finance) to manufacturers of equipment. ABN AMRO Lease is active in The Netherlands, Belgium, Germany and the United Kingdom with dedicated sales teams operating in close cooperation with the C&MB clients segments, Commercial Banking International and ABN AMRO Commercial Finance.

*ABN AMRO Commercial Finance*

ABN AMRO Commercial Finance B.V. ("**AACF**") provides working capital funding on debtors and inventory. Its present client portfolio comprises a wide range of clients. AACF is active in The Netherlands, France, Germany and the United Kingdom.

*ABN AMRO Clearing Bank*

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

ABN AMRO Clearing Bank N.V. ("**ABN AMRO Clearing Bank**") is a global leader in derivatives and equity clearing and is one of the few providers currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges. ABN AMRO Clearing Bank operates from several locations across the globe and offers an integrated package of direct market access, clearing and custody services covering, options, equity, commodities, energy and fixed income. ABN AMRO Clearing operations are carried out via ABN AMRO Clearing Bank which has a banking license and is regulated and supervised by DNB.

## 1.6 Group Functions

Group Functions supports ABN AMRO'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, sustainability, and housing. Group Functions is organized into four areas, each of them headed by a Managing Board member: Technology, Operations & Property Services ("**TOPS**"), Finance ("**Finance**"), Risk Management & Strategy ("**RM&S**"), and People, Regulations & Identity ("**PR&I**"). Group Audit and the Corporate Office are also part of Group Functions. Group Audit reports directly to the Chairman of the Managing Board and the Chairman of the Audit Committee. The Company Secretary holds an independent position under joint supervision of the Chairman of both the Managing Board and the Supervisory Board.

### Technology, Operations & Property Services

TOPS supports the business by providing services in the areas of IT (software and hardware), operations, facility management and office space, information security, procurement and program/project management.

### Finance

Finance is the primary supplier of management and reporting information to ABN AMRO's businesses and to external stakeholders. Finance plays an independent role in delivering management information and challenging business decisions. It provides a financial control environment and ensures compliance with accounting standards and requirements set by the regulatory authorities. Finance includes ALM/Treasury ("**ALM/T**"), which also has a reporting line to RM&S (as defined below), Financial Accounting, Internal Controls and Tax. ALM/T is responsible for managing the level of capital, interest rate risk and liquidity (banking book) available to the Issuer as well as the treasury function.

### Risk Management & Strategy

Risk Management, Group Economics and Strategy (including Corporate Development and Investor Relations) have been combined into one organisation, RM&S. The IPO Programme is part of the RM&S organisation and is responsible for the preparations and execution of a potential IPO of ABN AMRO. ALM/T is also closely aligned to RM&S to ensure that ABN AMRO's risk appetite is in line with the bank's corporate strategy and capital position, taking into consideration the economic outlook.

ABN AMRO has a diversified balance sheet with primarily client-driven assets and liabilities, limited exposure to 'toxic' assets (*e.g.* it does not hold third-party collateralised loan obligations or third-party asset backed securities), and it has limited European Union peripheral exposures. ABN AMRO's investment banking and capital markets activities are directed towards serving the basic needs of clients in the Commercial Banking and International Clients business lines.

### People, Regulations & Identity

The primary responsibility of PR&I is to help the bank's businesses put their clients centre stage. PR&I consists of five departments: Human Resources, Compliance & Conduct, Legal, Security & Intelligence Management and Communications & Sustainability.

## 1.7 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 proposed new Payment Services Directive (PSD 2) and the Data Protection Regulation.

New proposals are continuously being introduced at global, European and national level. 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 will need 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 Ratings-Based (AIRB) method is used for large SME, retail and most of the specialized lending portfolios except for a small real estate portfolio for which the slotting criteria approach is used. Foundation Internal Ratings-Based (FIRB) approach is used for sovereign portfolio and the Standardized Approach (SA) is used for financial institutions, commercial real estate and large corporates. ABN AMRO obtained formal Advanced Internal Ratings-Based (AIRB) approval from the regulator in 2013.

At present, ABN AMRO uses the SA for market risk, except for the equity portfolio and some smaller portfolios, which are reported under the Internal Models Approach (IMA). The bank is preparing for the implementation of the IMA method for calculating market risk capital in the future.

ABN AMRO currently uses the SA for operational risk. The bank is preparing to implement the Advanced Measurement Approach (AMA) framework for operational risk.

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 the bank and to safeguard business continuity by means of proactive management and the review of potential future scenarios. The bank applies stress testing on a regular basis to assess the effect of potential plausible but unlikely events and developments on the bank. 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 the entire bank 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 Group Risk & Compliance Committee is extensively involved in bank-wide stress testing. The Group Risk & Compliance Committee discusses and decides 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 stress test results no additional capital actions were required in 2014. 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

The bank has implemented CRD III (the European Union implementation of Basel 2.5). The impact on capital has been limited as the bank 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 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, the Basel Committee on Banking Supervision has 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*

As a financial company, certain reform proposals under consideration, including the proposals of the Basel Committee as set out in the Basel III Final Recommendations, which are being 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 is conducting further work on systemically important financial institutions and contingent capital in close coordination with the Financial Stability Board. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in debt (which could be introduced by statute, possibly impacting existing as well as future issues of debt and exposing them to the risk of conversion into equity and/or write-down of principal amount). Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank were to become non-viable. 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 single 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 130 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 scope of the SRM is the euro area and SRM will, once applicable, be applied to the Issuer as a primary recovery and resolution code instead of 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 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 subject to write-down and conversion powers which the Issuer will be required to meet at all times. The Resolution Board will 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 will have 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 will be included in a resolution plan to be 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 provisions relating to resolution plans and cooperation between the Resolution Board and the national authorities are in effect as of 1 January 2015. The resolution powers of the Resolution Board will take effect from 1 January 2016.

The Issuer will only be eligible for contribution 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 "*6. Operating and Financial Review–6.2 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. We expect the European Banking Authority (EBA) to continue to introduce a large number of technical standards, guidelines and recommendations in the course of 2015, further defining EU banks' obligations.

- *EU Deposit Guarantee Scheme Directive*
  On 15 April 2014, the European Parliament adopted the new EU Deposit Guarantee Scheme ("**DGS**") Directive which was published in the Official Journal of the EU on 12 June 2014. The DGS is required to be transposed into national law by 3 July 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 current DGS will be 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 is to be implemented by 3 July 2015, however the requirement for relevant DGS 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 will be based on the covered deposits of the bank and risk based contributions but The Netherlands may also impose minimum contributions. The ex-ante funding system is expected to increase 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 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 DGS) apply as of 1 January 2015.

- *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 power for other eligible liabilities to apply from 1 January 2016, at the latest. At the date of this Registration Document the BRRD implementation into Dutch law has not yet been completed. It is expected that a draft legislative proposal will be presented to the Dutch Parliament during the course of 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.

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 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 require the Issuer to issue additional liabilities. 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.

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 managing board to convene a general meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting.

Resolution measures

If the Issuer were to reach a point of non-viability, the resolution authority could take pre-resolution measures. These measures include the write down and cancelation of shares, and the conversion of capital instruments into shares. A write down or conversion of capital instruments into shares could adversely affect the rights and effective remedies of holders of Notes and the market value of their Notes could be negatively affected.

BRRD provides resolution authorities with broader powers to implement resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of the bank's business, the separation of assets, 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. As detailed above, under the heading – *Single Resolution Mechanism*, once the SRM applies, the Resolution Board will take 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 abolishes 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 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 must be transposed into EU Member State law by 3 July 2016 and the EU Member States must apply most of these rules as from 3 January 2017. 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 ("**MTF**") or Organised Trading Facility ("**OTF**"), 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. The Issuer is also likely to have 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.

***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 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 it will apply directly in all Member States from 31 December 2016.

***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 will ultimately enter into force in March 2016.

***PSD 2 and Multilateral Interchange Fees Regulation***

On 24 July 2013, the European Commission adopted a legislative package in the field of the EU payments framework. The package proposes a revised Payment Services Directive ("**PSD 2**") and a Regulation on Interchange Fees for card-based payment transactions. The PSD 2 will replace the PSD which was required to be transposed into member state law on 1 November 2009 and required updating, i.e. inclusion of new entrants in the payments market such as third-party payment service providers and mobile payment services.

The main objectives of the legislative package (PSD 2) are, *inter alia*, (i) to make cross-border payments in the European Union as easy, efficient and secure as domestic payments, (ii) improve the level playing field (including new players), (iii) improve consumer protection and (iv) facilitate the emergence of common technical standards and interoperability. 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), (ii) non-refundable direct debit and (iii) security requirements. Third Party Access as described in the proposal of the European Commission 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. The non-refundable direct debit is an opportunity for banks as this product improves the predictability of the cash flow of creditors (corporate customers). 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. Key elements of the Interchange Fees Regulation that could impact ABN AMRO are (i) the permillage based fee for debit card transactions and (ii) transparency requirements on interchange fees to merchants (detailed invoice). Retailers in The Netherlands are used to paying a fixed fee per debit card transaction. A change in this practice could have an impact on revenue of banks as retailers will not be inclined to pay a much higher fee for a high value debit card transaction and the transparency requirements 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 5% of the worldwide turnover of a company or EUR 100 million, whichever one is higher. The text of the regulation is however not yet final, as the European Commission, the European Parliament and Council will first need to enter into the tripartite negotiations about the final text. The regulation is expected to be adopted some time in 2016 with it entering into force possibly in 2017. In parallel with EU legislative amendments to strengthen privacy protection, there are a number of Dutch initiatives in this field: (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. Both acts are expected to entry into force as from 1 July 2015.

***Financial Transaction Tax***

In February 2013, the EC published a proposed directive for a common Financial Transaction Tax ("**FTT**") to be implemented in 11 participating Member States, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone. As at the date of this Prospectus, it has not been proposed that The Netherlands become a participating Member State. On 27 January 2015 ministers of 10 EU Member States (still excluding The Netherlands) issued a joint statement in which they reiterated their commitment to reach an agreement on a financial transaction tax, but no further details were provided. The proposed directive has a very broad scope. Under the proposed directive, the FTT could if introduced in the form proposed in February 2013, inter alia, levy a tax on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the FTT-zone. 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. Joint statements issued by the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not yet available. As of the date of this Prospectus, it is unclear when the FTT will come into force, if at all, and it is unclear what the scope of the FTT would be. If the FTT were to come into force and to the extent the FTT were to apply, the Issuer could incur significant additional costs.

Other developments include a proposal adopted by the European Commission on 29 January 2014 for a regulation which would give banks' supervisors the power to require banks to separate certain potentially risky trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability. In addition, the European Commission has adopted an accompanying proposal for a regulation on reporting and transparency of securities financing transactions.

**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, 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 the Group'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 Dutch Intervention Act empowers DNB or the Minister of Finance, as applicable, to commence proceedings leading to:

- transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser;
- transfer of all or part of the business of the relevant bank to a "bridge bank"; and
- public ownership (nationalization) of the relevant bank and expropriation of debt securities.

Subject to certain exceptions, once any of these proposed proceedings have been initiated by DNB or the Minister of Finance, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank.

On 1 February 2013, the Dutch Minister of Finance announced the nationalization of SNS Reaal N.V., acting under powers granted to him under the Dutch Intervention Act.

The national framework for intervention by DNB is likely to be amended 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 are likely to remain. The Dutch Minister of Finance may take measures or expropriate assets 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.

***Dutch Deposit Guarantee Scheme***

The Dutch government has announced the introduction of a new financial levy intended to pre-fund the Dutch Deposit Guarantee Scheme. This scheme guarantees client deposits at Dutch banks up to a maximum amount of EUR 100,000 in the event of bankruptcy. The duty will be levied on risk-bearing liabilities that fall under the Deposit Guarantee Scheme. The levy was initially planned to come into force on 1 July 2013. However, the Minister of Finance has suggested in his letter to Parliament in connection with the nationalization of SNS Reaal N.V. on 1 February 2013 that effectiveness be postponed for another two years. Under the new Deposit Guarantee Scheme, banks will be required to pay a quarterly contribution into a fund for the Deposit Guarantee Scheme. If the scheme is invoked, the fund will pay out. If the fund is insufficient, the costs arising from the shortfall will be divided among the banks in line with the present system. The new pre-funding system is expected to increase ABN AMRO's expenses for the Deposit Guarantee Scheme. The new Dutch Deposit Guarantee Scheme implements the DGS Directive and is expected to become effective from 1 July 2015.

***Financial Markets Amendment Act 2013***

By the end of 2012, the final versions of the Financial Markets Amendment Act 2013 and the Financial Markets Amendment Decree 2013 were published. Most of the rules of the 2013 Amendment Act and Decree entered into effect as of 1 January 2013. They introduced both new and additional rules to existing law, in respect of (i) the mandatory product approval process, (ii) the oath/solemn affirmation for the financial sector (or what is often referred to as the 'bankers' oath'), (iii) requirements with respect to professional competences of advisors with client contact and (iv) a ban on commission payments.

***Financial Markets Amendment Act 2014***

The final Financial Markets Amendment Act 2014 was published on 5 December 2013 and the Financial Markets Amendment Decree 2014 was published on 17 December 2013. The 2014 Amendment Act and Decree came into effect on 1 January 2014 and contains amendments to a number of existing acts and decrees. Among other things, these amendments relate to (i) a general duty of care for financial services providers, (ii) the inducement ban for investment firms for investment services to non-professional clients, (iii) supervision of clearing and settlement institutions, (iv) the bank housing savings deposits and related debt becoming offsettable if the bank becomes insolvent, and (v) the asset segregation for investment institutions and UCITS.

Finally, the 2014 amendments introduce a national discretion deriving from CRD IV to impose (temporary) additional systemic relevance buffers (*systeemrelevantiebuffer*). The Dutch central bank is to determine the amount of the systemic relevance buffer depending on the likelihood of an institution's situation disrupting the stability of the Dutch financial system. This could lead to additional Tier 1 capital add-ons of 1-2% relative to risk exposure amount. The relevant additional buffers will need to be accrued from 2016 onwards and fully implemented by the end of 2018. ABN AMRO was designated as a systemically important financial institution in 2011.

***Financial Markets Amendment Act 2015***

The Financial Markets Amendment Act 2015 was published on 5 December 2014 and the Financial Markets Amendment Decree 2015 was published on 19 December 2014. The 2015 Amendment Act and Decree came into effect on 1 January 2015. Two of the important changes relate to the extension of the scope of the suitability and integrity test for daily policymakers (such as executive board members) and internal supervisors (such as supervisory board members) of licensed financial undertakings, and the extension of the scope of the so-called bankers' oath to a broader group of people active in the financial sector. In addition, the Financial Markets Amendment Act 2015 addresses the abolition of government contribution to funding of supervision of the financial markets, modernisation of the right of collection of premium contribution by insurance brokers and new rules on registered covered bonds.

***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 are expected to enter into force on 1 January 2016. Three of the important suggested 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.

***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**") has been capped at EUR 265,000 as from 1 July 2014. It has been proposed to further reduce this amount to EUR 245,000 as per 1 July 2015, and again to EUR 225,000 as per 1 July 2016. Thereafter, the cap is proposed to be related to the average value of houses. In addition, the Dutch government has further restricted the maximum permissible amount of a mortgage loan to 103%

(including 2% transfer tax) of the value of the property as from 1 January 2015 and this maximum will gradually be reduced further by 1% per year to 100% 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 51% to a maximum of 38% in 2042. This percentage will however not be reduced below the third bracket (which is 42% in 2015) 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.

Furthermore, rules have been introduced for paid advisory services in the mortgage market. Clients will have to pay for the mortgage advice provided, and referral fees will no longer be allowed. New transparency rules have been introduced to promote competition in the mortgage market. These rules require mortgage lenders to publish their fees on their websites and to provide specific information on offers and renewal offers to new and existing clients.

***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 has introduced new rules 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 new 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 112 million surcharge in 2012, a EUR 106 million surcharge in 2013 and a EUR 91 million surcharge in 2014, increasing expenses and the cost/income ratio. This measure will lead to costs in subsequent years.

### *Temporary Resolution Act*

The Temporary Resolution Levy Act introduced a one-off bank levy to make banks contribute to a compensation scheme in connection with the nationalization of SNS REAAL on 1 February 2013. The levy was charged on the first, second and third quarter of 2014. The impact of this levy on ABN AMRO's results was EUR 201 million in total.

## 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 was passed into U.S. law on 21 July 2010. The Dodd-Frank Act has been hailed as the most sweeping financial services regulatory reform legislation in the U.S. since 1933. The legislation covers a broad spectrum of issues ranging from systematic supervision, changes to the regulation of investment advisors and regulation of OTC derivatives, to measures aimed at improving consumer protection. Most of the impact on ABN AMRO's businesses is expected to result 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, will apply to the Issuer when transacting with U.S. persons. Other provisions will apply only if ABN AMRO is required to register as a swap entity with the applicable U.S. regulator.

Currently, there are two main regulatory agencies that are expected to issue further implementing rules: the U.S. Commodity Futures Exchange Commission ("**CFTC**") and the SEC. The CFTC has issued almost all of its rules and regulations, while the SEC has not. The major remaining outstanding rules of the CFTC are those relating to capital of registered swap entities and margin for uncleared swaps. Based on the information gathered to date, the Issuer has not registered as a swap dealer with the CFTC. The SEC has not published registration rules and as of year-end 2014, there was no registered swap entity for those derivatives under its jurisdiction. The Issuer is monitoring legal developments and OTC derivatives volumes to determine the need for registration.

### *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 United States Internal Revenue Code of 1986 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 (such as the OECD Common Reporting Standard, EU Savings Directive, amended EU Directive on Administrative Cooperation). These initiatives call on jurisdictions to obtain information from financial institutions such as the Issuer. The information so obtained will be automatically exchanged with other jurisdictions. These initiatives, when implemented, will have considerable impact on client on-boarding and administrative processes of the Issuer. Increasingly, countries in which the Issuer operates request the Issuer 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 the Issuer and entering into relationships with new clients is becoming more complex. Therefore, the Issuer 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.

## 1.8 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 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.

The MCS-related hedge fund claims of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 are not included in the settlement. The 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 hedgefunds. 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 collateralised 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 collateralised 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.

## 1.9 Recent developments

*Bonus Prohibition Act*

Due to the implementation of the Bonus Prohibition Act, the variable compensation element that formed part of the agreed and benchmarked remuneration package was abolished with effect from the 2011 performance year. After careful consideration and with due observance of the one-off transition arrangement included in the Bonus Prohibition Act, the Supervisory Board decided in 2012 to award the members of the Managing Board a temporary fixed allowance. This was approved by the ordinary shareholder on 16 May 2012.

This allowance of EUR 100,000 applied effectively as from 1 January 2012. The Chairman of the Managing Board is not entitled to this allowance. The six eligible Managing Board members waived their entitlement to this allowance during 2012 and 2013. In June 2014, it was decided to pay out this allowance, effective from 1 January 2014. On 29 March 2015, the six eligible Managing Board members have renounced the EUR 100,000 allowance paid to them, and the related pension contributions. This refund and reduction in remuneration will be recognised by ABN AMRO in 2015.

On 31 March 2015, Mr Wakkie resigned from ABN AMRO’s Supervisory Board with immediate effect. Mr Wakkie was Vice-Chairman of the Supervisory Board and Chairman of the Remuneration, Selection and Nomination Committee.

*403 Statement withdrawal*

On 1 April 2010, ABN AMRO Group N.V. issued a 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) (the "**403 Declaration**") in relation to ABN AMRO Bank.

Pursuant to the 403 Declaration, ABN AMRO Group N.V. was jointly and severally liable with ABN AMRO Bank for debts resulting from legal acts of it. The 403 Declaration is part of the Dutch company law provisions designed to enable subsidiaries of parent companies which publish consolidated annual accounts to obtain an exemption from the requirements to separately publish their own annual accounts (the "**Exemption**"). The 403 Declaration constitutes a guarantee by ABN AMRO Group N.V. for financial instruments issued by ABN AMRO Bank. If ABN AMRO Bank should default, creditors impacted by such default, including holders of financial instruments, could claim against ABN AMRO Bank and/or ABN AMRO Group N.V as the guarantor.

Due to a recent change in Dutch law, ABN AMRO Bank N.V. is no longer eligible for the Exemption. Consequently, the 403 Declaration will be withdrawn by ABN AMRO Group N.V. with effect from 1 June 2015 and shall therefore not apply to financial instruments issued by ABN AMRO Bank after this date.

## 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.

As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by NLFI. NLFI holds a total voting interest of 100% in ABN AMRO Group N.V. NLFI is responsible for managing the shares in ABN AMRO Group N.V. and exercising all rights associated with these shares under Dutch law, including voting rights. Material or principal decisions 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 authorisation from and on behalf of the Dutch Minister of Finance.

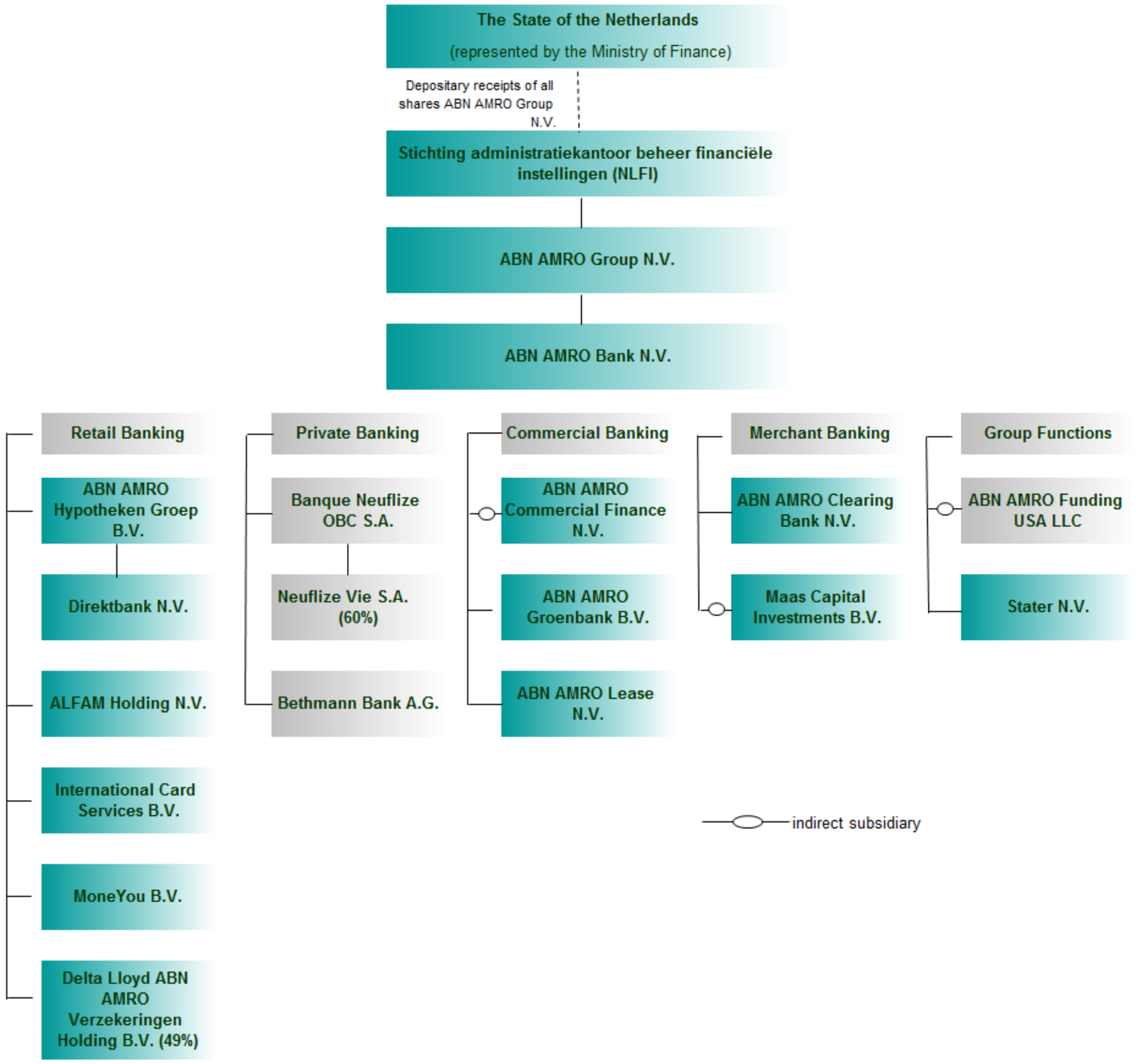
NLFI issued exchangeable depositary receipts for shares (without the cooperation of ABN AMRO Group N.V.) to the Dutch State. As sole holder of all issued exchangeable depositary receipts, the Dutch State holds an indirect economic interest of 100% in ABN AMRO Group N.V.

### 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 a Managing Board. As noted in "*5. The Issuer—1. ABN AMRO Bank N.V. — 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 Managing Boards of ABN AMRO Group N.V. and ABN AMRO Bank and the committees of these boards.

## 2.3 Structure

Set out below is a diagram of the legal structure of ABN AMRO Bank and its main direct and indirect subsidiaries as at the date of this Registration Document:




## 2.4 Control

Until 29 September 2011, the Dutch State had direct control over ABN AMRO, however, the Dutch State was not involved in the day-to-day management of 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. While it retains all options, the Dutch State has indicated that it favors an IPO.

The Dutch State keeps all options open for a return to the private market for ABN AMRO, but has indicated it favors an Initial Public Offering ("IPO"). In August 2013, the Dutch Minister of Finance sent a letter to Parliament, stating, amongst others that an IPO is the most realistic exit strategy for ABN AMRO and that the final decision will depend on four prerequisites: (a) the financial sector is stable, (b) the market is ready, (c) ABN AMRO is ready and (d) the intention is to recover as much as possible of the total investments. In the meantime, ABN AMRO has started IPO preparations. A decision on the timing of the IPO has not yet been taken as of the date of this Registration Document, and Stichting administratiekantoor beheer financiële instellingen (trade name NL Financial Investments, "NLFI") remains the sole shareholder of ABN AMRO until the IPO. NLFI is responsible for managing the shares in ABN AMRO Group N.V. and exercising the rights associated with these shares under Dutch law, including voting rights. Moreover, material or principal decisions require the approval of the Dutch

Minister of Finance, who will also be able to provide binding voting instructions with respect to such decisions. NLFI's objectives exclude disposing of or encumbering the shares, expect pursuant to an authorization from and on behalf of the Dutch Minister of Finance.

On 11 March 2013, ABN AMRO Group N.V. exercised the call option to repurchase EUR 210 million preference shares in the share capital of ABN AMRO Group N.V. held by ABN AMRO Preferred Investments B.V. in accordance with the announcement made on 1 March 2013. The transaction was settled that same day. ABN AMRO Group N.V. cancelled the repurchased shares in May 2013. These class A non-cumulative preference shares were already excluded from ABN AMRO's regulatory capital position. The exercise of the call therefore has no impact on the capital ratios reported per 31 December 2012 and 2013. The repurchase of the preference shares resulted in a simplification of the shareholder structure of ABN AMRO Group N.V. As a result of the transaction, NLFI remains the sole shareholder of ABN AMRO Group N.V. by holding all ordinary shares in its share capital until the IPO.

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.

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 (the "exit strategy").

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.

### 2.5 **Share capital of ABN AMRO Group N.V. and ABN AMRO Bank**

The authorised share capital of ABN AMRO Group N.V. amounts to EUR 3,751 million, divided into 3,750 million ordinary shares of EUR 1 each and 100 million class B ordinary shares of EUR 0.01 each.

The issued and paid-up share capital of ABN AMRO Group N.V. is EUR 940,000,001, consisting of 940,000,001 ordinary shares of EUR 1 each.

The authorised and issued share capital (ordinary and preference shares) and share premium reserve were impacted by the conversion of the EUR 2 billion liability resulting from the MCS into equity (see *" 5. The Issuer—1. ABN AMRO Bank N.V.—1.8 Legal and arbitration proceedings—Settlement with Ageas")*. In connection with the Ageas settlement, ABN AMRO Group N.V. issued one class A ordinary share (nominal value of EUR 1.00) to NLFI in June 2012.

The 2012 movements in Share Capital and Share premium were all due to the conversion of the Mandatory Convertible Securities and the settlement with Ageas.

On 11 March 2013, ABN AMRO Group N.V. exercised the call option to repurchase EUR 210 million preference shares in the share capital of ABN AMRO Group N.V. held by ABN AMRO Preferred Investments B.V. in accordance with the announcement made on 1 March 2013. The transaction was settled that same day. ABN AMRO Group N.V. cancelled the repurchased shares in May 2013. These class A non-cumulative preference shares were already excluded from ABN AMRO's regulatory capital position. The exercise of the call therefore has no impact on the capital ratios reported per 31 December 2012 and 2013. The repurchase of the preference shares resulted in a simplification of the shareholder structure of ABN AMRO Group N.V. As a result of the transaction, NLFI remains the sole shareholder of ABN AMRO Group N.V. by holding all ordinary shares in its share capital until the IPO.

ABN AMRO Bank's authorised capital amounts to EUR 2,000,000,000 and is divided into 2,000,000,000 ordinary shares of EUR 1 (one euro) each. The issued and paid capital amounts to EUR 800,000,000.

## 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 Managing Board and a Managing Supervisory Board. As noted above and in this section, the memberships of the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank are the same, as are the memberships of the Managing Boards of ABN AMRO Group 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 managing board (the "**Managing 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. Certain powers are vested with the Supervisory Board, including the approval of certain resolutions of the Managing 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, together with an indication of their principal activities outside of ABN AMRO[5]:

| Name | Appointment date | Positions held | Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO |
|---|---|---|---|
| Rik van Slingelandt, *Chair* | 27 October 2010<br><br>Reappointed on 10 April 2014 for a period of 2 years as member and Chairman of the Supervisory Board | *Last position:* Member of the Managing Board of Rabobank | Supervisory Director, Kahn Scheepvaart B.V.<br><br>Member of Board, Stichting Neijenburg |
| Hans de Haan, *Vice-Chairman* | 18 December 2009<br><br>Reappointed on 13 April 2015 for a period of 1 year | *Last position:* Chartered accountant and partner with Ernst & Young Accountants | Member of Board, Stichting) Trustee Achmea Hypotheekbank<br><br>Chairman of Board, Stichting Lehman Brothers Treasury Co B.V. |
| Steven ten Have | 30 March 2010<br><br>Reappointed on 10 April 2014 for a period of 4 | *Current position:* Partner with Ten Have Change Management and professor of Strategy & | Chairman, Software Improvement Group (SIG).<br><br>Vice-Chair of Supervisory Board, Stichting Cito Instituut voor Toetsontwikkeling |

[5] 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.

| | | | |
|---|---|---|---|
| | years | Change at Vrije Universiteit in Amsterdam | (Foundation Cito Institute for Educational Testing Development)<br><br>Chairman, Postgraduate Study Change Management, Vrije Universiteit, Amsterdam<br><br>Member of Board, Stichting INK (Instituut Nederlandse Kwaliteit) (Institute for Netherlands Quality)<br><br>Chairman, Foundation Center for Evidenced Based Management |
| Bert Meerstadt | 30 March 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Current position:* CEO Baarsma Wine Group Holding | Member of Supervisory Board, Lucas Bols Holding N.V. Non executive director, Talgo<br><br>Chairman of Board, Friends of Concertgebouw and Royal Concertgebouw Orchestra<br><br>Member of Board, Society for Prevention and Saving of Drowning Victims<br><br>Chairman of Board, StichtingBlinden-Penning (Foundation for the Blind and Visually Impaired) |
| Marjan Oudeman | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Current position:* President of Executive Board of Utrecht University | Member of Supervisory Board, Statoil ASA<br><br>Member of Board, SHV Holdings N.V.<br><br>Member of the Board, Koninklijke Ten Cate N.V.<br><br>Member of Supervisory Board, Rijksmuseum<br><br>Member of Board of Directors, Concertgebouw N.V.<br><br>Governor of Nationaal Comite 4 en 5 mei (the National Committee 4 and 5 May) |
| Annemieke Roobeek | 30 March 2010<br><br>Reappointed on 10 April 2014 for a period of 3 years | *Current position:* Professor of Strategy and Transformation Management (Nyenrode Business University) and director and owner of MeetingMoreMinds B.V., Open Dialogue B.V. and co-owner XL Labs B.V. | Member of Supervisory Board, Abbott Healthcare Products B.V.<br><br>Member of Supervisory Board, KLM N.V.<br><br>Member Advisory Board Koninklijke Horeca Nederland<br><br>Member PGGM Advisory Board for Responsible Investment<br><br>Chairperson Vereniging REFILL<br><br>Chairperson of Stichting INSID, Foundation for sustainability and innovation realisation directed by His Royal Highness Prince Carlos de Bourbon Parma<br><br>Member of Board, Foundation of the Medical |

| | | | |
|---|---|---|---|
| | | | Centre of the Vrije Universiteit, Amsterdam<br><br>Member Raad van Eigen Wijzen CPI Governance<br><br>Member, Siruis Leading Expert for Excellence in Higher Education |
| Olga Zoutendijk | 1 July 2014 | *Last position:*<br>Group Head of wholesale banking at Standard Chartered Bank. | No principal affiliations outside ABN AMRO which are significant with respect to the Issuer |

On 31 March 2015, Peter Wakkie resigned from ABN AMRO's Supervisory Board with immediate effect. Mr. Wakkie was Vice-Chairman of the Supervisory Board and Chairman of the Remuneration, Selection and Nomination Committee.

**Activities of the Supervisory Board**

The Supervisory Board of ABN AMRO has three committees and has installed a special committee relating to the preparation of a possible IPO:

***Audit Committee***

The Audit Committee is tasked with direct supervision of all matters relating to the bank's financial strategy and performance, including selection of and relationship with the external auditor, the effectiveness of the accounting systems, financial disclosures and relation aspects of internal risk management and internal control. The committee is also tasked with supervision of the bank's capital and liquidity position and its funding. The committee consists of Hans de Haan (Chair), Bert Meerstadt, Olga Zoutendijk and Rik van Slingelandt.

***Remuneration, Selection & Nomination Committee***

The responsibilities of the Remuneration, Selection & Nomination Committee include preparation of the selection, nomination and re-nomination of the members of the Supervisory and Managing Boards. To this end, the committee is involved in drafting selection criteria and appointment procedures, and in preparing and periodically reviewing succession plans of these Boards. The committee periodically assesses the performance of the members of both Boards. Its remuneration-related tasks include advising the Supervisory Board on remuneration for members of the Managing Board and advising on remuneration for members of the Managing Board and advising on remuneration of selected members of senior management responsible for the control functions and reward policies for other Identified Staff. The committee consists of Steven ten Have, Marjan Oudeman and Rik van Slingelandt (chair).

***Risk & Compliance Committee***

The Risk & Compliance Committee advises the Supervisory Board on subjects relating to risk management and risk control and prepares the Supervisory Board's decision-making in these areas. The committee is in charge of the annual approval of the bank's risk appetite; the periodical profile; the assessment of its risk management functions and the testing of its risk framework. The committee periodically discusses legal and compliance-related matters. The committee consists of Rik van Slingelandt (co-chair), Olga Zoutendijk (co-chair), Hans de Haan and, Annemieke Roobeek.

***IPO Special Committee***

In order to obtain advice on recurring topics regarding the possible IPO and to prepare related decision-making, the Supervisory Board appointed an additional committee from amongst its members, currently consisting of: Rik van Slingelandt, Hans de Haan and Steven ten Have.

## 3.2 Managing Board of ABN AMRO Group N.V. and ABN AMRO Bank N.V.

**Responsibilities of the Managing Board**

The members of the Managing Board collectively manage ABN AMRO and are responsible for its strategy, structure and performance. In carrying out their duties, the members of the Managing Board are guided by the interests 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 Managing Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders. The Managing Board has installed a number of committees that are responsible for decision-making on certain subjects and advising the Managing Board on certain matters.

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

**Composition of the Managing Board**

The following persons are appointed as members of the Managing Board, together with an indication of their principal activities outside of ABN AMRO[6] :

| **Name** | **Date of Appointment** | **Principal activities performed by them outside ABN AMRO which are significant with respect to ABN AMRO** |
|---|---|---|
| Gerrit Zalm, *Chairman* | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | Non-executive Director, Royal Dutch Shell<br><br>Chairman Advisory Council, "Wigo-4it", a cooperative effort of the social welfare organizations of the four largest cities in The Netherlands<br><br>Member of Board, Dutch Banking Association<br><br>Chairman, Board of Governors National Academy for Finance and Economics |
| Johan van Hall, *Chief Operating Officer & Vice-Chairman* | 18 December 2009<br><br>Reappointed on 10 April 2014 for a period of 4 years | Member of Supervisory Board, Equens SE (pan-European processor of payments and cards)<br><br>Member of Board, Nyenrode Europe India Institute<br><br>Member, Central Commission for Statistics (CCS)<br><br>Chairman, Foundation ABN AMRO Support for Support |
| Kees van Dijkhuizen, *Chief Financial Officer* | 1 May 2013<br><br>Appointed for a period of 4 years | Member of Board, Duisenberg School of Finance<br><br>Member, AFM Capital Market Commission<br><br>Chairman of Committee on Supervision of Dutch Banking Association<br><br>Chairman of Government Committee on Export, Import and Investment guarantees<br><br>Member of Board of Trustees, Museum Meermanno |

6 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 Managing Board is also member of the Managing Board of ABN AMRO Group N.V.

| | | |
|---|---|---|
| Caroline Princen, *People, Regulations & Identity Officer* | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | Member of Board, Foundation VUmc Alzheimercentrum<br><br>Member of Supervisory Board, EYE Film Institute<br><br>Member of Supervisory Board, UMC<br><br>Chairperson , ABN AMRO Foundation |
| Wietze Reehoorn, *Chief Risk Officer & Strategy* | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | Member of Supervisory Board, Rijksuniversiteit Groningen<br><br>Member of Board, Abe Bonnema Foundation<br><br>Member of Supervisory Board, Amsterdam Institute of Finance<br><br>Member of Supervisory Board, Foundation Topsport Community |
| Chris Vogelzang, *Retail & Private Banking* | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | Member of the Board, Dutch Banking Association<br><br>Member of Supervisory Board, Hespri Holding B.V.<br><br>Member of Supervisory Board, Prins Bernhard Cultuurfonds<br><br>Treasurer, Stichting Fotografiemuseum Amsterdam (FOAM) |
| Joop Wijn, *Commercial & Merchant Banking* | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | Chairman of the Board, Oranje Fonds<br><br>Member of the Supervisory Board, Schiphol Group<br><br>Member of the Board, VNO-NCW<br><br>Member of the Supervisory Board, Royal Jaarbeurs Utrecht<br><br>Member of Supervisory Board, Stadsherstel Amsterdam N.V.<br><br>Chairman, Foundation Kunst & Historisch Bezit ABN AMRO |

### 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 Managing 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 Managing 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. 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 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 measure are important to understand ABN AMRO's performance and capital position.*

*Furthermore, ABN AMRO adopted the amended pension accounting standard IAS 19 as from 1 January 2013. As a result, all 2012 disclosed figures have been adjusted accordingly for comparison purposes. For 2014 and 2013, accrued interest is presented as part of the relevant balance sheets accounts, versus the separate line items (i) accrued income and prepaid expenses and (ii) accrued expenses and deferred income in previous years. This change has no impact on equity, total assets or net profit. All 2012 disclosed figures have been adjusted accordingly for comparison purposes.*

*The reported results for the years ended and as at 31 December 2014, 2013 and 2012 included in this Operating and Financial Review have been audited.*

*ABN AMRO is organised into Retail Banking, Private Banking, Corporate Banking and Group Functions. The Corporate Banking segment was introduced as part of a new segmentation, and now includes most parts of the reporting segment previously named 'Commercial & Merchant Banking'. Corporate Banking comprises three business lines: Commercial Clients, International Clients and Capital Markets Solutions. This segmentation was implemented by ABN AMRO during the course of 2014. For comparative purposes, the historical figures for the years 2013 and 2012 have also been adjusted to this new segmentation.*

*The Consolidated Annual Financial Statements 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 2014 and 2013***

The Consolidated Annual Financial Statements 2014 and the Consolidated Annual Financial Statements 2013 have been prepared in accordance with EU IFRS, on a mixed model valuation basis as follows:

- Fair value is used for:
  - Derivative financial instruments;
  - Financial assets and liabilities held for trading or designated as measured at fair value through profit or loss;
  - Available-for-sale financial assets;
  - Investments in associates of a private equity nature.
- Other financial assets (including "loans and receivables") and liabilities are valued at amortised cost less any impairment if applicable;

- The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- Non-financial assets and liabilities are generally stated at historical cost;
- Equity accounted investments are accounted for using the net equity method.

***Changes in accounting policies 2014***

On 1 January 2014, ABN AMRO adopted the following new standards and amendments:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- Amendments to IFRS 10, 11 and 12 Transitional Guidance.

The aforementioned standards have been adopted in accordance with the transitional requirements as set out in the standards.

Consolidation is required when there is control that is defined as a combination of power, exposure to variability in returns and a link between the two. The application of IFRS 10 and 11 and the amendments to IFRS 10, 11 and 12. Transitional guidance, did not result in significant changes in ABN AMRO's consolidated financial statements. IFRS 12 includes disclosure requirements for interests in and risks arising from subsidiaries, joint arrangements, associates and structured entities. These disclosures are included in note 21 of the 2014 Consolidated Annual Financial Statements.

***Other amendments adopted***

**IAS 32 Offsetting financial assets and financial liabilities**

These amendments clarify the offsetting requirements for financial assets and financial liabilities. ABN AMRO has concluded that the amendments have no significant impact on its offsetting policies.

**IAS 36 Recoverable amount disclosures for non-financial assets**

These amendments address disclosure requirements for recoverable amount information if this amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

**IAS 39 Financial instruments**

Novation of Derivatives and Continuation of Hedge Accounting. This amendment allows hedge accounting to continue in a situation where a derivative, designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations. The amendment has no significant impact on ABN AMRO's results or financial position in the consolidated financial statements.

**IFRIC 21 Levies**

This IFRS interpretation applies to all government related levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The timing of charging levies to the income statement is clarified according to IAS 37. The interpretation has no significant impact on ABN AMRO's results or financial position in the consolidated financial statements.

***New accounting standards and interpretations***

In December 2013 the IASB issued the annual improvements to IFRSs 2011-2013 cycle, which were endorsed by the EU in December 2014. The amendments are required to be applied for annual periods beginning on or after 1 July 2014. The impact of the amendments is expected to be insignificant. The amendments are listed below.

- IFRS 1 First-time adoption of International Financial Reporting Standards – Meaning of 'effective IFRSs';
- IFRS 3 Business Combinations – Scope exceptions for joint ventures;
- IAS 40 Investment Property – Clarifying the interrelationship between IFRS 3

- IAS 40 when classifying property as investment property or owner-occupied property.

The following new or revised standards and interpretations have been issued by the IASB, but are not yet effective for these Consolidated Annual Financial Statements. These standards and interpretations are subject to endorsement by the European Union and are therefore not open for early adoption.

**IFRS 9 Financial Instruments**

In July 2014 the IASB published the final version of the new standard that replaces IAS 39 Financial instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. In comparison with IAS 39, IFRS 9 has changed requirements for classification and measurement, impairment and hedge accounting, in addition to containing extensive new disclosure requirements. Although the implementation of all changed requirements will take a considerable effort, ABN AMRO expects that the changes to the impairment model will have the biggest impact on the consolidated financial statements. IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model'. The main difference is that IFRS 9 requires entities to recognise expected credit losses in profit and loss for all financial assets not measured at fair value through profit and loss, even for those that are newly originated or acquired. IAS 39 only allows the recognition of a loss if a loss event has occurred. This difference in approach will result in higher loan loss allowances and corresponding lower equity. Because of the size of the project, the impact assessment on the consolidated financial statements will continue well into 2015.

**IFRS 11 Joint Arrangements**

Accounting for acquisitions of interest in joint operations (amendments). The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are required to be applied to acquisitions occurring from the start of the first annual period beginning on or after 1 January 2016.

**IFRS 15 Revenue from contracts with customers**

This standard was issued in May 2014. It establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017. ABN AMRO is currently making an assessment on the impact on the consolidated financial statements.

**Annual improvements to IFRSs 2010-2012 cycle**

This cycle of annual improvements comprises a total of eight amendment related to seven standards. The standards amended are as follows.

- IFRS 2 Share-based payment – Definition of vesting condition;
- IFRS 3 Business combinations – Accounting for contingent consideration in a business combination;
- IFRS 8 Operating segments – Aggregation of operating segments. Reconciliation of the total of reportable segments' assets to the entity's assets;
- IFRS 13 Fair value measurement – Short-term receivables and payables;
- IAS 16 Property, plant and equipment – Revaluation method – proportionate restatement of accumulated depreciation;
- IAS 38 Intangible assets – Revaluation method – proportionate restatement of accumulated amortisation.

The requirements of this set of amendments is to be applied for annual periods beginning on or after 1 July 2014.The impact of these amendments was assessed and the outcome is that there will most likely be no impact on the consolidated financial statements.

*Changes in accounting policies 2013*

**Amended IAS 19 Employee Benefits**

ABN AMRO has adopted the amended IAS 19 Employee Benefits in accordance with the transitional provisions which require retrospective application. The opening statements of financial position as of 1 January 2012 and the comparative figures of 2012 have been adjusted.

**IFRS 7 Financial Instruments: Disclosures Offsetting**

The amendments to IFRS 7 are intended to enable users of financial statements to better evaluate the effects or potential effects of offsetting on the entity's financial positions. The disclosures are included in The Risk & Capital Report of the Annual Report 2014 which has been incorporated by reference herein.

**IFRS 13 Fair Value Measurement**

On 1 January 2013, ABN AMRO adopted IFRS 13 Fair Value Measurement. In accordance with its transitional provisions, IFRS 13 is applied prospectively. Fair value is defined in IFRS 13 as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date. The change had no significant impact on the measurement of assets and liabilities.

**IAS 1 Presentation of Financial Statements**

Amendments to IAS 1 represent changes in the presentation of Other comprehensive income. Amendments are addressed in the Consolidated statement of comprehensive income of the Consolidated Annual Financial Statements 2013. The application of the amendment had no impact on ABN AMRO.

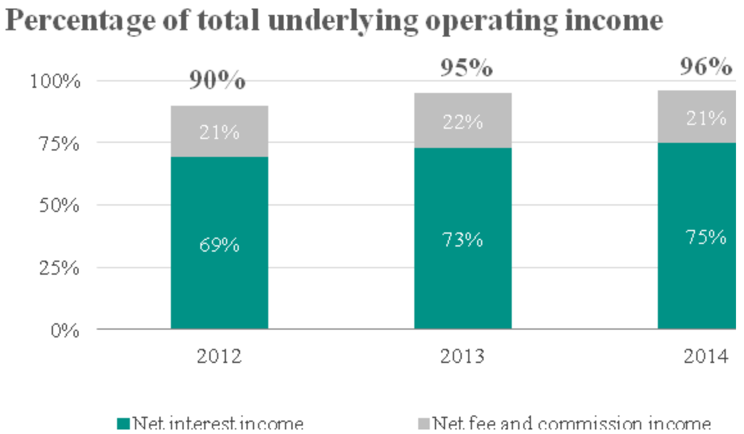
## *6.2 Key factors affecting results of operations*

*Drivers of Profitability*

The profitability of ABN AMRO 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. These businesses generate net interest income and net fee and commission income as shown in the following chart.




*Interest-based business*

Interest-based revenue is the largest contributor to ABN AMRO's operating income generating 75% of total operating income in 2014. 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 (NII) is the difference between interest income and interest expenses. In 2014, Retail Banking generated 56% of ABN AMRO's net interest income, Corporate Banking 34% and Private Banking 10%.

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 7 and indirect liquidity8 costs. The business margin is defined as the margin the business makes on granting loans to or taking in deposits from clients. 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 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 the bank'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 the fee and commission-based business generating 21% of total Group operating income in 2014. 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 2014, Corporate Banking generated 38% of ABN AMRO's net fee and commission income, Private Banking 32% and Retail Banking 31%.

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 Banking Clients.

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 the ABN AMRO advises

- [7] 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.

- [8] 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.

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 the bank 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 Banking.

***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 compliancy and risk management requirements. Therefore, personnel expenses contribute significantly to ABN AMRO's expenses. This means that ABN AMRO is dependent on conditions and trends in local labour markets, primarily the Dutch. Personnel expenses comprise 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 ABN AMRO's personnel expenses comprises of salaries and wages in addition to pension expenses. In 2012 and 2013, pension expenses consist mainly of pension expenses related to defined benefit plans. In 2014, ABN AMRO reached agreement on a new pension scheme for its employees in the Netherlands. Under the new Dutch Collective Defined Contribution ("CDC") plan, effective as from 6 June 2014, the annual pension contributions are calculated according to a fixed contribution calculation mechanism. This mechanism contains certain elements, for example interest rate levels. The annual pension contribution is maximised at 35% of the pensionable salary.

***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 related to information technology followed by agency staff, contractors and consultancy costs.

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:

*Bank tax*

Following the 2008 financial crisis, several countries introduced additional charges to the financial services industry. These charges as commonly known as bank taxes. Bank tax is 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 expected to be 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 the bank, as determined by the regulator. The contribution of ABN AMRO to the Dutch Deposit Guarantee Schema have to be paid quarterly. The Group is also subject to several deposit guarantee schemes outside the Netherlands. For other countries than the Netherlands, the contributions and terms and conditions can defer from the Dutch Deposit Guarantee Scheme.

*European Resolution Fund*

These contributions are to establish and maintain a resolution fund. This fund is to reach a certain level of covered deposits within a certain amount of time. All banks will have to pay in to a resolution fund but contributions can vary based on the risk profile of the contributing bank.

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

In addition to the abovementioned regulatory charges, ABN AMRO has seen an increase of costs related to implementation and compliance with new regulations.

***Key drivers of impairment charges on loans and other receivables***

The Group's results of operations are also effected by the level of impairment charges on loans and other receivables. These impairment charges result from changes in the quality of assets, in particular in Retail Banking and the Corporate Banking. 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 50% of ABN AMRO's loan book. 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 (81% for the year ended 31 December 2014).

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 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***

Due to the open and export-oriented nature of its economy the Netherlands is particularly affected by both developments in the global as well as European economy. The U.S. economy reported significant economic growth for the third successive year in 2014. Emerging markets in Asia were the leaders of economic growth in 2014, while emerging Europe and Latin America disappointed due mainly to internal imbalances, geopolitical problems and falling commodity prices. The latter was caused chiefly by the fact that global demand for certain commodities lagged supply. Providers of commodities tend to respond to a decline in prices initially by increasing supply, as this allows them to sustain their cash flows.

After having contracted for the previous two years, gross domestic product ("GDP") in the eurozone inched up in 2014. Growth was sluggish mainly in France and Italy, as was the pace of structural reforms in these countries. Developments in France and Italy, political turmoil in Ukraine and the rising rate of the euro through May 2014 also affected Germany's economy. The recent slowdown of the dominant German economy, which is structurally sound and competitive, appears to have been caused largely by these non-recurring factors. Unemployment is very low historically, while wage growth seems to be accelerating. The Dutch economy is benefiting from this development. Germany imports more than one-fifth of the Netherlands' exports, making it by far the biggest foreign market for Dutch products.

Unlike in 2012 and 2013, growth of the Dutch economy kept pace with the eurozone as it grew slightly in 2014. Private consumption and investment in the Netherlands picked up. Its export sector was once again the pacesetter, having benefitted from global trade. According to CPB Netherlands Bureau for Economic Policy Analysis, growth of the world trade that is relevant to the Netherlands was approximately 2.5% in 2014, as compared with 2.5% in 2013 and 1.3% in 2012.

Against a background of growing real disposable income, consumer spending finally improved in 2014. Relatively high inflation, government cutbacks and pension problems had held this down in the past, but these factors were hardly at play in 2014. In addition, the housing and job markets improved and investments grew, due mainly to an increase in industrial production.

**Gross Domestic Product ("GDP"), Eurozone vs The Netherlands**

(in % growth QoQ)

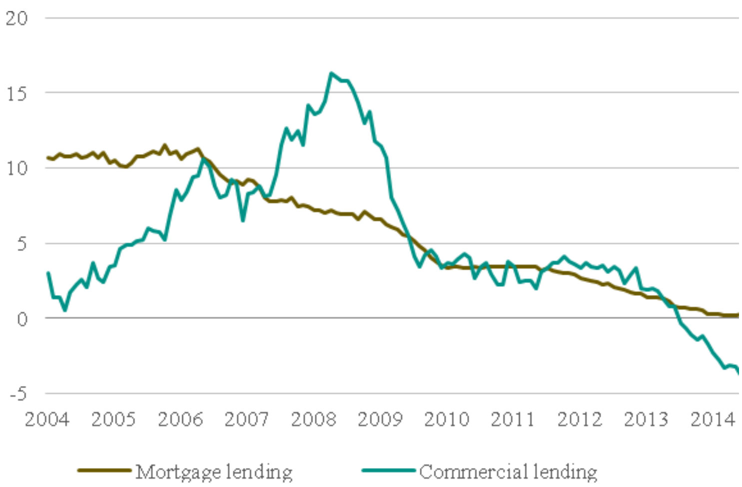

Source: Thomson Reuters Data Stream, CBS

***Lending market***

In the period under review the volume of outstanding residential mortgages of ABN AMRO has declined, while corporate lending contracted slightly, with SMEs being hit particularly hard. Surveys conducted by DNB show that stricter conditions were applied to lending to SMEs and mortgages due partly to rising costs of capital for banks together with gloomy risk perceptions caused by the after-effects of the euro crisis. Due to the recession, there were fewer creditworthy companies requesting credit.

**Commercial and mortgage lending by Dutch financial institutions**

(in % growth YoY)




Source: DNB

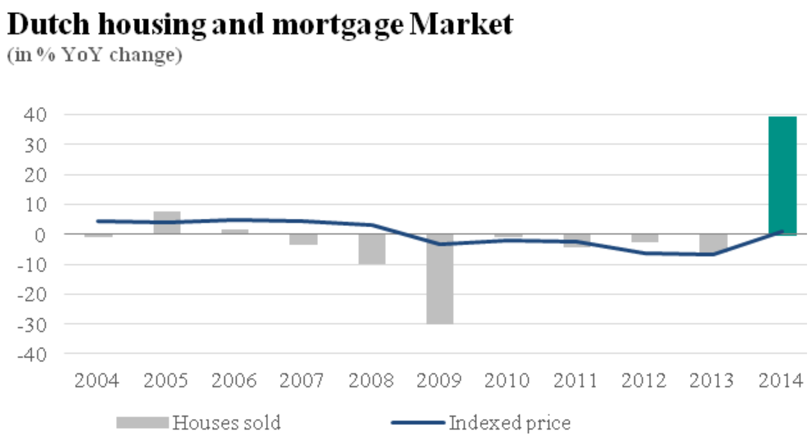
***Dutch housing and mortgage market***

Changing fiscal regulations have played an important role in the development of the Dutch residential mortgage market. Until 2013, interest paid on Dutch residential mortgages could generally be deducted from the homeowner's income for income tax purposes, resulting in a high number of interest-only mortgages (non-amortising) and minimal use of homeowner funds for home buying, allowing homeowners to maximise the tax benefits of the mortgage-interest deduction. Additionally, the Netherlands had a relative large volume of outstanding mortgages relative to the size of the economy, and the loan-to-market value is typically higher compared to other countries.

New regulations effective as of January 2013 have limited the tax deductibility to only amortising loans, although grandfathering is in place for existing mortgages. The new regulations also impose a gradual decrease in the maximum loan-to-value ratio to reach 100% on 1 January 2018. For additional detail on the new regulations, see "*5. Issuer – 1. ABN AMRO BANK N.V. – 1.7 Regulation*", applicable to mortgages in the Netherlands may have a significant impact on ABN AMRO's mortgage business.

These changes in regulations, together with the developments in the Dutch economy, are one of the factors that have led to a decline in housing prices in recent years. Correction on house prices in the Netherlands has been deeper than in neighbouring countries due to the adjustments in the tax regime that coincided with a period of difficult economic circumstances.

The number of house sales fell in 2012 for the sixth consecutive year. A large part of 2012 was dominated by uncertainty about the future of the mortgage interest rate deduction and about other aspects of the government's housing policy, including reforms both in the rental and the owner-occupied segments. The Dutch housing market entered calmer waters in the course of 2013 with the number of house sales rising again in the second half of the year and showing a strong recovery in 2014. The housing price index of the Statistics Netherlands (CBS) increased by nearly 1%. According to CBS, the number of houses sold was up by more than 39% compared with 2013. The strong recovery in the Dutch housing market was supported by fiscal incentives, of which the elevated gift tax exemption had the most visible effect in the fourth quarter of 2014. The elevated gift tax exemption was in place from 1 October 2013 until 1 January 2015.




***Regulatory developments***

The Group 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. As of 4 November 2014, the ECB has become the primary supervisory authority of ABN AMRO. For certain matters ABN AMRO will remain subject to supervision by local supervisory authorities such as the DNB and the AFM.

The changing regulatory environment has affected, and will continue to affect, ABN AMRO's results of operations in a number of ways. The Basel III Framework implemented in the EEA through CRD IV and the CRR have resulted in ABN AMRO being subject to stricter capital and liquidity requirements and may also affect the scope, coverage, or calculation of capital and risk exposure amount, all of which could require ABN AMRO to reduce business levels or to raise capital.

In 2013 and 2014, the ECB conducted an Asset Quality Review ("**AQR**") and stress test in preparation of the Single Supervisory Mechanism to ensure greater transparency of banks' balance sheets and consistency of supervisory practices in Europe and with the stated purpose, among others, of assuring stakeholders that banks are fundamentally sound and trustworthy. The ECB aimed to enhance transparency of banks' balance sheets through the AQR by reviewing asset quality, including the adequacy of asset and collateral valuations and related provisions. Under the AQR, the ECB reviewed selected portfolios covering at least 50% of a bank's risk exposure amount ("**REA**"). In ABN AMRO's case, the AQR covered over 60% of total REA and included large parts of ABN AMRO's exposures in shipping, SMEs, real estate and mortgages. The outcome of the AQR did not lead to restatements on ABN AMRO's capital position. The stress test provided a view on the shock-absorption capacity of ABN AMRO under certain stress scenarios set by the ECB and applied to all EU banks in scope. The stress test results confirmed that ABN AMRO is well capitalised and has sufficient buffers to absorb various losses and economic shocks. The stress test did not take into account future business strategies and management action and is not a forecast of ABN AMRO's profits.

Additionally, ABN AMRO's results of operations are influenced by the regulatory costs imposed by, and associated with, new regulations. At the EU level, the Deposit Guarantee Scheme will be transposed into national law in July 2015, implementing the new ex-ante funding system for the DGS to guarantee repayment of certain client deposits up to EUR 100,000 held at European banks in the event of bankruptcy or resolution. Contributions will be based on the covered deposits of the bank and risk based contributions, but Member States may also impose minimum contributions. The ex-ante funding system is expected to increase ABN AMRO's expenses in connection with the Deposit Guarantee Scheme. In addition, if the available financial means of a DGS are 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 ABN AMRO per calendar year.

Also in connection with European regulation, the Bank Recovery and Resolution Directive ("**BRRD**") entered into force on 2 July 2014, requiring banks to contribute to the Resolution Fund. The individual contribution of each bank will be based on a flat contribution (that is pro-rata based on the amount of liabilities excluding own funds and covered deposits, in comparison to the total liabilities, excluding own funds and covered deposits, of all participating banks) and a risk based contribution. In addition, where the funds of the Resolution Funds are not sufficient to cover the losses, costs or other expenses incurred by the use of the Resolution Fund in resolution actions, extraordinary ex-post contributions from the participating banks may be raised, with a maximum of three times the annual amount of the individual contribution. The funding obligation will enter into force on 1 January 2016, and after 8 years from that date, the available financial means of the Resolution Fund must in principle be at least 1% of the amount of covered deposits of all participating banks. The funding of the Resolution Fund is expected to increase ABN AMRO's expenses. In 2015, the Issuer is expected to be required to contribute to national resolution funds. As a result of both the EU DGS and the EU Resolution Fund, ABN AMRO's operating expenses will structurally increase as of 2015. In addition, ABN AMRO is also subject to specific regulatory costs imposed by the Dutch State, for example the Dutch bank tax, which amounted EUR 91 million in 2014 (EUR 106 million in 2013).

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 "5. *Issuer – 1. ABN AMRO BANK N.V. – 1.7 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*

Interest income and expenses are recognised in the income statement for all interest-bearing instruments (whether classified as held-to-maturity, available-for-sale, designated at fair value through profit or loss or non-trading derivatives) on an accrual basis using the effective interest rate method including the value adjustments to the carrying amount of the hedged item related to the termination of a fair-value hedge of interest risk.

The application of the effective interest rate method includes the amortization of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. This item does not include interest income and expenses in relation to trading balances, which are included within net trading income.

*Net fee and commission income*

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

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

*Other operating income*

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

*Net trading income*

Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income and expenses related to trading balances, 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 ABN AMRO's credit spreads where it impacts the value of ABN AMRO's trading liabilities. The charge related to the write-off of trading instruments is included in trading income.

*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. In addition, it includes gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in ABN AMRO's 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*

Personnel expenses include salaries and wages, social security charges, pension expenses and other personnel expenses.

*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 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 here but recognised in the income statement as depreciation and amortisation expense. For more information regarding impairment charges, please see "*Annual Report 2014 – Risk & Capital Report – Risk & capital management – Credit risk management*".

***Profit/(loss) before tax***

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

***Income tax expense***

The Group 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, except to the extent that it arises from: (1) a transaction or event that is recognised directly in equity; or (2) a business combination accounted for as an acquisition. The future tax benefit of tax losses available for carry forward is recognised as an asset when it is probable that these losses can be utilised against future taxable profits.

***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 2014 and 2013**

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, as explained below. The tables below shows a reconciliation of ABN AMRO's reported and underlying results of operations for the years ended 31 December 2014 and 31 December 2013.

***Reconciliation of Reported to Underlying Results***

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Reported | Special items | Under-lying | Reported | Special items | Under-lying |
| | *(in millions of euros)* | | | | | |
| Net interest income | 6,023 | - | 6,023 | 5,380 | - | 5,380 |
| Net fee and commission income | 1,691 | - | 1,691 | 1,643 | - | 1,643 |
| Other operating income [(1)] | 341 | - | 341 | 301 | (122) | 423 |
| *Operating income* | *8,055* | - | *8,055* | *7,324* | *(122)* | *7,446* |
| Personnel expenses | 2,684 | 288 | 2,396 | 2,357 | 37 | 2,320 |
| Other expenses | 2,654 | 201 | 2,453 | 2,413 | - | 2,413 |
| *Operating expenses* | *5,338* | *489* | *4,849* | *4,770* | *37* | *4,733* |
| ***Operating result*** | ***2,717*** | ***(489)*** | ***3,206*** | ***2,554*** | ***(159)*** | ***2,713*** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Impairment charges on loans and other receivables | 1,171 | - | 1,171 | 983 | (684) | 1,667 |
| ***Profit/(loss) before tax*** | ***1,546*** | ***(489)*** | ***2,035*** | ***1,571*** | ***525*** | ***1,046*** |
| Income tax expense | 412 | (72) | 484 | 411 | 117 | 294 |
| **Profit/(loss) for the year** | **1,134** | **(417)** | **1,551** | **1,160** | **408** | **752** |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

## *Impact of Special Items*

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| **Operating income** | | |
| Reassessment of discontinued securities financing activities(1) | - | (70) |
| Costs of wind down non-client-related equity derivatives activities(2) | - | (52) |
| *Total impact on operating income* | - | *(122)* |
| **Operating expenses** | | |
| Restructuring provision(3) | - | 37 |
| Pension settlement charge(4) | 288 | - |
| SNS levy(5) | 201 | - |
| *Total impact on operating expenses* | *489* | *37* |
| **Loan impairments** | | |
| Greek releases(6) | - | (432) |
| Madoff releases(7) | - | (253) |
| *Total impact on loan impairments* | - | *(685)* |
| Total impact on income tax expenses | (72) | 117 |
| **Total impact on profit/(loss) for the period** | **(417)** | **408** |

(1) Reassessment of receivables from part of the securities financing activities conducted abroad which have been discontinued as from 2009.

(2) In the first quarter of 2013, ABN AMRO decided to wind-down its remaining non-client related equity derivative activities. The wind-down will be gradually executed through a run-off scenario, and therefore the impact will be spread over a longer period of time.

(3) The addition to the restructuring provision recorded in Group Functions concerned a reorganisation of Corporate Banking in order to further improve efficiency. The reorganisation will lead to a reduction of approximately 400 FTEs, part of which will be realised through natural attrition and internal reallocation.

(4) As part of the collective labour agreement in the first half of 2014, ABN AMRO changed the pension scheme for its employees from a defined benefit scheme to a collective defined contribution scheme. As a result, the liability as recorded in

the balance sheet related to the defined benefit scheme was released to the income statement leading to a negative impact on personnel expenses.

(5) In 2013, the Dutch government decided to nationalise SNS Reaal. In addition, the government decided that the Dutch banking industry should also contribute to the rescue operation, as a replacement for the fact that the deposit guarantee scheme was not effectuated due to the nationalisation. The total amount to be contributed by the sector was approximately EUR1 billion, of which EUR 201 million was to be contributed by ABN AMRO spread over the first 3 quarters of 2014.

(6) In the separation of the former ABN AMRO Holding NV, a portfolio of Greek government-guaranteed corporate exposures was allocated to ABN AMRO Group NV. As a result of the Private Sector Initiative early 2012, ABN AMRO had to take a significant impairment on these exposures. In the course of 2012 and 2013, ABN AMRO was able to gradually divest the exposures, while recovering part of the impairment charges. The last tranche was sold in the October 2013.

(7) Through its Prime Fund Solutions activities, which were divested in 2011, ABN AMRO provided loans to client funds collateralised by securities. Some of these client funds were invested in Bernard L. Madoff Investment Securities, which was posted as collateral for the loans. Following the discovery of the fraud related to these securities, the securities, and therefore the collateral, became valueless and the clients went bankrupt. As a result, ABN AMRO fully impaired these exposures, as the expected recovery was zero. In 2011, 2012 and 2013, ABN AMRO released part of these impairment allowances as ABN AMRO sold collateral related to these Madoff files.

### *Selected consolidated financial information*

| | Year ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Net interest income | 6,023 | 5,380 |
| Net fee and commission income | 1,691 | 1,643 |
| Other operating income [(1)] | 341 | 423 |
| *Operating income* | *8,055* | *7,446* |
| Personnel expenses | 2,396 | 2,320 |
| Other expenses | 2,453 | 2,413 |
| *Operating expenses* | *4,849* | *4,733* |
| ***Operating result*** | ***3,206*** | ***2,713*** |
| Impairment charges on loans and other receivables | 1,171 | 1,667 |
| ***Profit/(loss) before tax*** | ***2,035*** | ***1,046*** |
| Income tax expense | 484 | 294 |
| **Underlying profit/(loss) for the period** | **1,551** | **752** |
| Special items | **(417)** | **408** |
| **Reported profit/(loss) for the period** | **1,134** | **1,160** |

| | Year ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Underlying cost/income ratio | 60% | 64% |
| Underlying return on average Equity (EU IFRS) | 10.9% | 5.5% |
| Underlying net interest margin (in bps) | 153 | 134 |
| Underlying cost of risk [(2)] (in bps) | 45 | 63 |

| | As at 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Assets under Management (in EUR billion) | 190.6 | 168.3 |
| FTEs | 22,215 | 22,289 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

*Underlying profit/(loss) for the period*

Underlying profit for the year ended 31 December 2014 increased by EUR 799 million, or 106%, to EUR 1,551 million, as compared to EUR 752 million for the year ended 31 December 2013. This increase was primarily the result of significant higher net interest income (an increase of 12% over 2013) and significantly lower loan impairments (a decrease of 30% over 2013). The underlying return on equity (ROE) increased to 10.9% in 2014 from 5.5% in 2013.

*Reported profit/(loss) for the period*

Both years were impacted by a number of special items which had a positive impact in 2013 and a negative impact in 2014. As a consequence, the reported net profit declined slightly from EUR 1,160 million in 2013 to EUR 1,134 million in 2014. See the Impact of special items table with the explanatory notes in this section for more information on the impact of special items in 2014 and 2013.

As of September 2014, the acquired private banking activities of Credit Suisse in Germany are consolidated in ABN AMRO's result.

*Operating income*

Operating income for the year ended 31 December 2014 increased by EUR 609 million, or 8%, to EUR 8,055 million, as compared to EUR 7,446 million, for the year ended 31 December 2013.

Out of total operating income, 81% of operating income was generated in the Netherlands, 12% came from the rest of Europe and 7% from the rest of the world.

Net interest income

Net interest income for the year ended 31 December 2014 increased by EUR 643 million, or 12%, to EUR 6,023 million, as compared to EUR 5,380 million, for the year ended 31 December 2013. Interest income improved across all business lines. The increase was primarily due to improved margins on deposits as a result of enhanced re-pricing abilities. Interest income on mortgages also increased as a result of the gradual repricing at higher margins, offset by a declining portfolio volume. The increase in interest income on commercial loans was driven by margin improvements in Commercial Clients and portfolio growth in Energy, Commodities and Transportation (ECT) Clients. Asset and Liability Management (ALM) interest results also improved compared with 2013.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2014 increased by EUR 48 million, or 3%, to EUR 1,691 million, as compared to EUR 1,643 million for the year ended 31 December 2013. This increase was primarily due to higher commitment fees and corporate finance advisory fees. The switch to an all-in fee for investment products in the Netherlands had a negative impact at both Retail Banking and Private Banking. This was offset by a positive impact from the acquisition of Credit Suisse's German private banking activities in September 2014.

Other operating income

Other operating income for the year ended 31 December 2014 decreased by EUR 82 million, or 3%, to EUR 341 million, as compared to EUR 423 million for the year ended 31 December 2013. This decrease was primarily the result of a charge of EUR 52 million due to the first-time application of the Funding Value Adjustment (FVA), lower volumes following the phased winddown of equity derivative activities at Capital Markets Solutions, which started in the first half of 2013 and unfavourable Credit Value Adjustment (CVA)/Debit Value Adjustment (DVA) results (EUR 6 million negative in 2014 versus results-neutral impact in 2013).

*Operating expenses*

Operating expenses for the year ended 31 December 2014 increased by EUR 116 million, or 2%, to EUR 4,849 million, as compared to EUR 4,733 million for the year ended 31 December 2013. The increase was primarily driven by increased personnel expenses.

Personnel expenses

Personnel expenses for the year ended 31 December 2014 increased by EUR 76 million, or 3%, to EUR 2,396 million, as compared to EUR 2,320 million for the year ended 31 December 2013. This increase was primarily due to a restructuring provision of EUR 60 million related to accelerated digitisation in Retail Banking. FTEs declined only slightly and were impacted by the acquisition of Credit Suisse's private banking activities in Germany.

Other expenses

Other expenses for the year ended 31 December 2014 increased by EUR 40 million, or 2%, to 2,453 million as compared to EUR 2,413 million for the year ended 31 December 2013. This increase was primarily due to higher project costs (mainly the ECB Comprehensive Assessment and the acquisition and integration of private banking activities in Germany) and a goodwill impairment of EUR 25 million. This was only partly offset by a higher release from the provision related to the Dirk Scheringa Bank (DSB) deposit guarantee scheme (EUR 66 million in 2014 versus EUR 31 million in 2013) and the lower Dutch bank tax in 2014. Note that 2013 included the impact of accelerated depreciation on fixed assets.

*Operating result*

The operating result for the year ended 31 December 2014 increased by EUR 493 million, or 18% to 3,206 million as compared to EUR 2,713 million for the year ended 31 December 2013. The underlying cost/income ratio improved to 60% in 2014 (from 64% in 2013).

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2014 decreased by EUR 496 million, or 30%, to EUR 1,171 million, as compared to EUR 1,667 million for the year ended 31 December 2013. This decline in impairment charges was mainly recorded for mortgages and small Commercial Clients. The decline was partly offset by higher additions for medium-sized and large Commercial Clients and International Clients, although the fourth quarter of 2014 showed a positive development in these client segments as well. Impairments on real estate clients were lower than in 2013. Cost of risk based on average customer loans decreased to 45bps from 63bps in 2013.

Total underlying impairment charges on Loans and receivables - customers over average Loans and receivables - customers (underlying cost of risk) went down to 45 bps in 2014 (from 63 bps in 2013).

*Underlying profit/(loss) before tax*

Underlying profit/(loss) before tax for the year ended 31 December 2014 increased by EUR 989 million, or 95%, to EUR 2,035 million, as compared to EUR 1,046 million for the year ended 31 December 2013.

*Income tax expense*

Income tax expense increased by EUR 190 million, or 65% to EUR 484 million. This increase was primarily due to higher profit before tax.

*FTEs*

The total number of full-time equivalents excluding temporary staff (FTEs) as at 31 December 2014 decreased by 74 to 22,215 from 22,289 as at 31 December 2013, mainly due to a further reduction in the number of branches in the Netherlands, partly offset by the acquisition of Credit Suisse's German private banking activities.

*Assets under Management*

Assets under Management as at 31 December 2014 increased by EUR 22.3 billion, or 13%, to EUR 190.6 billion, as compared to EUR 168.3 billion as at 31 December 2013. This increase was due to market performance (EUR 8.6 billion), the acquisition of the private banking activities of Credit Suisse in Germany (EUR 8.2 billion) and net new assets (EUR 5.5 billion).

***Selected Consolidated Balance Sheet Movements***

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Assets: | | |
| Cash and balances at central banks | 706 | 9,523 |
| Financial assets held for trading | 9,017 | 12,019 |
| Derivatives | 25,285 | 14,271 |
| Financial investments | 41,466 | 28,111 |
| Securities financing | 18,511 | 18,362 |
| Loans and receivables - banks | 21,680 | 23,967 |
| Loans and receivables - customers | 261,910 | 257,028 |
| Other | 8,292 | 8,741 |
| **Total assets** | **386,867** | **372,022** |
| Liabilities: | | |
| Financial liabilities held for trading | 3,759 | 4,399 |
| Derivatives | 30,449 | 17,227 |
| Securities financing | 13,918 | 12,266 |
| Due to banks | 15,744 | 11,626 |
| Due to customers | 216,011 | 207,584 |
| Issued debt | 77,131 | 88,682 |
| Subordinated liabilities | 8,328 | 7,917 |
| Other | 6,652 | 8,753 |
| *Total liabilities* | *371,990* | *358,454* |
| Equity: | | |
| Equity attributable to owners of the parent company | 14,865 | 13,555 |
| Equity attributable to non-controlling interests | 12 | 13 |
| *Total equity* | *14,877* | *13,568* |
| **Total liabilities and equity** | **386,867** | **372,022** |

*Total assets*

Total assets as at 31 December 2014 increased by EUR 14.8 billion, or 4%, to EUR 386.9 billion, as compared to EUR 372.0 billion as at 31 December 2013. This increase was primarily due to an increase in derivative assets. The increase in financial investments (investments in the liquidity buffer) is offset by lower deposits at central banks.

*Cash and balances at central banks*

Cash and balances at central banks as at 31 December 2014 decreased by EUR 8.8 billion, or 93%, to EUR 0.7 billion, as compared to EUR 9.5 billion as at 31 December 2013. This decrease was primarily due to lower excess funds held as overnight deposits with central banks.

*Financial assets held for trading*

Financial assets held for trading as at 31 December 2014 decreased by EUR 3.0 billion, or 25%, to EUR 9.0 billion, as compared to EUR 12.0 billion as at 31 December 2013. This decrease was primarily due to the termination of non-client related Equity Derivatives (EQD) activities.

*Derivative assets*

Derivative assets as at 31 December 2014 increased by EUR 11.0 billion, or 77%, to EUR 25.3 billion, as compared to EUR 14.3 billion as at 31 December 2013. This increase was primarily due to interest and foreign exchange rate movements impacting the fair value of derivatives.

*Financial investments*

Financial investments as at 31 December 2014 increased by EUR 13.4 billion, or 48%, to EUR 41.5 billion, as compared to EUR 28.1 billion as at 31 December 2013. This increase was primarily due to purchases for the liquidity buffer.

*Securities financing*

Securities financing as at 31 December 2014 was EUR 18.5 billion as compared to EUR 18.4 billion as at 31 December 2013.

*Loans and receivables – banks*

Loans and receivables – banks as at 31 December 2014 decreased by EUR 2.3 billion, or 10%, to EUR 21.7 billion as compared to EUR 24.0 billion as at 31 December 2013. This decrease was primarily due to lower interest-bearing deposits at the European Central Bank (ECB), partly offset by higher mandatory reserves at the Dutch Central Bank (DNB).

*Loans and receivables – customers*

Loans and receivables – customers as at 31 December 2014 increased by EUR 4.9 billion, or 2%, to EUR 261.9 billion, as compared to EUR 257.0 billion as at 31 December 2013. This increase was primarily due to growth in other loans driven by ECT and Clearing activities.

Client loans decreased by EUR 0.5 billion, as the decrease in mortgages was not fully offset by the growth in commercial loans. The mortgage portfolio decreased by EUR 2.1 billion to EUR 148.4 billion as increased new mortgage production was more than offset by higher (additional) redemptions especially in the fourth quarter. The increase in early repayments can partly be explained by the expiration of beneficial tax treatment for mortgage-related gifts. The commercial loan portfolio increased and was positively influenced by growth in the ECT Clients loan book. Commercial loans to small commercial clients declined as the number of credit applications remained at low levels in 2014.

***Loans and receivables – customers***

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Residential mortgages | 148,402 | 150,493 |
| Consumer loans | 16,052 | 16,241 |

| | | |
|---|---|---|
| Commercial loans to clients[(1)] | 80,065 | 78,251 |
| *Total client loans [(2)]* | *244,519* | *244,985* |
| Commercial loans to professional counterparties | 9,635 | 9,798 |
| Other loans[(3)] | 6,777 | 2,821 |
| *Total loans and receivables[(2)]* | *260,931* | *257,604* |
| Fair value adjustments from hedge accounting | 5,739 | 4,399 |
| Less: loan impairment allowance | 4,761 | 4,975 |
| **Total loans and receivables – customers** | **261,910** | **257,028** |

(1) Including lease and factoring loans, excluding commercial 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 as at 31 December 2014 increased by EUR 13.6 billion, or 4%, to EUR 372.0 billion, as compared to EUR 358.5 billion as at 31 December 2013. This increase was primarily due to increased derivative liabilities and growth in client deposits and was partly offset by lower issued debt securities.

*Financial liabilities held for trading*

Financial liabilities held for trading as at 31 December 2014 decreased by EUR 0.6 billion, or 15%, to EUR 3.8 billion, as compared to EUR 4.4 billion as at 31 December 2013. This decrease was primarily due to various small items.

*Derivative liabilities*

Derivatives liabilities as at 31 December 2014 increased by EUR 13.2 billion, or 77%, to EUR 30.4 billion, as compared to EUR 17.2 billion as at 31 December 2013. This increase was primarily due to interest and foreign exchange rate movements impacting the fair value of derivatives.

*Securities financing*

Securities financing as at 31 December 2014 increased by EUR 1.7 billion, or 13%, to EUR 13.9 billion, as compared to EUR 12.3 billion as at 31 December 2013. This increase was primarily driven by increased client demand.

*Due to banks*

Due to banks as at 31 December 2014 increased by EUR 4.1 billion, or 35%, to EUR 15.7 billion, as compared to EUR 11.6 billion as at 31 December 2013. This increase was primarily due to EUR 4.2 billion in new funding obtained from participation in the first two tranches of the Targeted Long-Term Refinancing Operations (TLTRO).

*Due to customers*

Due to customers as at 31 December 2014 increased by EUR 8.4 billion, or 4%, to EUR 216.0 billion, as compared to EUR 207.6 billion as at 31 December 2013. This increase was primarily due to deposit inflows at MoneYou Germany, Private Banking in the Netherlands, Commercial Clients and Clearing.

***Due to customers***

| | As at 31 December |
|---|---|

| | 2014 | 2013 |
|---|---|---|
| | *(in millions of euros)* | |
| Retail Banking | 95,915 | 93,403 |
| Private Banking | 62,902 | 59,464 |
| Corporate Banking | 54,740 | 51,667 |
| Group Functions | 2,454 | 3,050 |
| **Total Due to customers** | **216,011** | **207,584** |
| Demand deposits | 109,753 | 100,151 |
| Saving deposits | 88,655 | 87,448 |
| Time deposits | 17,459 | 19,638 |
| *Total deposits* | *215,867* | *207,237* |
| Other borrowings | 144 | 347 |
| **Total Due to customers** | **216,011** | **207,584** |

*Issued debt*

Issued debt as at 31 December 2014 decreased by EUR 11.6 billion, or 13%, to EUR 77.1 billion, as compared to EUR 88.7 billion as at 31 December 2013. This decrease was due to matured wholesale funding that was partly replaced by client deposits and the TLTRO. A total of EUR 12 billion in long-term funding matured in 2014 and an amount of EUR 6.9 billion in short-term funding was not rolled over. Additionally, Residential Mortgage Backed Securities (RMBS) declined EUR 3.8 billion. New issuance of long-term wholesale funding was EUR 9.1 billion in 2014.

*Subordinated liabilities*

Subordinated liabilities as at 31 December 2014 increased by EUR 0.4 billion, or 5%, to EUR 8.3 billion, as compared to EUR 7.9 billion as at 31 December 2013. The increase was due to foreign exchange rate movements.

*Total equity*

Total equity as at 31 December 2014 increased by EUR 1.3 billion, or 10%, to EUR 14.9 billion, as compared to EUR 13.6 billion as at 31 December 2013. This increase was due to reported profit for the period and an increase in the special component of equity revaluations, partly offset by payment of the final dividend for 2013 and payment of an interim dividend for 2014.

**Results of Operations by Segment for the Years Ended 31 December 2014 and 2013**

The sections below summarises ABN AMRO’s results of operations by segment for the years ended 31 December 2014 and 31 December 2013.

***Retail Banking***

Retail Banking renders services to approximately five million retail clients in The Netherlands with investible assets of up to EUR 500,000 and approximately 300,000 small businesses in The Netherlands with an annual turnover up to EUR 1 million. Retail Banking provides a full range of transparent retail banking products and high-quality services under the ABN AMRO brand, as well as certain specific products and services under different labels. It offers its products and services via multi-channel distribution with broad physical and digital coverage.

The table below summarises the Retail Banking segment's results for the years ended 31 December 2014 and 31 December 2013.

***Selected Retail Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Net interest income | 3,379 | 3,115 |
| Net fee and commission income | 522 | 547 |
| Other operating income[(1)] | 41 | 29 |
| *Operating income* | *3,942* | *3,691* |
| Personnel expenses | 560 | 516 |
| Other expenses | 1,475 | 1,413 |
| *Operating expenses* | *2,035* | *1,929* |
| ***Operating result*** | ***1,907*** | ***1,762*** |
| Impairment charges on loans and other receivables | 460 | 679 |
| ***Profit/(loss) before tax*** | ***1,447*** | ***1,082*** |
| Income tax expense | 368 | 282 |
| **Underlying profit/(loss) for the period** | **1,079** | **800** |
| Special items | - | - |
| **Reported profit/(loss) for the period** | **1,079** | **800** |

| | Year ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Underlying cost/income ratio (in %) | 52% | 52% |
| Underlying cost of risk[(2)] (in bps) | 29 | 42 |

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Loan-to-Deposit ratio (in %) | 158% | 165% |
| Loans and receivables customers (in EUR billion) | 156.0 | 159.0 |
| Due to customers (in EUR billion) | 95.9 | 93.4 |
| Risk exposure amount[(3)] (in EUR billion) | 36.8 | 34.3 |
| FTEs (end of period) | 6,258 | 6,503 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

*Underlying profit/(loss) for the period*

Underlying profit for the period the year ended 31 December 2014 increased by EUR 279 million, or 35%, to EUR 1,079 million, as compared to EUR 800 million for the year ended 31 December 2013. This increase was primarily due to higher net interest income and lower loan impairments.

*Operating income*

Operating income for the year ended 31 December 2014 increased by EUR 251 million, or 7%, to EUR 3,942 million, as compared to EUR 3,691 million for the year ended 31 December 2013.

Net interest income

Net interest income for the year ended 31 December 2014 increased by EUR 264 million, or 8%, to EUR 3,379 million, as compared to EUR 3,115 million for the year ended 31 December 2013. The increase was due to improved margins on deposits and, to a lesser extent, increased deposit volumes. Net interest income on mortgages improved due to gradual re-pricing of the mortgage book at higher margins as mortgages originated pre-crisis had lower margins. The average mortgage portfolio shrank marginally compared with the previous year due to increased redemptions. Net interest income on consumer lending decreased as lower average lending volumes more than offset the higher margins.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2014 decreased by 25 million, or 5%, to EUR 522 million, as compared to EUR 547 million for the year ended 31 December 2013. The decrease was primarily due to the switch to an all-in fee model for investment products in the Netherlands.

Other operating income

Other operating income for the year ended 31 December 2014 increased by EUR 12 million, or 41%, to EUR 41 million, as compared to EUR 29 million, for the year ended 31 December 2013. This increase was primarily due to various smaller items.

*Operating expenses*

Operating expenses for the year ended 31 December 2014 increased by EUR 106 million, or 5%, to EUR 2,035 million, as compared to EUR 1,929 million for the year ended 31 December 2013.

Personnel expenses

Personnel expenses for the year ended 31 December 2014 increased by EUR 44 million, or 9%, to EUR 560 million, as compared to EUR 516 million for the year ended 31 December 2013. This increase was primarily due to a restructuring provision of EUR 60 million. The restructuring provision is related to the programme to accelerate digitisation of certain key customer processes. Excluding the restructuring provision, personnel expenses decreased modestly resulting from a decline in the number of FTEs following a further reduction in the number of branches in the Netherlands.

Other expenses

Other expenses for the year ended 31 December 2014 increased by EUR 62 million, or 4% to EUR 1,475 million, as compared to EUR 1,413 million for the year ended 31 December 2013. This increase was primarily due to higher allocation of IT project costs incurred for improvement of core IT systems and processes in the coming years.

*Operating result*

The operating result for the year ended 31 December 2014 increased by EUR 145 million, or 8%, to EUR 1,907 million, as compared to EUR 1,762 million for the year ended 31 December 2013 . The underlying cost/income ratio remained at 52%.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2014 decreased by EUR 219 million, or 32%, to EUR 460 million, as compared to EUR 679 million for the year ended 31 December 2013. This decrease was primarily due to lower impairments on mortgages and, to a lesser extent, lower impairments on the consumer lending portfolio.

The improved circumstances in the housing market and recovery of the Dutch economy contributed to lower inflow of clients in the impaired portfolio, increased outflow of clients to the performing portfolio and more final settlements of impaired exposures, which all had a positive impact on the impairment level of mortgages.

*Loans and receivables – customers*

Loans and receivables – customers as at 31 December 2014 decreased by EUR 3.0 billion, or 2%, to EUR 156.0 billion as at 31 December 2014, as compared to EUR 159.0 billion as at 31 December 2013. This decrease was primarily due to a EUR 2.3 billion decrease in residential mortgages. After remaining largely stable for the first nine months, high levels of additional repayments in the fourth quarter reduced the residential mortgage book. The increase in extra repayments can partly be explained by the expiration of the beneficial tax treatment of mortgage-related gifts.

*Due to customers*

Due to customers as at 31 December 2014 increased by EUR 2.5 billion, or 3%, to EUR 95.9 billion as compared to EUR 93.4 billion as at 31 December 2013. This increase was primarily due to an increase in deposits in MoneYou Germany, partly offset by clients using their deposit balances to redeem their mortgages or for the making of a tax-beneficial home investment or mortgage-related gift.

*FTEs*

FTEs in Retail Banking as at 31 December 2014 decreased by 245 or 4%, to EUR 6,258, as compared to 6,503 as at 31 December 2013, mainly due to a further reduction in the number of branches in the Netherlands.

***Private Banking***

Private Banking serves high net worth individuals with more than EUR 500,000 in investible assets and ultra-high net worth individuals with more than EUR 25 million in investible assets. Private Banking offers a rich array of products and services designed to address clients' individual needs. Private Banking operates under the brand name ABN AMRO MeesPierson in The Netherlands and internationally under ABN AMRO Private Banking as well as local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany.

The table below summarises the Private Banking segment's results for the years ended 31 December 2014 and 31 December 2013.

***Selected Private Banking financial information***

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Net interest income | 597 | 529 |
| Net fee and commission income | 544 | 532 |
| Other operating income[(1)] | 51 | 57 |
| *Operating income* | *1,193* | *1,118* |
| Personnel expenses | 460 | 442 |
| Other expenses | 503 | 416 |

| | | |
|---|---|---|
| *Operating expenses* | *964* | *858* |
| ***Operating result*** | ***229*** | ***260*** |
| Impairment charges on loans and other receivables | 23 | 141 |
| ***Profit/(loss) before tax*** | ***206*** | ***119*** |
| Income tax expense | 46 | 16 |
| **Underlying profit/(loss) for the period** | **160** | **104** |
| Special items | - | - |
| **Reported profit/(loss) for the period** | **160** | **104** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| Underlying cost/income ratio (in %) | 81% | 77% |
| Underlying cost of risk(2) (in bps) | 14 | 89 |

| | **As at 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| Loan-to-Deposit ratio (in %) | 26% | 26% |
| Loans and receivables customers (in EUR billion) | 16.7 | 15.5 |
| Due to customers (in EUR billion) | 62.9 | 59.5 |
| Risk exposure amount(3) (in EUR billion) | 8.3 | 8.8 |
| FTEs (end of period) | 3,599 | 3,442 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

*Profit/(loss) for the period*

*Underlying profit/(loss) for the period*

Underlying profit for the year ended 31 December 2014 increased by EUR 56 million, or 54%, to EUR 160 million, as compared to EUR 104 million for the year ended 31 December 2013. This increase was primarily due to lower impairments and higher net interest income, partly offset by higher other expenses. The acquired Credit Suisse German private banking activities are consolidated as of September 2014.

*Operating income*

Operating income for the year ended 31 December 2014 increased by EUR 75 million, or 7%, to EUR 1,193 million, as compared to EUR 1,118 million for the year ended 31 December 2013.

Net interest income

Net interest income for the year ended 31 December 2014 increased by EUR 68 million, or 13%, to EUR 597 million, as compared to EUR 529 million for the year ended 31 December 2013, mainly due to higher volume and improved margins on deposits in the Netherlands. Margins of the international activities improved as well.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2014 increased by EUR 12 million, or 2%, to EUR 544 million, as compared to EUR 532 million for the year ended 31 December 2013, mainly due to the acquisition of Credit Suisse's private banking activities in Germany and higher assets under management. Net fees in the Netherlands declined primarily due to the switch to an all-in fee model for investment products, despite the growth in assets under management.

Other operating income

Other operating income for the year ended 31 December 2014 decreased by EUR 6 million, or 11%, to EUR 51 million, as compared to EUR 57 million, for the year ended 31 December 2013. This decrease was primarily due to a provision for a legal claim related to divested activities.

*Operating expenses*

Operating expenses for the year ended 31 December 2014 increased by EUR 106 million, or 12%, to EUR 964 million, as compared to EUR 858 million for the year ended 31 December 2013, primarily due to the acquisition and the integration of Credit Suisse's private banking activities in Germany.

*Operating result*

Operating result for the year ended 31 December 2014 decreased by EUR 31 million, or 12%, to EUR 229 million, as compared to EUR 260 million for the year ended 31 December 2013. The underlying cost/income ratio increased by 4 percentage points to 81% from 77%.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2014 decreased by EUR 118 million, or 84%, to EUR 23 million, as compared to EUR 141 million for the year ended 31 December 2013, primarily due to the impact of several large impairment charges in 2013.

*Loans and receivables – customers*

Loans and receivables – customers as at 31 December 2014 increased by EUR 1.2 billion, or 8%, to EUR 16.7 billion as compared to EUR 15.5 billion as at 31 December 2013, mainly due to the integration of private banking activities in Germany and growth in Singapore and Dubai. This was partly offset by a decrease in the Netherlands in both mortgages and commercial loans.

*Due to customers*

Due to customers as at 31 December 2014 increased by EUR 3.4 billion, or 6%, to EUR 62.9 billion, as compared to EUR 59.5 billion as at 31 December 2013, mainly due to the acquired private banking activities of Credit Suisse in Germany (EUR 0.9 billion). Additionally, deposits in the Netherlands increased.

*FTEs*

The number of FTEs as at 31 December 2014 increased by 157 or 5%, to 3,599, as compared to 3,442 as at 31 December 2013, mainly due to the acquisition of Credit Suisse's German private banking activities.

*Assets under Management*

Assets under Management (AuM) as at 31 December 2014 increased by EUR 22.3 billion, or 13%, to EUR 190.6 billion, as compared to EUR 168.3 billion as at 31 December 2013. This increase was primarily due to market performance (EUR 8.6 billion), the acquisition of Credit Suisse's German private banking activities (EUR 8.2 billion) and net new assets were responsible for a EUR 5.5 billion increase, mainly related to new inflow of deposits in the Netherlands.

The table below summarises the Assets under Management as at 31 December 2014 and 31 December 2013.

### *Assets under Management*

| | Year ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | *(in billions of euros)* | |
| *Opening balance as at 1 January* | *168.3* | *163.1* |
| Net new assets | 5.5 | (2.0) |
| Market performance | 8.6 | 7.1 |
| Divestments/acquisitions | 8.2 | - |
| Other (including sales/acquisitions) | - | 0.1 |
| **Balance at 31 December** | **190.6** | **168.3** |
| | | |
| Breakdown by AuM type: | | |
| Cash | 63.6 | 60.7 |
| Securities | 127.0 | 107.6 |
| | | |
| Breakdown by geography: | | |
| The Netherlands (in %) | 47% | 48% |
| The rest of Europe (in %) | 44% | 43% |
| The rest of the world (in %) | 9% | 8% |

### *Corporate Banking*

Corporate Banking serves corporate clients with operations in The Netherlands that have an annual turnover above EUR 1 million and serves three selected activities internationally: ECT, Clearing and asset based financing (consisting of commercial finance and leasing). Corporate Banking comprises three business lines: Commercial Clients (Dutch based clients with an annual turnover of up to EUR 250 million), International Clients (Dutch based clients with annual turnover of more than EUR 250 million, clients active internationally in the sectors ECT globally and financial institutions in specific countries in Western Europe) and Capital Markets Solutions (capital markets products and services for Commercial and International Clients, and for Clearing clients globally).

The table below summarises the Corporate Banking segment's results for the years ended 31 December 2014 and 31 December 2013.

### *Selected Corporate Banking financial information*

| | Year ended 31 December | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Net interest income | 2,019 | 1,852 |
| Net fee and commission income | 646 | 600 |
| Other operating income(1) | 173 | 278 |
| *Operating income* | *2,839* | *2,730* |

| | | |
|---|---|---|
| Personnel expenses | 618 | 600 |
| Other expenses | 1,116 | 1,049 |
| *Operating expenses* | *1,734* | *1,649* |
| ***Operating result*** | ***1,105*** | ***1,081*** |
| Impairment charges on loans and other receivables | 717 | 851 |
| ***Profit/(loss) before tax*** | ***388*** | ***230*** |
| Income tax expense | 91 | 83 |
| **Underlying profit/(loss) for the period** | **298** | **147** |
| Special items | - | (109) |
| **Reported profit/(loss) for the period** | **298** | **38** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| Underlying cost/income ratio (in %) | 61% | 60% |
| Underlying cost of risk[(2)] (in bps) | 86 | 105 |

| | **As at 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| Loan-to-Deposit ratio (in %) | 143% | 147% |
| Loans and receivables customers (in EUR billion) | 85.0 | 78.9 |
| Due to customers (in EUR billion) | 54.7 | 51.7 |
| Risk exposure amount[(3)] (in EUR billion) | 53.5 | 56.0 |
| FTEs (end of period) | 4,995 | 5,022 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

*Underlying profit/(loss) for the period*

Underlying profit for the year ended 31 December 2014 increased by EUR 151 million, or 102%, to EUR 298 million, as compared to EUR 147 million for the year ended 31 December 2013, mainly due to higher net interest income and lower loan impairments, partly offset by lower other operating income.

Commercial Clients and International Clients contributed EUR 82 million and EUR 232 million respectively to the underlying profit of Corporate Banking. Capital Markets Solutions made an underlying loss of EUR 15 million.

*Operating income*

Operating income for the year ended 31 December 2014 increased by EUR 109 million, or 4%, to EUR 2,839 million, as compared to EUR 2,730 million, for the year ended 31 December 2013.

Net interest income

Net interest income for the year ended 31 December 2014 increased by EUR 167 million, or 9%, to EUR 2,019 million, as compared to EUR 1,852 million, for the year ended 31 December 2013. All segments contributed to this increase.

Commercial Clients reported EUR 62 million higher net interest income, driven by margin improvements from re-pricing abilities on both loans and deposits. Average lending volumes showed a limited decrease, while average deposit volumes were virtually unchanged.

Net interest income at International Clients increased EUR 64 million compared with 2013, benefiting from growth in the ECT Clients loan portfolio.

Capital Markets Solutions increased EUR 41 million of which EUR 15 million is attributable to Clearing.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2014 increased by EUR 46 million, or 8%, to EUR 646 million, as compared to 600 million for the year ended 31 December 2013, mainly due to higher commitment fees at ECT Clients and Commercial Clients as well as higher advisory fees at Corporate Finance.

Other operating income

Other operating income for the year ended 31 December 2014 decreased by EUR 105 million, or 38%, to EUR 173 million, as compared to EUR 278 million for the year ended 31 December 2013. This decrease was primarily due to the FVA impact, recorded for the first time in 2014, that amounted to EUR 52 million negative. CVA/DVA results were EUR 18 million lower compared with 2013 (EUR 3 million positive in 2013 and EUR 15 million negative in 2014). Income further decreased following the phased wind-down of equity derivative activities, which started in the first half of 2013. All was partly offset by Clearing, which recorded a gain of EUR 40 million resulting from the partial sale of its share in Holland Clearing House.

*Operating expenses*

Operating expenses for the year ended 31 December 2014 increased by EUR 85 million, or 5%, to EUR 1,734 million, as compared to EUR 1,649 million for the year ended 31 December 2013.

Personnel expenses

Personnel expenses for the year ended 31 December 2014 increased by EUR 18 million, or 3%, to EUR 618 million, as compared to EUR 600 million for the year ended 31 December 2013. This increase was primarily due to a restructuring provision following the strategic review of Capital Markets Solutions.

Other expenses

Other expenses for the year ended 31 December 2014 increased by EUR 67 million, or 6%, to EUR 1,116 million, as compared to EUR 1,049 million for the year ended 31 December 2013. This increase was primarily due to higher allocated IT project costs.

*Operating result*

The operating result for the year ended 31 December 2014 increased by EUR 24 million, or 2%, to EUR 1,105 million, as compared to EUR 1,081 million for the year ended 31 December 2013. The underlying cost/income ratio increased by 1% to 61% for the year ended 31 December 2014, from 60% for the year ended 31 December 2013.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2014 decreased by EUR 134 million, or 16%, to EUR 717 million, as compared to EUR 851 million for the year ended 31 December 2013.

Commercial Clients recorded lower loan impairments, while loan impairments at International Clients increased. Impairments at Capital Markets Solutions remain negligible.

Loan impairments in Commercial Clients decreased by 21%, or EUR 164 million. Loan impairments on small clients (turnover of EUR 1 million to EUR 30 million) were substantially lower compared to 2013. Loan impairments on medium-sized and large clients (turnover of EUR 30 million to EUR 250 million) increased. Loan impairments in International Clients increased by 38%, or EUR 31 million, mainly due to a limited number of additions in the Dutch corporates and the ECT Clients portfolio.

*Loans and receivables – customers*

Loans and receivables – customers as at 31 December 2014 increased by EUR 6.2 billion, or 8%, to EUR 85.0 billion, as compared to EUR 78.9 billion as at 31 December 2013, mainly due to EUR 6 billion loan growth (including foreign exchange rate effects) in ECT Clients. This was partly offset by a decrease in the loan portfolio of Commercial Clients. The decrease in the Commercial Clients loan portfolio was partly attributable to still-low levels of credit applications from SME clients compared with pre-crisis levels.

*Due to customers*

Due to customers for the year ended 31 December 2014 increased EUR 3.1 billion, or 6%, to EUR 54.7 billion, as compared to EUR 51.7 billion as at 31 December 2013, mainly due to deposit increases at Commercial Clients and Clearing clients at Capital Markets Solutions.

*FTEs*

The number of FTEs for the year ended 31 December 2014 decreased by 27, or 1%, to 4,995, as compared to 5,022 for the year ended 31 December 2013.

***Commercial Clients***

The table below summarises the Commercial Clients business results for the years ended 31 December 2014 and 31 December 2013.

***Selected Commercial Clients financial information***

| | **Year ended 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| | *(in millions of euros)* | |
| Net interest income | 1,275 | 1,213 |
| Net fee and commission income | 196 | 188 |
| Other operating income(1) | 30 | 27 |
| *Operating income* | *1,502* | *1,428* |
| *Operating expenses* | *788* | *773* |
| ***Operating result*** | ***713*** | ***655*** |
| Impairment charges on loans and other receivables | 605 | 770 |
| ***Profit/(loss) before tax*** | ***108*** | ***(114)*** |
| Income tax expense | 27 | (27) |
| **Underlying profit/(loss) for the period** | **82** | **(87)** |
| Special items | - | - |
| **Reported profit/(loss) for the period** | **82** | **(87)** |

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Underlying cost/income ratio (in %) | 52% | 54% |
| Underlying cost of risk[2] (in bps) | 145 | 175 |

| | As at 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Loans and receivables customers (in EUR billion) | 38.1 | 40.0 |
| Due to customers (in EUR billion) | 31.7 | 30.6 |
| Risk exposure amount[3] (in EUR billion) | 20.8 | 24.0 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

### *International Clients*

The table below summarises the International Clients business results for the years ended 31 December 2014 and 31 December 2013.

### *Selected International Clients financial information*

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of euros)* | |
| Net interest income | 648 | 584 |
| Net fee and commission income | 217 | 182 |
| Other operating income[1] | 3 | 6 |
| *Operating income* | *868* | *771* |
| *Operating expenses* | *456* | *421* |
| ***Operating result*** | ***412*** | ***350*** |
| Impairment charges on loans and other receivables | 113 | 82 |
| ***Profit/(loss) before tax*** | ***299*** | ***268*** |
| Income tax expense | 67 | 80 |
| **Underlying profit/(loss) for the period** | **232** | **189** |
| Special items | - | - |
| **Reported profit/(loss) for the period** | **232** | **189** |

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Underlying cost/income ratio (in %) | 53% | 55% |
| Underlying cost of risk[(2)] (in bps) | 40 | 31 |

| | As at 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Loans and receivables customers (in EUR billion) | 32.3 | 26.4 |
| Due to customers (in EUR billion) | 16.7 | 16.1 |
| Risk exposure amount[(3)] (in EUR billion) | 19.9 | 19.9 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

### *Capital Markets Solutions*

The table below summarises the Capital Markets Solutions business results for the years ended 31 December 2014 and 31 December 2013.

### *Selected Capital Markets Solutions financial information*

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of euros)* | |
| Net interest income | 96 | 55 |
| Net fee and commission income | 233 | 231 |
| Other operating income[(1)] | 140 | 245 |
| *Operating income* | *469* | *531* |
| *Operating expenses* | *489* | *455* |
| ***Operating result*** | ***(20)*** | ***76*** |
| Impairment charges on loans and other receivables | (1) | - |
| ***Profit/(loss) before tax*** | ***(19)*** | ***76*** |
| Income tax expense | (4) | 30 |
| **Underlying profit/(loss) for the period** | **(15)** | **46** |
| Special items | - | (109) |
| **Reported profit/(loss) for the period** | **(15)** | **(63)** |

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Underlying cost/income ratio (in %) | 104% | 86% |
| Underlying cost of risk(2) (in bps) | -1 | - |

| | As at 31 December | |
|---|---|---|
| | 2014 | 2013 |
| Financial assets held for trading (in EUR billion) | 8.9 | 11.3 |
| Loans and receivables customers (in EUR billion) | 14.7 | 12.4 |
| Financial liabilities held for trading (in EUR billion) | 3.8 | 4.4 |
| Due to customers (in EUR billion) | 6.3 | 4.9 |
| Risk exposure amount(3) (in EUR billion) | 12.8 | 12.2 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

***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 2014 and 31 December 2013.

***Selected Group Functions financial information***

| | Year ended 31 December | |
|---|---|---|
| | 2014 | 2013 |
| | *(in millions of euros)* | |
| Net interest income | 28 | (115) |
| Net fee and commission income | (21) | (37) |
| Other operating income(1) | 75 | 59 |
| *Operating income* | *82* | *(93)* |
| Personnel expenses | 758 | 762 |
| Other expenses | (641) | (465) |
| *Operating expenses* | *117* | *297* |

| | | |
|---|---|---|
| ***Operating result*** | ***(35)*** | ***(390)*** |
| Impairment charges on loans and other receivables | (28) | (4) |
| ***Profit/(loss) before tax*** | ***(7)*** | ***(386)*** |
| Income tax expense | (21) | (87) |
| **Underlying profit/(loss) for the period** | **14** | **(299)** |
| Special items | (417) | 517 |
| **Reported profit/(loss) for the period** | **(402)** | **218** |

| | As at 31 December | |
|---|---|---|
| | **2014** | **2013** |
| Loans and receivables customers (in EUR billion) | 4.2 | 3.7 |
| Due to customers (in EUR billion) | 2.5 | 3.1 |
| Risk exposure amount(2) (in EUR billion) | 11.0 | 9.9 |
| FTEs (end of period) | 7,362 | 7,321 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) 2013 figures are reported under Basel II and the 2014 figures are reported using the Basel III (CRD IV/CRR) framework.

*Underlying profit/(loss) for the period*

Underlying profit for the year ended 31 December 2014 amounted to EUR 14 million, an increase of EUR 313 million, as compared to an underlying loss of EUR 299 million for the year ended 31 December 2013, mainly due to higher net interest income and lower expenses.

*Operating income*

Operating income for the year ended 31 December 2014 amounted to EUR 82 million, an increase of EUR 175 million, as compared to a loss of EUR (93) million for the year ended 31 December 2013.

Net interest income

Net interest income for the year ended 31 December 2014 increased by EUR 143 million, to EUR 28 million, as compared to a loss of EUR (115) million for the year ended 31 December 2013, mainly due to improved ALM interest result, in part as a result of re-allocation of the liquidity buffer costs.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2014 increased by EUR 16 million, or 43%, to a loss of EUR (21) million, as compared to a loss of EUR (37) million for the year ended 31 December 2013.

Other operating income

Other operating income for the year ended 31 December 2014 increased by EUR 16 million, or 27%, to EUR 75 million, as compared to EUR 59 million for the year ended 31 December 2013. This increase was primarily due to favourable foreign exchange results and revaluations of trading book loans, that were partly offset by unfavourable hedge accounting results and the 2013 gain on the sale of an office property.

*Operating expenses*

Operating expenses for the year ended 31 December 2014 decreased by EUR 180 million, or 61%, to EUR 117 million, as compared to EUR 297 million for the year ended 31 December 2013.

Personnel expenses

Personnel expenses for the year ended 31 December 2014 decreased by EUR 4 million, or 1%, to EUR 758 million, as compared to EUR 762 million for the year ended 31 December 2013. Both years included additions to restructuring provisions and other one-offs of approximately the same magnitude.

Other expenses

Other expenses for the year ended 31 December 2014 decreased by EUR 176 million, or 38%, to EUR (641) million, as compared to EUR (465) million for the year ended 31 December 2013. This increase was primarily due to a change in allocation method of IT costs as all IT costs are now allocated to the business segments.

Apart from this, expenses recorded at Group Functions were impacted by a higher release related to the DSB deposit guarantee scheme (EUR 66 million release in 2014 versus EUR 31 million release in 2013), accelerated depreciations in 2013 and by expenses incurred in connection with the ECB Asset Quality Review in 2014.

Other expenses include the allocation of operating expenses of Group Functions to the business segments as negative expenses.

*Operating result*

The operating result for the year ended 31 December 2014 increased by EUR 355 million, or 91% to EUR (35) million, as compared to EUR (390) million for the year ended 31 December 2013.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2014 decreased by EUR 24 million, or 600%, to EUR (28) million, as compared to EUR (4) million for the year ended 31 December 2013, mainly due to a release related to legacy files from the former Prime Fund Solutions business, which was sold in 2011, and a release on exposures which were fully provided for in 2008.

*FTEs*

The number of FTEs increased by 41, or 1%, to 7,362 as at 31 December 2014, compared to 7,321 as at 31 December 2013. The increase in FTEs was primarily due to the additional operational and administrative requirements as a result of the changing regulatory landscape.

## 6.5 Results of operations for the years ended 31 December 2013 and 2012

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, as explained below. The table below shows a reconciliation of ABN AMRO's reported and underlying results of operations for the years ended 31 December 2013 and 31 December 2012.

***Reconciliation of Reported to Underlying Results***

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Reported | Special items | Underlying | Reported | Special items | Underlying |
| Net interest income | 5,380 | - | 5,380 | 5,028 | - | 5,028 |
| Net fee and commission income | 1,643 | - | 1,643 | 1,556 | - | 1,556 |
| Other operating income[(1)] | 301 | (122) | 423 | 754 | 215 | 539 |
| *Operating income* | *7,324* | *(122)* | *7,446* | *7,338* | *215* | *7,123* |

| | | | | | | |
|---|---|---|---|---|---|---|
| Personnel expenses | 2,357 | 37 | 2,320 | 2,151 | 178 | 1,973 |
| Other expenses | 2,413 | - | 2,413 | 2,535 | 272 | 2,263 |
| *Operating expense* | *4,770* | *37* | *4,733* | *4,686* | *450* | *4,236* |
| ***Operating result*** | ***2,554*** | ***(159)*** | ***2,713*** | ***2,652*** | ***(235)*** | ***2,887*** |
| Impairment charges on loans and other receivables | 983 | (684) | 1,667 | 1,228 | (203) | 1,431 |
| ***Profit/(loss) before tax*** | ***1,571*** | ***525*** | ***1,046*** | ***1,424*** | ***(32)*** | ***1,456*** |
| Income tax expense | 411 | 117 | 294 | 271 | (73) | 344 |
| **Profit/(loss) for the year** | **1,160** | **408** | **752** | **1,153** | **41** | **1,112** |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

## *Impact of Special Items*

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| **Operating income** | | |
| Positive revaluations EC Remedy related provisions(1) | - | 215 |
| Reassessment of discontinued securities financing activities(2) | (70) | - |
| Costs of wind down non-client-related equity derivatives activities(3) | (52) | - |
| *Total impact on operating income* | *(122)* | *215* |
| **Operating expenses** | | |
| Seperation and integration costs(4) | - | 450 |
| Restructuring provision(5) | 37 | - |
| Pension settlement charge(6) | - | - |
| *Total impact on operating expenses* | *37* | *450* |
| **Loan impairments** | | |
| Greek releases(8) | (432) | (125) |
| Madoff releases(9) | (253) | (78) |
| *Total impact on loan impairments* | *(685)* | *(203)* |
| Total impact on income tax expenses | 117 | (73) |
| **Total impact on profit/(loss) for the period** | **408** | **41** |

(1) In connection with the EC Remedy, ABN AMRO had provided a financial guarantee covering part of the potential credit losses on the portfolio that existed at the time of closing the sale under the EC Remedy (the "**Credit Umbrella**"). The value of

the guarantee was assessed on a quarterly basis with revaluation effects recorded in the income statement under Other income (part of Other operating income). The Credit Umbrella was settled at the end of 2012, and the remaining net value was release to the income statement. Following the settlement of the Credit Umbrella, also some other EC Remedy related provisions were released.

(2) Reassessment of receivables from part of the securities financing activities conducted abroad which have been discontinued as from 2009.

(3) In the first quarter of 2013, ABN AMRO decided to wind-down its remaining non-client related equity derivative activities. The wind-down will be gradually executed through a run-off scenario and therefore the impact will be spread over a longer period of time.

(4) The formation of ABN AMRO Group N.V. is a result of various legal and operational separation and integration activities. Costs related to this separation and integration activities are indicated as separation and integration costs. These costs were primarily related to the integration restructuring provision, IT, IT-related consultants and impairments on housing assets.

(5) The addition to the restructuring provision recorded in Group Functions concerned a reorganisation of Corporate Banking in order to further improve efficiency. The reorganisation will lead to a reduction of approximately 400 FTEs, part of which will be realised through natural attrition and internal reallocation.

(6) As part of the collective labour agreement in the first half of 2014, ABN AMRO changed the pension scheme for its employees from a defined benefit scheme to a collective defined contribution scheme. As a result, the liability as recorded in the balance sheet related to the defined benefit scheme was released to the income statement leading to a negative impact on personnel expenses.

(7) In 2013, the Dutch government decided to nationalise SNS Reaal. The government additionally decided that the Dutch banking industry should also contribute to the rescue operation, as a replacement for the fact that the deposit guarantee scheme was not effectuated due to the nationalisation. The total amount to be contributed by the sector was EUR 1 billion, of which EUR 201 million was to be contributed by ABN AMRO spread over the first 3 quarters of 2014.

(8) In the separation of the former ABN AMRO Holding NV, a portfolio of Greek government-guaranteed corporate exposures was allocated to ABN AMRO Group NV, as a result of the Private Sector Initiative early 2012, ABN AMRO had to take a significant impairment on these exposures. In the course of 2012 and 2013, ABN AMRO was able to gradually divest the exposures, while recovering part of the impairment charges. The last tranche was sold in the October 2013.

(9) Through its Prime Fund Solutions activities, which were divested in 2011, ABN AMRO provided loans to client funds collateralised by securities. Some of these client funds were invested in Bernard L. Madoff Investment Securities, which was posted as collateral for the loans. Following the discovery of the fraud related to these securities, the securities, and therefore the collateral, became valueless and the clients went bankrupt. As a result, ABN AMRO fully impaired these exposures, as the expected recovery was zero.

### *Selected consolidated financial information*

The table below summarises ABN AMRO's results of operations for the years ended 31 December 2013 and 31 December 2012 on an underlying basis.

### *Selected consolidated financial information*

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Net interest income | 5,380 | 5,028 |
| Net fee and commission income | 1,643 | 1,556 |
| Other operating income[1] | 423 | 539 |
| ***Operating income*** | ***7,446*** | ***7,123*** |
| Personnel expenses | 2,320 | 1,973 |
| Other expenses | 2,413 | 2,263 |
| ***Operating expenses*** | ***4,733*** | ***4,236*** |
| **Operating result** | **2,713** | **2,887** |
| Impairment charges on loans and other receivables | 1,667 | 1,431 |
| ***Profit/(loss) before tax*** | ***1,046*** | ***1,456*** |

| | | |
|---|---|---|
| Income tax expense | 294 | 344 |
| **Underlying profit/(loss) for the period** | **752** | **1,112** |

| | | |
|---|---|---|
| Special Items | **408** | **31** |
| **Reported profit/(loss) for the period** | **1,160** | **1,153** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Underlying cost/income ratio | 64% | 60% |
| Underlying return on average Equity (EU IFRS) | 5.5% | 8.2% |
| Underlying net interest margin (in bps) | 134 | 120 |
| Underlying cost of risk(2) (in bps) | 63 | 53 |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Assets under Management (in EUR billions) | 168.3 | 163.1 |
| FTEs | 22,289 | 23,059 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

*Underlying profit/(loss) for the period*

Profit for the year ended 31 December 2013 amounted EUR 752 million, a decrease of EUR 360 million, or 32% as compared to EUR 1,112 million for the year ended 31 December 2012. The main factors that led to this decline were higher pensions costs, a considerable rise in loan impairments within Retail Banking and Commercial Clients, and lower results for the Capital Markets Solutions business. The return on equity was 5.5% in 2013.

*Operating income*

Operating income for the year ended 31 December 2013 increased by EUR 323 million, or 5%, to EUR 7,446 million, as compared to EUR 7,123 million, for the year ended 31 December 2012. 82% of total operating income was generated in the Netherlands.

Net interest income

Net interest income for the year ended 31 December 2013 increased by EUR 352 million, or 7%, to EUR 5,380 million, as compared to EUR 5,028 million for the year ended 31 December 2012, mainly due to higher margins on the loan portfolio.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2013 increased by EUR 87 million, or 6%, to EUR 1,643 million, as compared to EUR 1,556 million for the year ended 31 December 2012, due to higher management fees within Private Banking from increased client activity and a growth of assets under management. ECT Clients and Corporate Finance also showed higher fee income.

Other operating income

Other operating income for the year ended 31 December 2013 decreased by EUR 116 million, or 22%, to EUR 423 million, as compared to EUR 539 million for the year ended 31 December 2012, mainly due to lower results in trading and sales activities within Capital Markets Solutions. Income from Private Equity also declined as valuations and exit results were lower.

*Operating expenses*

Operating expenses for the year ended 31 December 2013 increased by EUR 497 million, or 12%, to EUR 4,733 million for the year ended 31 December 2013, as compared to EUR 4,236 million for the year ended 31 December 2012.

Personnel expenses

Personnel expenses for the year ended 31 December 2013 increased by EUR 347 million, or 18%, to EUR 2,320 million, as compared to EUR 1,973 million for the year ended 31 December 2012, mainly due to the increase in pension costs of EUR 353 million largely on the back of a sharply lower discount rate used in 2013.

Other expenses

Other expenses for the year ended 31 December 2013 increased by EUR 150 million, or 7%, to EUR 2,413 million, as compared to EUR 2,263 million for the year ended 31 December 2012, due to higher costs booked for change projects. In addition, other expenses for the year ended 31 December 2012 included compensation from a service level agreement related to the EC Remedy which was terminated in 2012.

*Operating result*

The operating result for the year ended 31 December 2013 decreased by EUR 174 million, or 6%, to EUR 2,713 million, as compared to EUR 2,887 million for the year ended 31 December 2012. The cost/income ratio was 64%.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2013 amounted to EUR 1,667 million, an increase of EUR 236 million, or 16%, as compared to EUR 1,431 million for the year ended 31 December 2012. In terms of underlying cost of risk this amounted to 53bps for the year ended 2013, as compared to 63bps for the year ended 31 December 2012. Higher loan impairments for SMEs, consumer lending and mortgages were the main cause of this increase.

Domestically-focused SMEs were hit particularly hard by the decline in domestic spending. For SMEs, both the inflow into the Financial Restructuring & Recovery department as well as the proportion of files which ultimately need to be liquidated increased compared with the previous year.

The impairments over the total residential mortgage book amounted to 24bps for the year ended 31 December 2013, up from 16bps for the year ended 31 December 2012.

For additional detail on ABN AMRO's impairment charges, please see "*Annual Report 2014 – Risk & Capital Report – Risk & capital review – Credit risk*".

*Profit/(loss) before tax*

Profit/(loss) before tax for the year ended 31 December 2013 decreased by EUR 410 million, or 28%, to 1,046 million, as compared to EUR 1,456 million for the year ended 31 December 2012.

*Income tax expense*

Income tax expense fell 15% to EUR 294 million. This decrease was primarily due to lower profit before tax.

*FTEs*

The total number of FTEs of ABN AMRO's employees excluding temporary staff ("**FTEs**") declined by 770, or 3%, to 22,289 at 31 December 2013, largely as a result of as a result of staff reductions in all three segments.

*Assets under Management*

Assets under Management within Private Banking grew by EUR 5.2 billion, or 3%, to EUR 168.3 billion as at 31 December 2013, compared to EUR 163.1 billion as at 31 December 2012 as a result of market performance. Net new assets in the Netherlands were more than offset by a decrease in Jersey.

***Selected Consolidated Balance Sheet Movements***

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Assets: | | |
| Cash and balances at central banks | 9,523 | 9,796 |
| Financial assets held for trading | 12,019 | 7,089 |
| Derivatives | 14,271 | 21,349 |
| Financial investments | 28,111 | 21,730 |
| Securities financing(1) | 18,362 | 28,793 |
| Loans and receivables - banks | 23,967 | 32,183 |
| Loans and receivables - customers | 257,028 | 262,452 |
| Other | 8,741 | 10,366 |
| **Total assets** | **372,022** | **393,758** |
| Liabilities: | | |
| Financial liabilities held for trading | 4,399 | 3,722 |
| Derivatives | 17,227 | 27,508 |
| Securities financing(1) | 12,266 | 19,521 |
| Due to banks | 11,626 | 16,935 |
| Due to customers | 207,584 | 201,605 |
| Issued debt | 88,682 | 95,048 |
| Subordinated liabilities | 7,917 | 9,736 |
| Other | 8,753 | 6,800 |
| *Total liabilities* | *358,454* | *380,875* |
| Equity: | | |
| Equity attributable to owners of the parent company | 13,555 | 12,864 |
| Equity attributable to non-controlling interests | 13 | 19 |
| *Total equity* | *13,568* | *12,883* |
| **Total liabilities and equity** | **372,022** | **393,758** |

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

*Total assets*

Total assets as at 31 December 2013 decreased by EUR 21.7 billion, or 6%, to EUR 372.0 billion as compared to EUR 393.8 billion as at 31 December 2012, primarily due to a decline in loans and receivables – banks and securities financing partially offset by an increase in financial investments.

*Cash and balances at central banks*

Cash and balances at central banks as at 31 December 2013 was relatively stable at EUR 9.5 billion, as compared to EUR 9.8 billion at 31 December 2012.

*Financial assets held for trading*

Financial assets held for trading increased by EUR 4.9 billion to EUR 12.0 billion as at 31 December 2013, as compared to EUR 7.1 billion as at 31 December 2012, due to a large extent by the fact that equity derivative client positions were hedged using underlying securities rather than derivatives.

*Derivatives assets*

Derivative assets decreased by EUR 7.1 billion to EUR 14.3 billion as at 31 December 2013, compared to EUR 21.3 billion as at 31 December 2012, due to lower valuation of the interest rate derivative positions.

*Financial investments*

Financial investments increased by EUR 6.4 billion to EUR 28.1 billion as at 31 December 2013, as compared to EUR 21.7 billion as at 31 December 2012, mainly due to enlargement of the liquidity buffer.

*Securities financing assets*

Securities financing assets decreased by EUR 10.4 billion to EUR 18.4 billion as at 31 December 2013, as compared to EUR 28.8 billion as at 31 December 2012, mainly due to lower outstanding securities financing client positions.

*Loans and receivables – banks*

Loans and receivables – banks decreased by EUR 8.2 billion to EUR 24.0 billion as at 31 December 2013, as compared to EUR 32.3 billion as at 31 December 2012, mainly due to lower deposits with the ECB as well as a decrease in pledged cash collateral.

*Loans and receivables – customers*

Loans and receivables – customers decreased by EUR 5.4 billion to EUR 257.0 billion at 31 December 2013, as compared to EUR 262.5 billion as at 31 December 2012. Commercial loans came down by EUR 1.1 billion (partly due to the sale of EUR 1.0 billion of Greek government-guaranteed corporate loans and EUR 0.4 billion in Madoff-related loans) as most business segments, with the exception of ECT, posted a small decrease in outstanding volumes. The mortgage portfolio decreased by EUR 3.6 billion as a result of extra repayments and lower new production. The total mortgage portfolio was EUR 150.5 billion at 31 December 2013.

***Loans and receivables - customers***

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Residential mortgages | 150,493 | 154,129 |
| Consumer loans | 16,241 | 16,645 |
| Commercial loans to clients[(1)] | 78,251 | 77,870 |
| *Total client loans[(2)]* | *244,985* | *248,644* |

| | | |
|---|---|---|
| Commercial loans to professional counterparties | 9,798 | 11,949 |
| Other loans[3] | 2,821 | 1,330 |
| ***Total loans and receivables[2]*** | ***257,604*** | ***261,923*** |
| | | |
| Fair value adjustments from hedge accounting | 4,399 | 6,041 |
| Less: loan impairment allowance | 4,975 | 5,512 |
| **Total loans and receivables - customers** | **257,028** | **262,452** |

(1) Including lease and factoring loans, excluding commercial 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 at 31 December 2013 decreased by EUR 22.4 billion to EUR 358.5 billion as at 31 December 2013, as compared to EUR 380.9 billion as at 31 December 2012. The increase in consumer deposits was more than offset by a decline in securities financing volumes and wholesale funding. Lower market values on interest rate derivatives also led to a decrease.

*Financial liabilities held for trading*

Financial liabilities held for trading increased by EUR 0.7 billion, to EUR 4.4 billion as at 31 December 2013, as compared to EUR 3.7 billion as at 31 December 2012, largely due to higher short security sales-shares, mainly new trades in the U.S.

*Derivative liabilities*

Derivative liabilities decreased by EUR 10.3 billion to EUR 17.2 billion at 31 December 2013, as at 31 December 2013, as compared to EUR 27.8 billion as at 31 December 2012, mainly as a result of lower market values of interest rate derivatives.

*Securities financing liabilities*

Securities financing assets decreased by EUR 7.3 billion to EUR 12.3 billion as at 31 December 2013, as compared to EUR 19.5 billion as at 31 December 2012, mainly due to lower securities financing client positions.

*Due to banks*

Due to banks as at 31 December 2013 decreased by EUR 5.3 billion to EUR 11.6 billion, as compared to EUR 16.9 billion as at 31 December 2012. This decrease was primarily due to decreased and matured balances.

*Due to customers*

Due to customers increased by EUR 6.0 billion to EUR 207.6 billion as at 31 December 2013, as compared to EUR 201.6 billion as at 31 December 2012. The total savings market in the Netherlands grew, on top of which ABN AMRO managed to increase its market share to 24%. Deposits grew particularly in Retail Banking in the Netherlands as well as at MoneYou in Belgium and Germany. Private Banking deposits increased somewhat as growth in the Netherlands was partly offset by a decline outside the Netherlands. Corporate Banking also posted a rise in deposits. The decrease in Corporate Banking was mainly recorded within Capital Markets Solutions (including Clearing).

***Due to customers***

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |

| | (in millions of euros) | |
|---|---|---|
| Retail Banking | 93,403 | 87,211 |
| Private Banking | 59,464 | 58,793 |
| Corporate Banking | 51,667 | 51,738 |
| Group Functions | 3,050 | 3,863 |
| **Total Due to customers** | **207,584** | **201,605** |
| Demand deposits | 100,151 | 93,682 |
| Saving deposits | 87,448 | 81,384 |
| Time deposits | 19,638 | 26,196 |
| *Total deposits* | *207,237* | *201,262* |
| Other borrowings | 347 | 343 |
| **Total Due to customers** | **207,584** | **201,605** |

*Issued debt*

Issued debt decreased by EUR 6.4 billion to EUR 88.7 billion as at 31 December 2013, as compared to EUR 95.0 billion as at 31 December 2012, primarily as a result of commercial paper and certificates of deposit, which declined by EUR 5.5 billion. Maturing long-term funding, as well as transactions which were called or tendered, was more than offset by new issuances. Fair value movements led to a decrease of EUR 1.6 billion.

*Subordinated liabilities*

Subordinated liabilities decreased by EUR 1.8 billion to EUR 7.8 billion at 31 December 2013, as compared to EUR 9.7 billion as at 31 December 2012, as several lower Tier 2 instruments were called that were not Basel III compliant.

*Total equity*

Total equity increased by EUR 0.7 billion, rising from EUR 12.9 billion at 31 December 2012 to EUR 13.6 billion at 31 December 2013. The increase was due predominantly to the profit for the period. This was partly offset by the call of EUR 210 million of preference shares, the payment of EUR 250 million final dividend to ordinary shareholders over 2012, and the payment of EUR 150 million of interim dividend over 2013.

**Results of operations by segment for the years ended 31 December 2013 and 2012**

The sections below summarises ABN AMRO's results of operations by segment for the years ended 31 December 2013 and 31 December 2012.

***Retail Banking***

The sections below summarise the Group's results of operations by segment for the years ended 31 December 2013 and 31 December 2012.

***Selected Retail Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | (in millions of euros) | |

| | | |
|---|---|---|
| Net interest income | 3,115 | 2,758 |
| Net fee and commission income | 547 | 546 |
| Other operating income[(1)] | 29 | 37 |
| *Operating income* | *3,691* | *3,341* |
| Personnel expenses | 516 | 413 |
| Other expenses | 1,413 | 1,369 |
| *Operating expenses* | *1,929* | *1,782* |
| *Operating result* | *1,762* | *1,559* |
| Impairment charges on loans and other receivables | 679 | 455 |
| *Profit/(loss) before tax* | *1,082* | *1,104* |
| Income tax expense | 282 | 279 |
| **Underlying profit/(loss) for the period** | **800** | **825** |
| Special Items | - | (3) |
| **Reported profit/(loss) for the period** | **800** | **822** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Underlying cost/income ratio (in %) | 52% | 53% |
| Underlying cost of risk[(2)] (in bps) | 42 | 28 |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Loan-to-Deposit ratio (in %) | 165% | 181% |
| Loans and receivables customers (in EUR billion) | 159.0 | 163.3 |
| Due to customers (in EUR billion) | 93.4 | 87.2 |
| Risk exposure amount[(3)] (in EUR billion) | 34.3 | 32.2 |
| FTEs (end of period) | 6,503 | 6,619 |

(1) “Other operating income” comprises the income statement line items (1) “Net trading income”, (2) “Share of result in equity accounted investments” and (3) “Other income”.

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) Reported under Basel II.

*Profit/(loss) for the period*

Profit for the period the year ended 31 December 2013 decreased by EUR 25 million, or 3%, to EUR 800 million, as compared to EUR 825 million for the year ended 31 December 2012. This decrease was primarily due to higher loan impairments, which increased more than operating result.

*Operating income*

Operating income for the year ended 31 December 2013 increased by EUR 350 million, or 10%, to EUR 3,691 million, as compared to EUR 3,341 million for the year ended 31 December 2012. This increase was primarily due to an increase in net interest income.

Net interest income

Net interest income for the year ended 31 December 2013 increased by EUR 357 million, or 13%, to EUR 3,115 million, as compared to EUR 2,758 million for the year ended 31 December 2012. This was primarily due to improved margins on mortgages, increasing deposit volumes and a change in the methodology for determining the internal liquidity compensation applied to deposits in 2013, which resulted in an improved margin on deposits. Deposit volumes increased by EUR 6.2 billion in 2013, with the MoneYou label, also active in Germany and Belgium, accounting for the bulk of this growth. Additionally, as of 2013, staff benefits on mortgage rates are booked as interest costs within each business segment rather than as compensation under the segment's operating expenses. This has led to an increase in both net interest income and operating expenses within Retail Banking.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2013 increased by EUR 1 million to EUR 547 million, as compared to EUR 546 million for the year ended 31 December 2012.

Other operating income

Other operating income for the year ended 31 December 2013 decreased by EUR 8 million, or 21%, to EUR 29 million, as compared to EUR 37 million for the year ended 31 December 2012.

*Operating expenses*

Operating expenses for the year ended 31 December 2013 increased by EUR 147 million, or 8% to EUR 1,929 million, as compared to EUR 1,782 million for the year ended 31 December 2012.

Personnel expenses

Personnel expenses for the year ended 31 December 2013 increased by EUR 103 million, or 25%, to EUR 516 million, as compared to EUR 413 million for the year ended 31 December 2012, mainly due to higher pension expenses as a result of the Group's application of amendments to IAS 19.

Other expenses

Other expenses for the year ended 31 December 2013 increased by EUR 44 million, or 3%, to EUR 1,413 million, as compared to EUR 1,369 million for the year ended 31 December 2012, due to the abovementioned change made to the booking of staff benefits on mortgages.

*Operating result*

The operating result increased by EUR 203 million, or 13%, to EUR 1,762 million, as compared to EUR 1,559 million for the year ended 31 December 2012. The cost/income ratio improved to 52% for the year ended 31 December 2013, as compared to 53% for the year ended 31 December 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2013 increased by EUR 225 million, or 49%, to EUR 679 million, as compared to EUR 455 million for the year ended 31 December 2012. Approximately half of the increase was attributable to mortgages; the other was attributable to the consumer lending portfolio. For additional detail on ABN AMRO's impairment charges, please see "*Annual Report 2014 – Risk & Capital Report – Risk & capital review – Credit risk*".

*Loans and receivables – customers*

Loans and receivables – customers decreased by EUR 4.3 billion, or 3%, to EUR 159.0 billion as at 31 December 2013, as compared to EUR 163.3 billion as at 31 December 2012. This decrease was primarily due to a decline in outstanding mortgage volumes as a result of sustained sluggishness in the housing market and higher-than-expected repayments. In addition, the amount of consumer loans decreased.

*Due to customers*

Due to customers increased by EUR 6.2 billion, or 7%, to EUR 93.4 billion as at 31 December 2013 as compared to EUR 87.2 billion at 31 December 2012. The Group managed to increase its share of a growing Dutch savings markets. Outside the Netherlands, MoneYou posted growth in Germany and Belgium.

*FTEs*

FTEs in Retail Banking decreased by 116 to 6,503 at 31 December 2013 compared to 6,619 as at 31 December 2012.

***Private Banking***

The table below summarises the Private Banking segment's results for the years ended 31 December 2013 and 31 December 2012.

***Selected Private Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 529 | 484 |
| Net fee and commission income | 532 | 502 |
| Other operating income(1) | 57 | 68 |
| *Operating income* | *1,118* | *1,055* |
| Personnel expenses | 442 | 405 |
| Other expenses | 416 | 440 |
| *Operating expenses* | *858* | *844* |
| *Operating result* | *260* | *210* |
| Impairment charges on loans and other receivables | 141 | 74 |
| *Profit/(loss) before tax* | *119* | *136* |
| Income tax expense | 16 | 12 |
| **Underlying profit/(loss) for the period** | **104** | **124** |
| Special Items | - | (10) |
| **Reported profit/(loss) for the period** | **104** | **114** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |

| | | |
|---|---|---|
| Underlying cost/income ratio (in %) | 77% | 80% |
| Underlying cost of risk(2) (in bps) | 89 | 49 |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Loan-to-Deposit ratio (in %) | 26% | 25% |
| Loans and receivables customers (in EUR billion) | 15.5 | 15.4 |
| Due to customers (in EUR billion) | 59.5 | 58.8 |
| Risk exposure amount(3) (in EUR billion) | 8.8 | 9.6 |
| FTEs (end of period) | 3,442 | 3,559 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) Reported under Basel II.

*Profit/(loss) for the period*

Profit for the year ended 31 December 2013 decreased by EUR 20 million, or 16%, to EUR 104 million, as compared to EUR 124 million for the year ended 31 December 2012. This decrease was primarily due to higher loan impairments, which more than offset the increase in operating result.

*Operating income*

Operating income for the year ended 31 December 2013 increased by EUR 63 million, or 6%, to EUR 1,118 million, as compared to EUR 1,055 million for 2012. This increase resulted from increases in net interest income and net fee and commission income.

Net interest income

Net interest income for for the year ended 31 December 2013 increased by EUR 45 million, or 9%, to EUR 529 million, as compared to EUR 484 million for the year ended 31 December 2012. The increase was due to improved margins (mainly margins on deposits) and higher volumes.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2013 increased by EUR 30 million, or 6%, to EUR 532 million, as compared to EUR 502 million for the year ended 31 December 2012. This increase resulted from higher client activity as well as increased assets under management.

Other operating income

Other operating income for the year ended 31 December 2013 decreased by EUR 11 million, or 17%, to EUR 57 million, as compared to EUR 68 million for the year ended 31 December 2012. This decrease was primarily due to the sale of some smaller international equity participations in 2012.

*Operating expenses*

Operating expenses for the year ended 31 December 2013 increased by EUR 14 million, or 2% to EUR 858 million, as compared to EUR 844 million for the year ended 31 December 2012.

Personnel expenses

Personnel expenses for the year ended 31 December 2013 increased by EUR 37 million, or 9%, to EUR 442 million, as compared to EUR 405 million for the year ended 31 December 2012, mainly due to higher pension costs.

Other expenses

Other expenses for the year ended 31 December 2013 decreased by EUR 24 million, or 5%,to EUR 416 million, as compared to EUR 440 million for the year ended 31 December 2012, due to lower project costs, as well as lower operating expenses relating to the change in the booking of staff mortgage rates.

*Operating result*

The operating result for the year ended 31 December 2013 increased by EUR 50 million, or 24%, to EUR 260 million, as compared with EUR 210 million for the year ended 31 December 2012. The cost/income ratio improved to 77% for the year ended 31 December 2013, from 80% for the year ended 31 December 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2013 increased by EUR 67 million, or 90%, to EUR 141 million, as compared to EUR 74 million for the year ended 31 December 2012. This was caused by a single client case in the international network. For additional detail on ABN AMRO's impairment charges, please see "*Annual Report 2014 – Risk & Capital Report – Risk & capital review – Credit risk*"

*Loans and receivables – customers*

Loans and receivables – customers as at 31 December 2013 remained largely unchanged, increasing only slightly by EUR 0.1 billion to EUR 15.5 billion as at 31 December 2013, as compared to EUR 15.4 billion as at 31 December 2012.

*Due to customers*

Due to customers as at 31 December 2013 remained relatively stable, rising slightly by EUR 0.7 billion, or 1%, to EUR 59,5 billion as at 31 December 2013 as compared to EUR 58.8 billion as at 31 December 2012.

*FTEs*

FTEs in Private Banking as at 31 December 2013 decreased by 117 to 3,442 as at 31 December 2013, as compared to 6,503 as at 31 December 2012.

*Assets under Management*

Assets under Management as at 31 December 2013 increased by EUR 5.2 billion, or 3%, to EUR 168.3 billion, as compared with EUR 163.1 billion as at 31 December 2012. This increase was primarily due to improving financial markets and was partially offset by a slight decline in net new assets.

The table below summarises the Assets under Management as at 31 December 2013 and 31 December 2012.

***Assets under Management***

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| | *(in billions of euros)* | |
| ***Opening balance as at 1 January*** | ***163.1*** | ***146.6*** |
| Net new assets | (2.0) | 3.1 |
| Market performance | 7.1 | 13.4 |
| Divestments/acquisitions | - | - |
| Other (including sales/acquisitions) | 0.1 | - |
| **Balance at 31 December** | **168.3** | **163.1** |

| | | |
|---|---|---|
| Of which: | | |
| Cash | 60.7 | 62.2 |
| Securities | 107.6 | 100.9 |
| | | |
| Of which: | | |
| The Netherlands (in %) | 48% | 47% |
| The rest of Europe (in %) | 43% | 44% |
| The rest of the world (in %) | 8% | 9% |

***Corporate Banking***

The table below summarises the Corporate Banking segment's results for the years ended 31 December 2013 and 31 December 2012.

***Selected Corporate Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 1,852 | 1,692 |
| Net fee and commission income | 600 | 648 |
| Other operating income[1] | 278 | 449 |
| *Operating income* | *2,730* | *2,788* |
| Personnel expenses | 600 | 525 |
| Other expenses | 1,049 | 1,132 |
| *Operating expenses* | *1,649* | *1,657* |
| *Operating result* | *1,081* | *1,131* |
| Impairment charges on loans and other receivables | 851 | 901 |
| *Profit/(loss) before tax* | *230* | *230* |
| Income tax expense | 83 | 4 |
| **Underlying profit/(loss) for the period** | **147** | **226** |
| | | |
| Special Items | (109) | (4) |
| **Reported profit/(loss) for the period** | **38** | **222** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Underlying cost/income ratio (in %) | 60% | 59% |
| Underlying cost of risk[2] (in bps) | 105 | 112 |

| | As at 31 December | |
|---|---|---|
| | 2013 | 2012 |
| Loan-to-Deposit ratio (in %) | 147% | 148% |
| Loans and receivables customers (in EUR billion) | 78.9 | 78.4 |
| Due to customers (in EUR billion) | 51.7 | 51.7 |
| Risk exposure amount(3) (in EUR billion) | 56.0 | 70.5 |
| FTEs (end of period) | 5,022 | 5,114 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) Reported under Basel II.

*Profit/(loss) for the period*

Profit for the year ended 31 December 2013 decreased by EUR 79 million, or 35%, to EUR 147 million, as compared to EUR 226 million for the year ended 31 December 2012. This decrease was primarily due to a lower operating result, as well as the effect of a comparatively low effective tax rate in the year ended 31 December 2012.

*Operating income*

Operating income for the year ended 31 December 2013 decreased by EUR 58 million, or 2%, to EUR 2,730 million, as compared to EUR 1,788 million for the year ended 31 December 2012. This increase was primarily due to decreasing Other operating income, offset in part by growth in net interest income.

Net interest income

Net interest income for the year ended 31 December 2013 increased by EUR 160 million, or 9%, to EUR 1,852 million, as compared to EUR 1,692 million for the year ended 31 December 2012. The increase was primarily due to higher volumes and margins in the Commercial Clients business (including higher margins on loans and higher volumes and margins on deposits) and International Clients business (including higher margins and volumes on loans). Margins in the Commercial Clients and International Clients businesses improved as a result of both re-pricing and an increase in the commitment fees charged on current accounts.

Net fee and commission income

Net fee and commission income for the year ended 31 December 2013 decreased by EUR 47 million, or 7%, to EUR 600 million, as compared to EUR 648 million for the year ended 31 December 2012. This decrease was primarily due to the divestment of part of the insurance activities. Fee income also declined as a result of a reclassification of interbank payment fees from other costs to negative fee income. This decline was offset, in part, by higher transaction fees.

Other operating income

Other operating income for the year ended 31 December 2013 decreased by EUR 171 million, or 38%, to EUR 278 million, as compared to EUR 449 million for the year ended 31 December 2012. This decrease was primarily due to lower volumes in Capital Markets Solutions and the strategic decision to terminate the non-client-related part of the business. Trading income was lower across the board due to challenging market circumstances.

*Operating expenses*

Operating expenses for the year ended 31 December 2013, decreased slightly by EUR 8 million to EUR 1,649 million, as compared to EUR 1,657 million for the year ended 31 December 2012.

Personnel expenses

Personnel expenses for the year ended 31 December 2013 increased by EUR 124 million, or 26%, to EUR 600 million, as compared to EUR 476 million for the year ended 31 December 2012, mainly due to higher pension costs.

Other expenses

Other expenses for the year ended 31 December 2013 decreased by EUR 83 million, or 7%, to EUR 1,049 million, as compared to EUR 1,132 million for the year ended 31 December 2012.

*Operating result*

The operating result for the year ended 31 December 2013 decreased by EUR 50 million, or 4%, to EUR 1,081 million, as compared with EUR 1,131 for the year ended 31 December 2012. The cost/income ratio increased to 60% for the year ended 31 December 2013 from 59% for the year ended 31 December 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2013 decreased by EUR 50 million, or 6%, to EUR 851 million, as compared to EUR 901 million for the year ended 31 December 2012. The decline was mainly due to released provisions in the International Clients business in 2013 on a limited number of clients, and a significant provision booked at Capital Markets Solutions business for a single client in 2012. For additional detail on ABN AMRO's impairment charges, please see "*Annual Report 2014 – Risk & Capital Report – Risk & capital review – Credit risk*"

*Loans and receivables – customers*

Loans and receivables – customers remained stable, decreased by EUR 0.5 billion to EUR 78.9 billion at 31 December 2013, as compared to EUR 78.4 billion as at 31 December 2012.

*Due to customers*

Due to customers remained stable at EUR 51.7 billion.

*FTEs*

FTEs in Corporate Banking decreased by 92 to 5,022 at 31 December 2013 compared to 5,114 as at 31 December 2012.

***Commercial Clients***

The table below summarises the Commercial Clients business results for the years ended 31 December 2013 and 31 December 2012.

***Selected Commercial Clients financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 1,213 | 1,100 |
| Net fee and commission income | 188 | 216 |
| Other operating income[(1)] | 27 | 19 |
| *Operating income* | *1,428* | *1,335* |
| Operating expenses | 773 | 815 |
| *Operating result* | *655* | *520* |
| Impairment charges on loans and other receivables | 770 | 623 |
| *Profit/(loss) before tax* | *(114)* | *(103)* |

| | | |
|---|---|---|
| Income tax expense.. | (27) | (20) |
| **Underlying profit/(loss) for the period ..** | **(87)** | **(83)** |
| Special items | - | - |
| **Reported profit/(loss) for the period** | **(87)** | **(83)** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Underlying cost/income ratio (in %) | 54% | 61% |
| Underlying cost of risk(2) (in bps) | 175 | 142 |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Loans and receivables customers (in EUR billion) | 40.0 | 42.1 |
| Due to customers (in EUR billion) | 30.6 | 28.1 |
| Risk exposure amount(3) (in EUR billion) | 24.0 | 28.1 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) Reported under Basel II.

### *International Clients*

The table below summarises the International Clients business results for the years ended 31 December 2013 and 31 December 2012.

### *Selected International Clients financial information*

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 584 | 535 |
| Net fee and commission income | 182 | 203 |
| Other operating income(1) | 6 | 14 |
| *Operating income* | *771* | *752* |
| *Operating expenses* | *421* | *389* |
| *Operating result* | *350* | *363* |
| Impairment charges on loans and other receivables | 82 | 206 |

| | | |
|---|---|---|
| *Profit/(loss) before tax* | *268* | *157* |
| Income tax expense | 80 | (34) |
| **Underlying profit/(loss) for the period** | **189** | **191** |
| Special Items | - | (2) |
| **Reported profit/(loss) for the period** | **189** | **189** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Underlying cost/income ratio (in %) | 55% | 52% |
| Underlying cost of risk(2) (in bps) | 31 | 76 |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Loans and receivables customers (in EUR billion) | 26.4 | 24.4 |
| Due to customers (in EUR billion) | 16.1 | 15.8 |
| Risk exposure amount(3) (in EUR billion) | 19.9 | 27.1 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) Reported under Basel II.

### *Capital Markets Solutions*

The table below summarises the Capital Markets Solutions business results for the years ended 31 December 2013 and 31 December 2012.

### *Selected Capital Markets Solutions financial information*

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 55 | 56 |
| Net fee and commission income | 231 | 228 |
| Other operating income(1) | 245 | 416 |
| *Operating income* | *531* | *700* |
| *Operating expenses* | *455* | *455* |
| *Operating result* | *76* | *245* |
| Impairment charges on loans and other receivables | - | 72 |

| | | |
|---|---|---|
| *Profit/(loss) before tax* | *76* | *173* |
| Income tax expense | 30 | 57 |
| **Underlying profit/(loss) for the period** | **46** | **116** |
| Special Items | (109) | - |
| **Reported profit/(loss) for the period** | **(63)** | **116** |

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Underlying cost/income ratio (in %) | 86% | 65% |
| Underlying cost of risk(2) (in bps) | - | 72 |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Financial assets held for trading (in EUR billion) | 11.3 | 6.5 |
| Loans and receivables customers (in EUR billion) | 12.4 | 11.8 |
| Financial liabilities held for trading (in EUR billion) | 4.4 | 3.7 |
| Due to customers (in EUR billion) | 4.9 | 7.9 |
| Risk exposure amount(3) (in EUR billion) | 12.2 | 15.2 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

(3) Reported under Basel II.

### *Group Functions*

The majority of the costs of Group Functions are allocated to the business segments. Items not allocated to the business segments include among other things, the operating income from ALM/Treasury, general restructuring charges and certain integration costs.

The table below summarises the Group Functions segment's results for the years ended 31 December 2013 and 31 December 2012.

### *Selected Group Functions financial information*

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | (115) | 95 |
| Net fee and commission income | (37) | (140) |

| | | |
|---|---|---|
| Other operating income[1] | 59 | (14) |
| *Operating income* | *(93)* | *(60)* |
| Personnel expenses | 762 | 631 |
| Other expenses | (465) | (678) |
| *Operating expenses* | *297* | *(47)* |
| *Operating result* | *(390)* | *(13)* |
| Impairment charges on loans and other receivables | (4) | 1 |
| *Profit/(loss) before tax* | *(386)* | *(14)* |
| Income tax expense | (87) | 48 |
| **Profit/(loss) for the period** | **(299)** | **(63)** |
| Special Items | 517 | 57 |
| **Reported profit/(loss) for the period** | **218** | **(5)** |

| | **As at 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| Loans and receivables customers (in EUR billion) | 3.7 | 5.4 |
| Due to customers (in EUR billion) | 3.1 | 3.9 |
| Risk exposure amount[2] (in EUR billion) | 9.9 | 9.2 |
| FTEs (end of period) | 7,321 | 7,673 |

(1) "Other operating income" comprises the income statement line items (1) "Net trading income", (2) "Share of result in equity accounted investments" and (3) "Other income".

(2) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

*Profit/(loss) for the period*

Profit for the year ended 31 December 2013 decreased by EUR 236 million to EUR (299) million, as compared to EUR (63) million for the year ended 31 December 2012. This was caused by lower operating income and higher expenses.

*Operating income*

Operating income for the year ended 31 December 2013 decreased by EUR 33 million to a loss of EUR 93 million, as compared to a loss of EUR 60 million for the year ended 31 December 2012.

Net interest income

Net interest income for the year ended 31 December 2013 declined by EUR 210 million, to a loss of EUR 115 million, as compared to gain 95 million for the year ended 31 December 2012, mainly due to changes in liquidity compensation. The mismatch result increased due to lower short-term interest rates. The costs of funding as well as capital increased somewhat as maturing debt issued before the crisis was refinanced at higher spread levels.

Net fee and commission income

Net fee and commission income increased by EUR 103 million to a loss of EUR 37 million, as compared to a loss of EUR 140 million for the year ended 31 December 2012, mainly due to a reallocation of fees paid for interbank payments to the segments, which had previously been allocated to the business segments as Other expenses. In 2013, these payments were re-categorized as fee expenses**,** thus impacting the fee income of Group Functions.

Other operating income

Other operating income for the year ended 31 December 2013 increased by EUR 73 million, to EUR 59 million, as compared to EUR 14 million negative income for the year ended 31 December 2012. This increase was primarily due to revaluations of the investment and trading portfolios as well as higher own debt valuation.

*Operating expenses*

Operating expenses for the year ended 31 December 2013 increased by EUR 344 million to EUR 297 million, as compared to EUR (47) million for the year ended 31 December 2012.

Personnel expenses

Personnel expenses for the year ended 31 December 2013 increased by EUR 131 million, or 21%, to EUR 762 million, as compared to EUR 631 million for the year ended 31 December 2012, mainly due to higher pension costs, which were partly offset by lower FTEs.

Other expenses

Other expenses for the year ended 31 December 2013 increased by EUR 213 million, to EUR (465) million, as compared to EUR (678) million for the year ended 31 December 2012, given that the Group had received compensation for certain expenses in 2012 from external parties under a service level agreement that the Group had entered into in connection with certain EC Remedy-related portfolio divestments. Additionally, there were higher costs for change projects, slightly offset by lower depreciation costs.

*Operating result*

The operating result for the year ended 31 December 2013 decreased by EUR 377 million, to a loss of EUR 390 million, as compared to a loss of EUR 13 million for the year ended 31 December 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables was EUR (4) million for the year ended 31 December 2013, a negative shift of EUR 5 million compared to EUR 1 million as at 31 December 2012.

*FTEs*

The number of FTEs decreased by 352 to 7,321 as at 31 December 2013, as compared to 7,673 as at 31 December 2012.

## 6.6 Other references

***Liquidity and Funding***

Please see "*Annual Report 2014 - Risk & Capital management – Liquidity risk management & Funding management* " and *"Annual Report 2014 - Risk & Capital review – Liquidity risk & Funding"* in the Risk & Capital Report of the Annual Report 2014, which has been incorporated by reference herein.

***Risk Management and Review***

Please see " *Annual Report 2014 - Risk & Capital management* " *and " Risk & Capital review "* in the Risk & Capital Report of the Annual Report 2014, which has been incorporated by reference herein.

***Capital Management***

Please see *"Annual Report 2014 - Risk & Capital management – Capital management"* in the Risk & Capital Report of the Annual Report 2014, which has been incorporated by reference herein.

***Critical Accounting Policies***

Please see "*Annual Report 2014 - Notes to the Annual Financial Statements – 1 Accounting policies* " in Annual Financial Statements of the Annual Report 2014, which has been incorporated by reference herein

## 6.7 Related Party Transactions

Please see "*Annual Report 2014 - Notes to the Annual Financial Statements – 33 Related parties* " in Annual Financial Statements of the Annual Report 2014, 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 managing board and the supervisory board of ABN AMRO Group N.V. are composed of the same members as ABN AMRO Bank. NLFI is the sole shareholder of ABN AMRO Group N.V. by holding all ordinary shares in its share capital until the IPO. 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:

(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.

## 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 | DBRS |
|---|---|---|---|---|
| Long term credit rating | A | A2 | A | A(high) |
| Outlook long term credit rating | Negative | Stable | Stable | Under Review Negative |
| Short term credit rating | A-1 | P-1 | F1 | R-1(middle) |

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 or (ii) significant change in the financial position of the Issuer and its subsidiaries since 31 December 2014.

There has been no (i) material adverse change in the ABN AMRO Group's prospects or (ii) significant change in the financial position of the ABN AMRO Group N.V. and its subsidiaries since 31 December 2014.

**Independent auditor**

The consolidated annual financial statements of ABN AMRO Group N.V. as of 31 December 2014, and for the year then ended, incorporated by reference in this Registration Document, have been audited by KPMG Accountants N.V., independent auditors ("**KPMG**"), as stated in their report appearing herein. The consolidated annual financial statements of ABN AMRO Group N.V. as of 31 December 2013 (including the comparative 2012), and for the year then ended, incorporated by reference in this Registration Document, have been audited by KPMG, as stated in their report appearing herein. The consolidated annual financial statements of ABN AMRO Bank N.V. as of 31 December 2014 (including the comparative 2013), and for the year then ended, incorporated by reference in this Registration Document, have been audited by KPMG, as stated in their report appearing herein.The individual auditors of KPMG are members of the Dutch Professional Association of Accountants (*Nederlandse Beroepsorganisatie van Accountants*). KPMG has given, and has not withdrawn, its consent to the inclusion of these report in this in the form and context in which it is included.

**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.— 1.8 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 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.

**Issuer**

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**AUDITORS**

*to ABN AMRO Group N.V.*

**KPMG Accountants N.V.**
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