6 JULY 2016

ABN AMRO BANK N.V.

REGISTRATION DOCUMENT

CONTENTS

Page

1. INTRODUCTION

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

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

This Registration Document was approved on 6 July 2016 by The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, "**AFM**") as the competent authority under the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht)* implementing the Prospectus Directive.

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

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

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

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

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

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

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

2. RISK FACTORS

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

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 materially and adversely affect the value of the Issuer's assets, the ability of its clients to meet financial obligations and could cause the Issuer's loan impairment charges to rise, reduce the Issuer's fee and commission income 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. Market conditions remain vulnerable and risks remain. Deterioration or long term persistence of the difficult economic environment, including as a result of an increase in unemployment rates and/or decreases in house prices threaten the quality of the Issuer's loan portfolio, in particular for retail clients. There is also a possibility that the Issuer may have insufficient access to, or incur higher costs associated with, funding alternatives, which could have a material adverse effect on the Issuer's business, financial position, results of operations and prospects. The economy remains particularly vulnerable to a renewed rise in financial market tensions or new economic shocks, which could lead to a more severe economic downturn.

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

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

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

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

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, balance sheet steering and interest rate management as part of its risk management strategy and it may not be able to manage its exposures adequately through the use of such strategies as a result of modeling, sensitivity analysis or other risk assessment method failures or as a result of appropriate derivative products not being available.

Market conditions, and periods of high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Issuer's control, 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, including 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 material adverse effect on the Issuer's ability to satisfy its liquidity needs.

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

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

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

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

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

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

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

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

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

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

The Issuer conducts its business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies, in most or all of the locations in which it operates or enters into transactions with clients or other parties. In various jurisdictions in which the Issuer operates supervisory authorities may impose additional restrictions and conditions on the Issuer, including but not limited to capital, liquidity, corporate governance requirements and behavioural requirements. Interpretation of requirements by supervisory authorities and courts may change over time. For further information on legal and regulatory laws and regulation the Issuer is subject to, see chapter "*The Issuer—1. ABN AMRO Bank N.V. —1.7 Regulation*".

When expanding its business to other jurisdictions or offering new products in jurisdictions in which the Issuer is already active, the Issuer may become subject to other and additional legislation and regulatory requirements. The local businesses will not only need to comply with the local laws and regulations, but also with certain laws and regulations with worldwide application, including 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 "*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. The industry and the Issuer also continue to witness increasing complaints and are faced with many questions about margins, fees, the charging on of costs and the application of penalties. Implementing and monitoring compliance with applicable requirements means that the Issuer must continue to have a large staff dedicated to these activities and to spend monetary and management resources and to create sufficient awareness with the business staff of the products and services the Issuer offers and the rules applicable to them. Furthermore, the Issuer will also need to continue monitoring compliance of products and services that the Issuer no longer offers, which may be more complex than for products and services that are currently offered. If the Issuer is unable to commit sufficient resources for regulatory compliance, this could lead to delays and errors, and may force it to choose between prioritising compliance matters over administrative support for business activities, or may ultimately force the Issuer to cease the offering of certain products or services.

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

The Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**"), for instance, has a legal mandate to exercise integrity supervision. DNB expects banks to have a solid systematic integrity risk analysis in place and to translate results of this analysis into actual integrity policies and control measures. Banks are in general required to devote attention to inherent integrity risks such as money laundering, financing of terrorism, sanctions, bribery and corruption, conflicts of interest, fraud and tax risks. By adequately and periodically analysing and discussing these integrity risks at board and senior management level, banks should be able to formulate dedicated integrity policies and implement appropriate measures and procedures to manage these risks. In its Supervisory Strategy 2014-2018 document, DNB defined integrity supervision as one of its supervisory focal points. In 2015, DNB has examined the systematic integrity risk analyses performed by financial institutions. Based on its examination, DNB has assessed the systematic integrity risk analyses of 80% of the financial institutions examined as insufficient. The Issuer also falls within this category.

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

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

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

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

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.

  In addition, at the end of 2015 and following a first consultative document published in December 2014, the Basel Committee published a second consultative document concerning revisions to the standardised approaches for credit, operational and market risk, and the introduction of capital floors. The revisions form part of the Basel Committee's broader review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions. Of these proposals, the introduction of the standardised credit risk RWA (REA) floor would have the most significant impact on the Issuer. The proposals for the initial 2014 consultative document concerned new standardised credit risk RWA (REA) calculation rules, which included (i) introduction of new risk drivers, (ii) introduction of higher risk weights, and (iii) removal of external ratings from the framework. In addition, the initial 2014 proposals required banks to apply advanced approaches to risk categories, applying the higher of (i) the RWA (REA) floor based on (new) standardised approaches and (ii) the RWA (REA) floor based on advanced approaches in the denominator of their ratios. Consistent with the 2014 proposals, the Basel Committee maintains its stance on the removal of some of the internal models and own estimates of haircuts for calculating capital requirements under the standardized approaches. However, as part of the revised 2015 proposals, the Basel Committee has decided, *inter alia*, to reintroduce the use of external ratings, in a non-mechanistic manner, for exposures to banks and corporates. The 2015 proposals also include alternative approaches for jurisdictions that do not allow the use of external ratings for regulatory purposes. Although timing for adoption, content and impact of these proposals remain subject to considerable uncertainty, the implementation of the standardized RWA (REA) floors would have a significant impact on the calculation of the Issuer's risk weighted assets due to the substantial difference in RWA (REA) calculated on the basis of advanced approaches and such calculation on the basis of new standardized rules for mortgages, and, to a lesser extent, exposures to corporates. In the first quarter of 2016 the Basel Committee published a consultative paper proposing changes to the internal ratings based approaches. The Basel Committee proposes, amongst others, to remove the option to use the IRB approaches for certain exposure classes, to introduce PD and LGD floors for exposure classes that are still permitted under IRB approach, a greater use of supervisory Credit Conversion Factors (CCF) and constraints on EAD estimation processes. On 6 April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document are the change in the calculation of the derivative exposures and the credit conversion factors for off-balance sheet items. On 14 April 2016 the Basel Committee Published a consultative paper on guidelines for the definitions for two important terms – "non performing exposures" and "forbearance". The Basel Committee’s proposed definitions of both terms are built on commonalities in the existing definitions and harmonise the quantitative and qualitative criteria used for credit categorisation.

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

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

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

- The European Market Infrastructure Regulation ("**EMIR**") having introduced new obligations relevant for the Issuer, which are (i) central clearing for certain classes of OTC derivatives, (ii) the application of risk mitigation techniques for non-centrally cleared OTC derivatives and (iii) reporting of both exchange traded and OTC derivative transactions. EMIR is relevant to the Issuer in general and in particular to the Issuer's clearing business. The Issuer has implemented the relevant EMIR reporting requirements. Nevertheless, IT capacity and data quality issues have been identified and are currently being investigated. Regulators have been briefed on these issues and are closely monitoring the Issuer's progress.

- The revised EU Directive on Markets in Financial Instruments (2014/65/EU, the "**MiFID II Directive**") and the accompanying regulation "**MiFIR**" (Regulation 600/2014) (together "**MiFID II**"), which replace, extend and improve existing European rules on markets in financial instruments, giving more extensive powers to supervisory authorities, increasing market infrastructure and reporting requirements, more robust investor protection, increasing both equity and non-equity market transparency, introducing a harmonised position-limits regime for commodity derivatives and introducing the possibility to impose higher fines in case of infringement of its requirements.

- A regulation on key information documents for packaged retail and insurance-based investment products (Regulation 1286/2014) ("**PRIIPS Regulation**") requiring a key information document to be provided when offering packaged retail and insurance-based investment products ("**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 new payment services directive (Directive 2015/2366/EU, "**PSD 2**") which imposes additional requirements on the Issuer with respect to payment services in the EEA and supports the emergence of new players and the development of innovative mobile and internet payments in Europe.

- 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 10 participating Member States, being Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone.

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

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

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

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

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

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

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

For further information on laws and regulation the Issuer is subject to, see chapter "*5. The Issuer—1. ABN AMRO Bank N.V. —1.7 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 currently 3% as proposed by the Basel Committee. However, 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 2015 - Risk, funding & 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 2015. 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, although particular requirements will be phased in over a period of time. The European Banking Authority ("**EBA**") has and will continue to propose detailed rules through binding technical standard for many areas. There can be no assurance that the Basel Committee will not amend or supplement the Basel III framework. For example, the Basel Committee has published proposals to further strengthen the risk-weighted capital framework, including in relation to credit risk, market risk and operational risk (see also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above). Further, the Basel III framework may be implemented in a manner that is different from that which is currently envisaged or may impose more onerous requirements on the Issuer.

The 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 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%. When the Issuer is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic buffer addresses. As at the date hereof, the combined buffer requirement is set at 5.5 % of CET1 capital above the minimum regulatory CET1 Requirement of 4.5% (or 10% in aggregate) on a full phase-in basis. However, in the future the Issuer may need to comply with a higher combined buffer requirement. For example, the relevant regulator may impose a higher systemic risk buffer or introduce a countercyclical capital buffer. In case the Issuer fails to meet, partly or in full, the combined buffer requirement, CRD IV requires that restrictions on distributions (including dividend payments) are imposed on the Issuer.

In addition, under CRD IV competent supervisory authorities as a result of the common procedures and methodologies for the supervisory review and evaluation process ("**SREP**") may require additional capital to be maintained by a bank relating to elements of risks which are not fully covered by the pillar 1 minimum own funds requirements described above or which address macro-prudential requirements. The EBA issued guidelines on 19 December 2014 addressed to national supervisory authorities on the SREP which among other guidelines contain guidelines proposing a common approach to determine the amount and composition of additional capital requirements and which were required to be applied by the competent supervisory authorities as of 1 January 2016 (subject to certain transitional arrangements). Accordingly, a bank can be subject to (i) pillar 1 minimum own funds requirements (as referred to above), (ii) a combined buffer requirement (as referred to above) and (iii) additional capital requirements as a result of the SREP.

The Issuer's capital position is strong with capital ratios well above the regulatory minimum requirements. At 31 December 2015 the Issuer had a phase-in CET1 capital ratio of 15.5% (fully loaded 15.5%), which is well above the 2016 SREP requirement. Pursuant to the 2016 SREP requirement, the Issuer is required to hold on a consolidated basis a minimum CET1 capital ratio of 10.25%, which is composed of a 9.5% CET1 requirement and a 0.75% phase-in of the systemic risk buffer ("**SRB**"). The SRB is expected to grow by 0.75 percentage point per annum up to 3.0% in 2019. The 9.5% CET1 requirement includes the capital conservation buffer. Based on the current understanding of the applicable and pending regulations regarding leverage ratio, the Issuer aims for a leverage ratio equal or above 4% by 2018, which it aims to achieve through management of its exposure measure, the issuance of AT1 instruments and retained earnings. The Issuer is monitoring upcoming regulatory requirements in relation to MREL (as defined below) and TLAC (as defined below) and aims for equal or above 8% MREL by 2018 and pre-position for TLAC. At 31 December 2015, ABN AMRO had fully-loaded leverage ratio of 3.8% and 6.8% MREL (solely based on equity and loss absorbing instruments). The strong funding and liquidity profile is demonstrated by a growing client deposit base with low outflows, a diversified wholesale funding maturity profile and a commitment to comply with future regulatory liquidity requirements (liquidity coverage ratio and net stable funding ratio) before they will be in force. Future regulatory developments will have an impact on the Issuer's capital position.

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

Dutch Intervention Act

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

BRRD

The national framework for intervention with respect to banks by DNB has been replaced by the law implementing the resolution framework set out in the BRRD (as defined below). However, the powers granted to the Dutch Minister of Finance under the Dutch Intervention Act remain. The Dutch Minister of Finance may, take measures or expropriate assets 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 measures set out in the BRRD (including the Bail-in Tool) have been implemented in national law with effect from 26 November 2015.

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

Single Resolution Mechanism

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

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

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

Recovery and resolution plans

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

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

Early intervention

If the Issuer does not comply with or, due to a rapidly deteriorating financial position, would be likely not to comply with capital or liquidity requirements in the near future, the supervisory authorities will have the power to impose early intervention measures. A rapidly deteriorating financial position could, for example, occur in the case of a deterioration of the Issuer's liquidity situation, increasing level of leverage and non-performing loans. Intervention measures include the power to require changes to the legal or operational structure of the Issuer, the power to make changes to the Issuer's business strategy, and the power to require the Issuer's 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.

Non-viability and resolution measures

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

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

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

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

Resolution Fund

The SRM provides for a Resolution Fund that will be financed by banking groups included in the SRM. The Issuer will only be eligible for contribution 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.

FSB Standard for Total Loss-Absorbing Capacity

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

The TLAC standard requires all G-SIB to maintain a minimum Pillar 1 level of TLAC eligible capital within the range of 16-18% of risk exposure amount (in addition to minimum regulatory capital requirements), and at a minimum of twice the relevant Basel III leverage requirement, with effect from 1 January 2019. The TLAC standard states that G-SIB will be required to pre-position such loss-absorbing capacity amongst "material sub-groups" on an intra-group basis. The FSB has also proposed that the minimum TLAC requirement should be satisfied before any surplus common equity is available to satisfy CRD IV buffers and the TLAC standard provides the possibility for local regulators to impose a Pillar II TLAC requirement over and above the Pillar 1 minimum. Based on the most recently updated FSB list of G-SIBs published in November 2015, ABN AMRO does not currently constitute a G-SIB. However, the EU or Dutch legislator could impose similar requirements on non-G-SIBs.

According to the TLAC standard, TLAC may comprise Tier 1 and Tier 2 capital (for the purposes of CRD IV), along with other TLAC-eligible liabilities which can be effectively written down or converted into equity during the resolution of the G-SIB. All TLAC is required to be subordinated to "excluded liabilities", which includes insured deposits and any other liabilities that cannot be effectively written down or converted to equity by the relevant resolution authority.

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

On 23 May 2016 the European Commission adopted the regulatory technical standards ("**RTS**") on the criteria for determining the MREL under BRRD. In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities, with effect from 26 November 2015 (the date of national implementation of BRRD in the Netherlands). The RTS provide for resolution authorities to allow institutions a transitional period to reach the applicable MREL requirements.

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

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

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

Whilst there are a number of similarities between the MREL requirements and the FSB's TLAC standard, there are also certain differences, including the timescales for implementation. The RTS suggests that the MREL requirements can nevertheless be implemented for G-SIBs in a manner that is "consistent with" the international framework, and contemplates a possible increase in the MREL requirement over time in order to provide for an adequate transition to compliance with the TLAC requirements (which are currently projected to apply from January 2019). It remains to be seen whether there will be any further convergence in the detailed requirements of the two regimes.

Risks relating to the FSB standard and RTS

Both the FSB standard and the RTS may be subject to change and further implementation. The European Commission plans to bring forward a legislative proposal in 2016 to implement TLAC and clarify the interaction with MREL. As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on the Issuer once implemented. If the FSB standard and the RTS are implemented in their current form however, it is possible that the Issuer may have to issue a significant amount of additional TLAC and MREL eligible liabilities in order to meet the new requirements within the required timeframes. If the Issuer were to experience difficulties in raising TLAC or MREL eligible liabilities, it may have to reduce its lending or investments in other operations which would have a material adverse effect on the Issuer's business, financial position and results.

State Aid

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

The Dutch Intervention Act, BRRD, SRM 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 materially and adversely affect the Issuer's reputation, financing costs and trigger enforcement action by supervisory authorities. Stress tests could also bring to the surface information which may result in additional regulatory requirements or measures being imposed or taken which could have a material adverse effect on the Issuer's business, results of operations, profitability or reputation.**

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

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

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

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

A different form of competition comes from technology firms and other new entrants, which are not subject to the same regulatory controls imposed on banks and have already entered parts of the traditional banking value chain. Commoditisation of mass market segments as a result of new technology results in fiercer competition and pressure on margins.

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 materially and adversely affect the Issuer's profitability and financial performance.

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

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

As of 31 December 2015, 80% of the Issuer's operating income was generated in The Netherlands and a majority of its aggregate credit exposure (as measured by 'Exposure at Default') is also located in The Netherlands (73.3% as of 31 December 2015). 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. In the years prior to 2014, in line with economic developments, the Issuer saw and may see in the future increasing delinquencies, defaults and insolvencies across a range of sectors (such as small and medium sized enterprises, in the area of Lombard-lending (where borrowers are under an obligation to provide additional collateral if the value of existing collateral goes down), commercial real estate, construction and (inland) shipping) and in a number of geographies. This trend has in the past led to and may 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 centers, cash transportation, servicing of ATMs, and back office activities, for example in human resources operations. Accordingly, the Issuer is at risk of these third parties not delivering on their contractual obligations. There can be no guarantee that the suppliers selected by the issuer will be able to provide the functions for which they have been contracted, either as a result of them failing to have the relevant capabilities, products or services, or due to inadequate service levels set by, or ineffective monitoring by, the Issuer.

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

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. As of 31 December 2015, the Issuer's exposure as measured by loans and receivables to diamond and jewellery customers amounted to USD 1.4 billion (at a rate of EUR/USD of 1.09 at 31 December 2015), which is approximately 11% of the total exposure of the diamond and jewellery industry as a whole (estimated at approximately USD 13 billion in 2015).[1] To the extent that clients of the Issuer have insufficient access to liquidity, their creditworthiness may negatively be affected, which may adversely affect the quality of the Issuer's credit portfolio in this industry. Furthermore, the diamond and jewellery industry perceives the Issuer as a leading bank in financing of the industry given its previous exposure. Market participants and representative bodies in the industry might expect the Issuer to continue to provide liquidity to the market. If the Issuer does not provide this liquidity, this may damage the Issuer's reputation.

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

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

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

The Issuer's banking businesses establish provisions for loan losses, which are reflected in the impairment charges on loans and other receivables provisions on the Issuer's income statement, in order to maintain the Issuer's allowance for loan losses at a level that is deemed to be appropriate by management based upon an assessment of prior loss experiences, the volume and type of lending being conducted by the Issuer, industry standards, past due loans, economic

1 Source: Equity Research, RBC Capital Markets.

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 materially and adversely affected by relying on such information or on financial statements that do not comply with generally accepted accounting principles or that are materially misleading. If information about clients and counterparties turns out to be materially inaccurate, incomplete or misleading, this could lead to fines or regulatory action, violation of rules and regulations, engagement in incorrect commercial transactions.

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

Also, the Issuer has a monitoring duty in relation to transactions outstanding, including on client positions being either in-the-money or out-of-the-money, or the amount having been borrowed by clients being lower or higher than the value of property or security or the corresponding derivative. This monitoring allows the Issuer, amongst other things, to take appropriate commercial decisions and to verify continued suitability of the product for certain retail clients and compliance with legal requirements of the Issuer. Monitoring a large number of different products, including discontinued products that are still outstanding, is complex and it could become more difficult or even impossible if the Issuer should fail to properly document transactions or archive documentation. The risk is further exacerbated by the increased use of technology and modern media for interacting with clients. Employees may take client orders in violation of policies, including taking orders over a mobile telephone line which conversations are not recorded or it may prove impossible or very difficult to find the relevant discussion from among a large number of recordings. The Issuer conducted an internal review into transaction reporting to the AFM and found that it had not accurately reported or had omitted to report a significant number of financial markets transactions in its Capital Markets Solutions business. As a result, the AFM may take enforcement action, including the imposition of a fine.

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

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

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

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

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

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

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

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

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

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. Multiple lawsuits, including class actions, on the subject are pending or have resulted in settlements or court decisions and Kifid rulings. In June 2015, Parliament resolved that the government would reprimand financial institutions, remind them of their responsibility in society following from their special duty of care (*bijzondere zorgplicht*) and move them to cooperate to remove clauses in derivatives portfolios that hinder supervision (e.g., termination events referring to powers of supervisory authorities).

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

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

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

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

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

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

The Issuer may also be subject to disruptions of the Issuer's operating systems, arising from events that are wholly or partially beyond the Issuer's control (including, for example, computer viruses 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.

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

There is currently no critical client data stored in applications of third parties, but it cannot be excluded that this will change in the future. Subject to strict rules, some third party providers have access to, or are given, privacy sensitive client or employee information. The Issuer is subject to regulations that control the flow of information such as privacy laws and the passing on of price sensitive information. As a result, information about the Issuer, its clients or its employees that is made intentionally, unintentionally or unlawfully public by employees, contractors or personnel seconded to the Issuer, including employees of third party suppliers, could lead to regulatory sanctions, breaches of privacy rules, confidentiality undertakings and other legal and contractual obligations, possibly resulting in claims against the Issuer and a loss of trust in the Issuer. In addition, leaked information may be used against the interests of the Issuer, its clients or its employees, including in litigation and arbitration proceedings.

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

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

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

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

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

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

In 2015, DNB performed a review of its findings after certain examinations in 2013 and 2014 (as described below). In 2013, DNB found, in its thematic examinations relating to the management of corruption risks, that the Issuer's efforts to prevent corruption risk from materialising were insufficient. DNB found shortcomings regarding the cohesion between the different components of the management framework. Also, shortcomings in the governance, mitigation of third party risk and prevention of conflict of interests were identified. DNB's examinations are currently ongoing. In April 2014, DNB conducted a thematic review into the management of integrity risks, recordkeeping and compliance with anti money laundering laws and regulations at Private Banking in The Netherlands. The latest examination focused on activities of ECT, including an on-site review at the ECT desk in Singapore. It was found that the Issuer has made progress; however, the Issuer is expected to take the following remedial actions: include inherent corruption risk factors in the Issuer's systematic integrity risk analysis, further implement policies, enhance effective monitoring of registration of outside positions and private interests of employees (including management), include documentation of underlying risk assessments on corruption risks in the client files.

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

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

In addition, the extra-territorial reach of U.S. and EU regulations in respect of economic sanctions requires the Issuer to establish effective controls and procedures in order to prevent violations of United States and EU sanctions against designated foreign countries, nationals, entities and others. The Issuer's operations and the products and services it offers bring it within the scope of these sanctions regimes. For example, the 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 material adverse effect on Issuer's operations and the products and services it offers in relation to such regions.

Failure by the Issuer to implement and maintain adequate programmes to combat money laundering, bribery and terrorist financing, tax evasion and corruption or to ensure economic sanctions compliance could lead to fines or harm the Issuer's reputation and could disrupt the Issuer's business and result in a material adverse effect on the Issuer's business, financial position, results of operations and prospects. See "*The Issuer — 1. ABN AMRO BANK N.V. — 1.8 Legal and arbitration proceedings — Dubai branch irregularities*." and " *The Issuer — 1. ABN AMRO BANK N.V. — 1.8 Legal and arbitration proceedings — Discussions with tax authorities in Switzerland and Germany."*

With respect to certain countries, such as Iran, Syria and Russia and the Crimean peninsula of Ukraine, amongst others, the U.S. State Department, the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and the European Union have issued restrictive measures and trade embargoes. Since 2010, extensive additional international (including EU and U.S.) sanctions against Iran have been adopted which together form a complex set of economic restrictions. A non-U.S. financial institution found to have engaged in specified activities involving Iran could become subject to various types of sanctions, including (but not limited to) denial of U.S. bank loans, restrictions or a prohibition on its ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, and the blocking of its property within U.S. jurisdictions.

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

The Issuer's consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union, which is periodically revised or expanded. Accordingly, from time to time the Issuer is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("**IASB**"). It is possible that future accounting standards which the Issuer is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on Issuer's results of operations and financial condition. For example, IFRS 9 on financial instruments, which will replace IAS 39, will result in significant changes to the Issuer's consolidated financial statements. The contemplated accounting change is expected to become effective for annual periods beginning on or after 1 January 2018 and is still subject to endorsement by the EU. As a result of IFRS 9, the Issuer will have to recognise credit losses on loans and other financial instruments at an earlier stage which will lead to a substantially higher loan loss allowance, and corresponding lower capital on implementation. In addition, IFRS 9 is expected to lead to more profit and loss and capital volatility, because changes in counterparty credit quality could lead to shifts from a 12-month expected loss to a life time expected loss and *vice versa*. In addition, more financial instruments may be classified at fair value through profit or loss. An increase in loan loss provisions, and the potential for greater pro-cyclicality on provisioning, could have an impact on lending activities due to implementation of IFRS 9. Further changes in financial reporting standards or policies, including as a result of choices made by the Issuer, could have a material adverse effect on the Issuer's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

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

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

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

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

In the ordinary course of business the Issuer is involved in a number of legal proceedings. The Issuer's business is subject to the risk of litigation by customers, borrowers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. It is inherently difficult to predict or quantify the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving the Issuer and its businesses. The cost to defend current and future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. Examples are the failure or perceived failure to comply with legal and regulatory rules, laws, regulations and other requirements, principles or codes of conduct (including but not limited to the code of conduct on sustainability) by the Issuer, its customers, or other third parties linked to the Issuer, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, tax evasion or avoidance by clients, the quality and transparency of products sold to clients, the manner in which the Issuer protects its legitimate interest upon a client default or a margin obligation arising or the conduct of its employees. Failure to comply or to sufficiently comply with legal and regulatory rules and other requirements is the subject of ongoing investigations in connection with the Issuer's Private Banking operations in Dubai. 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, tax evasion or avoidance by clients, the quality and transparency of products sold to clients, the manner in which the Issuer protects its legitimate interest upon a client default or a margin obligation arising or the conduct of its employees. Failure to comply or to sufficiently comply with legal and regulatory rules and other requirements is the subject of ongoing investigations in connection with the Issuer's Private Banking operations in Dubai.

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

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

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

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

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

Furthermore, the Dutch rules include certain bans on any variable remuneration (effectively a bonus prohibition) for certain employees of Dutch financial institutions that have received a form of state aid. State aid includes, amongst other things, capital support, guarantees by the government and nationalisation of a financial institution in order to stabilise the financial system. As a result of this ban, members of the 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 increases reflecting collective adjustments, such as increases based on collective labour agreements.

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

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

The Issuer's subsidiary ABN AMRO Clearing Bank N.V. ("**ABN AMRO Clearing**") is a global clearing firm and plays a leading role as a systematically relevant participant in the financial market infrastructure on various exchanges, trading venues and on the over-the-counter markets. ABN AMRO Clearing provides, amongst others, the following services with respect to financial instruments and derivatives: clearing, settlement, custody, financing, direct market access, securities lending and margin financing. ABN AMRO Clearing has access to all major exchanges and is connected to over 150 liquidity centres worldwide. As at 31 December 2015, ABN AMRO Clearing had EUR 11.4 billion in customer loans and EUR 1.6 billion in RWA (REA). ABN AMRO Clearing provides these services exclusively to professional clients such as principal trading groups, alternative investors, financial institutions, corporate hedgers and market makers. Due to the nature of its clients, ABN AMRO Clearing processes very large transaction volumes on a daily basis and is responsible for clearing and settlement of large percentages of the daily volumes traded on exchanges and other liquidity centres around the world.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the Issuer is subject to several risks, including financial, liquidity, operational, legal, compliance, and reputational risk as a result of the Legal Demerger, Legal Separation and EC Remedy Risks in connection with the Legal Demerger, Legal Separation and EC Remedy have been identified and managed from the start of these processes and risk tolerance levels have been set. However, risk exposure increases as a result of a demerger, separation or merger process and the Issuer may be exposed to large, unexpected events.

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

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

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

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.

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

The Issuer aims to increase the international contribution to operating income to 20-25% by 2017 through selective, capability-led international growth. It has identified four international activities that provide an avenue for profitable growth. These include the Private Banking activities in France, Germany and Asia; ECT Clients; asset based finance and MoneYou. Accordingly, the Issuer may develop a new key market or decide to make additional investments in existing higher-risk markets, and may as a result be exposed to additional or increased social, political and economic instability, among other risks. These risks relate to a wide range of factors, including but not limited to the following: currency restrictions and exchange controls, other restrictive or protectionist policies and actions, diverse systems of laws and regulation, the imposition of unexpected taxes or other payment obligations on the Issuer, changes in political regulatory and economic frameworks, economic sanctions, risks relating to modification of contract terms, or other government actions, capital controls and restrictions on the Issuer's ability to transfer cash to or repatriate cash from its subsidiaries, restrictions in certain countries on investments by foreign companies, divergent labour regulations and cultural expectations regarding employment, and divergent cultural expectations regarding industrialisation, international business and business relationships. Sometimes, in certain jurisdictions, uncertainty may exist as to whether security interests vested for the benefit of the Issuer can be enforced as a legal or as a practical matter. The Issuer is also subject to the risk that the government of a sovereign state or political or administrative subdivisions thereof defaults on its financial obligations.

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

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

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

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

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

The Issuer's strategy aims to enhance client centricity, invest in the Issuer's future, strongly commit to a moderate risk profile, pursue selective, capability-led international growth and improve profitability. The strategy and targets of the Issuer are based on assumptions and expectations, including but not limited to macro-economic developments, interest rates, revenue, expenses and cost of risk, that may not prove valid. Also, the benefits and impact of the Issuer's strategy and targets could fall short of what the Issuer envisages. The Issuer may, in addition, not succeed in achieving its targets, because of insufficient management attention, incorrect decisions or choices, inefficiencies or other reasons.

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

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

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

The ability to successfully implement the Issuer's strategy or pursue business opportunities will also be impacted by factors such as general economic and business conditions, many of which are outside the control of the Issuer and which may make it difficult for the Issuer to expand internationally and to achieve its international expansion target for 2017.

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

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

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

32. **The Issuer can be forced, upon a change of control over the Issuer or Delta Lloyd N.V., to buy shares it does not yet own in Dutch insurance business ABN AMRO Verzekeringen. If this risk were to materialise, the Issuer could be forced to pay a currently unknown purchase price that would likely be material, the Issuer would be required to consolidate**

ABN AMRO Verzekeringen into its financial statements, which may have material adverse consequences for the Issuer's capital and liquidity ratios, and any potential losses incurred by ABN AMRO Verzekeringen would from then on be entirely for the account of the Issuer.

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

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

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 2015 as set out on pages 330 to 337 in relation to the financial statements 2015, including the notes to the financial statements as set out on pages 338 to 461, pages 124 to 269 (certain information in the Risk, funding & capital Report), and the auditors' report thereon on pages 465 to 471, all as included in ABN AMRO Group N.V.'s Annual Report 2015 (the "**Annual Report 2015**") (the "**Consolidated Annual Financial Statements 2015**" and together with the Consolidated Annual Financial Statements 2014, the "**Consolidated Annual Financial Statements**");

(e) the Section "*Update on our strategic priorities*" of the Strategic Report on pages 26 to 32, the Sections "*Business Review*" and "*Financial Review*" of the Business Report on pages 50 to 105, the Risk, funding & capital Report on pages 124 to 269, the Section "*Definitions of important terms*" on pages 476 to 481, the Section "*Abbreviations*" on pages 482 to 483 and the Section "*Cautionary statements*" on page 484, all as included in the Annual Report 2015;

(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) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2015, as set out on pages 162 to 170 in relation to the financial statements 2015, including the notes to the financial statements as set out on pages 171 to 289, pages 36 to 132 (certain information in the Risk, funding & capital Report), and the auditors' report thereon on pages 306 to 312, all as included in ABN AMRO Bank N.V.'s Annual Report 2015; and

(h) the quarterly report titled "*Quarterly Report First quarter 2016*" dated 11 May 2016. The information set out therein is unaudited,

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

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

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

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference. Requests for such documents should be directed to the Issuer (at its registered office at: Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, by telephone: +31 20 6282282 or by e-mail: investorrelations@nl.abnamro.com). This Registration Document and copies of documents incorporated by reference in this Registration Document can also be obtained from https://www.abnamro.com/en/investor-relations/index.html. The other information 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. SELECTED DEFINITIONS AND ABBREVIATIONS

Definitions

In this Registration Document, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Annual Report 2015**" refers to ABN AMRO Group N.V.'s Annual Report 2015.

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

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

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

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

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

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

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

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

"**Consolidated Annual Financial Statements**" refers to the Consolidated Annual Financial Statements 2014 together with the Consolidated Annual Financial Statements 2015.

"**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 2015**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2015 as set out on pages 330 to 337 in relation to the financial statements 2015, including the notes to the financial statements as set out on pages 338 to 461, pages 124 to 269 (certain information in the Risk, funding & capital Report), and the auditors' report thereon on pages 465 to 471, all as included in ABN AMRO Group N.V.'s Annual Report 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. THE ISSUER

1. ABN AMRO BANK N.V.

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

All results are presented on an underlying basis for 2015, 2014 and 2013.

1.1 History and recent developments

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

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

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

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

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

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 2013 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 and listed Commercial Real Estate clients in The Netherlands, as well as Energy, Commodities & Transportation (ECT) clients, diamond & jewellery clients, and financial institutions internationally;
    - Capital Market Solutions serves clients by providing products and services related to financial markets. This sub-segment also includes ABN AMRO Clearing;
- Diamond & Jewellery 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 Asset & Liability Management (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 (which threshold is expected to be lowered to EUR 500,000 in The Netherlands in the course of 2016) 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 centres and through subsidiaries.

In addition, via its internet savings proposition, MoneYou, ABN AMRO intends to continue growing its savings volume in The Netherlands, Belgium, Germany and Austria.

Main subsidiaries

The following subsidiaries[2] 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.

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

MoneYou

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

Alfam

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 Verzekeringen, through its subsidiaries, acts as an insurer and intermediary for life- and non-life insurances. Retail Banking receives commission payments for the sale of damage insurance. ABN AMRO acts as an intermediary for ABN AMRO Verzekeringen. Based on a contract between ABN AMRO Pensions (defined below) and the employer, ABN AMRO Pensions collects payment on a monthly basis from employers for the benefit of pension accrual for their individual employees. The defined contribution per employee is invested in lifecycle investment funds (the base case situation), or in a small range of investment funds (depending on the preference of the individual employee and based on his or her risk profile). In addition, ABN AMRO Pensions facilitates term life insurance and disability pensions. These products are distributed through individual actuarial advisers. ABN AMRO Pensions services nearly 200 corporate clients.

ABN AMRO Pensions

APG-ABN AMRO Pensioeninstelling N.V. ("**ABN AMRO Pensions**") is 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 offers fully integrated financial advice and a broad array of services focused on wealth structuring, wealth protection and wealth transfer. 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 AG ("**Bethmann**") in Germany.

Private Banking globally managed EUR 199.2 billion Client Assets at year-end 2015, 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 assets under management in excess of EUR 1 million (Private Banking);
- *Ultra High Net Worth Individuals* with assets under management in excess of EUR 25 million (Private Wealth Management).

The EUR 1 million in investible assets threshold is expected to be lowered to EUR 500,000 in The Netherlands. This is expected to occur in 2016. 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, Bethmann signed an agreement in 2013 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 major French cities. Banque Neuflize OBC provides an integrated approach to private and commercial clients with a dedicated advisory and products offering. Neuflize OBC and its subsidiaries cover a range of activities including traditional banking services and advisory services (e.g., estate planning, financial engineering, corporate finance, art advisory and real estate).

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, 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 is strongly focused on The Netherlands where it offers corporate clients a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge.

Internationally Corporate Banking services its domestic client base through local Dutch Desks in selected markets and through cooperation with partner banks. Corporate Banking has a client and capability-led international strategy with a focus on three specialities in which it operates in selective markets: (i) servicing clients that are internationally active in the sectors energy, commodities and transportation (ECT Clients), (ii) clearing activities on more than 150 liquidity centres worldwide and (iii) asset based financing (consisting of commercial finance and lease).

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 Netherlands-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.

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

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.

International Diamond & Jewellery Clients is an important global player in the financing of the diamond and Jewellery 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.

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.

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 Commercial & Merchant Banking 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, the United Kingdom and Belgium.

ABN AMRO Clearing Bank

ABN AMRO Clearing 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 150 liquidity centres worldwide. 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

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

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.

In 2013, ABN AMRO launched a programme named TOPS 2020, which is mainly focused on reengineering its IT core banking landscape and runs until 2020. Furthermore, ABN AMRO launched a programme named Retail Digitalisation in 2014, which aims to accelerate the digitalisation of key processes. Both programmes together are expected to lead to a cumulative investment of EUR 510 million in the period between 2013 to 2017, generating "business as usual" cost savings of EUR 230 million as from 2017. Investments are expected to continue after 2017 and cumulative savings are expected to increase further as well.

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 and Treasury, Financial Accounting, Controlling and Tax. ALM and Treasury are 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. ALM and Treasury are also closely aligned to, and monitored in its second line function by, 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. Risk types and events to which ABN AMRO is exposed are defined and categorised in a risk taxonomy. RM&S identifies and manages all of the risk types and events classified in the risk taxonomy.

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

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

ABN AMRO currently applies the Standardised Approach (SA) to calculate regulatory capital for operational risk. Over the past few years, ABN AMRO has implemented the Advanced

Measurement Approach ("**AMA**") model. The application for the AMA status has been submitted to the ECB.

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 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 RWA (REA), mainly due to an increase in the capital requirement for the treatment of mark-to-market counterparty risk losses through the Credit Value Adjustment (CVA) capital charge.

CRD

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

In response to the global crisis, 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

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

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

The Basel Committee proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, to strengthen the risk coverage of the capital framework in relation to derivative positions and to introduce a new liquidity framework and a leverage ratio. The Basel Committee has subsequently introduced several amendments and refinements to Basel III, particularly in respect of its liquidity requirements, capital requirements and other areas. The Basel Committee has indicated that it continues to consider potential revisions to the Basel III regime. The Basel Committee has published proposals to further strengthen the risk-weighted capital framework, including in relation to credit risk, market risk and operational risk. For example, at the end of 2015 and following a first consultative document published in December 2014, the Basel Committee published a second consultative document concerning revisions to the standardised approaches for credit, operational and market risk, and the introduction of capital floors. The revisions form part of the Basel Committee's broader review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions. Of these proposals, the introduction of the standardised credit risk RWA (REA) floor would have the most significant impact on the Issuer. The proposals for the initial 2014 consultative document concerned new standardised credit risk RWA (REA) calculation rules, which included (i) introduction of new risk drivers, (ii) introduction of higher risk weights, and (iii) removal of external ratings from the framework. In addition, the initial 2014 proposals required banks to apply advanced approaches to risk categories, applying the higher of (i) the RWA (REA) floor based on (new) standardised approaches and (ii) the RWA (REA) floor based on advanced approaches in the denominator of their ratios. Consistent with the 2014 proposals, the Basel Committee maintains its stance on the removal of internal models and own estimates of haircuts for calculating capital requirements under the standardized approaches. However, as part of the revised 2015 proposals, the Basel Committee has decided, *inter alia*, to reintroduce the use of external ratings, in a non-mechanistic manner, for exposures to banks and corporates. The 2015 proposals also include alternative approaches for jurisdictions that do not allow the use of external ratings for regulatory purposes. Although timing for adoption, content and impact of these proposals remain subject to considerable uncertainty, the implementation of the standardized RWA (REA) floors would have a significant impact on the calculation of the Issuer's risk weighted assets due to the substantial difference in RWA (REA) calculated on the basis of advanced approaches and such calculation on the basis of new standardized rules for mortgages, and, to a lesser extent, exposures to corporates. In the first quarter of 2016 the Basel Committee published a consultative paper proposing changes to the internal ratings based approaches. The Basel Committee proposes, amongst others, to remove the option to use the IRB approaches for certain exposure classes, to introduce PD and LGD floors for exposure classes that are still permitted under IRB approach, a greater use of supervisory Credit Conversion Factors (CCF) and constraints on EAD estimation processes. On 6 April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document are the change in the calculation of the derivative exposures and the credit conversion factors for off-balance sheet items. See also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above.

The 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 SSM, 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 SRM entered into force. The SRM provides for a single resolution framework, a single resolution board ("**Resolution Board**") and a single resolution fund ("**Resolution Fund**").

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

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

  The Issuer will only be eligible for contribution 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 2016, further defining EU banks' obligations.

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

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

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

- *Banks Recovery and Resolution Directive*

  On 12 June 2014, the BRRD was published in the Official Journal of the European Union. EU Member States were required to adopt and publish the laws, regulations and administrative provisions necessary to implement the BRRD by 31 December 2014 and to apply their implementing measures from 1 January 2015, with the Bail-in Tool for other eligible liabilities to apply from 1 January 2016, at the latest. The measures as set out in the BRRD (including the Bail-in Tool) have been implemented into national law with effect from 26 November 2015.

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

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 determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities (MREL) subject to write-down and conversion powers which the Issuer will be required to meet at all times. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits and its ability to pay dividends. For further information on recovery and resolution plans applicable to the Issuer see the risk factor "9. *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.*".

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 authorities could take pre-resolution measures. These measures include the write down and cancelation of shares, and the write down or conversion into shares of capital instruments.

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

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

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

MiFID II

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

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

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.

The PRIIPS Regulation requires a key information document 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. 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 are required to enter into force on 21 March 2016.

PSD 2 and Multilateral Interchange Fees Regulation

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

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

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

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

Data Protection Regulation

In 2012 the European Commission presented its proposal to reform the general EU legal framework on the protection of personal data. The main policy objectives in this reform are to: (i) modernise the EU legal system for the protection of personal data, in particular to meet the challenges resulting from globalisation and the use of new technologies, (ii) strengthen individuals' rights and at the same time reduce administrative formalities to ensure a free flow of personal data within the EU and beyond, (iii) improve the clarity and coherence of the EU rules for personal data protection and achieve consistent and effective implementation of the privacy rules and application of the fundamental right to the protection of personal data in all areas of the EU's activities. The European Commission intends to achieve this by substituting the current EU Data Protection Directive of 1995 for a new EU General Data Protection Regulation that will apply directly and uniformly throughout the European Union. This reform will have a major impact on the private sector and provides for significant fines. These fines may amount to 4% of the worldwide turnover of a company or EUR 20 million, whichever one is higher. Political agreement on the Data Protection Regulation was achieved on 15 December 2015 and the final text has been officially adopted on 27 April 2016. The Data Protection Regulation ((EU) 2016/679) is currently in force but will apply as from 25 May 2018. In parallel with EU legislative amendments to strengthen privacy protection, there are a number of Dutch initiatives in this field that entered into force as from January 2016: (i) an amendment of the Dutch Data Protection Act imposing the obligation to report data leaks, 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.

Financial Transaction Tax

In February 2013, the EC published a proposed directive for a common Financial Transaction Tax ("**FTT**") to be implemented in 10 participating Member States, being Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone. 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 11 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. However, full details are not yet available. Furthermore, on 8 December 2015 Estonia stated that it will not participate. 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

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. This securities financing transaction regulation came into force on 12 January 2016, which came into force on 12 January 2016 (Regulation (EU) 2015/2365).

Supervision of insurance activities

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

II completely overhauls the solvency framework and prudential regime currently applicable to insurers and requires them to make adaptations in many areas to comply with this new regime.

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

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

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

Insurance brokerage

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

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

UCITS V/AIFM Directive/MMFR

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

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

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

The proposed Money Market Funds Regulation ("**MMFR**") introduces new rules aimed at making money market funds ("**MMFs**") more resilient to crises and at the same time securing their financing role for the economy. MMFs are either UCITS or AIFs that invest in short-term financial instruments and have specific objectives. The MMFR aims to make MMFs safer and provide for more transparency, investor information and investor protection by requiring MMFs to diversify their asset portfolios, invest in higher-quality assets, follow strict liquidity and concentration requirements and have sound stress testing processes in place. The MMFR is currently in the European legislative process.

4th EU AML/CFT Directive

On 26 June 2015, Directive EU 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. The provisions of the directive will need to be transposed into the laws of the EU Member States (*Wet ter voorkoming van witwassen en financieren van terrorisme or WWFT*) and must be applied by 26 June 2017. Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism (EU AML/CFT requirements) relate to additional requirements for identification and verification of the ultimate beneficial owner and extension of the definition of politically exposed persons (PEPs) to domestic PEPs. The changes will have considerable impact on client on-boarding processes and may require re-papering of client files to meet the obligations on a group wide level.

Regulation and supervision in The Netherlands

General

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

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

Prudential Supervision

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

Supervision by DNB

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

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

Emergencies

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

Dutch Intervention Act

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

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

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

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 245,000 for the year 2016. As per 1 January 2017, 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 102% (including 2% transfer tax) of the value of the property as from 1 January 2016 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 50.5% to a maximum of 38% in 2042. This percentage will however not be reduced below the third bracket (which is 40.4% in 2016) 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.

Ban on referral fees and bonuses

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

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

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

Conduct of business supervision

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

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

Dutch bank tax

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

Due to the introduction of the bank tax, ABN AMRO incurred a EUR 112 million surcharge in 2012, a EUR 106 million surcharge in 2013, a EUR 91 million surcharge in 2014, and a EUR 98 million surcharge in 2015, 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 in 2014.

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 adopted some of its rules and regulations and others are in the proposal phase. 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. In August 2015, the SEC adopted final rules and forms for the registration of security-based swap dealers and major security-based swap participants, which became effective in October 2015. 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 Code and Treasury Regulations thereunder, FATCA imposes a 30% withholding tax on U.S. source payments to an FFI, unless the FFI either concludes an agreement with the United States Internal Revenue Service (the "**IRS**"), under which an FFI agrees to comply with certain reporting, client due diligence and withholding requirements (an "**FFI Agreement**") or is based in certain so-called IGA jurisdictions, where the local government has concluded an inter-governmental agreement with the U.S. to facilitate the implementation of FATCA (an "**IGA**"). On 18 December 2013, the U.S. and The Netherlands entered into an IGA. All jurisdictions in which the Issuer operates have substantially concluded an IGA with the U.S.

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

Information exchange and reporting

There are various international and EU initiatives on automatic exchange of information for tax purposes (such as the OECD Common Reporting Standard, and the amended EU Directive on Administrative Cooperation). These initiatives call on jurisdictions to obtain information from financial institutions such as the Issuer. The information so obtained will be automatically exchanged with other jurisdictions. These initiatives have had and will continue to have considerable impact on client on-boarding and administrative processes of 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.

Sanctions

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

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

1.8 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, save as set out below, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

Settlement with Ageas

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

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 hedge funds. This verdict underlines the verdict in the summary proceedings (*kort geding*) of November 2010 that the MCS holders could not unilaterally amend the terms and conditions of the contract. Certain hedge funds have filed an appeal against the verdict. ABN AMRO remains confident that the MCS holders do not have the unilateral power to amend the terms and conditions of the MCS and therefore also continues to be positive about the outcome of the appeal proceedings.

Madoff fraud

ABN AMRO Bank, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. In some instances, ABN AMRO Bank and/or a subsidiary made 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.

Sale of interest rate derivatives

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

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

For example, the review revealed cases of mismatch between the loan and the interest rate derivative. This could be caused by an early prepayment of the loan or mismatches in other features of the loan and the interest rate derivative. A mismatch could lead to the relevant SME client being overhedged. As a result, these SME clients are faced with a risk exposure which is in most cases equal to the difference between the floating interest rate to be received and the fixed interest rate to be paid in the interest rate derivative, to the extent of the overhedge. To resolve the overhedge situation, the interest rate derivative has to be (partially) unwound. However, as a result of the declining floating interest rates, the interest rate derivative has a negative mark-to-market value. Pursuant to the terms of the interest rate derivatives contract, the mark-to-market value has to be settled by the parties when unwinding interest rate derivatives. This settlement results in a payment obligation by the SME client, which is similar to the penalty paid upon early repayment of an equivalent fixed interest rate loan. Currently, ABN AMRO is engaging proactively with all of its SMEs interest rate derivative portfolio clients to discuss the outcome of the review and, if necessary, offer such clients an alternative product or another solution. ABN AMRO has in a number of SME client files agreed to (i) (partially) unwind the interest rate swap and/or (ii) partly compensate the SME clients. As of 30 June 2015, ABN AMRO has recognised a provision for anticipated compensation amounts, which provision amount was increased as of 30 September 2015 and 31 December 2015. It is expected that after consultation with the AFM, ABN AMRO will review an additional number of SME-related interest rate derivative contracts relating to the period 1 January 2012 to 1 April 2014. If required, due to new developments, ABN AMRO may need to adjust amounts provisioned.

Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. The AFM has reviewed five client files of non-professional SMEs that bought interest rate derivatives between October 2010 and January 2013. The AFM concluded with respect to these files that ABN AMRO has insufficiently looked after the interests of its clients (breach of duty of care) and that the recordkeeping of ABN AMRO with respect to these files was inadequate. The AFM imposed two fines in relation to these findings. One fine, made public on 23 October 2015, was with respect to recordkeeping and was in the amount of EUR 2 million. The second fine, which ABN AMRO plans to contest, is with respect to the AFM's finding that ABN AMRO had not sufficiently looked after the interests of its clients by not complying with the duty of care provisions relating to investment services set out in the Wft and is in the amount of EUR 750,000. The fines could lead to increased litigation in respect of interest rate derivatives sold to SMEs.

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to arrive at a uniform solution for all clients and banks. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a committee of independent experts. On 5 July 2016 this committee of independent experts published its advice on the reassessment of SME and middle market interest rate derivatives. ABN AMRO is adhering to this advice. As a result, ABN AMRO is increasing the provision charged to the results in the second quarter by around EUR 360 million (this increase is exclusive of implementation costs). The provision is being increased mainly to cover an additional consideration and an expanded scope of the reassessment. Originally, all SME and middle market clients with a current interest rate derivative at 1 April 2014 were in scope of the reassessment. The new recovery framework includes clients who had one or more interest rate derivatives between 1 April 2011 and 1 April 2014. This is a total of around 6,800 clients with some 9,000 derivatives. In addition, clients who had older interest rate derivatives, but terminated them prematurely, can ask ABN AMRO to be considered for a reassessment provided, among other things, that the interest rate derivative contract was concluded after 1 January 2005 and had an initial contractual expiry date after 1 April 2011.

Vestia

ABN AMRO has sold certain derivatives products to housing corporation Vestia in the period from 2004 to 2010. When the mark-to-market value of Vestia's derivatives portfolio increased as a result of declining market interest rates, ABN AMRO and certain other financial institutions, pursuant to the contracts between them and Vestia, demanded that Vestia provide additional security for its obligations. Vestia was unable to do so and as part of a June 2012 settlement with a large group of financial institutions, including ABN AMRO, Vestia's derivatives portfolio was unwound as a result of which Vestia suffered significant losses. Subsequently, a number of serious irregularities within and outside of Vestia were uncovered which resulted in criminal and civil action against the persons involved. Vestia has recently informed ABN AMRO that it contemplates bringing proceedings against ABN AMRO and a large group of other financial institutions. In April 2015, Vestia commenced interlocutory proceedings against ABN AMRO. Vestia was seeking to recover damages caused by the wrongful sale of derivatives and subsequent acts by the defendants. In order to have a more solid basis for its claims, Vestia was seeking to force ABN AMRO to disclose certain documents that Vestia believed contained relevant information. On 16 October 2015, ABN AMRO reached a settlement with Vestia in an amount of EUR 55 million. Vestia waived all further claims relating to these derivatives transactions and the settlement ends the dispute between ABN AMRO and Vestia.

DNB thematic review of customer due diligence

In April 2014, DNB conducted a thematic review into the management of integrity risks and compliance with anti-money laundering laws and regulations at Private Banking in The Netherlands, focusing on customers from countries with a high risk of money laundering. In its inspection of customer files at Private Banking in The Netherlands, DNB found that, in a number of client acceptance files and reviews, the identification and verification of ultimate beneficial owners, source of wealth and/or analysis of tax risks were not documented adequately. ABN AMRO immediately initiated a programme called Vertrouwd en Verantwoord Bankieren at Retail Banking and Private Banking in The Netherlands aiming to ensure that consistent standards are applied across both segments, to upgrade relevant client acceptance and anti-money laundering policies, to raise awareness amongst staff and to improve the quality of the documentation in customer due diligence files and the risk assessment thereof. DNB has requested that the remediation of approximately 100,000 customer due diligence files be completed by 31 December 2016, failing which an incremental penalty (dwangsom) in a maximum amount of EUR 500,000 would be imposed. In the meantime, ABN AMRO has extended its review program to cover nearly all Retail Banking (which review of client files is conducted on a risk-based basis), Private Banking and Corporate Banking client files in The Netherlands.

In 2015, DNB performed an examination of DNB's findings of the examinations in 2013 and 2014. The latest focused on activities of Energy, Commodities & Transportation (ECT), including an on-site review at the ECT desk in Singapore. It was found that ABN AMRO has made progress; however, ABN AMRO is expected to take the following remedial actions: include inherent corruption risk factors in ABN AMRO's systematic integrity risk analysis, further implement policies, enhance effective monitoring of registration of outside positions and private interests of employees (including management), and include documentation of underlying risk assessments on corruption risks in the client files.

Internationally, a twin program called "**Reliable and Responsible Banking 2.0**" with similar objectives has been initiated. The program calls for a comprehensive review of client files aiming to ensure that the client portfolio in international Private Banking location meets ABN AMRO's global standards. This program will also address recent findings in ABN AMRO's Dubai branch. See "*—Dubai branch irregularities*". DNB and DFSA (defined below) have initiated local investigations that have not yet been completed and may result in the imposition of a fine.

Although these reviews should have the effect of significantly improving compliance, deficiencies will likely be uncovered that might otherwise have remained unnoticed, which may require remediation and potentially the payment of compensation.

In general, management of integrity risks and compliance with anti-money laundering laws and regulations by ABN AMRO was identified as requiring improvement in both internal audits by ABN AMRO and external investigations by ABN AMRO's regulators.

Dubai branch irregularities

DNB and the Dubai Financial Services Authority ("**DFSA**") have conducted investigations in connection with ABN AMRO's Private Banking operations in Dubai. In the second half of 2014, ABN AMRO initiated an internal review of Private Banking activities at the Dubai branch on the basis of a whistle blowing complaint that it had received in accordance with its Global Whistle Blowing Policy. ABN AMRO informed DNB and DFSA of the complaint and the outcome of its initial review. In concluding its review, ABN AMRO found that four employees in a particular client segment team had not or insufficiently complied with ABN AMRO's internal policies and rules of the DFSA in relation to customer due diligence, in particular requirements for client identification and determination of the source of funds of a number of clients of Private Banking at the Dubai branch. In addition, a number of Private Banking accounts were used for business payment transactions for which the purpose could not be explained sufficiently.

Further to a second whistleblowing complaint, ABN AMRO found irregularities with respect to a few transactions.

ABN AMRO also found that one of the employees of the Dubai branch, in July 2011, facilitated the processing of a cheque of a client drawn on an Iranian sanctioned entity via an exchange house and ordered the transfer of the corresponding USD amount to an account of the client with the Singapore branch of ABN AMRO. ABN AMRO voluntarily reported this violation of sanctions to OFAC, the Monetary Authority of Singapore, DNB and DFSA.

ABN AMRO discontinued the employment contracts with nine employees who were directly or indirectly involved in the irregularities.

ABN AMRO has initiated a remediation program to reassess the client portfolio of Private Banking at the Dubai branch aiming to ensure that the customer due diligence files meet ABN AMRO's policies and local requirements. As part of the remediation program, each of the 1,187 customer files at the Dubai branch office is expected to be reviewed and as a result, ABN AMRO may terminate its relationship with clients who are not compliant with the global standards that ABN AMRO maintains for client acceptance and client transactions.

ABN AMRO is taking measures to further strengthen its international governance, in part by tightening reporting lines and escalation procedures to ABN AMRO's head office in Amsterdam, because it found that concerns expressed by employees were not adequately escalated.

ABN AMRO has fully cooperated with the investigations of DNB and the DFSA and has taken proactive measures to report regularly to DNB and the DFSA the findings of its internal investigations. On 29 October 2015, DNB imposed a fine of EUR 625,000 because ABN AMRO did not comply with its obligation pursuant to article 2 of the Dutch Anti-Money Laundering and Counter-Terrorist Financing Act to make sure that its branch in Dubai would carry out customer due diligence equivalent to the customer due diligence set out in the Dutch Anti-Money Laundering and Counter-Terrorist Financing Act. ABN AMRO's Head Office oversight of the branch was insufficient as it was based on an insufficient identification of inherent money laundering risks at the Dubai branch in relation to its Private Banking clients.

On 3 November 2015, the DFSA imposed a related fine of USD 640,000. The DFSA imposed a fine because it found, amongst other things, that the Dubai branch, over the period January 2013 to December 2014, had not adequately identified and assessed the money laundering risk to which its business was exposed, did not maintain effective policies, systems and controls to prevent money laundering, did not adequately monitor and detect suspicious activity, document customer risk assessments and did not adequately undertake adequate customer due diligence for every customer, including the determination of the source of wealth and funds and enhanced due diligence for customers with a high risk rating. The DFSA directed the Dubai branch to complete its ongoing remediation of its systems and controls related to anti-money laundering and of the customer risk assessment and customer due diligence information it holds for all of its Private Banking clients and to certify the completion of the remediation to the DFSA.

Furthermore, ABN AMRO has developed "**Accelerate Compliance**", a programme to enhance its compliance function, knowledge and awareness in its business lines and to remediate shortcomings. The programme will focus on compliance capacity, knowledge and tooling, the countervailing power of the compliance function, quality assurance, systematic integrity risk analysis, as well as compliance awareness, ownership and the right compliance culture. ABN AMRO will instruct an external party to perform an audit on the execution and implementation of this programme.

Intertrust

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

Adjustment of margin charge on mortgage loans with floating interest rates

ABN AMRO has sold mortgage loans with floating, often EURIBOR-based, interest rates (close to 1% of the total mortgage portfolio). An important element of the pricing model of these mortgage loans is the ability for ABN AMRO to charge costs - allocated and unallocated - on to its clients by adjusting the margin charge on top of the prevailing floating interest rate. In many of these products, ABN AMRO has structured its ability to do so in provisions in its terms and conditions that allow it to unilaterally adjust pricing or contract terms. As the external funding costs (spread on top of EURIBOR) of ABN AMRO has gone up and ABN AMRO has adjusted the margin charge upward in many cases, ABN AMRO is faced by clients contesting the ability of ABN AMRO to do so. The complaints are based on a number of specific and general legal principles. In 2012, a class action was brought by Stichting Stop de Banken and Stichting Euribar in relation to mortgage agreements with a floating interest rate based on EURIBOR, alleging that ABN AMRO was contractually not allowed to unilaterally increase the level of the applicable margin and violated its duty of care. On the same subject, ABN AMRO was found to have violated its duty of care with respect to an individual out of court settlement proceeding by the appeals commission of Kifid. In the meantime, multiple individual proceedings and an additional class action have been initiated against ABN AMRO. In the class action case, the Amsterdam court reached a verdict on 11 November 2015. The court ruled that the various clauses in the conditions pertaining to amendments (amongst others 'the bank is authorised to change the surcharge' or 'the bank is authorised to change the interest rate') are unfair and has quashed these provisions. ABN AMRO was not allowed to unilaterally increase the level of the applicable margin. The Court ruled that provisions in the contract relating to the margin adjustments were unfair in light of the EU Directive on unfair terms in consumer contracs. ABN AMRO filed its statement of appeal in February 2016. The uncertainties are likely to continue for some time and ABN AMRO is unable to accurately assess the size of its potential exposure.

Transaction reporting

ABN AMRO conducted an internal review into transaction reporting to the AFM and found that it had not accurately reported or had omitted to report a significant number of financial markets transactions in its Capital Markets Solutions business. Transaction reporting is the submission of data to the AFM about financial market transactions which includes details of the product traded, the trade counterparty and the trade characteristics such as buy/sell, price and the quantity concerned. ABN AMRO informed the AFM about the results of its review and back reported the related transactions. The AFM may take enforcement action including the imposition of a fine (maximum of EUR 1 million).

Imtech

ABN AMRO has extended credit to the Imtech N.V. group of businesses and it holds shares in Imtech N.V. further to an underwriting commitment in an Imtech N.V. rights offering. The Imtech N.V. group has been in financial difficulties ever since certain fraudulent events, perpetrated by certain managers and staff, were discovered a few years ago. In April 2015, Stichting Imtechclaim has threatened to initiate a collective action lawsuit against Imtech N.V., KPMG Accountants N.V. ("**KPMG**") and the underwriters of the Imtech N.V. rights offering. Since a claim has not yet been formally filed, the complaint is not entirely clear but ABN AMRO expects that it would, among other complaints, refer to prospectus liability and inappropriate behaviour as a result of conflicts of interest (dubieuze dubbelrol). The amount of damages that Stichting Imtechclaim can claim depends on the number of persons in the class which, ABN AMRO believes, is currently very small. In the course of 2015 the Vereniging van Effectenbezitters ("**VEB**") announced that it had concluded an agreement with the liquidators of Imtech and is preparing actions against various parties involved in the Imtech matter, including against banks.No claims have been made so far by the VEB nor by the liquidators of Imtech.

Stichting Havensteder

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

Partner Logistics

The Issuer has recently received a claim letter from an indirect shareholder of the Issuer's former clients Partner Logistics Group B.V. and Partner Logistics Europe B.V. Both companies declared bankruptcy in the course of 2012. The indirect shareholder now alleges that the Issuer has acted wrongfully in the context of the bankruptcy of both companies and claims damages allegedly suffered by it in the amount of EUR 200 million.

Etesco Millennium – Trese

Nazca Floatel B.V. ("**Nazca**"), an indirect subsidiary of ABN AMRO, owned Etesco Millennium ("**EM**"), an offshore accommodation platform Nazca acquired legal ownership of EM as a result of collateral execution in connection with a loan granted to the previous owner of EM. Nazca let EM out as a bareboat charter to Trese, a Mexican company. After Trese defaulted on multiple occasions on its payments, Nazca terminated the bareboat charter on 5 February 2015. Trese initiated arbitration proceedings against Nazca before the London Court of International Arbitration for a claim in an amount in excess of USD 65 million due, inter alia, to an alleged unlawful termination of the bareboat charter. Nazca has filed a counterclaim in the arbitration proceedings in an amount in excess of USD 75 million.

Claims relating to the history of ABN AMRO

In April 2014, RBS PLC and RBS N.V. (together "**RBS**") commenced International Chamber of Commerce arbitration proceedings in Paris and court proceedings before the Brussels District Court against ABM A,RP and other parties. Both proceedings relate to the sale by RBS N.V. (formerly ABN AMRO Bank N.V.) in 2007 of 50% of the shares in a joint venture company specialised in asset management called ABN AMRO Mellon Global Securities N.V. (the "**AA Mellon JV**") to Mellon Bank N.A. ("**Mellon**"). A substantial part of the AA Mellon JV business consisted of ABN AMRO asset management funds (the "**AAAM funds**"). Due to the takeover in 2007 of the former ABN AMRO group by, amongst others, Fortis, the agreement between RBS and Mellon was allegedly re-negotiated as it was anticipated that Fortis, which was to become the owner of the AAAM funds, would move the asset management activities of those funds away from AA Mellon JV and take those activities in-house. This would likely have a negative impact on the expected revenues of AA Mellon JV. It was therefore allegedly agreed between RBS and Mellon that certain amounts due to a fall in revenues of the acquired AA Mellon JV business would be repayable by RBS to Mellon. As a result, RBS repaid certain amounts to Mellon in the beginning of 2009. In the Brussels court proceedings, RBS alleges that Fortis (currently divided into Ageas N.V., BNP Paribas Fortis N.V. and ABN AMRO Bank N.V. (as successor in title to Fortis Bank Nederland (Holding) N.V. ("**FBNH**"))) breached an alleged agreement to compensate RBS in an amount of EUR 75 million. ABN AMRO has filed a statement of defense in January 2016. In the arbitration proceedings, RBS alleges that it has suffered damages of EUR 75 million in connection with the AA Mellon JV transaction for which it is allegedly indemnified under the Consortium Shareholders Agreement of 28 May 2007 (the "**CSA**") by the Fortis entities (Ageas and/or ABN AMRO) and/or the Dutch State, which became parties to the CSA by virtue of various deeds of accession. ABN AMRO has filed a short answer to RBS's request for arbitration in February 2015. RBS has filed its Statement of Claims in March 2016 and ABN AMRO has responded with its Statement of Defence on 23 May 2016

A group of former Fortis SA/NV and Fortis N.V. shareholders, including the VEB is litigating against, among other persons, Ageas, certain banks and a number of former Fortis SA/NV and Fortis N.V. directors. The VEB alleges damages in excess of EUR 17 billion. The VEB announced on March 14 2016 that it has reached a settlement with Ageas and that Ageas has made EUR 1.2 bn available for this settlement. The settlement is in the process of being approved by the Court of Appeal in Amsterdam. The claimants in certain actions have been successful in establishing misleading disclosure by, among other persons, Ageas. ABN AMRO is not a party to any of these proceedings. Although ABN AMRO believes that there is no basis for successful claims against it in connection with these matters, it cannot be excluded that it is joined in current proceedings, or that proceedings in connection with the matters described above are brought against it.

Van den Berg Ponzi scheme

From 2002 to 2005, Mr René van den Berg invested large sums of money for third parties through his FBNH accounts. In 2005, Mr Van den Berg was declared bankrupt and sentenced to a term of imprisonment of five years for being the key player in a large Ponzi scheme fraud. The victims of this fraud are claiming an aggregate amount of EUR 35 million in damages from ABN AMRO (initially from FBNH, that was later incorporated into ABN AMRO) by reason of breaching a public duty of care. On 18 March 2014 the court of appeal delivered an interlocutory judgment that was unfavourable to ABN AMRO. ABN AMRO deemed this judgment to be fundamental to the proceedings and appealed to the Supreme Court of The Netherlands (*Hoge Raad*). The Supreme Court dismissed the appeals of ABN AMRO and the Foundation. ABN AMRO will have to furnish evidence to refute the assumption of the Court of Appeal about ABN AMRO's awareness of Van der Berg's acts from 1998. ABN AMRO considers it possible that ABN AMRO will be ordered to partially compensate the victims of the Van den Berg Ponzi scheme fraud and maintains a provision of EUR40.5 million for this purpose.

Discussions with tax authorities in Switzerland and Germany

The tax treatment of certain transactions related to discontinued securities financing activities in ABN AMRO's international offices, which date back to the time before ABN AMRO assumed control of FBNH, are currently the subject of discussions with the Swiss and German tax authorities. In Switzerland, the discussion regards subsidiaries of FBNH that held long positions in Swiss traded equities and reclaimed dividend withholding tax. In 2010, the Swiss tax authority announced that it would not pay out further pending refund claims and would try to reclaim amounts already paid as the transactions were only motivated by tax reasons and therefore the subsidiaries were not considered beneficial owners of the respective underlying dividends. In May 2015, in a similar proceeding, the Swiss Supreme Court denied beneficial ownership to the taxpayer. This could lead to an unfavourable result for the Issuer in its discussions with the Swiss tax authorities and may have an impact on decisions of tax courts in other countries, for instance in Germany.

In Germany, a subsidiary previously owned by a subsidiary of FBNH sold shares in a Luxembourg entity by way of a management buy-out, which held the shares in a different German company (referred to, for purposes of this section, as the "**German company**"). ABN AMRO assumed the German company's tax liabilities in the merger with FBNH. In 2012, the German tax authorities issued notices to the German company of intent to reclaim dividend withholding tax amounts claimed by the German company in the years 2007 through 2009. ABN AMRO has filed objections against these notices, which are still subject to discussion. ABN AMRO understands investigations are currently being conducted by German authorities into equity arbitrage trading extending over dividend record dates by various banks and other parties. ABN AMRO has received information requests from authorities in respect of such customer dealings in the past, and it cannot be excluded that ABN AMRO might be affected by official investigations in the future. ABN AMRO could become subject to requests to pay taxes and interest, as well as possible other sanctions, which may be material.

ABN AMRO recognizes provisions to cover its exposure in relation to claims made by the Swiss and German tax authorities.

Sentinel

In August 2007, Sentinel Management Group, Inc. ("**Sentinel**"), a futures commission merchant that managed customer segregated funds for the Company, filed for bankruptcy. Shortly before Sentinel filed for bankruptcy, Sentinel sold securities to Citadel Equity Fund, Ltd. The U.S. Bankruptcy Court ordered funds from the sale to Citadel Equity Fund, Ltd be distributed to certain Sentinel customers. ABN AMRO received its *pro rata* share of USD 52,755,815 in total on behalf of its customers. On or about 15 September 2008, the bankruptcy trustee filed an adversary proceeding against all of the recipients of the court ordered distribution of funds from the Citadel Equity Fund, Ltd sale, including ABN AMRO, claiming the repayment of the amounts received. The complaint also includes a claim for other monies ABN AMRO received on behalf of its customers shortly before Sentinel filed for bankruptcy. This regards an amount of USD 4,000,399 and a claim for pre-judgment interest which could range from USD 443,000 to USD 9,720,000.

Ciccolella

ABN AMRO had granted credit facilities to Ciccolella Holding International B.V. and its subsidiaries, which were active in the flower trade business. As Ciccolella Holding International B.V. made losses and had liquidity issues, ABN AMRO terminated the facilities. Ciccolella Holding International B.V. and its subsidiaries were declared bankrupt in February 2013. The listed parent company of Ciccolella Holding International B.V. and one of its subsidiaries have brought proceedings against ABN AMRO and certain other parties on the basis of tort law principles. ABN AMRO would have contributed to the liquidity crisis as a result of not granting sufficient credit under the credit facilities. The amounts claimed are substantial.

Indemnity to the Dutch State

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

1.9 Material Agreements

The following are agreements that have been entered into by any member of ABN AMRO within the two years immediately preceding the date of this Registration Document which are material or which have been entered into by any member of ABN AMRO at any other time and which contain provisions under which any member of ABN AMRO has an obligation or entitlement that is material to ABN AMRO as of the date of this Registration Document and the acquisitions and disposals of or by any of the ABN AMRO's direct or indirect subsidiaries which have taken place after 2012.

ABN AMRO Pension Fund agreement

On 12 June 2014, as part of a new collective labour agreement ABN AMRO agreed on a new collective defined contribution plan provided by the ABN AMRO Pension Fund (*ABN AMRO Pensioenfonds*) for its employees in The Netherlands. This scheme replaces the former defined benefit scheme and covers all existing and future pension obligations of ABN AMRO with respect to employees in The Netherlands. The scheme qualifies as a defined contribution pension plan under EU IFRS.

IBM Global Master Services Agreement

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

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

1.10 Recent developments

Changes in Supervisory Board

On 6 April 2016, ABN AMRO has announced that the Supervisory Board has decided to appoint Ms Olga Zoutendijk (currently Vice-Chairman of the Supervisory Board) as new Chairman of the Supervisory Board of ABN AMRO Group, as successor to Mr van Slingelandt. On 18 May 2016 the General Meeting appointed Ms Olga Zoutendijk as chairman of the Supervisory Board and Mr Ten Have as the new Vice-Chairman.

Mr Bert Meerstadt has announced on 7 April 2016 to resign from the Supervisory Board with immediate effect.

Mr. De Haan resigned from the Supervisory Board at the General Meeting on 18 May 2016.

ABN AMRO announced on 6 April 2016, that the agenda of the General Meeting on 18 May 2016 includes the nomination of Arjen Dorland, Frederieke Leeflang and Tjalling Tiemstra as new members of the Supervisory Board. The appointments of Mr Dorland, Ms Leeflang and Mr Tiemstra are expected to increase the IT, legal and financial expertise, respectively, of the Supervisory Board. The ECB has confirmed to approve of their appointments. On 18 May 2016 the General Meeting appointed Arjen Dorland, Frederieke Leeflang and Tjalling Tiemstra as new members of the Supervisory Board.

On 7 April 2016 ABN AMRO announced that the Supervisory Board will nominate Mr Jurgen Stegmann for appointment to the Supervisory Board of ABN AMRO Group N.V. and ABN AMRO Bank N.V. for a term of four years. The Extraordinary General Meeting of Shareholders, which will be convened on 12 August 2016, will decide on his nomination. The nomination of Mr Jurgen Stegmann has been approved by the European Central Bank.

Appointment EY

On 2 April 2015, the Issuer's General Meeting appointed Ernst & Young Accountants ("**EY**") as its external auditor for the financial years 2016 until 2018. The statutory audit of the 2015 annual accounts has been performed by the Issuer's previous auditor KPMG.

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.

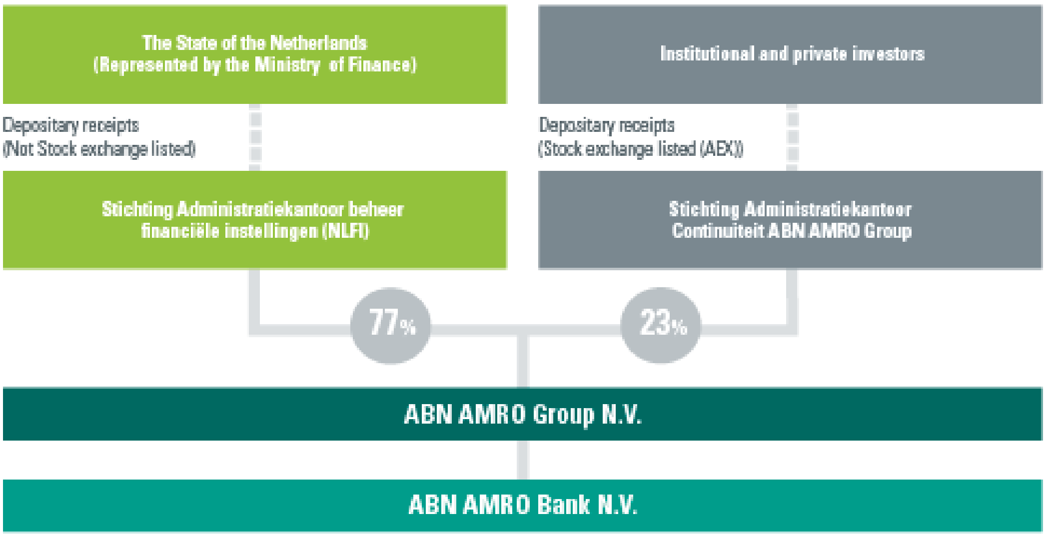
As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by two foundations: NLFI and STAK AAG. NLFI holds 77% and STAK AAG holds 23% of the shares in the issued capital of ABN AMRO Group N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Group N.V. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group N.V. and traded on Euronext Amsterdam.

As of the date of this Registration Document, 77% of the shares in the capital of ABN AMRO Group N.V. are held by NLFI. As such NLFI holds a total voting interest of 77% in ABN AMRO Group N.V. NLFI is responsible for managing these shares representing 77% of the shares in the capital of ABN AMRO Group N.V. and exercising its 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 77% of the shares (without the cooperation of ABN AMRO Group N.V.) to the Dutch State. As holder of 77% of the exchangeable depositary receipts, the Dutch State holds an indirect economic interest of 77% in ABN AMRO Group N.V.

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

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

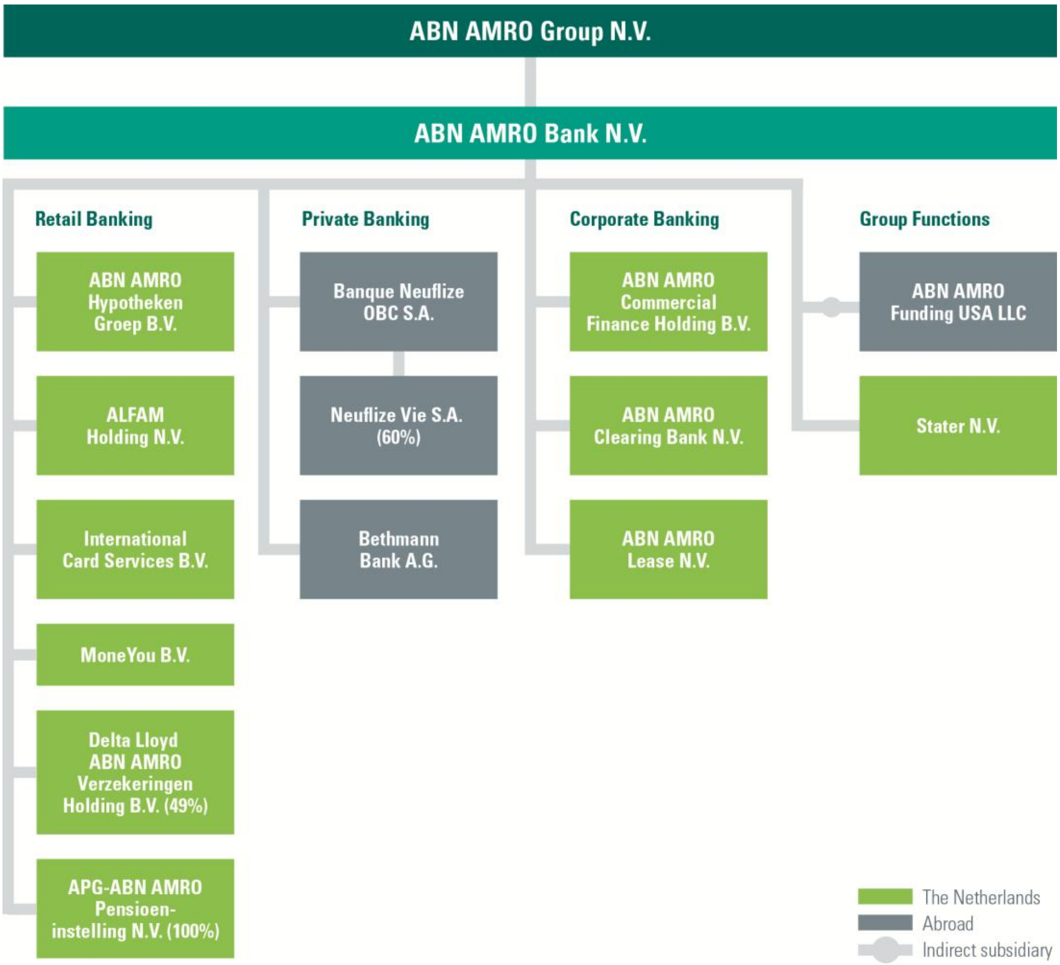


2.2 **Group Governance**

ABN AMRO Group N.V. is a public company with limited liability incorporated on 18 December 2009 under the laws of The Netherlands. The company has a two-tier board consisting of a Supervisory Board and 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.

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

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

AMRO Group N.V. was listed and trading in the depositary receipts for ordinary shares commenced.

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.

As at 31 December 2015, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 4.7 million distributed over 4,500,000,000 ordinary shares and 200,000,000 class B ordinary shares.

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

As at 31 December 2015, issued and paid-up capital by ABN AMRO Group N.V. consisted of 940,000,001 ordinary shares (EUR 940 million).

3. MANAGEMENT AND GOVERNANCE

ABN AMRO Group N.V. is a public company with limited liability incorporated on 18 December 2009 under the laws of The Netherlands. The company has a two-tier board governance consisting of a Supervisory Board and Managing 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. Specific 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**
Olga Zoutendijk *Chair*	1 July 2014	*Last position:* Senior Managing Director and Group Head of wholesale banking, Asia and member of the Wholesale Banking Global Executive Committee at Standard Chartered Bank.	No principal affiliations outside ABN AMRO which are significant with respect to the Issuer
Steven ten Have *Vice-Chairman*	30 March 2010 Reappointed on 10 April 2014 for a period of 4 years	*Current position:* Partner in Ten Have Change Management and full professor of Strategy & Change Management / Director of Msc.-programme Change Management at Vrije Universiteit Amsterdam	Chairman of Supervisory Board, Software Improvement Group (SIG) B.V. Member of the Education Council of The Netherlands Chairman, Stichting "Center for Evidence-Based Management"
Arjen Dorland	18 May 2016	Executive Vice President, Technical and Competitive IT at Shell International.	Member of Supervisory Board, Robeco Groep N.V. Member of Supervisory Council, Stichting Naturalis Biodiversity Center
Frederieke Leeflang	18 May 2016	Chair of the Managing Board, Boekel N.V.	Member of Supervisory Council, Onderwijsstichting Zelfstandige Gymnasia (Educational Foundation of Independent Gymnasia) Member of Supervisory Council, Stichting KWF Kankerbestrijding (Dutch Cancer Society) Member of the Audit Committee of the Dutch Court of Audit (Algemene Rekenkamer) Member of Advisory Council, Centrum Indicatiestelling Zorg

[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.

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
			(CIZ, Care Assessment Centre) Board member, Nederlandse Vereniging voor Mededingingsrecht (VvM, Dutch association for competition law) Board member, Amsterdam Diner Foundation Various lectureships at the Nederlandse Orde van Advocaten (Dutch Bar Association), Elsevier, Kluwer, OSR and guest lecturer at the Rijksuniversiteit Utrecht and Radboud Universiteit Nijmegen
Annemieke Roobeek	30 March 2010 Reappointed on 10 April 2014 for a period of 3 years	*Current position:* Professor of Strategy and Transformation Management at Nyenrode Business University and director and owner of MeetingMoreMinds B.V., owner of Open Dialogue B.V. and co-owner of XL Labs B.V.	Member of Supervisory Board, Abbott Healthcare Products B.V. Member of Supervisory Board, KLM N.V. Member of Advisory Board, Vereniging Koninklijke Horeca Nederland Chairperson, PGGM Advisory Board for Responsible Investment Chairperson of Stichting INSID, institute for sustainable innovation & development directed by His Royal Highness Prince Carlos de Bourbon Parme Member, “Raad van Eigen Wijzen” (Advisory Board), CPI Governance Member, International Advisory Board of Howaldt & Co, Hamburg, Germany
Tjalling Tiemstra	18 May 2016	CFO & Member of the Board of Management of Hagemeyer N.V.	Member of Supervisory Board, DKG Holding B.V. Member of Supervisory Board, Stichting Reinier de Graaf HAGA Groep Member of Supervisory Board, Batenburg Techniek N.V. Member of Supervisory Board,

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
			Royal Haskoning DHV B.V.
			Board member, Stichting Continuïteit TNS Express (Continuity Foundation)
			Board member, Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster)
			Board member, Stichting Preferente Aandelen (Preference Shares) Wolters Kluwer
			Board member, Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares)
			Member of Advisory Board, Dienst Uitvoering Onderwijs (DUO) (Education Executive Agency of the Dutch Ministry of Education, Culture and Science
			Member of Monitoringcommissie Code Pensioenfondsen (Monitoring Committee Dutch Pension Funds Code)
			Member of Advisory Board, Court of Justice of Rotterdam
			Deputy expert member, Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal)
			Chairman, Governance, Risk & Compliance Committee of Nederlandse Beroepsorganisatie van Accountants (NBA) (Dutch Institute of Chartered Accountants)

Activities of the Supervisory Board

The Supervisory Board of ABN AMRO has established three regular committees to prepare its decision-making and to advise the Supervisory Board on certain matters: the Audit Committee, the Remuneration, Selection & Nomination Committee and the Risk & Capital Committee.

Audit Committee

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

Remuneration, Selection & Nomination Committee

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

Risk & Capital Committee

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

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, holders of depositary receipts and society at large. The Managing Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting. 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 Reappointed on 10 April 2014 for a period of 4 years	Non-executive Director, Royal Dutch Shell Member of Supervisory Council, Stichting VUmc Fonds Chairman Advisory Council, "**Wigo-4it**", a cooperative effort of the social assistance organisations of the four largest cities in The Netherlands Board member, Dutch Banking Association Chairman, Board of Governors National Academy for Finance and Economics
Johan van Hall, *Chief Operating Officer & Vice-Chairman*	18 December 2009 Reappointed on 10 April 2014 for a period of 4 years	Member of Supervisory Board, Equens SE (pan-European Payment Processor) Vice-Chairman, Central Committee for Statistics (CCS) Member Supervisory Council, Christelijk Voortgezet Onderwijs Baarn/Soest Board member, Nyenrode International Advisory Board Member, NBA Signaleringsraad (Dutch professional organisation for accountants) Chairman, Stichting "ABN AMRO Support for Support"
Kees van Dijkhuizen, *Chief Financial Officer*	1 May 2013 Appointed for a period of 4 years; CFO since 1 June 2013	Member of Supervisory Council, Museum Meermanno Chairman of Government Committee on Export, Import and Investment guarantees Chairman of Committee on Supervision of Dutch Banking Association Board member, Stichting Duisenberg School of Finance Board member, Stichting Bewind (Protector and administrator, testamentary duties, regarding separated capital for part of the House of

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.

Name	Date of Appointment	Principal activities performed by them outside ABN AMRO which are significant with respect to ABN AMRO
		Oranje-Nassau)
		Member, AFM Capital Market Committee
Caroline Princen, *People, Regulations & Identity Officer*	1 April 2010 Reappointed on 10 April 2014 for a period of 4 years	Member of Supervisory Council, EYE Film Institute Member of Supervisory Council, UMC (Universitair Medisch Centrum Utrecht) Member of Supervisory Board, Koninklijke Coöperatieve Bloemenveiling FloraHolland U.A. Member of Executive Board, Stichting Steun Alzheimercentrum VUmc Chairperson, Stichting "ABN AMRO Foundation" Member of IMD Foundation Board Chairperson, Commissie Monitoring Talent naar de Top
Wietze Reehoorn, *Chief Risk Officer & Head of Corporate Strategy*	1 April 2010 Reappointed on 10 April 2014 for a period of 4 years	Member of Supervisory Board, Rijksuniversiteit Groningen Member of Board, Abe Bonnema Foundation Member of Supervisory Board, Amsterdam Institute of Finance
Chris Vogelzang, *Retail & Private Banking*	1 April 2010 Reappointed on 10 April 2014 for a period of 4 years	Member of Supervisory Board, Hespri Holding B.V. Member of Supervisory Council, Stichting Prins Bernhard Cultuurfonds Member of Supervisory Council, Rijksmuseum Board member, Dutch Banking Association Board member, (Ubbo Emmius Fonds) Alumnifonds, Rijksuniversiteit Groningen
Joop Wijn, *Corporate Banking*	1 April 2010 Reappointed on 10 April 2014 for a period of 4 years	Member of Supervisory Board, Schiphol Group Member of Supervisory Board, Jaarbeurs Utrecht (Congress & Meeting Centre, Fairs and Events) Member of Supervisory Board, Stadsherstel Amsterdam N.V. Chairman of Board, Stichting Oranje Fonds Member of Executive Board, VNO-NCW (Confederation of Netherlands Industry and

Name	Date of Appointment	Principal activities performed by them outside ABN AMRO which are significant with respect to ABN AMRO
		Employers)
		Chairman, Stichting Kunst & Historisch Bezit ABN AMRO (Art & History Foundation)

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 of ABN AMRO Group N.V. This should be read, subject to the cautionary statements noted in "Risk Factors", in conjunction with the Consolidated Annual Financial Statements of ABN AMRO Group N.V. and the related notes 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 above mentioned 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.

The reported results for the years ended and as at 31 December 2015, 2014 and 2013 included in this Operating and Financial Review have been retrieved from the Annual Financial Statements of ABN AMRO Group 2015 and 2014 respectively.

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 in 2014, 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 have also been adjusted to this new segmentation.

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

6.1 Presentation of Financial Information

Consolidated Annual Financial Statements 2015 and 2014

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

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

- Associates and joint ventures are accounted for using the net equity method.

Changes in accounting policies 2015

In 2015 ABN AMRO adopted the following amendments to IFRS:

- *IAS 19 Defined Benefit Plans*: Employee Contributions. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for these contributions. The standard became effective on 1 July 2014 and was endorsed by the EU on 1 February 2015. The amendments have no significant impact on the Annual Financial Statements.

- *Annual improvements to IFRSs 2010-2012 Cycle*. This cycle of annual improvements comprises a total of eight amendments related to seven standards. The amendments to IFRS 3 Business Combinations: Accounting for Contingent Consideration in a Business Combination, IFRS 8 Operating Segments: Aggregation of Operating Segments. Reconciliation of the total of reportable segments' assets to the entity's assets, and IFRS 13 Fair Value Measurement: Short-term Receivables and Payables, are the most relevant for ABN AMRO. These amendments have no significant impact on the Annual Financial Statements. The requirements of this set of amendments are to be applied for annual periods beginning on or after 1 July 2014 and were endorsed by the EU on 1 February 2015.

- *Annual improvements to IFRSs 2011-2013 Cycle*. This cycle of annual improvements consists of amendments to four standards. Two of these are relevant for ABN AMRO. These are the amendments to IFRS 3 Business Combinations: Scope Exceptions for Joint Ventures and IFRS 13 Fair Value Measurement: Scope of Paragraph 52 (portfolio exception). None of these amendments has a significant impact on the Annual Financial Statements. The effective date of this cycle of improvements is 1 July 2014 and the improvements were endorsed by the EU on 1 January 2015.

New standards, amendments and interpretations not yet effective

The following amendments to IFRSs are issued by the IASB and endorsed by the EU, but are not yet effective. The amendments are required to be applied from 1 January 2016. Note that only the amendments to IFRSs that are relevant for ABN AMRO are discussed below.

- *IAS 27 Separate Financial Statements*: Equity Method in Separate Financial Statements. The objective of this amendment is to include the option to use the equity method of accounting in separate financial statements. Since ABN AMRO values participating interests in group companies at net asset value in accordance with Book 2, title 9 of the Dutch Civil Code option 3 in the statutory financial statements, this amendment has no impact.

- *IAS 1 Presentation of Financial Statements*: Disclosure Initiative. This amendment is part of the Disclosure Initiative of the IASB. A portfolio of projects with the objective to improve the effectiveness of disclosures in financial statements. The amendments to IAS 1 are a further clarification of concepts such as aggregation, materiality, and understandability and comparability of information. The amendment does not have a significant impact on the Annual Financial Statements.

- *IFRS 11 Joint arrangements*: Accounting for Acquisitions of Interests in Joint Operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment does not have a significant impact on the Annual Financial Statements.

- *Annual improvements to IFRSs 2012-2014 Cycle*. This cycle of improvements contains amendments to four standards of which two are relevant for ABN AMRO. These are IFRS 7 Financial Instruments: Disclosures: 'Continuing Involvement' for Servicing Contracts and Offsetting Disclosures in Condensed Interim Financial Statements, IAS 34

Interim Financial Reporting: Disclosure of Information 'Elsewhere in the Interim Financial Report'. None of these amendments has a significant impact on the Annual Financial Statements.

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.

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 72% of total operating income in 2015 and 75% of 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 2015, Retail Banking generated 54% of ABN AMRO's net interest income, Corporate Banking 35% and Private Banking 10%. In 2014, Retail Banking generated 56% of the Group's net interest income, Corporate Banking 34% and Private Banking 10%.

ABN AMRO'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 rate 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 liquidity[8] costs. The business margin is defined as the margin the business makes on granting loans to or taking in deposits from clients as well as interest-related fees, for example commitment fees charged on current accounts. The business margin should cover the required return on allocated equity and all remaining operational and risk costs borne by the business. To be able to determine the business margin, the related cost of funding is needed. ALM charges (in case of an asset) or compensates (in case of a liability) the cost of funds to the business, which is done through the funds transfer pricing (FTP) methodology. The Group's policy is that interest rate risk and liquidity risk related to the interest-based business is managed centrally by ALM within Group Functions and that the business is responsible for the business margin. To enable ALM to manage these risks, the risks are transferred from the business to 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 fee and commission-based business generating 22% of total Group operating income in 2015 and 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 2015, Corporate Banking generated 41% of ABN AMRO's net fee and commission income, Private Banking 34% and Retail Banking 29%. In 2014, Corporate Banking generated 38% of the Group's net fee and commission income, Private Banking 32% and Retail Banking 31%.

Within ABN AMRO the main fee and commission contributors are:

1. *Transaction and custodian fees on securities*

   Transaction and custodian fees on securities are fees charged to clients for executing buying or selling securities by order of clients and for custody services. The majority of these fees 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.

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.

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 the client on how to manage his or her assets. The main contributions 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 unutilised portion of a credit facility. These types of fees arise predominantly in Corporate Banking.

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

Key drivers of operating expenses

Personnel expenses

Banking is a human-capital intensive business, as it is, for an important part, a relationship-driven business with increasing compliance and risk management requirements. Therefore, personnel expenses contribute significantly to ABN AMRO's expenses and amounted to 48% of the Group's operating expenses in 2015, 49% of the Group's operating expenses in 2014 and 49% of the Group's operating expenses in 2013. This means that ABN AMRO is dependent on conditions and trends in local labour markets, primarily the Dutch market. Personnel expenses comprise all expenses related to personnel on the payroll of ABN AMRO and consist of fixed salary, employer social security charges, employee benefits (e.g. pension premiums, jubilee benefits (one-off benefits for staff at 25 and 40 years of employment)) 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 consist of salaries and wages in addition to pension expenses. In 2013, pension expenses consisted mainly of pension expenses related to the defined benefit plan. In 2014, the Group reached agreement with the trade unions and the ABN AMRO Pension Fund on a new pension plan for its employees in The Netherlands. As a result, the liability recorded in the balance sheet relating to the defined benefit plan was released to the income statement in 2014. This transition led to a negative impact on personnel expenses, treated as a Special Item. Under the new Dutch Collective Defined Contribution 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 plus a fixed amount of EUR 25 million.

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 come from the periodic improvement of the efficiency of administrative processes and systems.

The majority of General and administrative expenses relate to information technology followed by agency staff, contractors and consultancy costs. General and administrative expenses amounted to 49% of the ABN AMRO's operating expenses in 2015, 46% of the ABN AMRO's operating expenses in 2014 and 46% of the ABN AMRO's operating expenses in 2013.

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 are commonly known as bank taxes. Bank taxes are paid to local tax authorities. The amount of Dutch Bank tax to be paid is based upon the preceding December adjusted IFRS consolidated balance sheet total of ABN AMRO and charged to the income statement. 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 Scheme have to be paid quarterly. The Group is also subject to several deposit guarantee schemes outside The Netherlands. For countries other than The Netherlands, the contributions and terms and conditions can differ from the Dutch Deposit Guarantee Scheme.

National Resolution Fund and Single Resolution Fund

The Group has made contributions to the National Resolution Funds in 2015 and will have to make contributions to the Single Resolution Fund as of 1 January 2016. For further information, please see "*Risk Factors - Proposals for resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*." and "*Issuer – 1. ABN AMRO BANK N.V. – 1.7 Regulation under Banking Union*". Major changes in laws and regulations and in their interpretation could materially and adversely affect the Group's business, business model, financial condition, results of operations and prospects.

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

European Central Bank

As of 4 November 2014 the European Central Bank assumed supervisory oversight of ABN AMRO in a joint supervisory team with the Dutch Central Bank. From 2015, ABN AMRO is required to pay a yearly contribution for this supervision. In addition to the above mentioned 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 affected 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 Corporate Banking. The quality of assets is impacted by the economic developments in general and the housing market in particular, as the residential mortgage portfolio counts for more than 55% of ABN AMRO's loan book (as defined by total loans and receivables - customers) for the year ended 31 December 2015. 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.

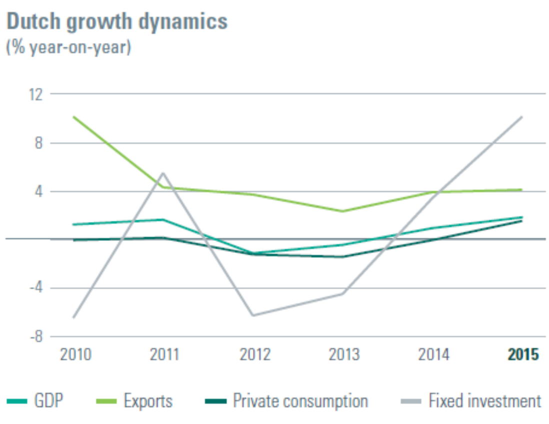
Key Factors Affecting Financial Condition and Results of Operations

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 (80% for the year ended 31 December 2015).

The Group's operations are also affected by the developments in the Dutch housing and mortgage market with 38% of total assets of ABN AMRO for the year ended 31 December 2015 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.

After bottoming out in 2012, the Dutch economy picked up for three consecutive years. Whereas in the past years exports were the key driver, the recovery was rather broad-based in 2015 including the impact of domestic spending. Growth of consumption and investments accelerated throughout the year. The Dutch economy benefited from favourable domestic developments, in particular low interest rates in the Eurozone, low oil prices and the depreciation of the Euro against the dollar.

Dutch economic growth was higher in 2015 than it was in 2014 (1.9% versus 1%). Growth would have been a half percentage point higher in both years if the production of natural gas had not been restricted due to earthquakes in the north of The Netherlands caused by gas extraction. The weak recovery of the Eurozone and depreciation of the euro stimulated Dutch exports.



Source: Thomson Reuters Datastream

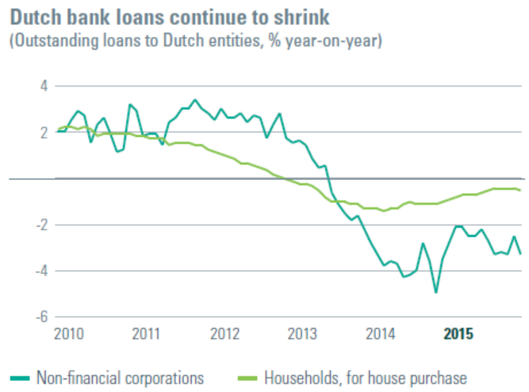
Consumption and investments continued the upward trend that began in 2014. Consumers benefited from the rise in real wages, due to low inflation, and from the decline in pension contributions. The improving housing market had positive wealth effects, while investments in homes also rose steeply. There were no substantial government cutbacks in 2015. The upturn in the housing market, improved financing conditions, higher capacity utilisation rates and better growth prospects stimulated businesses to invest more. Employment went up, causing wages to rise slightly.

The broad-based recovery of the Dutch economy pushed up turnover growth in all business sectors in 2015 – most of which grew for the second consecutive year. Business services, for instance, increased by more than 5% in 2015 while the Technology, Media & Telecommunications sector posted steep rises benefiting from strong demand created by the digital changeover that many companies are making. Construction led sector growth at around 9% in 2015 due to a significant increase in new building activities resulting from the upturn in the housing market.

The housing market continued its upward trend in 2015. The economic recovery, combined with low and further declining mortgage interest rates, led to increased transaction volumes in the housing market, both for existing and for new homes with 16% more existing homes sold in 2015 than in the previous year. The number of homes up for sale declined to 156,000 at year-end 2015, or 43% fewer than in 2014. Sellers had a better negotiating position, as is reflected in higher selling prices, which rose by 3.2% in 2015. In this strengthening market, problems with negative equity gradually melted and backlog demand picked up momentum. A return of the gift tax exemption to lower levels and tighter mortgage standards had a limited impact on the housing market. Growth figures for the sector are not always reflected in corporate financial results. Overcapacity and changing earning models could drag down business performance, mainly in the retail sector. Despite two continuous years of modest sales growth, many retailers are contending with problems caused by the steep rise in online sales.

Lending at eurozone level grew in 2015. Loans outstanding to businesses and families rose, though by modest percentages. The total volume of mortgage lending by banks in The Netherlands to families inched down (-0.5% after adjusting for securitisations) due in part to the resurgence of annuity mortgages for tax purposes. This means that consumers are repaying their mortgages more quickly than they were with previously popular mortgage forms. Furthermore, banks have tightened their credit standards and competition with non-banks intensified. Lending by banks to non-financial businesses fell by 3.3% (after adjusting for securitisations). Also, banks relaxed their acceptance criteria in 2015. The surveyed banks attributed this development to competitive pressure and changing risk perceptions and a stronger demand for credit among businesses. The results of this survey seem to be inconsistent with the decline reflected in 'hard' data. A possible explanation is that the survey only relates to new loans, whereas the 5% decline was partly the result of repayments. There are no indications that alternative credit platforms caused these declines, as these platforms are very small.

Costs of loan losses among the major Dutch banks declined significantly in 2015. The economic recovery led to a significant decline in the number of bankruptcies. It is unclear how interest margins developed among Dutch banks in 2015. Data provided by the Dutch central bank point to downward pressure on interest rates on both sides of the balance sheet. Interest rates on home mortgages decreased, both for new contracts and for renewals along with declines in interest rates for short-term deposits. Savings balances of Dutch residents at banks in The Netherlands rose by 1.3% in 2015. Banks' capital buffers have grown in recent years to levels required in 2019 under Basel III. Yet there is uncertainty about these buffers as solvency rules may be further tightened in the coming period. This tightening would likely primarily impact risk-weighting for home mortgages, corporate loans and government bonds and the requirements for bailing in a bank in the event of bankruptcy.



Source: DNB Data adjusted for securitisations and breaks

Regulatory developments

For further information on ABN AMRO's regulatory environment and a number of specific regulatory initiatives and frameworks that can have a significant impact on ABN AMRO's business, financial condition and results of operations, please see "*Issuer – 1. ABN AMRO BANK N.V. – 1.7 Regulation*".

In response to the financial crisis, the European Commission pursued a number of initiatives to create a safer and sounder financial sector. These initiatives, Capital Requirements Directive IV/Capital Requirements Regulation (CRD IV/CRR), BRRD and DGSD, form the basis for the Banking Union. To further create the Banking Union, a Single Supervisory Mechanism (SSM) and a Single Resolution Mechanism (SRM) for banks became operational. As a final step to complete the Banking Union, the European Commission published a proposal for a European Deposit Insurance Scheme (EDIS) in 2015.

The Bank Recovery and Resolution Directive (BRRD), which establishes a framework for the recovery and resolution of banks and certain investment firms, came into force on 2 July 2014. The BRRD sets out a set of tools available to competent authorities to intervene in an unsound or failing bank sufficiently early and quickly so as to ensure the continuity of the bank's critical financial and economic functions, while minimising the impact of the bank's failure on the economy and financial system. The measures of the BRRD took effect on 1 January 2015, with the exception of the bail-in resolution tool which may be applied as from 1 January 2016 at the latest. However, Dutch implementation of the BRRD only came into effect on 26 November 2015.

As a result of the introduction of the Single Resolution Mechanism (SRM), the Single Resolution Board (SRB) is, as from 1 January 2016, the single resolution authority for the Group ultimately in charge of the decision to initiate the resolution, while operationally the decision will be implemented in cooperation with national resolution authorities (NRAs).

In addition to the SRB, the SRM also provides for a single resolution fund (Single Resolution Fund). The Single Resolution Fund will be financed by ex-ante individual contributions from banking entities included in the SRM. The individual contribution of each bank will be based on a flat contribution (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 Single Resolution Fund are not sufficient to cover the losses, costs or other expenses incurred by the use of the Single 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 in principle after eight years from that date the available financial means of the Single Resolution Fund must in principle be at least 1% of the amount of covered deposits of all participating banks.

On 24 November 2015, the European Commission proposed a euro-area wide insurance scheme for bank deposits. The European Deposit Insurance Scheme (EDIS) would develop over time and in three stages. It would consist of a re-insurance of national deposit guarantee schemes, moving after three years to a co-insurance scheme, in which the contribution of EDIS will progressively increase over time. As a final stage, a full European Deposit Insurance Scheme is envisaged in 2024.

On 30 September 2015, the European Commission published an action plan for building a Capital Markets Union (CMU). The key objectives of the CMU are to improve the free movement of capital by removing the barriers for cross-border investments and to diversify the sources of funding.

The CMU aims to complement Europe's tradition of bank financing by (i) unlocking more investments from the EU and the rest of the world, (ii) connecting financing more effectively to investment projects across the EU, (iii) making the financial system more stable, (iv) reinforcing financial integration and (v) increasing competition.

In this respect, the European Commission published proposals for establishing a framework for simple, transparent and standardised securitisations and new regulatory capital requirements for securitisations for banks in CRR.

In addition, the European Commission has started a public consultation on covered bonds. On 30 November 2015 the European Commission proposed a regulation to revise the Prospectus Directive to reduce barriers for the listing of smaller firms, secondary issuances and frequent issuers.

On 10 December 2015, the European Commission published a Green Paper on retail financial services and insurance to boost consumer choice and competition in cross-border retail financial services and insurance. The Green Paper complements the action plan for building a CMU (which will provide more options and better returns for savers and retail investors), the Digital Single Market (which is designed to ensure that digitalisation can be used most effectively in supporting consumers) and the Internal Market Strategy (to create an open single market that delivers for consumers, professionals and job creators).

Recently adopted measures such as the Insurance Distribution Directive (IDD), Mortgage Credit Directive (MCD), Regulation on Packaged Retail Investment and Insurance based Products (PRIIPS Regulation), MiFID II and Payment Services Directive II (PSD 2) already address a number of issues across the retail financial and insurance sectors. However, the European market for retail financial services and insurance remains fragmented, and consumers do not shop abroad. Therefore, the objective of this Green Paper is to see how the European market for retail financial services (insurance, loans, payments and savings accounts and other retail investments) can be further opened up. This would not only benefit consumers, but also financial institutions by giving them access to a much wider marketplace.

6.3 Explanation of key income statement items

Operating income

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

Net interest income

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement for all interest-bearing instruments (whether classified as loans and receivable available-for-sale, designated at fair value through profit or loss or non-trading derivatives) on an accrual basis., including the value adjustments to the carrying amount of the hedged item related to the termination of a fair-value hedge of interest risk, except for those financial instruments held for trading.

The application of the effective interest rate method for loans and receivable and available for sale 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

ABN AMRO applies IAS 18 Revenue. Net fee and commission income comprises fees recognised as services are 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, the change in fair value of derivatives used for risk management purposes that do not meet the requirement of IAS 39 for hedge accounting, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in 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 net 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. Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate.

Other expenses

Other expenses comprises general and administrative expenses and depreciation and amortisation of tangible and intangible assets. General and administrative expenses includes, among other items, agency staff, contractors, consultancy, staff related, IT, housing, post, telephone, transportation and marketing costs. Regulatory charges, including the Dutch bank tax, are 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 using the original effective interest rate for discounting those cash flows. 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 2015 – Risk, funding & capital report – Risk, funding & 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 2015 and 2014

Unless otherwise stated, results of operations are presented based on underlying results, which are derived by adjusting the results reported in accordance with IFRS for defined Special Items, discussed below. Management believes these non-IFRS underlying results provide a better understanding of the underlying trends in financial performance as compared to results that have been prepared in accordance with IFRS. The tables below shows a reconciliation of ABN AMRO's reported and underlying results of operations for the years ended 31 December 2015 and 31 December 2014. Underlying results are non-IFRS measures and have not been audited.

Reconciliation of Reported to Underlying Results

	Year ended 31 December					
	2015			2014		
	Reported	Special items	Underlying	Reported	Special items	Underlying
	(in millions of euros)					
Net interest income ...	6,076	—	6,076	6,023	—	6,023
Net fee and commission income	1,829	—	1,829	1,691	—	1,691
Other operating income (1)	550	—	550	341	—	341
Operating income......	8,455	—	8,455	8,055	—	8,055
Personnel expenses....	2,492	—	2,492	2,684	288	2,396

	Year ended 31 December					
	2015			2014		
	Reported	Special items	Underlying	Reported	Special items	Underlying
	(in millions of euros)					
Other expenses[2]	2,736	—	2,736	2,654	201	2,453
Operating expenses ...	5,228	—	5,228	5,338	489	4,849
***Operating result*........**	***3,227***	**—**	***3,227***	***2,717***	***(489)***	***3,206***
Impairment charges on loans and other receivables	505	—	505	1,171	—	1,171
***Profit/(loss) before tax*..........................**	***2,722***	**—**	***2,722***	***1,546***	***(489)***	***2,035***
Income tax expense ...	798	—	798	412	(72)	484
Profit/(loss) for the year	**1,924**	**—**	**1,924**	**1,134**	**(417)**	**1,551**

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

Impact of Special Items

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Operating expenses		
Pension settlement charge[1]	—	288
SNS levy[2]	—	201
Total impact on operating expenses	—	*489*
Income tax expenses		
Total impact on income tax expenses	—	(72)
Total impact on profit/(loss) for the period	**—**	**(417)**

(1) 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.

(2) 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.

Selected Consolidated Financial Information

The table below summarises the Group's results of operations on an underlying basis for the years ended 31 December 2015 and 31 December 2014.

Selected consolidated financial information

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Net interest income	6,076	6,023
Net fee and commission income	1,829	1,691

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Other operating income [(1)]	550	341
Operating income	*8,455*	*8,055*
Personnel expenses	2,492	2,396
Other expenses[(2)]	2,736	2,453
Operating expenses	5,228	4,849
Operating result	3,227	3,206
Impairment charges on loans and other receivables	505	1,171
Profit/(loss) before tax	***2,722***	***2,035***
Income tax expense	798	484
Underlying profit/(loss) for the period	**1,924**	**1,551**
Special items		(417)
Reported profit/(loss) for the period	**1,924**	**1,134**
Of which available for AT 1 capital securities (net of tax)	*11*	—
Of which Non-controlling interests	*5*	—

	Year ended 31 December	
	2015	2014
Underlying cost/income ratio	61.8%	60.2%
Underlying return on average Equity (IFRS)[(3)]	12.0%	10.9%
Underlying net interest margin (in bps)	146	153
Underlying cost of risk[(4)] (in bps)	19	45
Underlying earnings per share[(5)] (in EUR)	2.03	1.65

	Year ended 31 December	
	2015	2014
Client Assets[(6)] (in EUR billion)	313.5	302.5
FTEs	22,048	22,215

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

(3) Return on equity is now calculated as underlying profit for the period attributable to owners of the company (i.e. underlying profit after deduction of net reserved payments for capital securities and result attributable to non-controlling interests) divided by the average equity attributable to the owners of the company (i.e. excluding capital securities and non-controlling interests).

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

(5) Underlying profit for the period attributable to owners of the company divided by the average outstanding and paid-up ordinary shares.

(6) Clients Assets consists of the total liquidity volume and the total securities volume of the Group's clients, including restricted and custody shares.

Underlying profit/(loss) for the period

The underlying profit for full-year 2015 amounted to EUR 1,924 million, up EUR 373 million as compared with the previous year. The increase was due mainly to lower loan impairments and higher operating income, partly offset by regulatory levies and project costs. The underlying return on equity (ROE) increased to 12.0% in 2015, as compared with 10.9% in 2014.

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

Operating income

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

Net interest income

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

Net interest income on residential mortgages increased as compared with 2014 as margin improvements more than exceeded the decrease in portfolio volumes. Margins improved due to continued gradual repricing at higher margins, in particular mortgages that originated pre-crisis. The impact of repricing of the mortgage book in recent years continued to contribute to higher net interest income.

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

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

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

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

Net fee and commission income

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

Other operating income

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

Operating expenses

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

Personnel expenses

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

Other expenses

Other expenses rose by EUR 283 million to EUR 2,736 million. The increase was driven by EUR 129 million higher regulatory levies. Regulatory levies totalling EUR 220 million in 2015 included EUR 119 million for the National Resolution Fund (NRF), EUR 98 million for the Dutch bank tax and EUR 3 million for the Deposit Guarantee Scheme. Implementation of the Dutch DGS has been postponed by the national regulator to Q1 2016; therefore, the DGS charge recorded in 2015 was lower than previously communicated. In addition, other expenses increased due to higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including TOPS 2020 and Retail Digitalisation programmes). A EUR 55 million settlement with Vestia was included in 2015. These increases were partly offset by a considerable VAT refund recorded in 2015 which was the result of discussions with the tax authorities related to the period 2007-2014.

Operating result

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

Impairment charges on loans and other receivables

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

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

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

Profit/(loss) before tax

Profit before tax amounted to EUR 2,722 million in 2015, EUR 687 million higher than in 2014.

Income tax expense

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

FTEs

FTEs decreased by 167 from 22,215 at 31 December 2014 to 22,048 at 31 December 2015.

Client Assets

Client Assets increased by EUR 11.0 billion from EUR 302.5 billion at 31 December 2014 to EUR 313.5 billion at 31 December 2015.

Selected Consolidated Balance Sheet Movements

	As at 31 December	
	2015	**2014**
	(in millions of euros)	
Assets:		
Cash and balances at central banks	26,195	706

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

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

Total assets

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

Cash and balances at central banks

Cash and balances at central banks increased by EUR 25.5 billion to EUR 26.2 billion at 31 December 2015 from EUR 0.7 billion at 31 December 2014 as part of the liquidity buffer. The mandatory reserve deposits held with DNB recorded in Loans and receivables – banks were transferred to overnight deposits accounts.

Financial assets held for trading

Financial assets held for trading decreased sharply by EUR 7.3 billion to EUR 1.7 billion at 31 December 2015 from EUR 9.0 billion at 31 December 2014, driven mainly by the wind-down of activities resulting from the strategic review of Capital Markets Solutions and a decrease in government bonds related to primary dealerships.

Derivatives

Derivatives decreased by EUR 6.1 billion to EUR 19.1 billion (of which EUR 15 billion trading and EUR 4 billion non-trading) at 31 December 2015 from EUR 25.5 billion at 31 December 2014 on the back of mid- to long-term interest rates and foreign exchange rates movements impacting the fair value of derivatives. This is also observed in the derivative liabilities.

Financial investments

Financial investments decreased by EUR 0.9 billion to EUR 40.5 billion at 31 December 2015 from EUR 41.4 billion at 31 December 2014

Securities financing

Securities financing increased by EUR 1.6 billion to EUR 20.1 billion at 31 December 2015 from EUR 18.5 billion at 31 December 2014.

Loans and receivables – banks

Loans and receivables – banks decreased by EUR 6.0 billion to EUR 15.7 billion from EUR 21.7 billion at 31 December 2014 due mainly to the transfer of mandatory reserves at DNB to overnight deposits accounts, partly offset by a EUR 2 billion move of ECT Clients trade bills from Loans and receivables – customers to Loans and receivables – banks.

Loans and receivables – customers

Loans and receivables – customers declined by EUR 2.6 billion to EUR 259.3 billion at 31 December 2015 from EUR 261.9 billion at 31 December 2014. As presented in the following table this decline was primarily the result of lower residential mortgage volume and lower consumer loans. The mortgage portfolio decreased by EUR 1.5 billion to EUR 146.9 billion at 31 December 2015 from EUR 148.4 billion at 31 December 2014, driven by fierce competition especially towards year-end on longer interest rate periods and redemptions. Redemptions were higher due to increased refinancing, whereas extra repayments in 2015 returned to the same level as previous years. Low interest rates and increased awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Contractual repayments are gradually growing, following amended tax regulations. As a result, redemptions exceeded new mortgage production. The market share in new mortgage production was stable at 20% in 2015.[9]

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

Loans and receivables – customers

	As at 31 December	
	2015	**2014**
	(in millions of euros)	
Residential mortgages	146,932	148,402
Consumer loans	15,147	16,052
Commercial loans to clients[(1)]	78,195	80,065
Total client loans [(2)]	*240,274*	*244,519*
Commercial loans to professional counterparties	12,194	9,635
Other loans[(3)]	6,375	6,777
Total loans and receivables[(2)]	*258,825*	*260,931*
Fair value adjustments from hedge accounting	4,849	5,739
Less: loan impairment allowance	4,355	4,761
Total loans and receivables – customers	**259,319**	**261,910**

(1) Corporate loans excluding loans to professional counterparties.

9 **Source**: Calculated on the basis of information from the Dutch land register, Hypotheken Scan, January-December 2015.

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

Financial liabilities held for trading

Financial liabilities held for trading declined by EUR 3.3 billion to EUR 0.5 billion at 31 December 2015 from EUR 3.8 billion at 31 December 2014 due to lower short positions in bonds mostly related to the primary dealership.

Derivatives

Derivatives decreased by EUR 8.0 billion to EUR 22.4 billion (of which EUR 13 billion trading and EUR 9 billion non-trading) at 31 December 2015 from EUR 30.4 billion at 31 December 2014 on the back of mid- to long-term interest and foreign exchange rates movements impacting the valuation of derivatives. This is also observed in derivative assets.

Securities financing

Securities financing declined by EUR 2.5 billion to EUR 11.4 billion at 31 December 2015 from EUR 13.9 billion at 31 December 2014.

Due to banks

Due to banks declined by EUR 1.1 billion to EUR 14.6 billion at 31 December 2015 from EUR 15.7 billion at 31 December 2014.

Due to customers

Due to customers increased by EUR 14.3 billion to EUR 230.3 billion at 31 December 2015 from EUR 244.6 billion at 31 December 2014. Growth was recorded in all business segments and largely in demand deposits at Private Banking and Corporate Banking and savings deposits at Commercial Clients and Retail Banking. The combined market share[10] of 21% in retail deposits at Retail Banking and Private banking in The Netherlands at 31 December 2015 was stable compared with 31 December 2014.

Due to customers

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

10 Calculated based on DNB Domestic MFI statistics, December 2015

	As at 31 December	
	2015	2014
	(in millions of euros)	
Other borrowings	160	144
Total Due to customers	**230,297**	**216,011**

Issued debt

Issued debt decreased by EUR 0.9 billion to EUR 76.2 billion at 31 December 2015 compared with EUR 77.1 billion at 31 December 2014.

Subordinated liabilities

Subordinated liabilities increased EUR 1.4 billion to EUR 9.7 billion at 31 December 2015 from EUR 8.3 billion at 31 December. This was mainly as a result of two Tier 2 issuances (EUR 1.5 billion and EUR 1.4 billion (USD 1.5 billion)) partly offset by the call of a EUR 1.7 billion Dutch State-held subordinated loan.

Total equity

Total equity rose by EUR 2.7 billion to EUR 17.6 billion at 31 December 2015 as compared with EUR 14.9 billion at 31 December 2014, due mainly to the reported profit for 2015 and, to a lesser extent, the issuance of EUR 1 billion of capital securities qualifying as Additional Tier 1 capital.

RESULTS OF OPERATIONS BY SEGMENT FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

The sections below summarises ABN AMRO's results of operations by segment for the years ended 31 December 2015 and 31 December 2014.

Retail Banking

Retail Banking renders services to approximately five million retail clients in The Netherlands with investible assets of up to EUR 1 million 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 2015 and 31 December 2014.

Retail Banking: Selected Financial Information

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Net interest income	3,302	3,379
Net fee and commission income	527	522
Other operating income[1]	25	41
Operating income	*3,853*	*3,942*
Personnel expenses	487	560
Other expenses[2]	1,619	1,475
Operating expenses	2,106	2,035
Operating result	***1,748***	***1,907***
Impairment charges on loans and other receivables	99	460
Profit/(loss) before tax	***1,649***	***1,447***

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Income tax expense	423	368
Underlying profit/(loss) for the period	**1,226**	**1,079**
Special items	—	—
Reported profit/(loss) for the period	**1,226**	**1,079**

	Year ended 31 December	
	2015	2014
Underlying cost/income ratio (in %)	54.6%	51.6%
Underlying cost of risk(3) (in bps)	6	29

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

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

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

Underlying profit/(loss) for the period

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

Operating income

Operating income declined by EUR 77 million, or 2%, to EUR 3,853 million in 2015 as compared to 2014.

Net interest income

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

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

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

Net fee and commission income

Net fee and commission income increased by EUR 5 million to EUR 527 million in 2015 when compared to 2014.

Other operating income

Other operating income decreased by EUR 16 million to EUR 25 million in 2015 when compared to 2014.

Operating expenses

Operating expenses increased by EUR 71 million, or 3%, to EUR 2,106 million in 2015 when compared to 2014.

Personnel expenses

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

Other expenses

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

Operating result

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

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables fell by EUR 361 million, as compared with 2014, to EUR 99 million in 2015. The decline in impairments is visible in both the consumer loan portfolio and the mortgage portfolio. Mortgage impairments decreased on the back of improved conditions in the housing market, and the recovery of the Dutch economy contributed to a lower inflow of mortgages in the impaired portfolio, increased outflow and an improvement of the portfolio's risk profile. Consumer loans also benefited from improved economic conditions and active risk management of the portfolio of clients in arrears, leading to sharply lower loan impairments. In addition, impairment charges benefited from releases from the IBNI allowances (EUR 85 million in 2015). Included in 2014 were EUR 50 million of IBNI additions.

Loans and receivables – customers

Loans and receivables – customers decreased EUR 1.8 billion. Residential mortgages declined by EUR 1.1 billion driven by fierce competition, especially towards year-end, on longer interest rate periods. Redemptions were higher due to increased refinancing, whereas extra repayments in 2015 returned to the same level as previous years. Low interest rates and increased awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Contractual repayments are gradually growing, following amended tax regulations. As a result, redemptions exceeded new mortgage production. Consumer loans declined by EUR 0.7 billion when compared to 31 December 2014.

Due to customers

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

FTEs

FTEs decreased by 414 to 5,844 at 31 December 2015 when compared to 6,258 at 31 December 2014.

Private Banking

Private Banking serves high net worth individuals with more than EUR 1 million 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 in Germany.

The table below summarises the Private Banking segment's results for the years ended 31 December 2015 and 31 December 2014.

Private Banking: Selected Financial Information

	Year ended 31 December	
	2015	**2014**
	(in millions of euros)	
Net interest income	589	597
Net fee and commission income	619	544
Other operating income[(1)]	101	51
Operating income	1,310	1,193
Personnel expenses	501	460
Other expenses[(2)]	549	503
Operating expenses	1,050	964
Operating result	260	229
Impairment charges on loans and other receivables	—4	23
Profit/(loss) before tax	264	206
Income tax expense	49	46
Underlying profit/(loss) for the period	**214**	**160**
Special items	—	—
Reported profit/(loss) for the period	**214**	**160**

	Year ended 31 December	
	2015	**2014**
Underlying cost/income ratio (in %)	80.2%	80.8%
Underlying cost of risk(3) (in bps)	-2	14
Gross margin on Client Assets (in bps)	65	67

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

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

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

Underlying profit/(loss) for the period

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

Operating income

Operating income increased by EUR 117 million, or 10%, to EUR 1,310 million in 2015 when compared to 2014.

Net interest income

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

Net fee and commission income

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

Other operating income

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

Operating expenses

Operating expenses increased by EUR 86 million, or 9%, to EUR 1,050 million in 2015 when compared to 2014.

Personnel expenses

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

Other expenses

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

Operating result

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

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables showed a net release of EUR 4 million, as compared with EUR 23 million impairment additions in 2014. The release in impairments is partially explained by a EUR 12 million IBNI release in 2015.

Loans and receivables – customers

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

Due to customers

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

FTEs

FTEs increased by 123 to 3,722 at 31 December 2015 when compared to 3,599 at 31 December 2014.

Client Assets

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

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

The table below summarises the Client Assets as at 31 December 2015 and 31 December 2014.

Private Banking: Client Assets

	As at 31 December	
	2015	**2014**
	(in billions of euros)	
Opening balance as at 1 January	*190.6*	*168.3*
Net new assets	1.5	5.5
Market performance	7.1	8.6
Divestments/acquisitions	—	8.2
Other (including sales/acquisitions)	—	—
Balance at 31 December	**199.2**	**190.6**
Breakdown by assets type:		
Cash	66.5	63.6
Securities	132.8	127.0
Breakdown by geography:		
The Netherlands (in %)	48%	47%
The rest of Europe (in %)	44%	44%
The rest of the world (in %)	8%	9%

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 2015 and 31 December 2014.

Corporate Banking: Selected Financial Information

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Net interest income	2,142	2,019
Net fee and commission income	751	646
Other operating income[(1)]	227	173
Operating income	3,120	2,839
Personnel expenses	676	618
Other expenses[(2)]	1,264	1,116
Operating expenses	1,940	1,734
Operating result	***1,180***	***1,105***
Impairment charges on loans and other receivables	419	717
Profit/(loss) before tax	***762***	***388***
Income tax expense	165	91
Underlying profit/(loss) for the period	**596**	**298**
Special items	—	—
Reported profit/(loss) for the period	**596**	**298**

	Year ended 31 December	
	2015	2014
Underlying cost/income ratio (in %)	62.2%	61.1%
Underlying cost of risk[(3)] (in bps)	46	86

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

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.
(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.
(3) Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Underlying profit/(loss) for the period

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

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

Operating income

Operating income increased by EUR 281 million, or 10%, to EUR 3,120 million in 2015 when compared to 2014.

Net interest income

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

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

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

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

Net fee and commission income

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

Other operating income

Other operating income went up by EUR 54 million to EUR 227 million in 2015. The increase was driven by a EUR 116 million higher CVA/DVA/FVA impact compared with 2014, which included first-time application of the FVA. The total CVA/DVA/FVA impact was EUR 49 million positive in 2015 versus EUR 67 million negative in 2014. Results further improved driven by higher tax-exempt results on the Equity Participations portfolio on the back of improved market conditions. This was partly offset by a provision for an identified group of SMEs with possible interest rate derivative-related issues. Clearing recorded a EUR 40 million gain in 2014 on the partial sale of the share in Holland Clearing House.

Operating expenses

Operating expenses increased by EUR 206 million, or 12%, to EUR 1,940 million in 2015 when compared to 2014.

Personnel expenses

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

Other expenses

Other expenses grew by EUR 148 million as compared with 2014. The regulatory levies in 2015 were EUR 73 million higher as compared with 2014 (EUR 122 million in 2015 versus EUR 49 million in 2014). In addition, there were higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 programme).

Operating result

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

Impairment charges on loans and other receivables

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

Loans and receivables – customers

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

Due to customers

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

FTEs

FTEs decreased by 36 to 4,959 at 31 December 2015 from 4,995 at 31 December 2014.

Corporate Banking—Commercial Clients

The table below summarises the Commercial Clients business results for the years ended 31 December 2015 and 31 December 2014.

Corporate Banking—Commercial Clients: Selected Financial Information

	Year ended 31 December	
	2015	**2014**
	(in millions of euros)	
Net interest income	1,305	1,275
Net fee and commission income	205	196
Other operating income[1]	13	30
Operating income	*1,524*	*1,502*
Operating expenses	861	788
Operating result	***663***	***713***
Impairment charges on loans and other receivables	213	605
Profit/(loss) before tax	***450***	***108***
Income tax expense	121	27
Underlying profit/(loss) for the period	**329**	**82**
Special items	—	—
Reported profit/(loss) for the period	**329**	**82**

	Year ended 31 December	
	2015	**2014**
Underlying cost/income ratio (in %)	56.5%	52.5%
Underlying cost of risk[2] (in bps)	53	145

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

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

Corporate Banking—International Clients

The table below summarises the International Clients business results for the years ended 31 December 2015 and 31 December 2014.

Corporate Banking—International Clients Selected Financial Information

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Net interest income	709	648
Net fee and commission income	232	217
Other operating income[(1)]	104	3
Operating income	*1,044*	*868*
Operating expenses	522	456
Operating result	***522***	***412***
Impairment charges on loans and other receivables	191	113
Profit/(loss) before tax	***331***	***299***
Income tax expense	40	67
Underlying profit/(loss) for the period	**292**	**232**
Special items	—	—
Reported profit/(loss) for the period	**292**	**232**

	Year ended 31 December	
	2015	2014
Underlying cost/income ratio (in %)	50.0%	52.6%
Underlying cost of risk[(2)] (in bps)	57	40

	As at 31 December	
	2015	2014
Loans and receivables customers (in EUR billion)	32.2	32.2
Due to customers (in EUR billion)	19.0	16.7
Risk-weighted assets (risk exposure amount; in EUR billion)	22.6	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) Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.

Corporate Banking—Capital Markets Solutions

The table below summarises the Capital Markets Solutions business results for the years ended 31 December 2015 and 31 December 2014.

Corporate Banking—Capital Markets Solutions: Selected Financial Information

	Year ended 31 December	
	2015	**2014**
	(in millions of euros)	
Net interest income	127	96
Net fee and commission income	314	233
Other operating income(1)	110	140
Operating income	*551*	*469*
Operating expenses	555	489
Operating result	***(3)***	***(20)***
Impairment charges on loans and other receivables	15	(1)
Profit/(loss) before tax	***(18)***	***(19)***
Income tax expense	6	(4)
Underlying profit/(loss) for the period	**(24)**	**(15)**
Special items	—	—
Reported profit/(loss) for the period	**(24)**	**(15)**

	Year ended 31 December	
	2015	**2014**
Underlying cost/income ratio (in %)	100.6%	104.3%
Underlying cost of risk(2) (in bps)	9	(1)

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

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

Group Functions

Group Functions consists of various departments that provide essential support to the business segments. Its departments include Finance, RM&S, PR&I, 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 2015 and 31 December 2014.

Group Functions: Selected Financial Information

	Year ended 31 December	
	2015	**2014**
	(in millions of euros)	
Net interest income	44	28
Net fee and commission income	(68)	(21)

	Year ended 31 December	
	2015	2014
	(in millions of euros)	
Other operating income[1]	197	75
Operating income	*172*	*82*
Personnel expenses	828	758
Other expenses[2]	(-695)	(641)
Operating expenses	133	117
Operating result	***39***	***(35)***
Impairment charges on loans and other receivables	(-8)	(28)
Profit/(loss) before tax	***48***	***(7)***
Income tax expense	160	(21)
Underlying profit/(loss) for the period	**(112)**	**14**
Special items	—	(417)
Reported profit/(loss) for the period	**(112)**	**(402)**

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

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

Underlying profit/(loss) for the period

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

Operating income

Operating income increased by EUR 90 million, or 111%, to EUR 172 million in 2015 when compared to 2014.

Net interest income

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

Net fee and commission income

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

Other operating income

Other operating income increased by EUR 122 million compared with 2014. The increase was driven by higher hedge accounting-related results and favourable CVA/DVA adjustments (EUR

27 million positive in 2015 and EUR 9 million positive in 2014). This was partly offset by a tax-exempt provision related to the part of the Securities financing activities discontinued in 2009.

Operating expenses

Operating expenses increased by EUR 16 million, or 14%, to EUR 133 million when compared to 2014.

Personnel expenses

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

Other expenses

Other expenses decreased by EUR 54 million as compared with the same period in 2014. Group Functions had higher project costs related to enhancing client centricity and continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes). This was, however, largely allocated to the commercial segments (as negative expenses). Other expenses in 2015 were also impacted by a considerable VAT refund, which was the result of discussions with the tax authorities related to the period 2007-2014. This was partly offset by the EUR 55 million settlement with Vestia. Both years were impacted by releases related to the Deposit Guarantee Scheme provision for DSB (EUR 35 million in 2015 compared with EUR 66 million in 2014) and cost savings generated by the TOPS 2020 programme.

Operating result

Operating result increased by EUR 74 million to EUR 39 million in 2015 when compared to 2014.

Income tax expense

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

FTEs

FTEs increased by 160 to 7,522 at 31 December 2015 from 7,362 at 31 December 2014.

6.5 Results of operations for the years ended 31 December 2014 and 2013

Unless otherwise stated, results of operations are presented based on underlying results, which are derived by adjusting the results reported in accordance with IFRS for defined Special Items, discussed below. Management believes these non-IFRS underlying results provide a better understanding of the underlying trends in financial performance as compared to results that have been prepared in accordance with EU IFRS. The table below shows a reconciliation of the Group's reported and underlying results of operations for the years ended 31 December 2014 and 31 December 2013. Underlying results are not audited.

Reconciliation of Reported to Underlying Results

	Year ended 31 December					
	2014			2013		
	Reported	Special items	Underlying	Reported	Special items	Underlying
	(in millions of euros)					
Net interest income ...	6,023	—	6,023	5,380	—	5,380

	Year ended 31 December					
	2014			2013		
	Reported	Special items	Underlying	Reported	Special items	Underlying
	(in millions of euros)					
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)]	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 net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

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

The table below summarises the Group's results of operations on an underlying basis for the years ended 31 December 2014 and 31 December 2013 on an underlying basis.

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]	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)[3]	10.9%	5.5%
Underlying net interest margin (in bps)	153	134
Underlying cost of risk[4] (in bps)	45	63

	As at 31 December	
	2014	**2013**
Client Assets(5) (in EUR billion)	302.5	276.9
FTEs	22,215	22,289

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

(3) Underlying profit divided by monthly average shareholders' equity.

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

(5) Clients Assets consists of the total liquidity volume and the total securities volume of the Group's clients, including restricted and custody shares.

Underlying profit/(loss) for the period

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 wind down 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.

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 EUR 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 EUR 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.

Client Assets

Client Assets 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[1]	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[1]	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**

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

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 derivative assets. The increase in financial investments (investments in the liquidity buffer) was offset by lower cash and balances 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 at overnight deposits 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 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 rates movements impacting the fair value of derivatives. This is also observed in the derivative liabilities.

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 of securities for the liquidity buffer.

Securities financing

Securities financing as at 31 December 2014 was EUR 18.5 billion and remained stable 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

	As at 31 December	
	2014	2013
	(in millions of euros)	
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 13.5 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 due to customers. This 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.

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 rates movements impacting the fair value of derivatives. This is also observed in the derivative assets.

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 4.0 billion in new funding obtained in the year ended 31 December 2014 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 inflow at MoneYou Germany within Retail Banking, Private Banking in The Netherlands and Commercial Clients and Clearing within Corporate Banking.

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

	As at 31 December	
	2014	**2013**
	(in millions of euros)	
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 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, RMBS declined EUR 3.8 billion in the year ended 31 December 2014. 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 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 interim dividend for 2014.

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

The sections below summarises the Group's results of operations on an underlying basis by segment for the years ended 31 December 2014 and 31 December 2013.

Retail Banking

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

Retail Banking: Selected 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[(2)]	1,475	1,413
Operating expenses	2,035	1,929
Operating result	***1,907***	***1,762***

	Year ended 31 December	
	2014	2013
	(in millions of euros)	
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[3] (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 weighted assets[4] (in EUR billion)	36.8	34.3
FTEs	6,258	6,503

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.
(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.
(3) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.
(4) 2013 figures are reported under Basel II and the 2014 figures are reported in accordance with 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.

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 in the year ended 31 December 2014. The restructuring provision is related to the programme to accelerate digitalisation. 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 and a legal claim.

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 cost/income ratio remained at 52% in 2014.

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

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

Private Banking: Selected 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[2]	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[3] (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 weighted assets[4] (in EUR billion)	8.3	8.8
FTEs	3,599	3,442

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.

(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.

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

(4) 2013 figures are reported under Basel II and the 2014 figures are reported in accordance with 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 client assets. Net fees in The Netherlands declined primarily due to the switch to an all-in fee model for investment products, despite the growth in client assets.

Other operating income

Other operating income for the year ended 31 December 2014 decreased by EUR 6 million, or 12%, 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.

Client Assets

Client Assets 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 the 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 in The Netherlands.

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

Private Banking: Client Assets

	As at 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 assets type:		
Cash	63.6	60.7
Securities	127.0	107.6
Breakdown by geography:		
The Netherlands (in %)	47%	48%
The rest of Europe[1] (in %)	44%	44%
The rest of the world[2] (in %)	9%	8%

(1) The rest of Europe comprises Germany, France, Luxembourg, Belgium, Jersey and Guernsey.
(2) The rest of the world comprises Hong Kong, Singapore and Dubai.

Corporate Banking

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

Corporate Banking: Selected 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[(2)]	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[(3)] (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 weighted assets[(4)] (in EUR billion)	53.5	56.0
FTEs	4,995	5,022

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.
(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.
(3) Cost of risk consists of impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables - customers.
(4) 2013 figures are reported under Basel II and the 2014 figures are reported in accordance with 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 improved 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 6.1 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 3.0 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.

Corporate Banking—Commercial Clients

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

Corporate Banking—Commercial Clients: Selected 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 weighted assets[(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 in accordance with the Basel III (CRD IV/CRR) framework.

Corporate Banking—International Clients

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

Corporate Banking—International Clients: Selected 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)	32.2	26.4
Due to customers (in EUR billion)	16.7	16.1
Risk weighted assets[(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 in accordance with the Basel III (CRD IV/CRR) framework.

Corporate Banking—Capital Markets Solutions

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

Corporate Banking—Capital Markets Solutions: Selected 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 weighted assets[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 in accordance with the Basel III (CRD IV/CRR) framework.

Group Functions

The table below summarises the Group Functions results on an underlying basis for the years ended 31 December 2014 and 31 December 2013.

Group Functions: Selected 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[2]	(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**
Securities financing – assets	14.5	15.3
Loans and receivables customers (in EUR billion)	4.2	3.7
Securities financing – liabilities	12.6	11.1
Due to customers (in EUR billion)	2.5	3.1
Risk weighted assets[3] (in EUR billion)	11.0	9.9
FTEs	7,362	7,321

(1) Other operating income comprises net trading income, share of result in equity accounted investments and other income.
(2) Other expenses comprise general and administrative expenses and depreciation and amortisation of tangible and intangible assets.
(3) 2013 figures are reported under Basel II and the 2014 figures are reported in accordance with 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.

6.6 Other references

Liquidity and Funding

Please see "*Annual Report 2015 – Risk, funding & capital management – Liquidity risk management & Funding management*" and "*Annual Report 2015 - Risk, funding & capital review – Liquidity risk & Funding*" in the Risk, funding & capital Report of the Annual Report 2015, which has been incorporated by reference herein.

Risk Management and Review

Please see "*Annual Report 2015 – Risk, funding & capital management*" and "*Risk, funding & capital review*" in the Risk, funding & capital report of the Annual Report 2015, which has been incorporated by reference herein.

Capital Management

Please see "*Annual Report 2015 – Risk, funding & capital management – Capital management*" in the Risk, funding & capital report of the Annual Report 2015, which has been incorporated by reference herein.

Critical Accounting Policies

Please see "*Annual Report 2015 - Notes to the Annual Financial Statements – 1 Accounting policies*" in Annual Financial Statements of the Annual Report 2015, which has been incorporated by reference herein

6.7 Related Party Transactions

Please see "*Annual Report 2015 - Notes to the Annual Financial Statements – 34 Related parties*" in Annual Financial Statements of the Annual Report 2015, 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. As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by two foundations: NLFI and STAK AAG. NLFI holds 77% and STAK AAG holds 23% of the shares in the issued capital of ABN AMRO Group N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Group N.V. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group N.V. and traded on Euronext Amsterdam. See "*5. The Issuer —3. Management and Governance*".

Documents available

As long as this Registration Document is valid as described in Article 9 of the Prospectus Directive, copies of the following documents will, when published, be available, free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, telephone: +31 20 6282282; e-mail: investorrelations@nl.abnamro.com. This Registration Document and copies of documents incorporated by reference in this Registration Document can also be obtained from https://www.abnamro.com/en/investor-relations/index.html:

(i) an English translation of the most recent Articles of Association of the Issuer;

(ii) copies of the documents listed under "*Documents Incorporated by Reference*";

(iii) the most recently available audited financial statements of ABN AMRO Group N.V. and the most recently available unaudited interim financial statements of ABN AMRO Group N.V.;

(iv) a copy of this Registration Document; and

(v) any future supplements to this Registration Document and any other documents incorporated herein or therein by reference.

The other information included on or linked to through this website or in this Registration Document or any website referred to in any document **Consolidated Annual Financial Statements** incorporated by reference into this Registration Document is not a part of this Registration Document.

Issuer ratings

Credit rating agencies periodically review the creditworthiness and publish ratings which assess the level of risk attached to debt instruments. Credit ratings on ABN AMRO Bank N.V. (or their legal predecessors) are presented in the table below.

Corporate rating	S&P	Moody's	Fitch
Long term credit rating	A	A1	A+
Outlook long term credit rating	Stable	Stable	Stable
Short term credit rating	A-1	P-1	F1

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Significant or material change

There has been no (i) material adverse change in the Issuer's prospects or (ii) significant change in the financial position of the Issuer and its subsidiaries since 31 December 2015.

There has been no (i) material adverse change in the ABN AMRO Group N.V.'s prospects or (ii) significant change in the financial position of the ABN AMRO Group N.V. and its subsidiaries since 31 December 2015.

Independent Auditor

The consolidated annual financial statements of ABN AMRO Group N.V. and the Issuer as of 31 December 2015, and for the year then ended, incorporated by reference in this Registration Document, have been audited by KPMG Accountants N.V., independent auditors, as stated in their report appearing herein. The consolidated annual financial statements of ABN AMRO Group N.V. and the Issuer 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, 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 its reports in this Registration Document in the form and context in which it is included.

Appointment EY

On 2 April 2015, the Issuer's General Meeting appointed EY as its external auditor for the financial years 2016 until 2018. The statutory audit of the 2015 annual accounts has been performed by the Issuer's previous auditor KPMG.

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, save as set out above, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

Issuer

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

LEGAL ADVISORS

Clifford Chance LLP
Droogbak 1A
1013 GE Amsterdam
The Netherlands

AUDITORS

Independent Auditor to ABN AMRO Group N.V. and the Issuer
Ernst & Young Accountants LLP
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

Independent Auditor to ABN AMRO Group N.V. and the Issuer in relation to ABN AMRO Group N.V.'s Consolidated Annual Financial Statements 2014 and 2015
KPMG Accountants N.V.
Laan van Langerhuize 1
1186 DS Amstelveen
The Netherlands