**27 JUNE 2014**

# ABN AMRO BANK N.V.

## REGISTRATION DOCUMENT

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# 1. INTRODUCTION

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

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

This Registration Document was approved on 27 June 2014 by The Netherlands Authority for the Financial Markets (the "**AFM**") as the competent authority under the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht)* implementing the Prospectus Directive.

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

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

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

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

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

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

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

# 2. RISK FACTORS

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

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

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

The outlook for the global economy over the near to medium term remains challenging. Results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; changes in consumer spending; investment and saving habits; monetary and interest rate policies of the European Central Bank ("**ECB**") and G7 central banks; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation or deflation; the stability and solvency of states, financial institutions and other companies; natural disasters; acts of war or terrorism; investor sentiment and confidence in the financial markets; or a combination of these or other factors.

A revival of financial market tensions related to euro zone sovereign debt concerns may lead to renewed stress in sovereign and bank funding markets. Market conditions remain vulnerable and risks remain. As a result, there is a possibility that the Issuer may have insufficient access to, or incur higher costs associated with, funding alternatives, which could have a material adverse effect on the Issuer's business, financial position, results of operations and prospects. In addition, economic conditions remain challenging. The economy remains particularly vulnerable to a renewed rise in financial market tensions or new economic shocks, which could lead to a more severe economic downturn.

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

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

The securities and other financial markets can experience sustained periods of high volatility, unpredictable market movements, severe market dislocations and illiquidity or other liquidity disruptions. These market conditions can cause a reduction in the value of assets held by the Issuer, a decline in the profitability of certain assets, an increase in unrealised losses in the Issuer's various (asset) portfolios, a reduction in unrealised gains in the Issuer's various (asset) portfolios or in the demand for some of the Issuer's banking services and products and may impede the Issuer's 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 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. There is no assurance that such volatility will not result in a prolonged market decline, or such market declines for other reasons will not occur in the future.

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.

Severe market events have historically been proven to be 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. This could have a material adverse effect on the Issuer's business, financial position, results of operations and cash flows.

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.

***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 condition of the firm. Market liquidity risk is the risk that the bank cannot sell an asset without significantly affecting the market price due to (i) insufficient market depth (insufficient supply and demand), (ii) market disruption, (iii) changes in the applicable haircuts and market value or (iv) uncertainty about the time required to realise the liquidity value of the assets. See also the risk factor "*2. Volatility in, and the position of, financial markets, liquidity disruptions or market dislocations can adversely affect the Issuer's banking and funding activities*" above.

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

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

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

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

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

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

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

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

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

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

***6. The 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.***

The Issuer conducts its businesses subject to financial services laws and regulations, as well as other laws and regulations (including behavioural requirements), rules, stress testing exercises, corporate governance requirements and administrative actions and policies in some or all of the locations in which it operates. The Dutch Central Bank (*De Nederlandsche Bank N.V.,* "**DNB**"), the AFM and other regulators in various jurisdictions may impose further restrictions and conditions on the Issuer. In accordance with the single supervisory mechanism which became effective on 4 November 2013 the ECB will become the single supervisor for the prudential supervision of credit institutions that qualify as a significant bank. The Issuer is identified as a significant bank. Amongst others, the ECB will be responsible for market access and will supervise the Issuer's capital requirements and governance. While the ECB cannot make binding decisions until the operational start of its supervision on 4 November 2014, its future actions may result in further requirements being imposed on the Issuer, including but not limited to capital and liquidity. The timing and form of future changes in any laws, regulations or other rules, requirements, exercises, actions and policies, or in the interpretation thereof, are unpredictable and beyond the Issuer's control, and any such changes made could materially adversely affect the Issuer's business, the products and services the Issuer offers or the value of its assets or extent of its liabilities.

Any changes in the tax laws of jurisdictions in which the Issuer operates which affect its products, could have a material adverse effect on its banking or other businesses and results of operations and financial position. This includes the bank tax levied by the Dutch State, a possible European financial transaction tax and a change in the financing of compensations under the Dutch Deposit Guarantee Scheme (*Depositogarantiestelsel*) from ex post to ex ante. The entry into force of the amended Dutch Deposit Guarantee Scheme was initially planned for 1 July 2013. However, the Dutch Minister of Finance has suggested in connection with the nationalisation of SNS Reaal N.V. that the effective date be postponed for another two years. The new ex-ante funding system is expected to increase the Issuer's expenses for the Dutch Deposit Guarantee Scheme.

Furthermore, based on 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 or "**FATCA**"), a 30% withholding tax is imposed on US source payments to a non-US financial institution (an "**FFI**"), unless the FFI concludes an agreement with the United States and the Internal Revenue Service (the "**IRS**"), under which an FFI agrees to comply with certain reporting, client due diligence and withholding requirements (an "**FFI Agreement**"), is based in a so called IGA jurisdiction, where the local Government has concluded an inter-governmental agreement with the US to facilitate the implementation of FATCA (an "**IGA**") or otherwise establishes an exemption from withholding under FATCA. The IRS issued final regulations relating to FATCA and is scheduled to issue further guidance over time. Approximately 50 countries worldwide are negotiating with the US about such an IGA, including most locations where the Issuer operates. The Issuer expects that FATCA will have a considerable impact on client onboarding processes, client segmentation and client administration as well as on reporting systems.

Since 2009, as many emergency government programs slowed or wound down, global regulatory and legislative focus has generally moved to a second phase of broader reform and a restructuring of financial institution regulation. Legislators and regulators, both in Europe and the United States, are currently introducing a wide range of proposals that, if enacted, could result in major changes to the way the Issuer's global operations are regulated. Some of these major changes, as well as the sheer volume thereof, 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.

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 and Capital Requirements Regulation known as "CRD IV", result, *inter alia,* in the Issuer becoming subject to stricter capital and liquidity requirements and will also affect the scope, coverage, or calculation of capital, all of which could require the Issuer to reduce business levels or restrict certain activities or to raise additional capital. Further regulatory reform proposals could result in the imposition of additional restrictions on the Issuer's activities, e.g. if it were to no longer meet certain capital requirements at the level of the financial holding company. See also the risk factor "*7. As a result of capital and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance*" below.

On 29 January 2014, the European Commission adopted a proposal 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 Commission has adopted an accompanying proposal for a regulation on reporting and transparency of securities financing transactions.

The Dutch government has introduced legislation banning 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 to 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. This ban came into effect in January 2013. A similar ban on referral fees has come 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. Both bans may adversely impact the Issuer's businesses and results of operations.

The maximum loan amount for government-guaranteed mortgage loans (NHG) is EUR 290,000 as from 1 January 2014 and will be further reduced to EUR 265,000 as from 1 July 2014. In addition, the Dutch government will further restrict mortgage financing by gradually reducing the maximum Loan to Mortgage Value of a mortgage loan from 104% (including 2% transfer tax) to 100% in 2018.

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 over 27 years from a current maximum of 51.5% to a maximum of 38%. This percentage will however not be reduced below the third bracket (which is 42% in 2014) 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 and may result in an increase of defaults, prepayments and repayments.

The changes to mortgage lending rules and the restrictions to tax deductibility as mentioned above may have a particular impact on the Issuer's mortgage business. See also the risk factor "*11. The Issuer's operations and assets are located primarily in The Netherlands. Deterioration or long-term persistence of a difficult economic environment could have a negative effect on the Issuer's results of operations and financial position*" below.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), enacted in July 2010, covers a broad sweep of regulations and requirements for financial services. On the basis of its current review of the Dodd-Frank Act and the rules and regulations promulgated under it, the Issuer expects Title VII of the Dodd-Frank Act to have the greatest impact on its businesses and/or operations. Title VII introduces a new framework of regulations and requirements for over-the-counter (OTC) derivative transactions, markets and participants. Not all regulations and rules under Dodd-Frank Act have been finalised, however, and the Issuer cannot predict with certainty the impact these new regulations and rules, including those promulgated under Title VII of the Dodd-Frank Act, may have on financial markets generally, or on the Issuer's businesses, financial position and results of operations, specifically.

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

***7. 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 and 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 and a leverage ratio. See Chapter 16 (*Capital management*) and Chapter 17 (*Liquidity and funding*) of ABN AMRO Group N.V.'s Annual Report 2013, 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 2013. The Basel III Final Recommendations were discussed in the European Parliament and the Council of the European Union (the "**Council**") and political agreement was reached on a new Capital Requirements Directive known as CRD IV. CRD IV was adopted in 2013 and is currently being implemented and replaces its predecessor capital requirements directives (CRD I, II and III). There can be no assurance, however, that prior to the proposed implementation of the Basel III Final Recommendations, the Basel Committee will not amend or supplement the Basel III Final Recommendations. Further, the European Union and/or authorities in The Netherlands may implement the Basel III Final Recommendations in a manner that is different from that which is currently envisaged or may impose more onerous requirements on Dutch banks.

The Basel Committee is conducting further work on systemically important financial institutions and contingent capital in close coordination with the Financial Stability Board. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in debt (which could be introduced by statute, possibly impacting existing as well as future issues of debt and exposing them to the risk of conversion into equity and/or write-down of principal amount). Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank becomes non-viable. The 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 centralised 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-weighted assets and 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.

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-weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions, a growth in unfunded pension exposures or otherwise) or to access funding sources, could have a material adverse impact on its financial position, regulatory capital position and liquidity provision.

***8. New 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.***

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

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

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

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

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

On 15 April 2014, the European Parliament approved the Bank Recovery and Resolution Directive ("**BRRD**"), after the European Parliament, EU Member States and the European Commission announced on 12 December 2013 that they reached an agreement on BRRD. BRRD has been formally adopted by the Council on 6 May 2014.

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 minimise taxpayers' exposure to losses.

BRRD provides resolution authorities with broader powers to implement resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of the bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments. BRRD contemplates that the measures set out therein, will apply as from 1 January 2015, except for certain provisions.

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 recapitalisations or asset protection measures. The European Commission has applied the principles set out in the Revised State Aid Guidelines from 1 August 2013. In these guidelines, the

European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in BRRD.

The Dutch Intervention Act and BRRD 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.

### *9. The ECB is in the process of performing a comprehensive assessment of the Issuer and other European banks, the outcome of which is uncertain.*

The ECB announced in October 2013 that it would commence a comprehensive assessment, including stress tests and an asset quality review, of certain large European financial institutions, including the Issuer. The findings from this assessment, expected to be published in November 2014, may result in recommendations for additional supervisory measures and corrective actions affecting the Issuer and the banking environment generally. It is not yet possible to assess the impact of such measures, if any, on the Issuer or on the treatment of specific capital instruments. Furthermore, the disclosure of the ECB's findings or the implementation of additional supervisory measures that are viewed by the market as unfavorable to the Issuer or to capital instruments could adversely affect the trading price of any capital instruments.

### *10. 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. As a result, the Issuer's strategy is to maintain customer loyalty and retention. In other international markets, the Issuer faces competition from the leading domestic and international institutions active in the relevant national and international markets.

Furthermore, the intensity of competition is influenced by many factors beyond the Issuer's control (including consumer demand, the impact of consolidation, technological changes, emerging non-traditional competitors, regulatory action, competitive advantages of certain competitors and many other factors).

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.

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

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

Most of the Issuer's operations and assets are located in The Netherlands. 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. 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.

### *12. 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 or real estate values, operational failure or other reasons. 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 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 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.

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

The Issuer's banking businesses establish provisions for loan losses, which are reflected in the impairment charges on loans and other receivables provisions on the Issuer's income statement, in order to maintain the Issuer's allowance for loan losses at a level that is deemed to be appropriate by management based upon an assessment of prior loss experiences, the volume and type of lending being conducted by the Issuer, industry standards, past due loans, economic conditions and other factors related to the collectability of the Issuer's loan portfolio. Although management uses its best efforts to establish the allowances for loan losses, that determination is subject to significant judgment, and the Issuer may have to increase or decrease its allowances for loan losses in the future as a result of increases or decreases 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.

***14. The Issuer depends on the accuracy and completeness of information about customers and counterparties.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, the Issuer may rely on information furnished to the Issuer by or on behalf of the customers and counterparties, including financial statements and other financial information. The Issuer also may rely on the audit report covering those financial statements. The Issuer's financial position and results of operations could be negatively affected by relying on information which turns out to be materially inaccurate, incomplete or misleading or on financial statements that do not comply with generally accepted accounting principles or that are materially misleading.

***15. 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. This includes the risk of fraud, cybercrime or other types of misconduct by employees or third parties, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. The Issuer may also be subject to disruptions of the Issuer's operating systems, arising from events that are wholly or partially beyond the Issuer's control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to losses in service to customers and to loss or liability to the Issuer. The Issuer is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Issuer, and to the risk that their business continuity and data security systems prove to be inadequate. 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. Although the Issuer has implemented risk controls and loss mitigation measures, and substantial resources are devoted to developing efficient procedures, to identify and rectify weaknesses in existing procedures and to train staff, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by the Issuer. Any weakness in these systems or controls, or any breaches or alleged breaches of applicable laws or regulations, could have a materially negative impact on the Issuer's business, reputation and results of operations.

***16. 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.

***17. The Issuer is subject to changes in financial reporting standards.***

The Issuer is subject to changes in financial reporting standards, for example, the International Accounting Standards Board ("**IASB**") has proposed certain amendments to several International Financial Reporting Standards ("**IFRS**"). These could materially adversely affect the Issuer's results of operations and/or financial position. For further information, please see note 1 "*Accounting policies*" to the Consolidated Annual Financial Statements 2013.

The Issuer is unable to be more specific about the impact of these changes in financial reporting standards, including IFRS, because some of these proposals will affect the statement of financial position as a whole, instead of specific elements thereof. Also, the current proposals are still under discussion and amendments before finalisation of the proposed standards may materially change the impact on the financial statements, making it difficult to predict the outcome.

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

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

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

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

In the ordinary course of business the Issuer is involved in a number of legal proceedings. The Issuer's business is subject to the risk of litigation by customers, borrowers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. It is inherently difficult to predict or quantify the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving the Issuer and its businesses. The cost to defend current and future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. See also the risk factor "*20. The Issuer is subject to reputational risk*" below. As a result, litigation may adversely affect the Issuer's business. See "*The Issuer—1. ABN AMRO Bank N.V. —1.7 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. Changes in estimates may have an adverse effect on the Issuer's business, financial position, results of operations and prospects.

***20. 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 or codes of conduct by the Issuer, its customers, or other third parties linked to the Issuer, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, the quality and transparency of products sold to clients or the conduct of its employees. 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. These factors may adversely affect the Issuer's operating results, prospects and financial position.

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

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

The financial industry has implemented new rules and regulations on remuneration policies such as those included in the changes to the Capital Requirements Directives known as CRD III and CRD IV, which have been implemented in the Remuneration Policy Decree (*Besluit beheerst beloningsbeleid Wft*), the Bonus Prohibition Act (*Wet Bonusverbod*) and the governance rules and guidelines as embedded in the Dutch Banking Code (*Code Banken*). The financial industry may experience additional regulation of employee compensation, or employee compensation may be made subject to special taxation, which could have an adverse effect on the Issuer's ability to hire or retain the most qualified employees in the future. Regulations or taxations on employee compensation may also become more restrictive for the Issuer and other Dutch financial institutions than for some of its competitors in other jurisdictions or markets, which could have an additional adverse effect on the Issuer's ability to hire or retain the most qualified employees in the jurisdictions or markets where the bank operates or intends to operate.

***22. The 403 Declaration of ABN AMRO Group N.V. may provide limited economic benefit or recourse to investors.***

The 403 Declaration constitutes a guarantee by ABN AMRO Group N.V. for, *inter alia*, debt securities issued by the Issuer. If the Issuer should default, creditors impacted by such default, including holders of the financial instruments issued by the Issuer, may claim against the Issuer and/or ABN AMRO Group N.V as the guarantor.

However, since ABN AMRO Group N.V. is a holding company with no significant activities of its own, it would have to look at its operating subsidiaries to satisfy a claim brought against it by a holder of a financial instrument issued by the Issuer or any other creditor of the Issuer on the basis of the 403 Declaration. As ABN AMRO Group N.V.'s only direct subsidiary is the Issuer, a holder of a financial instrument issued by the Issuer must be aware that a claim under the 403 Declaration may not result in additional material recourse.

ABN AMRO Group N.V. may revoke the 403 Declaration at any time, including with retroactive effect subject to certain criteria.

***23. 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 "*The Issuer—1. ABN AMRO Bank N.V.—1.1 History and recent developments—EC Remedy*".

On 7 August 2008, the EC Remedy part of ABN AMRO Bank N.V. was demerged to New HBU II N.V., giving rise to similar cross liabilities as described. In the event that New HBU II N.V. fails to meet its obligations, ABN AMRO Bank N.V. remains liable to their 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.

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

On 29 September 2011, direct control of ABN AMRO was transferred to the NLFI, see "*The Issuer - 2. Shareholder, Group and Control*". In its letter of 24 January 2011, the Dutch State has announced that it does not expect to dispose of its stake in ABN AMRO Group N.V. any earlier than 2014. While it considers all strategic and financial options on the form of such disposal, the Dutch State favours an initial public offering.

On 23 August 2013, the Dutch Minister of Finance stated in a letter to Parliament that there are four prerequisites for a potential disposal by the Dutch State:

- The financial sector is stable. There are no more doubts about inter-bank traffic, the quality of assets and the solidity of individual systemically important banks;

- The market is ready for the intended transactions. There is sufficient absorptive power, there is interest in investments in the financial sector and the expected proceeds are in line with such interest;

- ABN AMRO is ready for the intended method of sale or settlement. There is a good financial track record, the quality of reporting is designed for the future, the profile of the board members matches with the strategy set forth and, especially in case of independent continued existence, there are prospects of durable value development; and

- The intention is to recover as much as possible of the total investments in ABN AMRO, plus the capital costs of the Dutch State.

The timing and the form in which any change in the ownership of the Issuer may take is uncertain and may result in increased perception of risk by investors, depositors and customers which could adversely affect the market price of the Issuer's securities and its business, financial position and results of operations.

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

The European Commission has imposed certain conditions in order to approve the support package and restructuring plan for ABN AMRO Group N.V. that restrict the Issuer from conducting certain activities. Examples are a ban on acquisitions, price leadership conditions and other restrictions. See *"The Issuer—4. Operating and Financial Review—4.2 Key factors affecting results of operations—European Commission state aid investigation"*.

Most measures were implemented for three years, starting from 5 April 2011. The restrictions imposed on acquisitions and advertising state ownership will be prolonged to a maximum of five years as long as the Dutch State continues to hold more than 50% of the ordinary shares.

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

## 3. DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued on or prior to the date hereof shall be deemed to be incorporated in, and to form part of, this Registration Document. This Registration Document should be read and construed in conjuction with such documents:

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

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

(d) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2012 (as set out on pages 217 through 223 in relation to the financial statements 2012, including the notes to the financial statements as set out on pages 224 through 335 and the information marked as audited in Chapter 17 (*Risk management*) on pages 128 through 185, in Chapter 18 (*Capital management*) on pages 186 through 195, in Chapter 19 (*Liquidity & funding*) on pages 196 through 208 and in Chapter 20 (*Securitisation*) on pages 209 through 214 and the auditors' report thereon on pages 339 and 340, all as included in ABN AMRO Group N.V.'s Annual Report 2012) (the "**Consolidated Annual Financial Statements 2012**" and together with the Consolidated Annual Financial Statements 2013, the "**Consolidated Annual Financial Statements**");

(e) Chapter 10 (*Strategy*) on pages 54 through 59, Chapter 16 (*Introduction to risk & capital management*) on pages 126 and 127, Chapter 17 (*Risk management*) on pages 128 through 185, Chapter 18 (*Capital management*) on pages 186 through 195, Chapter 19 (*Liquidity & funding*) on pages 196 through 208, Chapter 20 (*Securitisation*) on pages 209 through 214, Chapter 24 (*Definitions of important terms*) on pages 349 through 354, Chapter 25 (*Abbreviations*) on pages 355 through 357 and Chapter 26 (*Cautionary statement on forward looking statements*) on pages 358 and 359 of ABN AMRO Group N.V.'s Annual Report 2012;

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

(g) the Issuer's publicly available unaudited abbreviated financial statements 2012 for the financial year ended 31 December 2012 prepared on the basis of article 2:403 of the Dutch Civil Code (*Burgerlijk Wetboek*);

(h) the press release titled "*ABN AMRO reports EUR 378 million underlying net profit in Q1 2014*" dated 16 May 2014. The information set out therein is unaudited; and

(i) the press release titled "*ABN AMRO announces publication of its 2013 Country-by-Country Reporting*" dated 27 June 2014, including the 2013 Country-by-Country Reporting itself,

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 refence 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.

The documents incorporated by reference herein are available at http://www.abnamro.com/investorrelations. The other information included on or linked to through this website or in any website referred to in any document incorporated by reference into this Registration Document is not a part of this Registration Document.

All references in this Registration Document to websites, any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Registration Document are, unless the Issuer expressly states otherwise, intended to be inactive textual references for information only as at the date of this Registration Document, any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Registration Document, as applicable. Any information contained in or accessible through any website, including http://www.abnamro.com/investorrelations, does not form a part of this Registration Document, unless specifically stated in this Registration Document, in any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Registration Document that all or any portion of such information is incorporated by reference in this Registration Document.

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).

## 4. DEFINITIONS AND ABBREVIATIONS

### Definitions

In this Registration Document, unless the context otherwise requires:

"**403 Declaration**" refers to a statement of joint and several liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*).

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

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

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

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

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

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

"**ABN AMRO Groenbank**" refers to ABN AMRO Groenbank B.V.

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

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

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

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

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

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

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

"**Annual Report 2013**" refers to ABN AMRO Group N.V.'s Annual Report 2013.

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

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

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

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

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

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

"**BRRD**" means the Bank Recovery and Resolution Directive.

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

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

"**Consolidated Annual Financial Statements 2012**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2012 (as set out on pages 217 through 223 in relation to the financial statements 2012, including the notes to the financial statements as set out on pages 224 through 335 and the information marked as audited in Chapter 17 (*Risk management*) on pages 128 through 185, in Chapter 18 (*Capital management*) on pages 186 through 195, in Chapter 19 (*Liquidity & funding*) on pages 196 through 208 and in Chapter 20 (*Securitisation*) on pages 209 through 214 and the auditors' report thereon on pages 339 and 340, all as included in ABN AMRO Group N.V.'s Annual Report 2012).

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

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

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

"**CRD**" refers to the Capital Requirements Directives.

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

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

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

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

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

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

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

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

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

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

"**ECT**" refers to Energy, Commodities & Transportation.

"**EMIR**" refers to the European Market Infrastructure Regulation.

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

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

"**FFI**" refers to a non-US financial institution.

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

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

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

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

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

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

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

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

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

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

"**IGA**" refers to an Inter-governmental Agreement between the local Government in a so called IGA jurisdiction and the US 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.

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

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

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

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

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

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

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

"**MiFID II**" refers to the updated rules for markets in financial instruments adopted by the European Parliament on 15 April 2014.

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

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

"**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.

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

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

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

"**Prospectus Directive**" refers to Directive 2003/71/EC (as amended).

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

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

"**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.

"**RWA**" refers to risk weighted assets.

"**SA**" refers to the standardized approach.

"**S&P**" refers to Standard & Poor's Credit Market Services France SAS, a division of The McGraw-Hill Companies, Inc.

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

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

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

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

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

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

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

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

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

# 5. THE ISSUER

## 1. ABN AMRO BANK N.V.

ABN AMRO is a full-service bank, supporting retail, private banking, commercial and merchant banking clients in The Netherlands and selectively abroad. ABN AMRO is also internationally active in a number of specialised activities such as Energy, Commodities & Transportation (ECT) and Clearing, private banking, commercial banking and asset based lending in a select number of countries.

In 2012, ABN AMRO finalised the integration of ABN AMRO Bank and Fortis Bank Nederland. In 2013, ABN AMRO presented its results on a reported basis, which means that historical periods will no longer be adjusted for costs related to the integration. Therefore all results are presented on a reported basis for 2013, 2012 and 2011. Furthermore, ABN AMRO adopted the amended pension accounting standard IAS 19 as from 1 January 2013. As a result, all 2012 disclosed figures have been adjusted accordingly for comparison purposes. In 2013, accrued interest is presented as part of the relevant balance sheets accounts, versus the separate line items (i) accrued income and prepaid expenses and (ii) accrued expenses and deferred income in previous years. This change has no impact on equity, total assets or net profit. All 2012 disclosed figures have been adjusted accordingly for comparison purposes. The 2011 disclosed figures have not been adjusted for the amended IAS 19 and accrued interest adjustments described above.

### 1.1 History and recent developments

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

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

*EC Remedy*

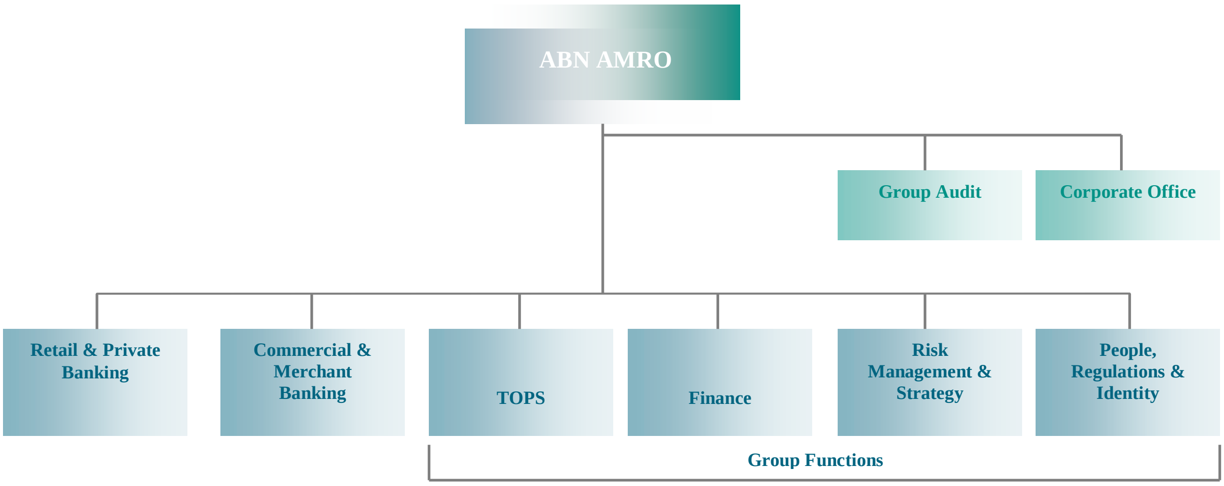
On 1 April 2010, ABN AMRO completed the sale of the EC Remedy Businesses to Deutsche Bank. This sale was a prerequisite set by the European Commission for the integration of the Dutch State acquired businesses and FBN into the new ABN AMRO Bank. The operational separation of the EC Remedy Businesses was finalised in 2012. The sale of the EC Remedy Businesses to Deutsche Bank included the Credit Umbrella and a cross liability with New HBU II N.V. In 2012, the Credit Umbrella was terminated.

*State Ownership and the role of NLFI*

The Dutch State announced that, in relation to ABN AMRO, the exit of its ownership will be evaluated in 2014. The Dutch State keeps all options open for a return to the private market for ABN AMRO, but has indicated it favours an IPO. In August 2013, the Dutch Minister of Finance sent a letter to Parliament, stating that (i) an IPO is the most realistic exit strategy for ABN AMRO, (ii) the decision on the timing of the exit has been postponed to the fall of 2014, and (iii) the final decision will depend on four prerequisites: (a) the financial sector is stable, (b) the market is ready, (c) ABN AMRO is ready and (d) the intention is to recover as much as possible of the total investments. The minister has instructed ABN AMRO to start IPO preparations in order to potentially execute after a possible positive decision in the fall of 2014. As of the date of this Registration Document, NLFI is the sole shareholder of ABN AMRO.

### 1.2 Business description

ABN AMRO is organised into Retail & Private Banking ("**R&PB**"), Commercial & Merchant Banking ("**C&MB**") 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, as shown in the diagram below.




For financial reporting purposes, in 2011 the Managing Board adopted a further refinement of ABN AMRO's segment reporting as follows:

- Retail Banking;
- Private Banking;
- Commercial Banking;
- Merchant Banking;
- Group Functions.

## 1.3 Retail & Private Banking

R&PB consists of the business lines Retail Banking, Private Banking Netherlands and Private Banking International, each of which serves a different client base with a tailored business proposition.

### Retail Banking

***Business scope and clients***

Retail Banking offers Mass Retail and Preferred Banking[1] clients a wide variety of banking, loan and insurance products and services through the branch network, online, via Advice & Service centres, via intermediaries and through subsidiaries. The majority of the loan portfolio of Retail Banking consists of residential mortgages.

***Main subsidiaries***

The following subsidiaries[2] of ABN AMRO Bank relate to Retail Banking:

[1] Preferred Banking is ABN AMRO's servicing concept for clients with a net monthly income exceeding EUR 5,000 or with EUR 50,000 to EUR 1 million in investable assets.

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

*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.

*Direktbank*

Direktbank N.V. is a subsidiary of AAHG and sells mortgages and service products and works exclusively with independent mortgage advisors.

*MoneYou*

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

*Alfam*

Alfam Holding N.V. ("**Alfam**") is ABN AMRO's competence centre 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 more than 25 different credit cards in partnership with companies. ICS promotes, manages and processes credit card transactions and offers other financial services, such as revolving credit facilities. ICS is active in The Netherlands, Belgium 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.

**Private Banking**

***Business scope and clients***

Private Banking provides total solutions to its clients' global wealth management needs and offers an array of products and services designed to address their individual situation. Private Banking operates under the brand name ABN AMRO MeesPierson in The Netherlands and internationally under ABN AMRO Private Banking and local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany. The International Diamond & Jewelry Group, a leading provider of global financial services to the diamond and jewellery industry, is part of Private Banking International.

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

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

- ***Family money*** provides specific services tailored to the needs of families, including wealth transfer to the next generation;

- ***Entrepreneurs and their enterprises*** advises entrepreneurs and family businesses, where business and personal needs are often interlinked;

- ***Charities and Institutions*** offers dedicated expertise to foundations and charitable organisations.

***Focus and commitment***

Based on its strategic decision to focus on selective growth in the eurozone and in Asia, ABN AMRO divested its private banking activities in Switzerland in 2011. In the rapidly changing and consolidating Swiss private banking market, transferring the operations to a leading Swiss private bank was in the best interests of both clients and staff.

In Germany, ABN AMRO acquired LGT Deutschland into its subsidiary Bethmann Bank, which is in alignment with the bank's strategy, brings new clients, assets and capabilities, and secured Bethmann Bank's top-five position in the important German private banking market.[3] In 2013, Bethmann Bank signed an agreement to acquire the domestic private banking activities of Credit Suisse in Germany through an asset and liability transaction.

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.

***International Diamond & Jewelry Group***

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

***Main subsidiaries***

The following subsidiaries[4] of ABN AMRO Bank relate to Private Banking:

*Banque Neuflize OBC*

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

*Neuflize Vie*

Neuflize Vie S.A. ("**Neuflize Vie**") is a joint venture between Banque Neuflize OBC (60%) and AXA (40%). Neuflize Vie is a life insurance company and was created to offer life insurance products for

[3] Manager Magazine 06/2011. Data source: investor marketing 2010; 1) Independently owned private banks.

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

(ultra) high net worth individuals and has developed customised solutions with a focus on unit-linked contracts.

*Bethmann*

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

### 1.4 Commercial & Merchant Banking

***Business scope and clients***

For small businesses up to large corporate companies, C&MB offers a comprehensive range of products, in-depth sector knowledge and customised financial advice.

C&MB offers a comprehensive product range and services to commercial clients in The Netherlands and surrounding countries – Germany, Belgium, France and the United Kingdom – as more than 80% of the bank's commercial clients conduct their international business in these countries. C&MB serves Dutch-based corporates with international activities, offering a one-stop shop for all financial solutions and tailor-made services. Clients have access to the bank's international network including the ten largest financial and logistics hubs in the world, including New York, São Paulo, London, Frankfurt, Singapore and Hong Kong. Internationally, C&MB offers selected specialised activities where it holds or can achieve a leading position: Energy, Commodities & Transportation ("**ECT**") and ABN AMRO Clearing Bank N.V. globally, and Lease and Commercial Finance in selected markets. For financial reporting purposes, C&MB is organised into Commercial Banking and Merchant Banking.

**Commercial Banking**

Commercial Banking serves commercial clients with annual turnover up to EUR 500 million and clients in the public sector, commercial finance and leasing. To address the international business needs of its clients, the Commercial Banking International network offers a broad range of products and services by having a local presence in selected areas and globally through partner bank agreements. Commercial Banking has set up agreements with partner banks to offer services to clients in countries where ABN AMRO is not present. Commercial Banking consists of two business lines: Business Banking and Corporate Clients.

***Business Banking***

Business Banking offers small and medium-sized businesses with turnover up to EUR 30 million a comprehensive range of standard and customised products through the service models YourBusiness Banking and Relationship Management.

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.

Medium-sized businesses are assigned a dedicated relationship manager who advises on financial matters based on in-depth knowledge of the client's business and market and is supported by specialists who offer advice on insurance, payments, acquisition finance and treasury.

All Business Banking clients have access to products and expertise available in other C&MB business lines, such as trade, lease and commercial finance.

***Corporate Clients***

Corporate Clients serves Netherlands-based companies with an annual turnover between EUR 30 and 500 million as well as clients in the public sector. ABN AMRO Lease, ABN AMRO Commercial Finance and Commercial Banking International are part of Corporate Clients and provide solutions to clients in all C&MB segments.

Clients are served from five regions in The Netherlands, each providing a full range of services and offering in-depth expertise in key sectors of the Dutch economy. Each client is assigned a dedicated client team, consisting of a relationship manager and a shared team of specialists in various product areas such as cash management, trade and credits. Clients also have access to a dedicated support unit for their day-to-day banking affairs.

Corporate Clients has cultivated a solid market position in the Dutch corporate client segment and is actively pursuing its long-term commercial objectives, as evidenced by the high number of deals and strong growth in client satisfaction (according to an independent study by TNS NIPO).

Clients have access to Merchant Banking products and advice, such as M&A and capital structure advisory services.

***Main subsidiaries***

The following subsidiaries[5] of ABN AMRO Bank are related to Commercial Banking:

*ABN AMRO Lease*

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

*ABN AMRO Commercial Finance*

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

*ABN AMRO Groenbank*

ABN AMRO Groenbank B.V. ("**ABN AMRO Groenbank**") finances sustainable projects based on the fiscal green scheme provided for in the Dutch tax system. ABN AMRO Groenbank takes savings deposits and investment cash from Retail & Private Banking clients and makes this capital available to businesses that invest in sustainable projects in The Netherlands. Financing of sustainable projects has been put on hold following changes to the Dutch fiscal green scheme; however, ABN AMRO Groenbank continues to attract funds.

**Merchant Banking**

***Business scope and clients***

Merchant Banking serves Netherlands-based corporates, financial institutions and real estate investors and developers as well as international companies active in ECT. Merchant Banking is organised into two business lines: Large Corporates & Merchant Banking ("**LC&MB**") and Markets. LC&MB offers a full array of banking products and services, including Cash & Liquidity Management, Debt Solutions and Corporate Finance & Capital Markets. Markets serves the bank's entire client base and has two global businesses: Securities Financing and Clearing.

***Large Corporates & Merchant Banking***

LC&MB offers a full range of financial services to Netherlands-based corporates, financial institutions and real estate investors and developers as well as international companies active in ECT. LC&MB services can be made available to C&MB clients and include:

- Debt solutions: syndicated bank loans, acquisition & leveraged finance, export & project finance, debt capital market products and capital structuring & advisory;

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

- Cash management and working capital services;
- M&A advice and equity capital market solutions;
- Private equity financing: majority and substantial minority shareholder stakes.

*Large Corporates & Sector Origination*

Corporates based in The Netherlands with turnover exceeding EUR 500 million are offered strategic relationship management by sector coverage teams supported by product teams and credit specialists.

*Financial Institutions*

The Financial Institutions team offers strategic relationship management and a full specialised product range to domestic and international banks, pension funds, asset managers and insurance companies. The team maintains a sizeable network of relations with foreign banks in delivering correspondent banking and trade finance facilities.

*Real Estate Finance*

The Real Estate Finance team serves professional real estate clients based in The Netherlands (both investors and developers), providing a full range of financial solutions including corporate lending, asset-backed investment and development finance as well as several advisory services.

*Energy, Commodities & Transportation*

ECT clients are international mid-sized to large corporates active in energy (oil and gas industry and offshore services), commodities (trading companies active in energy, agricultural and metals commodities) and transportation (shipping and intermodal). ECT has an established presence in 11 locations around the world, in the three main time zones: Asia, Europe and the Americas.

*Private Equity*

ABN AMRO provides equity financing (both majority and substantial minority shareholder stakes) to Dutch-based profitable mid-market parties with solid market positions, clear growth potential (autonomously or by means of acquisitions) and actively involved and committed management teams that are prepared to co-invest.

***Markets***

Markets is divided into three business lines: Trading, Sales and ABN AMRO Clearing. Markets serves a broad client base, ranging from corporate and financial institutions to retail and private banking clients. This business line offers specialised Foreign Exchange, Interest Rates, Commodities, Equities, Equity Derivatives and Securities Financing products. Markets also offers clients online services via ABN AMRO I-Markets.

In The Netherlands, Markets has sales and trading activities in Amsterdam and Commercial Banking sales desks in four other locations throughout the country. Outside The Netherlands, its main sales and trading activities are based in Frankfurt, Hong Kong, London and New York. Markets has two niches with a global presence: Securities Financing and ABN AMRO Clearing.

*Securities Financing*

ABN AMRO is a large player in the Dutch securities borrowing and lending market – the only Dutch bank offering a complete product range. Securities lending is the market activity whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities in the future.

The Securities Financing team offers tailor-made solutions to financial institutions such as pension funds, asset managers, insurance companies, banks and clearing institutions. Securities Financing has a global presence, with offices in Amsterdam, London, Frankfurt, New York and Hong Kong, and consists of a Global Sales team and three trading units: Bond Financing, Equity Financing and Collateral Financing.

***Main Subsidiaries***

The following subsidiaries[6] of ABN AMRO Bank are related to Merchant Banking:

*ABN AMRO Clearing*

ABN AMRO Clearing Bank N.V. ("**ABN AMRO Clearing**") is a global player in derivatives and equity clearing and is one of the few players currently offering global market access and clearing services on more than 85 of the world's leading exchanges.

ABN AMRO Clearing 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 N.V., which has a banking license and is regulated and supervised by DNB.

*Maas Capital Investments*

Maas Capital Investments B.V. ("**MCI**"), part of ABN AMRO's ECT business, is a financier for the shipping and offshore sector. MCI does this through financial lease constructions or by taking (minority) participating interests.

## 1.5 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 organised 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 reports directly to the Chairman of the Managing Board and the Chairman of the Audit Committee. The Company Secretary holds an independent position under joint supervision of the Chairman of both the Managing Board and the Supervisory Board.

### Technology, Operations & Property Services

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

### Finance

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

### Risk Management & Strategy

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

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

**People, Regulations & Identity**

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

## 1.6 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 the creation of a banking union, the European Market Infrastructure Regulation (EMIR), the revised Markets in Financial Instruments Directive (MiFID II), the Bank Recovery and Resolution Directive (BRRD), a renewed Deposit Guarantee Scheme Directive (DGS), the Packaged Retail Investment Products (PRIPS) Regulation, the Mortgage Credit Directive, the revised 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 Standardised Approach; the Internal Ratings Based Foundation Approach; and the Advanced Internal Ratings Based Approach. Basel II also introduced capital requirements for operational risk for the first time.

Basel II is structured around three "pillars":

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

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

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

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

Basel II Pillar 1

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

For credit risk the Advanced Internal Ratings-Based (AIRB) method is used for large SME, retail and most of the specialised lending portfolios except for a small real estate portfolio for which the slotting criteria approach is used. Foundation Internal Ratings-Based (FIRB) approach is used for sovereign portfolio and the Standardised Approach ("**SA**") is used for financial institutions, commercial real estate and large corporates. ABN AMRO obtained formal Advanced Internal Ratings-Based (AIRB) approval from the regulator in 2013.

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

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

Basel II Pillar 2

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

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

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

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

ABN AMRO's Group Risk Committee is extensively involved in bank-wide stress testing. The Group Risk 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 2013. 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) is expected to cause a rise in RWA, 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 securitisations, 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-securitisation (securitisations that have underlying securitisation positions), enhanced disclosure of securitisation exposures and other technical amendments.

*Basel III/CRD IV*

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

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

The Basel Committee proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final

Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, to strengthen the risk coverage of the capital framework in relation to derivative positions and to introduce a new liquidity framework and a leverage ratio.

The Basel Committee is conducting further work on systemically important financial institutions and contingent capital in close coordination with the Financial Stability Board. The Basel Committee has stated that measures may include capital surcharges, contingent capital and bail-in debt (which could be introduced by statute, possibly impacting existing as well as future issues of debt and exposing them to the risk of conversion into equity and/or write-down of principal amount). Such measures would be in addition to proposals for the write-off of Tier 1 and Tier 2 debt (and its possible conversion into ordinary shares) if a bank were to become non-viable. The changes to capital adequacy and liquidity requirements in the jurisdictions in which it operates described above or any future changes may also require the Issuer to raise additional regulatory capital or hold additional liquidity buffers. Furthermore, the variety of capital and liquidity requirements of regulators in different jurisdictions may prevent the Issuer from managing its capital and liquidity positions in a centralised 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-weighted assets and engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or at prices which would otherwise be attractive to the Issuer. If the Issuer is unable to adequately manage its liquidity position, this may prevent it from meeting its short-term financial obligations.

***Banking Union***

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

***- Single Supervisory Mechanism***

Under the SSM, the ECB will become the single supervisor for the prudential supervision of credit institutions that qualify as a significant credit institution. 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. The SSM entered into force on 4 November 2013; however, the ECB cannot take binding decisions until the operational commencement of its supervision on 4 November 2014.

In advance of the SSM, the ECB will carry out a comprehensive assessment which comprises a supervisory risk assessment, an asset quality review and a stress test. The supervisory risk assessment is to review (quantitatively and qualitatively) key risks, including liquidity, leverage and funding. The asset quality review is 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 is to examine the resilience of banks' balance sheets to stress scenarios.

***- Single Resolution Mechanism***

On 15 April 2014, the European Parliament approved a proposed directive for the SRM. This directive must still be formally adopted by the Council. The SRM provides for a single resolution fund and a single resolution board. The single resolution fund will be financed by bank levies raised at national level. The single resolution board will have broad powers in cases of a bank resolution. The ECB will notify the board that a bank is failing or likely to fail following which the board can decide to adopt a resolution scheme placing the bank into resolution. The scheme would determine the application of resolution tools and use of the single resolution fund. If it is approved, not only shareholders but also bondholders and large deposit holders may have to contribute to a bank's rescue as from 2016. The SRM is scheduled to enter into force on 1 January 2015 whereas bail-in will become possible as from 1 January 2016. This would be two years earlier than originally planned.

***- 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 will apply 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 introduce a large number of technical standards, guidelines and recommendations in the course of 2014, further defining EU banks' obligations.

- *EU Deposit Guarantee Scheme Directive*
  On 15 April 2014, the European Parliament adopted the new EU Deposit Guarantee Scheme ("**DGS**") Directive. This directive still has to be published in the Official Journal of the European Union. 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 new Directive will require banks to provide better information to depositors to ensure that they are aware of how their deposits are protected by the guarantee schemes. DGS funds will have to be established on a national level to be funded by ex ante, risk-based contributions from relevant banks. In the event of insufficient ex ante funds, DGS will collect immediate ex post contributions from the banking sector, and, as a last resort, they will have access to alternative funding arrangements such as loans from public or private third parties. Furthermore, access to the guaranteed amount will be faster and easier. The EU DGS is similar to the current Dutch system (see below under Dutch Deposit Guarantee Scheme), although certain elements differ, for example inclusion of corporate deposits in the EU proposal. It is currently unclear what extra demands the EU proposals will place on Dutch banks on top of those in the Dutch DGS.

- *Banks Recovery and Resolution Directive*
  The European Parliament approved BRRD on 15 April 2014, after they had reached agreement on BRRD with the Council on 11 December 2013. This directive has been formally adopted by the Council on 6 May 2014 and is scheduled to enter into force on 1 January 2015. Authorities are provided with the means to intervene decisively both before problems occur (for instance, by ensuring that all banks have recovery and resolution plans in place) and early on in the process if they do (for instance, the power to appoint a temporary administrator in a bank for a limited period to deal with problems). Furthermore, the new law ensures through a bail-in mechanism that shareholders and creditors of the banks have to contribute to the loss absorption and recapitalisation of the bank should its financial situation be beyond repair despite the preventive measures. 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. BRRD sets the stage for completing work on the SRM.

***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 harmonised 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 harmonises conduct of business rules, including best execution, conflict of interest, customer order handling rules and rules on inducements. MiFID abolishes the concentration rule, creating a more competitive regime between order execution venues. It furthermore imposes market transparency rules on investment firms, regulated markets and multilateral trading systems for both pre- and post-trading for, inter alia, equities.

On 15 April 2014 the European Parliament adopted updated rules for markets in financial instruments ("**MiFID II**"), after an agreement in principle was reached with the Council on 14 January 2014. MiFID II has been formally adopted by the Council on 13 May 2014. 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 shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments on a multilateral basis have to be authorised as a Multilateral Trading Facility ("**MTF**"). It also introduces a new multilateral trading venue, the Organised Trading Facility ("**OTF**"). To meet the G20 commitments, MiFID II provides for strengthened supervisory powers and 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 will introduce trading controls for algorithmic trading activities. Stronger investor protection is achieved by introducing better organisational requirements, such as client asset protection or product governance. The agreement 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.

***EMIR***

The European Market Infrastructure Regulation ("**EMIR**") on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories entered into force on 16 August 2012. Regulations supplementing EMIR entered into force on 15 March and 15 September 2013. Further regulations 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 listed 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 derivatives contract, and applies indirectly to non-EU counterparties trading with EU parties.

The implementation of EMIR increases ABN AMRO's reporting requirements on outstanding and new derivatives contracts. For non-centrally cleared contracts, ABN AMRO will need to comply with certain operational risk management requirements, including timely confirmation and the increased exchange of collateral. As from 12 February 2014, ABN AMRO is obliged to report on both listed and OTC derivatives transactions to an approved transaction repository.

***Packaged Retail Investment Products***

Packaged Retail Investment Products ("**PRIPS**") are investment products offered to retail clients in 'packaged' form, which are exposed to investment risk irrespective of whether the products in question are securities, insurance or banking-based. Investors do not invest directly in the 'packaged' investment products; instead, the provider of the investment product combines, includes or groups together different assets in the packaged product. 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.

Under a new draft PRIPS regulation, a standard key information document ("**KID**") providing all relevant product information, will in future be provided by investment product manufacturers for PRIPS. The fact that the information document must be used for all product types will facilitate product comparison. The key information document will therefore enhance protection for small investors and create a level competitive playing field for investment product providers.

The European Parliament approved the new PRIPS regulation on 15 April 2014, after they had reached political agreement with the Council on 1 April 2014. This directive must still be formally adopted by the Council.

***Mortgage Credit Directive***

The European Parliament has adopted new mortgage lending rules. These rules are set out in a directive that aims to enhance protection to consumers taking out a mortgaged loan. It will become easier to compare mortgages, and consumers will get a cool-off period of seven days. The directive will also offer more protection when payment problems arise. Consumers will have the right to repay early, but Member States may make this subject to additional conditions. Finally, the directive introduces a licence and registration requirement and a European passport for credit brokers. The directive is required to be implemented by the Member States by 21 March 2016.

*PSD 2 and Multilateral Interchange Fees Regulation*

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

The main objectives of the legislative package (PSD 2) are, *inter alia*, (i) to make cross-border payments in the European Union as easy, efficient and secure as domestic payments, (ii) improve the level playing field (including new players), (iii) improve consumer protection and (iv) facilitate the emergence of common technical standards and interoperability. The main objective of the Interchange Fees Regulation is to create a level playing field by removing barriers between national payment markets and allowing new entrants to enter the market, driving down the fees that retailers pay their banks and ultimately allowing consumers to benefit from lower retail prices.

Key elements of the PSD 2 that could impact ABN AMRO are: (i) access to payment accounts by other parties than the bank where the customer holds an account (Third Party Access), (ii) non-refundable direct debit and (iii) security requirements. Third Party Access as described in the proposal of the European Commission can be a threat as parties other than the bank focus on the customer-engagement components of the value chain and leave the commoditised transactional components to banks which could lead to disintermediation. The non-refundable direct debit is an opportunity for banks as this product improves the predictability of the cash flow of creditors (corporate customers). Security is and will remain a core element in the service offering of banks whereby it is important that the security requirements in the PSD 2 strike the right balance between ease of use and risk. Key elements of the Interchange Fees Regulation that could impact ABN AMRO are (i) the permillage based fee for debit card transactions and (ii) transparency requirements on interchange fees to merchants (detailed invoice). Retailers in The Netherlands are used to paying a fixed fee per debit card transaction. A change in this practice could have an impact on revenue of banks as retailers will not be inclined to pay a much higher fee for a high value debit card transaction and the transparency requirements will increase the cost base of banks.

*Data Protection Regulation*

The European Commission is currently in the process of reviewing the general EU legal framework on the protection of personal data. The main policy objectives sought by the European Commission 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 Privacy Directive of 1995 for a new regulation that will apply directly and uniformly throughout the European Union. This reform will have a major impact on the private sector and provides for significant fines, with fines reaching 5% of the worldwide turnover of a company (according to the European Parliament) or up to 2% of the worldwide turnover (according to the European Commission). The text of the regulation is not yet final, as the Council must determine its own standpoint before the text is debated and adopted. The regulation is expected to enter into force in 2016 or 2017. In parallel with EU legislative amendments to strengthen privacy protection, there are a number of Dutch initiatives in this field: amendment of the Dutch Data Protection Act (DPA) imposing the obligation to report data leaks (date of entry into force as yet unknown) and the new power of the Dutch privacy regulator, presumably as from 1 January 2015, to impose fines of up to EUR 810,000 per infringement, which may lead to cumulative fines.

**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***

Prudential supervision of credit institutions in The Netherlands is performed by DNB under the Wft. No enterprise or institution established in The Netherlands may pursue the business of a credit institution unless it has obtained prior authorisation from DNB. Its supervisory activities under the Wft focus on supervision of solvency, liquidity and administrative organisation, including risk management and internal control. If, in the opinion of DNB, a credit institution fails to comply with the rules and regulations regarding the above mentioned subjects, DNB will notify the credit institution and may give the credit institution certain instructions. If the credit institution does not respond to any such instructions to the satisfaction of DNB, DNB is allowed to exercise additional supervisory measures that may include the imposition of fines and revocation of licenses.

Prudential supervision also oversees calculation of significant intra-group agreements, adjusted solvency, calculation of capital adequacy and significant risk concentrations. It also determines the models used by the financial undertakings to report the calculations to DNB. Furthermore, the regulation lays down reporting rules, for example reporting deadlines and reporting frequency.

The Wft provides that each supervised credit institution must submit periodic reports to DNB. In accordance with this requirement ABN AMRO Bank files quarterly and monthly reports with DNB. At least one submission for each given year must be certified by an external auditor. The report to be certified is selected by an external auditor at his or her discretion.

***Supervision by DNB***

DNB exercises monetary supervision, supervision with respect to the solvency and liquidity of credit institutions, supervision of the administrative organisation of credit institutions and structure supervision relating to credit institutions. To this end, DNB has issued the following general guidelines:

*Solvency Supervision*

The legislative minimum solvency requirements require that a credit institution maintain its own funds in an amount equal to at least 8% of its risk weighted assets. DNB sets bank-specific minimum requirements which are non-public.

*Liquidity Supervision*

The guidelines of DNB relating to liquidity supervision require that a credit institution maintains sufficient liquid assets against certain liabilities of the credit institution. These guidelines impose additional liquidity requirements if the amount of liabilities of a credit institution with respect to one debtor or group of related debtors exceeds a certain limit.

*Structural Supervision*

The Wft provides that a credit institution must obtain a declaration of no objection from DNB before, among other things: (i) reducing its own funds by way of repayment of (regulatory) capital or distribution of reserves or making disbursements from the item comprising the code for general banking risks as referred to in section 2:424 of the Dutch Civil Code; (ii) acquiring or increasing a qualified holding in a bank, investment firm or insurer with its corporate seat in a state which is not part of the European Economic Area, or in a financial institution that has not obtained a supervisory status certificate, if the balance sheet total of that bank, investment firm or insurer at the time of the acquisition or increase amounts to more than 1 per cent. of the bank's consolidated balance sheet total, (iii) acquiring or increasing a qualified holding in an enterprise, not being a bank, investment firm or insurer with its corporate seat in The Netherlands or in a state which is part of the European Economic Area or in a state which is not part of the European Economic Area, if the amount paid for the acquisition or increase, together with the amounts paid for a previous acquisition or increase of a holding in such enterprise, amounts to more than 1 per cent of the consolidated available equity capital of the bank, (iv) taking over all or a major part of the assets and liabilities of another enterprise or institution, directly or indirectly, if the total amount of the assets or the liabilities to be taken over amounts to more than 1 per cent. of the bank's consolidated balance sheet total, (v) merging with another enterprise or institution, if the balance sheet total of the enterprise or institution involved in the merger exceeds 1 per cent of the consolidated balance sheet total of the bank referred to above, or (vi) proceeding with a financial or corporate reorganisation. For purposes of the Wft, qualified holding is defined to mean the holding, directly or indirectly, of an interest of more than 10 per cent. of the issued share capital or voting rights in an enterprise or institution, or a similar form of control.

In addition, any person is permitted to hold, acquire or increase a qualified holding in a credit institution, or to exercise any voting power in connection with such holding, only after such declaration of no objection has been obtained.

***Emergencies***

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

***Dutch Intervention Act***

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

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

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

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

***Dutch Deposit Guarantee Scheme***

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

***Financial Markets Amendment Act 2013***

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

***Financial Markets Amendment Act 2014***

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

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

***Financial Markets Amendment Act 2015***

A consultation document for the Financial Markets Amendment Act 2015 was published on 14 August 2013 and a consultation document for the Financial Markets Amendment Decree 2015 was published on 14 March 2014. The 2015 Amendment Act and Decree are expected to enter into force on 1 January 2015. Two of the important suggested 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 consultation document 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.

***Mortgage Lending Rules***

A number of rules and regulations applying to the Dutch mortgage market entered into force in January 2013. These include fiscal measures that only allow tax deductibility of interest payments for new borrowers of annuity or linear mortgages. 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 over 27 years from a maximum of 51% to a maximum of 38%. This percentage will however not be reduced below the third bracket (which is 42% in 2014) for income tax purposes in any given year. These changes will most likely lead to a gradual decrease over the coming years of the amount of interest-only mortgages in ABN AMRO's portfolio.

The new rules also impose a gradual decrease in the maximum loan-to-value rate. The loan-to-value rate will decrease (in principle) from 105% as per 1 January 2013 to 100% as per 1 January 2018. Furthermore, new rules have been introduced for paid advisory services in the mortgage market. Clients will have to pay for the mortgage advice provided, and referral fees will no longer be allowed. New transparency rules have been introduced to promote competition in the mortgage market. These rules require mortgage lenders to publish their fees on their websites and to provide specific information on offers and renewal offers to new and existing clients.

***Ban on referral fees and bonuses***

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

A similar ban on referral fees came into effect into effect as of 1 January 2014 in relation to certain investment services, including, but not limited to, (i) individual portfolio management, (ii) investment advice and (iii) execution-only services, all in relation to financial instruments. The prohibition affects for instance inducement fees which used to be paid by investment funds to distributors. Under the new rules, only the client itself is allowed to pay commissions to the investment services provider.

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

***Conduct of business supervision***

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

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

***Dutch bank tax***

In 2011, the Dutch government announced its intentions to introduce a bank tax. According to the government, the main purpose of this bank tax is to price in the implicit government guarantee for the Dutch banking sector. An act to introduce the bank tax in The Netherlands entered into force in 2012. Since the original proposal, the tax rates have been increased such that the anticipated annual revenue generated by the bank tax from Dutch banks will increase from EUR 300 million to EUR 600 million.

Due to the introduction of the bank tax, ABN AMRO incurred a EUR 112 million surcharge in 2012 and a EUR 106 million surcharge in 2013, increasing expenses and the cost/income ratio. This measure will lead to costs in subsequent years.

***Temporary Resolution Act***

The Temporary Resolution Levy Act introduces a one-off bank levy of in total EUR 1 billion. The individual bank's contribution will be based on customer deposits that qualify for compensation under the Dutch Deposit Guarantee Scheme per 1 February 2013. It will be levied on 1 March 2014, 1 May 2014 and 1 July 2014, hence distributing the burden over the first three quarters of 2014. The impact of this proposal on ABN AMRO's results is currently estimated to be approximately EUR 200 million depending on the final details of the levy. This act is part of the total financing package of the nationalisation of SNS REAAL on 1 February 2013.

**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 US law on 21 July 2010. The Dodd-Frank Act has been hailed as the most sweeping financial services regulatory reform legislation in the US 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 US persons. Other provisions will apply only if ABN AMRO is required to register as a swap entity with the applicable US 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 Securities and Exchange Commission ("**SEC**"). The CFTC has issued almost all of its rules and regulations, while the SEC has not. The major remaining outstanding rules of the CFTC are those relating to capital of registered swap entities and margin for uncleared swaps. Furthermore, the cross-border application of the rules on OTC derivatives is still being implemented. Based on the information gathered to date, the Issuer has not registered as a swap dealer with the CFTC. The SEC has not published registration rules and as of year-end 2013, there was no registered swap entity for those derivatives under its jurisdiction. The Issuer is monitoring legal developments and OTC derivatives volumes to determine the need for registration.

***FATCA***

FATCA was enacted by US authorities in March 2010. The objective of FATCA is to increase the ability to detect US persons evading tax by holding accounts with so-called FFIs. FATCA imposes a maximum 30% withholding tax on US source payments to an FFI unless the FFI complies with client due diligence and certain reporting and withholding requirements. An FFI can be FATCA compliant by entering an FFI Agreement directly with the US tax authorities or by way of operating in a jurisdiction where the local Government has concluded an IGA. In such an IGA jurisdiction, a local government has entered into an agreement with the United States to implement FATCA and the FATCA obligations are incorporated into local law.

ABN AMRO intends to become fully FATCA compliant, and expects FATCA to have 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.

### 1.7 Legal and arbitration proceedings

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

***Settlement with Ageas***

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

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

***Madoff fraud***

ABN AMRO Bank, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. In some instances, ABN AMRO Bank and/or a subsidiary made collateralised loans to client funds that had indirect exposure to Bernard L. Madoff Investment Securities ("**BLMIS**"). In other instances, a subsidiary of ABN AMRO Bank entered into total return swap transactions with client funds that were indirectly exposed to BLMIS, and also purchased reference portfolio interests in funds that were exposed to BLMIS. If those BLMIS exposed funds remain impaired, ABN AMRO Bank estimates that its and its subsidiaries' losses could amount to EUR 922 million as provisionally provided for in 2008. In addition, certain subsidiaries of ABN AMRO Bank provided other services (including custodial and administration services) to client funds that had exposure to BLMIS. The provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. ABN AMRO Bank subsidiaries are defending themselves in these proceedings to which they are defendants. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO Bank subsidiaries' potential liability, if any. ABN AMRO Bank and its relevant subsidiaries are continuing to investigate and implement strategies for recovering the losses suffered. As previously reported, a total amount of EUR 16 million (exclusive of costs) was recovered in the first half of 2009. In 2011, 2012 and 2013, one of ABN AMRO Bank's subsidiaries was able to sell shares and limited partnership interests that were provided to it as collateral or which it had bought to hedge its exposure in the context of the collateralised loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52 million, EUR 78 million and EUR 253 million, respectively, and an equivalent amount provided for in 2008 was subsequently released.

## 1.8 Recent developments

***New Pension Scheme for Employees in The Netherlands***

On 2 April 2014 ABN AMRO announced that it had reached a negotiated result with the trade unions and the ABN AMRO Pension Fund on a new pension scheme for its employees in The Netherlands as part of the new collective labour agreement. The new pension scheme is a Collective Defined Contribution Plan ("**CDC Plan**"). On 16 June 2014 ABN AMRO further announced that it settled the agreement regarding the CDC Plan. The settlement follows the approval of the new collective labour agreement by the trade unions and their respective members on 28 April 2014 and the final approval of the pension administration agreement by the board of ABN AMRO Pension Fund on 12 June 2014. As from settlement of the agreement, ABN AMRO will be released from its financial obligations under the Dutch defined benefit plan, resulting in a release of the related net pension liability. Furthermore, the regulatory capital filter under the Basel III phased-in approach for the effects stemming from the revised pension accounting standard IAS 19 will be removed. The settlement of the pension agreement will have an estimated one-off negative impact on the net result of EUR 216 million[7] (EUR 288 million pre-tax). This is the sum of:

- the compensation payment of EUR 500 million pre-tax (EUR 375 million after tax);
- a EUR 200 million pre-tax lump sum (EUR 150 million after tax) for a catch-up indexation initiated by the pension fund;
- the release of the net pension liability, which finally amounted to approximately EUR 449 million[8] pre-tax (EUR 337 million after tax) at 12 June 2014; and
- an expense of EUR 37 million pre-tax (EUR 28 million after tax) for the difference between the pre-agreed cash contribution to the pension fund and the CDC Plan cash contribution for the remainder of 2014.

The impact of the agreement, combined with the effect of the removal of the regulatory capital filter, is expected to have a negative impact on the phased-in Basel III Common Equity Tier 1 (CET1) ratio of 167bps[9]. The impact on the fully loaded Basel III CET1 ratio is expected to be 19bps[10] negative.

***Further Focus in Markets Activities***

Following a strategic review of the Markets activities (excluding ABN AMRO Clearing), part of Merchant Banking, ABN AMRO announced on 10 June 2014 to bring further focus to its Markets activities. The product and service offering of Markets will become more focused and purely client led. The product offering will consist of foreign exchange, rates & commodity derivatives, securities financing, credit bonds and equity brokerage & research. Going forward Markets will no longer offer equity derivatives products and own structured products. The shift in focus has implications for the geographic presence of Markets. As a result of the focus, the Markets activities in Asia become subscale and will be closed. In The Netherlands, Markets will further expand the online product offering to commercial clients. The five Regional Treasury Desks in The Netherlands will be combined into one centralised department. In Europe, Markets will explicitly focus and grow the service proposition to ECT clients and financial institutions clients in particular. Markets will remain in the US offering products to ECT clients, financial institutions and Dutch clients active in the United States. As a result of these changes, ABN AMRO expects to lower its capital consumption. At the year-end 2013 Markets (excluding ABN AMRO Clearing) had approximately 300 FTEs and revenues of around EUR 260 million.

7 Pending final actuarial audit of the financial position of the ABN AMRO Pension Fund at 12 June 2014.

8 Pending final actuarial audit of the financial position of the ABN AMRO Pension Fund at 12 June 2014.

9 Pending final actuarial audit of the financial position of the ABN AMRO Pension Fund at 12 June 2014.

10 Pending final actuarial audit of the financial position of the ABN AMRO Pension Fund at 12 June 2014.

## 2. SHAREHOLDER, GROUP AND CONTROL

### 2.1 Shareholder

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

As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by NLFI. NLFI holds a total voting interest of 100% in ABN AMRO Group N.V. NLFI is responsible for managing the shares in ABN AMRO Group N.V. and exercising all rights associated with these shares under Dutch law, including voting rights. Material or principal decisions require the prior approval of the Dutch Minister of Finance, who can also give binding voting instructions with respect to such decisions. NLFI is not permitted to dispose of or encumber the shares, except pursuant to an authorisation from and on behalf of the Dutch Minister of Finance.

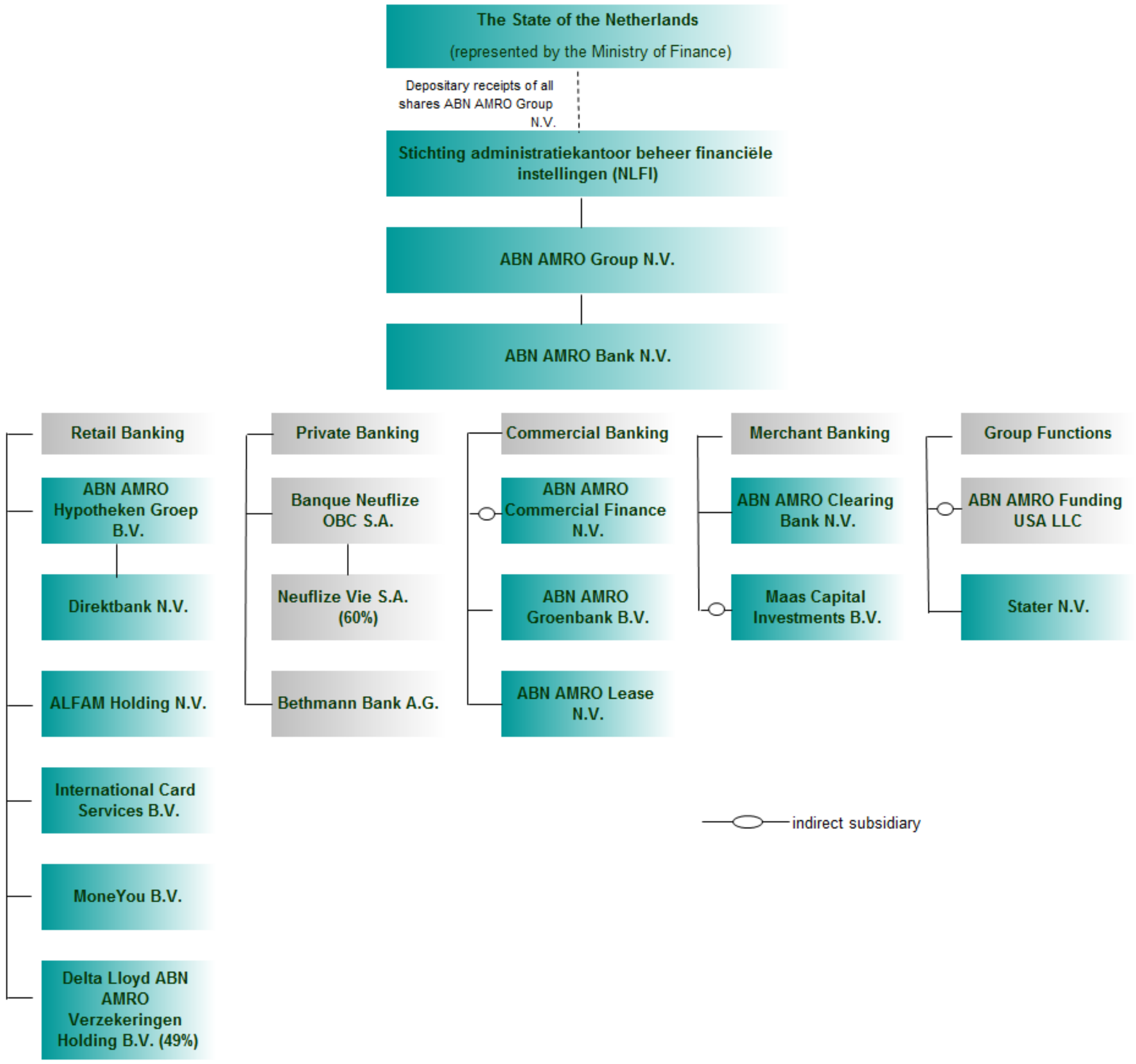
NLFI issued exchangeable depositary receipts for shares (without the cooperation of ABN AMRO Group N.V.) to the Dutch State. As sole holder of all issued exchangeable depositary receipts, the Dutch State holds an indirect economic interest of 100% in ABN AMRO Group N.V.

### 2.2 Group Governance

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

### 2.3 Structure

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




### 2.4 Control

Until 29 September 2011, the Dutch State had direct control over ABN AMRO, however, the Dutch State was not involved in the day-to-day management of ABN AMRO. On 29 September 2011, all shares in the capital of ABN AMRO Group N.V. held by the Dutch State were transferred to NLFI, as described above. While it retains all options, the Dutch State has indicated that it favours an IPO.

In August 2013, the Dutch Minister of Finance sent a letter to Parliament, stating that (i) an IPO is the most realistic exit strategy for ABN AMRO, (ii) the decision on the timing of the exit has been postponed to the fall of 2014, and (iii) the final decision will depend on four prerequisites: (a) the financial sector is stable, (b) the market is ready, (c) ABN AMRO is ready and (d) the intention is to recover as much as possible of the total investments. The minister has instructed ABN AMRO to start IPO preparations in order to potentially execute after a possible positive decision in the fall of 2014. NLFI is responsible for managing the shares in ABN AMRO Group N.V. and exercising the rights associated with these shares under Dutch law, including voting rights. Moreover, material or principal decisions require the approval of the Dutch Minister of Finance, who will also be able to provide binding voting instructions with respect to such decisions. NLFI's objectives exclude disposing of or encumbering the shares, expect pursuant to an authorisation from and on behalf of the Dutch Minister of Finance.

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

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

The Minister of Finance remains responsible for selling the shares held by NLFI. NLFI's objects therefore exclude disposing of and encumbering the shares, except pursuant to authorisation 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.

### 2.5 403 Statement

On 1 April 2010, ABN AMRO Group N.V. issued a statement of joint and several liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*) (the "**403 Declaration**") in relation to ABN AMRO Bank. Pursuant to the 403 Declaration, ABN AMRO Group N.V. is jointly and severally liable with ABN AMRO Bank for debts resulting from legal acts of it.

The 403 Declaration is part of the Dutch company law provisions designed to enable subsidiaries of parent companies which publish consolidated annual accounts to obtain an exemption from the requirements to separately publish their own annual accounts. One of the conditions for obtaining such exemption is that a 403 Declaration is issued by the parent company and deposited with the Commercial Register of the Chamber of Commerce. The statutory provisions relating to 403 Declarations are contained in Article 2:403 and following of the Dutch Civil Code.

The 403 Declaration may provide limited economic benefit or recourse to investors. The 403 Declaration constitutes a guarantee by ABN AMRO Group N.V. for financial instruments issued by ABN AMRO Bank. If ABN AMRO Bank should default, creditors impacted by such default, including holders of financial instruments, may claim against ABN AMRO Bank and/or ABN AMRO Group N.V as the guarantor. The obligation of ABN AMRO Group N.V. under the 403 Declaration is unconditional and is not limited in amount or by the type of ABN AMRO Bank obligation resulting from its legal acts. However, a legal defense available to ABN AMRO Bank against a creditor of ABN AMRO Bank would likewise be available to ABN AMRO Group N.V. as well. Furthermore, since ABN AMRO Group N.V. is a holding company with no significant activities of its own, it would have to look at its operating subsidiaries to satisfy a claim brought against a creditor of ABN AMRO Bank on the basis of the 403 Declaration. Finally, ABN AMRO Group N.V. may revoke the 403 Declaration at any time, including with retroactive effect subject to certain criteria.

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

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

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

The authorised and issued share capital (ordinary and preference shares) and share premium reserve were impacted by the conversion of the EUR 2 billion liability resulting from the MCS into equity (see *"The Issuer—1. ABN AMRO Bank N.V.—1.7 Legal and arbitration proceedings—Settlement with Ageas")*. In connection with the Ageas settlement, ABN AMRO Group N.V. issued one class A ordinary share (nominal value of EUR 1.00) to NLFI in June 2012.

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

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

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

## 3. MANAGEMENT AND GOVERNANCE

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

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

**Responsibilities of the Supervisory Board**

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

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

**Composition of the Supervisory Board**

The following persons are appointed as members of the Supervisory Board, together with an indication of their principal activities outside of ABN AMRO[11]:

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

[11] 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.

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|---|---|---|---|
| | years | Change at Vrije Universiteit in Amsterdam | Testing Development)<br><br>Chairman, Postgraduate Study Change Management, Vrije Universiteit, Amsterdam<br><br>Member of Board, Stichting INK (Institute for Netherlands Quality)<br><br>Chairman, Foundation Centre for Evidenced Based Management |
| Bert Meerstadt | 30 March 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Current position:* CEO Baarsma Wine Group Holding | Member of Supervisory Board, Lucas Bols<br><br>Chairman of Board, Friends of Concertgebouw and Royal Concertgebouw orchestra<br><br>Chairman of Marketing Advisory Board Rijksmuseum<br><br>Member of Board, Society for Prevention and Rescue of Drowning Victims<br><br>Chair of Board Blinden-Penning Foundation for the Blind and Visually Impaired |
| Marjan Oudeman | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Current position:* President of Executive Board of Utrecht University | Member of Supervisory Board, Statoil ASA<br><br>Member of Supervisory Board, Platform Bèta Techniek<br><br>Member of Supervisory Board, Rijksmuseum<br><br>Member of Supervisory Board of the Concertgebouw Foundation<br><br>Member of Board of Nationaal Fonds 4 en 5 mei |
| Annemieke Roobeek | 30 March 2010<br><br>Reappointed on 10 April 2014 for a period of 3 years | *Current position:* Professor of Strategy and Transformation Management (Nyenrode University) and director and owner of MeetingMoreMinds, Open Dialogue B.V. and XL Labs B.V. | Member of Supervisory Board, Abbott Healthcare Products B.V.<br><br>Member of Supervisory Board, KLM N.V.<br><br>Member Advisory Board Koninklijke Horeca Nederland<br><br>Member PGGM Advisory Board for Responsible Investment<br><br>Chairperson REFILL<br><br>Chairperson of INSID, Institute for sustainable innovation & development by His Royal Highness Prince Carlos de Bourbon Parma<br><br>Member of Board, Foundation of the Medical Centre of the Vrije Universiteit, Amsterdam<br><br>Member Raad van Eigen Wijzen CPI Governance |

| | | | |
|---|---|---|---|
| | | | Member, Siruis Leading Expert for Excellence in Higher Education |
| Peter Wakkie | 18 December 2009<br><br>Reappointed on 10 April 2014 for a period of 3 years | *Current position:* Partner at law firm Spinath & Wakkie B.V. | Chairman of Supervisory Board, Wolters Kluwer N.V.<br><br>Member of Supervisory Board, TomTom International B.V.<br><br>Member of Supervisory Board, BCD Holdings N.V.<br><br>Member of Board, Association for Corporate Litigation<br><br>Member of Board, VEUO |
| Olga Zoutendijk | 1 July 2014 | *Last position:* Group Head of Wholesale Banking, Asia and member of Global Executive Committee of the Wholesale Bank | None |

**Activities of the Supervisory Board**

The Supervisory Board of ABN AMRO has three committees:

***Audit Committee***

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

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

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

***Risk & Capital Committee***

The Risk & Capital Committee advises the Supervisory Board on subjects relating to risk management and risk control and prepares the Supervisory Board's decision-making in these areas. The committee is in charge of the annual approval of the bank's risk appetite; the periodical profile; the assessment of its risk management functions and the testing of its risk framework. The committee is also tasked with supervision of the bank's capital and liquidity position and its funding. The committee periodically discusses legal and compliance-related matters. The committee consists of Rik van Slingelandt (Chair), Hans de Haan, Annemieke Roobeek and Peter Wakkie.

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

**Responsibilities of the Managing Board**

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

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

**Composition of the Managing Board**

The following persons are appointed as members of the Managing Board, together with an indication of their principal activities outside of ABN AMRO[12] :

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

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

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

### 3.3 **Conflict of interest and address information**

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

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

## 6. OPERATING AND FINANCIAL REVIEW

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

*In 2012, ABN AMRO finalised the integration of ABN AMRO Bank and Fortis Bank Nederland. In 2013, ABN AMRO presented its results on a reported basis, which means that historical periods will no longer be adjusted for costs related to the integration. The integration costs are, however, part of the special items as defined in section 4.2 Key factors affecting results of operations – Special items and divestments.*

*Furthermore, ABN AMRO adopted the amended pension accounting standard IAS 19 as from 1 January 2013. As a result, all 2012 disclosed figures have been adjusted accordingly for comparison purposes. In 2013, accrued interest is presented as part of the relevant balance sheets accounts, versus the separate line items (i) accrued income and prepaid expenses and (ii) accrued expenses and deferred income in previous years. This change has no impact on equity, total assets or net profit. All 2012 disclosed figures have been adjusted accordingly for comparison purposes. The 2011 disclosed figures have not been adjusted for the amended IAS 19 and accrued interest adjustments described above.*

*The reported results for the years ended and as at 31 December 2013, 2012 and 2011 included in this Operating and Financial Review have been audited.*

*Allocation of costs has been refined as from 2011, with the majority of the costs of Group Functions now allocated to the businesses. Items not allocated to the businesses include operating results from ALM/Treasury, general restructuring charges, certain integration costs and costs for the Dutch Deposit Guarantee Scheme.*

*ABN AMRO is organised into Retail & Private Banking (R&PB), Commercial & Merchant Banking (C&MB) and Group Functions. For financial reporting purposes, based on the components of the business that management monitors in making decisions about operating matters, the Managing Board adopted in 2011 a further refinement of the segment reporting as follows: Retail Banking, Private Banking, Commercial Banking, Merchant Banking and Group Functions.*

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

### 6.1 Presentation of Financial Information

**Consolidated Annual Financial Statements 2013 and 2012**

The Consolidated Annual Financial Statements 2013 and 2012 have been prepared in accordance with IFRS-EU, on a mixed model valuation basis as follows:

- Fair value is used for:
    - Derivative financial instruments;
    - Financial assets and liabilities held for trading or designated as measured at fair value through income;
    - Available-for-sale financial assets;
    - Investments in associates of a private equity nature.
- Other financial assets (including "loans and receivables") and liabilities are valued at amortised cost less any impairment if applicable;
- The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;

- Non-financial assets and liabilities are generally stated at historical cost;
- Equity accounted investments are accounted for using the net equity method.

Changes in accounting policies

**Amended IAS 19 Employee Benefits**

ABN AMRO has adopted the amended IAS 19 Employee Benefits in accordance with the transitional provisions which require retrospective application. The opening statements of financial position as of 1 January 2012 and the comparative figures of 2012 have been adjusted. Further details are included in note 30 "*Pension and other post-retirement employee benefits*" to the Consolidated Annual Financial Statements 2013.

**IFRS 7 Financial Instruments: Disclosures Offsetting**

The amendments to IFRS 7 are intended to enable users of financial statements to better evaluate the effects or potential effects of offsetting on the entity's financial positions. The disclosures are included in Chapter 15 (*Risk management*) of the Annual Report 2013 which has been incorporated by reference herein, including comparative figures for 2012.

**IFRS 13 Fair Value Measurement**

On 1 January 2013, ABN AMRO adopted IFRS 13 Fair Value Measurement. In accordance with its transitional provisions, IFRS 13 is applied prospectively. Fair value is defined in IFRS 13 as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date. The change had no significant impact on the measurement of assets and liabilities. Further details are included in note 39 "*Fair value of financial instruments*" to the Consolidated Annual Financial Statements 2013.

**IAS 1 Presentation of Financial Statements**

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

**Improvements to IFRSs (2009-2011)**

As of 1 January 2013 ABN AMRO adopted the improvements to IFRSs 2009-2011 cycle. Those amendments had no significant impact on the 2013 Annual Financial statements. The amendments are listed below:

- IFRS 1 First-time adoption of International Financial Reporting Standards;
- IAS 1 Presentation of Financial Statements;
- IAS 16 Property, Plant and Equipment;
- IAS 32 Financial Instruments: Presentation.

*New accounting standards and interpretations*

The following new or revised standards and interpretations will become effective for ABN AMRO in 2014. These were issued by the IASB, endorsed by the European Union.

**IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces all of the consolidation guidance of IAS 27 Consolidated and separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. 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. IAS 28, Investments in Associates and Joint Ventures is also amended for conforming changes based on the issuance of IFRS 10. ABN AMRO has completed its impact assessment and concluded that there were no significant changes in its financial statements.

**IFRS 11 Joint Arrangements**

IFRS 11 overhauls the accounting for joint ventures and replaces IAS 31 Interest in Joint ventures and SIC 13 Jointly controlled Entities. It uses the principles of control in IFRS 10 in defining joint control and concluding whether joint control exists or may change. The new standard does not allow proportional consolidation of joint ventures and the equity method must be applied. ABN AMRO has completed its impact assessment and concluded that there were no significant changes in its financial statements.

**IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 includes disclosure requirements for interests in and risks arising from subsidiaries, joint arrangements, associated and structured entities. These requirements are not limited to consolidated entities. ABN AMRO is currently assessing the impact on its financial statements.

**Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance**

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments limit the requirements to provide adjusted comparative information only to the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

**IAS 32 Financial Instruments: Presentation**

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

The following new or revised standards and interpretations were issued by the IASB, which will become effective for ABN AMRO in or after 2014. These standards and interpretations have not yet been endorsed by the European Union and are therefore not open for early adoption.

**IFRS 9 Financial Instruments**

The IASB finalised two phases of IFRS 9 in its work on the replacement of IAS 39 and issued standards for Classification and measurement of financial assets and liabilities as well as general hedge accounting. The IASB expects to issue a final standard for impairments in 2014, for which an exposure draft has been issued. The IASB has stated that an effective date has not been set yet. ABN AMRO is currently assessing the impact on its financial statements.

**IAS 19 Employee Benefits**

In November 2013, the IASB issued narrow scope amendments to IAS 19 Employee Benefits. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted. The amendment has no material impact on ABN AMRO.

**IAS 36 Impairment of Assets**

In May 2013, the IASB issued amendments to IAS 36. These amendments address disclosure requirements for recoverable amount information if this amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The application of this amendment impacts disclosures only.

**IAS 39 Financial Instruments: Recognition and Measurement**

In June 2013, the IASB issued amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting. This amendment allows hedge accounting to continue in a situation where a derivative, designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations. The effective date is 1 January 2014. The amendment does not impact ABN AMRO.

**IFRIC 21 Levies**

In May 2013, the IASB issued IFRIC 21 Levies. This IFRS interpretation applies to all government-related levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The timing of charging levies to the income statement is clarified according to IAS 37. The bank will apply the interpretation as from 1 January 2014 prospectively. The interpretation will not have any significant impact on the income statement or balance sheet.

## 6.2 Key factors affecting results of operations

**General market conditions**

ABN AMRO's revenues and results of operations are affected by, among other factors, general economic conditions in The Netherlands and other markets, including economic cycles, the financial markets, the Dutch mortgage market, banking industry cycles and fluctuations in interest rates and exchange rates, monetary policy, demographics, and other competitive factors. Revenues and net profit from ABN AMRO's operations may vary from year to year depending on changes in consumer and corporate lending market conditions and business cycles in The Netherlands and other markets. The financial services industry, both in The Netherlands and around the world, continues to face a high degree of uncertainty, and ABN AMRO is exposed to these developments across all its businesses, both directly and indirectly and through their impact on customers and clients.

Economic developments in recent years have impacted Dutch banks. Revenues came under pressure due to weaker demand for certain banking products. Costs were driven up by preparations for and the introduction of new or revised regulations. Loan impairments increased due to a rise in defaults and a decline in the value of (commercial) property portfolios, among other things. These developments did not affect the profits and capital ratios of all banks equally, due in part to differences in scale and geographic scope and the relative impact of loan impairments. Lower profitability combined with stricter capital requirements prompted both Dutch and foreign banks active in The Netherlands to reconsider their existing mix of activities, choices in new lending, dividend policies and geographic allocation of capital. The relatively large share of mortgages on Dutch banks' balance sheets and the situation on the housing market made banks cautious in their mortgage lending. Furthermore, a number of foreign banks gave priority in lending to their home markets, slowed down growth of their Dutch activities and, in some cases, sold off portfolios.

**Special items and divestments**

***Impact of special items***

In the year ended 31 December 2013, several special items, including several significant releases, had a combined positive impact of EUR 408 million net of tax on the Group's results. No integration costs were recorded in 2013.

- These special items included:
    - releases of Greek impairments in the amount of EUR 324 million net of tax (EUR 432 million pre-tax);
    - a release of Madoff-related impairments in the amount of EUR 221 million net of tax (EUR 253 million pre-tax);
    - a restructuring provision of EUR 28 million net of tax (EUR 37 million pre-tax);
    - a reassessment of part of the securities financing activities conducted abroad which have been discontinued, leading to a EUR 70 million net of tax negative impact (same effect pre-tax); and
    - the costs of the wind-down of non-client-related equity derivatives activities, leading to a EUR 39 million net of tax negative impact (EUR 52 million pre-tax).

In the year ended 31 December 2012 several special items were recorded, having a combined positive impact of EUR 49 million net of tax on the Group's results.

- These positive items included:
  - integration costs of EUR 337 million net of tax (EUR 450 million pre-tax);
  - releases from Credit Umbrella and other EC Remedy-related provisions totaling EUR 210 million positive net of tax (EUR 215 million pre-tax);
  - a release of Greek impairments of EUR 94 million net of tax (EUR 125 million pre-tax);
  - Madoff-related impairment releases (EUR 75 million net of tax);
  - release of a provision related to the sale of the Swiss Private Banking activities; and
  - small additions to the restructuring provision taken in 2011.

In the year ended 31 December 2011 several special items had a negative impact of EUR 917 million net of tax on the Group's results:

- integration costs of EUR 271 million net of tax (EUR 362 million pre-tax)
- loan impairments on the Greek Government-Guaranteed Corporate Exposures (total amount of EUR 880 million pre-tax, EUR 660 million net of tax) highly impacted the results;
- a EUR 135 million restructuring provision was recorded for further restructurings and staff reductions (EUR 187 million pre-tax); and
- several positive one-offs (totaling approximately EUR 150 million net of tax), including items resulting from a further integration of systems and methodologies, gains on sales of participating interests and buildings and a release related to the Madoff provision, were recorded in the first half of 2011.

***Impact of divestments***

The results have been impacted by several divestments completed in 2012 and 2011. As of the date of completion of the divestments listed below, the results from these activities are no longer part of the ABN AMRO Group results.

Divestments in 2013 consist of the decrease of ownership of European Multilateral Clearing Facility from 78% to 25%. Ownership of European Multilateral Clearing Facility is now shared equally among Depository Trust & Clearing Corporation, BATS Chi-X, Nasdaq OMX and ABN AMRO Clearing Bank. This divestment was completed on 5 December 2013. The result of this transaction on the Group's net result was negligible, as was its impact on the income statement.

For comparison purposes, the following activities were divested in 2012:

- The sale of the commercial insurance broker activities for corporate clients to Aon. The insurance operations for small and medium-sized businesses were transferred to ABN AMRO Verzekeringen. ABN AMRO Verzekeringen is a joint venture between ABN AMRO Bank N.V. and Delta Lloyd Group, the latter holding 51% of the shares and ABN AMRO Bank N.V. having a 49% stake. The result of this transaction on the net result was negligible, as was its impact on the income statement;
- The sale of Solveon Incasso BV to Lindorff Group AB. The results of this entity and the transaction results were included in the financial results up to the completion date of the sale and transfer. The result of this transaction on the net result was negligible, as was its impact on the income statement.

For comparison purposes, the following activities were divested in 2011:

- The sale of Prime Fund Solutions ("**PFS**") was completed on 2 May 2011. The sale did not materially impact earnings or regulatory capital. The results of PFS were recorded in Group Functions;

- The sale of the international division of Fortis Commercial Finance to Fortis Bank SA/NV (a consolidated subsidiary of BNP Paribas Group) was completed on 3 October 2011. The sale led to a small book loss and did not have a material impact on earnings or on regulatory capital. The results of the international division of Fortis Commercial Finance were recorded in Commercial Banking;

The sale of the Swiss Private Banking activities to Union Bancaire Privée, UBP SA was finalised on 31 October 2011. The sale of these activities led to a book gain.

**Regulatory environment**

ABN AMRO conducts its businesses subject to financial services laws and regulations, as well as other laws and regulations (including behavioural requirements), rules, stress testing exercises, corporate governance requirements and administrative actions and policies in some or all of the locations in which it operates. DNB, the AFM and other regulators in various jurisdictions may impose further restrictions and conditions on ABN AMRO. In accordance with the single supervisory mechanism which became effective on 4 November 2013 the ECB will become the single supervisor for the prudential supervision of credit institutions that qualify as a significant bank. The Issuer is identified as a significant bank. Amongst others, the ECB will be responsible for market access and will supervise the Issuer's capital requirements and governance. While the ECB cannot make binding decisions until the operational start of its supervision on 4 November 2014, its future actions may result in further requirements being imposed on the Issuer, including but not limited to capital and liquidity. The timing and form of future changes in any laws, regulations or other rules, requirements, exercises, actions and policies or in the interpretation thereof, are unpredictable and beyond the Issuer's control, and any such changes made could materially adversely affect the Issuer's business, the products and services the Issuer offers or the value of its assets or extent of its liabilities.

Any changes in the tax laws of jurisdictions in which the Issuer operates which affect its products, could have a material adverse effect on its banking or other businesses and results of operations and financial position.

**Separation and Integration**

Cumulative integration-related synergies in the period from 2009 to 2012 amounted to approximately EUR 1.0 billion at the year-end 2012, mainly related to office space savings, IT savings and workforce reductions. Several activities were divested as a result of which the synergies related to these activities could not be realised. In addition, during the integration period EUR 0.2 billion of expected cost increases were avoided leading to a lower-than-expected cost base. The targeted integration synergies of EUR 1.1 billion as from 2013 were translated into a cost/income ratio between 60% and 65%. The 2012 cost/income ratio of 64% (which includes the new bank tax and separation and integration related items) was within this targeted range, reflecting the successful realisation of the synergies. In 2013, the cost/income ratio was 65%, mainly due to higher pension costs related to the amended IAS 19.

**European Commission State Aid Investigation**

On 8 April 2009, the European Commission notified the Dutch State it was initiating a procedure concerning potential state aid in connection with the acquisitions made by the Dutch State.

On 5 April 2011, the European Commission ("**EC**") announced the outcome of the state aid investigation against ABN AMRO, approving the support package and restructuring plan subject to certain conditions, including (but not limited to):

- A ban on acquisitions above a certain amount (not applicable to certain activities such as private equity);

- A continuation of the price leadership restrictions similar to the ones implemented in 2010 (expired on 5 April 2014); and

- A ban on advertising state ownership.

Most measures were implemented for the duration of three years, starting 5 April 2011. The restrictions imposed on acquisitions and advertising state ownership will be prolonged to a maximum of five years as long as the Dutch State continues to hold more than 50% of the ordinary shares.

On 14 June 2011, ABN AMRO filed an appeal against the European Commission's decision, more precisely against the acquisition ban imposed thereby. The appeal was rejected on 8 April 2014, leaving the acquisition ban in place.

**Interest rate fluctuations**

Changes in interest rates, including changes in the yield curve, can affect ABN AMRO's results of operations. Generally, a sustained period of lower interest rates will reduce the investment yield of interest earning assets as higher yielding investments are called or mature and the proceeds of these investments are reinvested at lower rates. Declining interest rates can lead to higher returns from ABN AMRO's operations if interest earning assets reprice more slowly than interest-bearing liabilities or the volume of average interest earning assets grows as a result of higher amounts of credit demand.

Conversely, rising interest rates should over time increase investment income but may reduce the market value of existing investments in ABN AMRO's portfolios. This can also lead to higher returns from ABN AMRO's banking operations if the interest rate spread widens, assuming this effect is not offset by lower volumes of average interest-earning assets as a result of lower levels of credit demand, a deterioration in the quality of ABN AMRO's loan portfolio, an increase in provisions for possible credit risk or lower interest income due to slower repricing of interest-earning assets compared to the repricing of interest-earning liabilities. Besides absolute levels of interest rates, income in the banking activities can be influenced by the shape of the yield curve. If the duration of interest-earning assets is longer than the duration of interest-earning liabilities, a steeper yield curve normally generates higher income in the banking operations.

**Liquidity and funding**

ABN AMRO seeks to ensure that it is in a position to meet its obligations at any time. To this end, ABN AMRO maintains a diversified and stable funding base comprising core consumer and commercial customer deposits and institutional balances, and short-term and long-term wholesale funding. In addition, ABN AMRO holds portfolios of highly liquid assets diversified by currency and maturity to enable it to respond to unusual liquidity requirements.

In illiquid markets, financial investment and asset valuation is highly uncertain. Although processes are available to estimate fair values, they require substantial elements of judgment, assumptions and estimates (which may change over time). The risk of illiquidity, therefore, may reduce capital resources as valuations decline or a selling market dissipates. Actions or the threat of actions by third parties and independent market participants, such as rating agency downgrades of instruments to which ABN AMRO has exposure, can result in reduced liquidity and valuations of those instruments. Rating agencies, which determine ABN AMRO's credit ratings and thereby influence the cost of funds, take into consideration the effectiveness of ABN AMRO's liquidity risk management framework.

The market conditions that the financial services industry experienced during the height of the crisis included in decreased liquidity, reduced availability of long-term wholesale market funding, pressure on capital and extreme price volatility across a wide range of asset classes. Financial institutions were, at times, unable to buy or sell certain assets. As securities and lending markets weakened competition for deposits and the greater risk of deposit migration between competitors increased.

ABN AMRO is subject to the threat of illiquidity and/or extreme price volatility, either directly or indirectly, through exposures to securities, loans and other commitments. Although there was some moderation in market conditions during 2011, 2012 and 2013 in the primary markets, it is difficult to predict if this trend will continue. If conditions worsen, ABN AMRO's markets, products and other businesses may be adversely affected.

ABN AMRO Bank is regulated (on a consolidated basis) in accordance with capital adequacy and liquidity requirements set by DNB.

**Exchange rate fluctuations**

ABN AMRO does business primarily in euros, as well as a variety of other currencies through its foreign operations and Dutch entities which operate with non-euro currency. However, open positions are strictly monitored and managed and are kept within well-defined limits.

The financial performance of ABN AMRO's foreign operations, conducted through branches, subsidiaries, associates and joint ventures, is reported using the currency ("**functional currency**") that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The assets and liabilities of ABN AMRO's foreign operations, including goodwill and purchase accounting adjustments, are translated to ABN AMRO's presentation currency, the Euro, at the foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to the Euro at the rates prevailing at the end of the month.

## 6.3 Explanation of key income statement items

**Interest income and expenses**

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

The application of the effective interest rate method includes the amortisation 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 expense in relation to trading balances, which is included within net trading income.

**Fee and commission income**

*Fees as integral part of effective interest rate*

Fees and commissions generated as an integral part of negotiating and arranging a funding transaction with clients, such as the issuance of loans, are included in the calculation of the effective interest rate and are included in interest income and expense.

*Fees recognised as services are provided*

Service fees are typically recognised on a straight line basis over the service contract period; portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

*Fees recognised upon completion of the underlying transaction*

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.

**Net trading income**

Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income and expenses related to trading balances, dividends received from trading instruments as well as related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in ABN AMRO's credit spreads where it impacts the value of ABN AMRO's trading liabilities. The charge related to the write-off of trading instruments is included in trading income.

## Results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of hedging programs, the change in fair value of derivatives used for hedging purposes that are not included in hedge accounting relationships, fair value changes relating to assets and liabilities designated at fair value through income 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 credit spreads. Dividend income from non-trading equity investments, excluding associated companies, is recognised when entitlement is established.

## Other income

Other operating income is primarily comprised of insurance activities, leasing activities, disposal of operating activities, subsidiaries and equity accounted investments.

## Operating expenses

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

## Impairment charges on loans and other receivables

An indication that a loan may be impaired is obtained through ABN AMRO's credit review processes, which include monitoring customer payments and regular loan reviews depending on the rating of the facility.

ABN AMRO first assesses whether objective evidence of impairment exists for loans (including any related facilities and guarantees) that are individually significant, and individually or collectively for loans that are not individually significant. If ABN AMRO determines that no objective evidence of impairment exists for an individually assessed loan, it includes the asset in a portfolio of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are evaluated individually for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the income statement line loan impairment and other credit risk provisions. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that are likely to result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Future cash flows of a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the portfolio and historical loss experience for loans with credit risk characteristics similar to those in ABN AMRO. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the historical data and to remove the effects of conditions in the historical data that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The impact of changes in estimates and recoveries is recorded in the income statement line Impairment charges on loans and other receivables. Allowances against a given portfolio may be released where there is improvement in the quality of the portfolio.

Following impairment, interest income is recognised using the original effective interest rate. When a loan is deemed no longer collectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement line loan impairment and other credit risk provisions. Assets acquired in exchange for loans to achieve an orderly realisation are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset, initially booked at fair value.

Although the decrease in estimated future cash flows from a portfolio of loans cannot yet be identified with the individual loans in the portfolio, there may be indications that there is a measurable decrease in cash flows on portfolio level. These include adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults in the portfolio. This is dealt with through an allowance for incurred but not identified losses.

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

***Selected Consolidated financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 5,380 | 5,028 |
| Net fee and commission income | 1,643 | 1,556 |
| Other non-interest income | 301 | 754 |
| Operating income | 7,324 | 7,338 |
| Personnel expenses | 2,357 | 2,151 |
| Other expenses | 2,413 | 2,535 |
| Operating expenses | 4,770 | 4,686 |
| *Operating result* | 2,554 | 2,652 |
| Impairment charges on loans and other receivables | 983 | 1,228 |
| *Profit/(loss) before tax* | 1,571 | 1,424 |
| Income tax (expense)/credit | 411 | 271 |
| ***Profit/(loss) for the period*** | **1,160** | **1,153** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Cost/income ratio | 65% | 64% |
| Return on average Equity (IFRS-EU) | 8.5% | 8.5% |
| Return on average RWA (in bps) | 99 | 92 |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| RWA/Total assets | 29% | 31% |
| Assets under Management (in EUR billion) | 168.3 | 163.1 |
| Risk-weighted assets (in EUR billion) | 109 | 121.5 |
| FTEs | 22,289 | 23,059 |

**Profit/(loss) for the period**

ABN AMRO's net profit for the year ended 31 December 2013 amounted to EUR 1,160 million, virtually unchanged compared with the year ended 31 December 2012. A number of significant releases had a significant impact on these results. The releases were related to the remaining Greek government-guaranteed corporate exposures and the sale of collateral related to the Madoff files. The results for the year ended 31 December 2012 were also impacted by a number of special items, though to a lesser extent. Excluding special items for both years, the net profit for the year ended 31 December 2013 would have amounted EUR 752 million, a decline of 32%. The main factors that led to this decline were higher pensions costs, a considerable rise in loan impairments over 2013 within Commercial Banking and Retail Banking, and lower results for Markets activities.

The results for the years ended 31 December 2013 and 2012 were influenced by several special items. The results in the year ended 31 December 2012 was also influenced by several divestments. See "*The Issuer—4. Operating and Financial Review—4.2 Key factors affecting results of operation—Special items and divestments*".

**Operating income**

Operating income amounted to EUR 7,324 million for the year ended 31 December 2013, virtually unchanged compared to the year ended 31 December 2012. Excluding special items, operating income would have risen 5%. 82% of total operating income was generated in The Netherlands. Net interest income amounted to EUR 5,380 million in 2013, up 7% compared with 2012. The improved results were predominantly driven by higher margins on the loan portfolio. Net fee and commission income rose by 6% to EUR 1,643 million in 2013 due to higher management fees within Private Banking from increased client activity and a growth of Assets under Management. ECT and corporate finance also showed higher fee income.

Other non-interest income dropped by 60% to EUR 301 million for the year ended 31 December 2013, a decline of EUR 453 million. Excluding special items for both years, other non-interest income would have decreased by EUR 117 million to EUR 423 million due mainly to lower results in trading and sales activities within Markets. Income from Private Equity also declined as valuations and exit results were lower.

**Net interest income**

***Net interest income***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| **Interest income** | | |
| Cash and balances at central banks | - | 5 |
| Financial investments available-for-sale | 227 | 351 |
| Loans and receivables - banks | 345 | 631 |
| Loans and receivables - customers | 10,609 | 11,116 |
| Other | 842 | 935 |
| Total interest income | 12,023 | 13,038 |
| **Interest expense** | | |
| Due to banks | 353 | 474 |
| Due to customers | 2,817 | 3,385 |
| Issued debt | 1,123 | 1,882 |
| Subordinated liabilities | 308 | 271 |
| Other | 2,042 | 1,998 |
| Total interest expense | 6,643 | 8,010 |
| **Net interest income** | **5,380** | **5,028** |

Net interest income amounted to EUR 5,380 million for the year ended 31 December 2013, up EUR 352 million, or 7% compared to the year ended 31 December 2012. The improved results were predominantly driven by higher margins on the loan portfolio. The decrease in the interest income from loans and receivables - banks is mainly due to the cancellation of specific investment deals. The decrease in the loans and receivables - customers interest income is mainly due to lower interest revenues on the mortgage portfolio. The decrease in the due to banks interest expense is mainly due to cancellation of specific investment deals. The decrease in the due to customers interest expense is mainly due to lower expenses on deposits in Retail & Private banking and Commercial & Merchant banking. Interest expense on Issued debt decreased mainly due to lower interest expenses and a decrease in volumes.

**Net fee and commission income**

*Net fee and commission income*

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| **Fee and commission income** | | |
| Securities and custodian services | 1,144 | 1,179 |
| Insurance and investment fees | 79 | 94 |
| Portfolio management and trust fees | 452 | 362 |
| Payment services | 680 | 648 |
| Guarantees and commitment fees | 142 | 134 |
| Other service fees | 142 | 135 |
| Total fee and commission income | 2,639 | 2,552 |
| | | |
| **Fee and commission expense** | | |
| Securities and custodian services | 705 | 739 |
| Insurance and investment fees | 23 | 18 |
| Portfolio management and trust fees | 68 | 40 |
| Payment services | 162 | 168 |
| Guarantees and commitment fees | 8 | 9 |
| Other service fees | 30 | 22 |
| Total fee and commission income | 996 | 996 |
| **Total net fee and commission income** | **1,643** | **1,556** |

Net fee and commission income increased by 6% or EUR 87 million from EUR 1,556 million for the year ended 31 December 2012 to EUR 1,643 million for the year ended 31 December 2013 mainly due to higher management fees related to Assets under Management in the private banking portfolio as a result of an increase in the volume. The increase was also driven by higher commissions earned on credit and debit cards and an increase in portfolio fees as a result of higher share prices.

**Net trading income**

*Net trading income*

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Interest instruments trading | 148 | 293 |
| Equity trading | (200) | 98 |
| Foreign exchange transaction results | 239 | 91 |
| Other | (81) | (219) |
| **Total net trading income** | **106** | **263** |

Net trading income decreased by 60% or EUR 157 million from EUR 263 million for the year ended 31 December 2012 to EUR 106 million for the year ended 31 December 2013 mainly as a result of the wind-down of the non-client related equity derivative portfolio's compared to 2012. This was partly offset by lower Credit Value Adjustments (CVA) on the interest rate derivatives portfolio and cancellation of specific financing deals in 2012.

Interest instruments trading were lower due to the gradual termination of the activities in equity derivatives started in 2012 (EUR 80 million). Furthermore fair value of the over-the-counter (OTC) interest rate derivatives portfolio was lower due to a significant upward movement of the market interest rate curve in 2013 (EUR 60 million). Equity trading decreased mainly as a result of the higher market interest rate (EUR 126 million). The decrease was also driven by the loss on the Total Return Swap portfolio caused by a move in credit spread and exchange rate results (EUR 102 million).

Foreign exchange results were higher mainly due to the cancellation of specific financing deals. Other trading income mainly increased due to the lower CVAs (EUR 60 million).

**Results from financial transactions**

***Results from financial transactions***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| **Net result on the sale of** | | |
| Available-for-sale debt securities | 11 | 8 |
| Available-for-sale equity investments | 18 | 45 |
| Loans and advances | (7) | - |
| **Impairments of** | | |
| Impairments of Available-for-sale equity investments | (2) | (4) |
| Impairments of other equity instruments | (1) | - |
| **Other net results** | | |
| Other equity investments | (20) | 20 |
| Dividends | 7 | 18 |
| Fair value changes in own credit risk and repurchase of own debt | (7) | (24) |
| Net result on risk mitigants | 5 | (16) |
| Other | (16) | (16) |
| **Total result from financial transactions** | **(12)** | **31** |

Results from financial transactions decreased by 139% or EUR 43 million from EUR 31 million over the year ended 31 December 2012 to EUR (12) million over the year ended 31 December 2013.

Result on Available-for-sale debt securities increased by EUR 3 million due to the sale of Government Bonds in 2013, mainly caused by the sale of US Treasury Bills, German and Austrian bonds.

Result related to Available-for-sale equity investments decreased by EUR 27 million. The sale of an equity investment in 2013 resulted in a gain of EUR 10 million. But the gain on sale of London Metal Exchange in 2012 (EUR 36 million) resulted in the decrease of EUR 27 million compared to 2012.

Loans and advances resulted in a loss mainly due to a loss on the sale of the loan portfolio of MeesPierson Curacao (EUR 4 million). Result on Other equity investments resulted in a loss of EUR 20 million (2012: gain EUR 20 million). This decline was mainly caused by negative Fair Market Value adjustments of the participations in 2013 whereas 2012 recorded favorable revaluations.

Dividends decreased as a result of the cease of the specific financing deals compared to the previous year (2013: EUR 0 million, 2012: EUR 14 million). This result was partly offset by dividend of equity accounted investments (2013: EUR 7 million, 2012: EUR 4 million).

Fair value changes in own credit risk and repurchase of own debt increased mainly due to a decrease related to the Debt Value Adjustment (2013: loss EUR 7 million, 2012: loss EUR 23 million).

Net result on risk mitigants includes the positive result related to the ineffectiveness of specific hedge accounting programs.

Other includes economic hedges (e.g. hedges not qualified for hedge accounting) amounting to a loss of EUR 13 million (2012: loss EUR 11 million). Revaluation of the funding by Private Investment Products, as far as they form part of the trading portfolio, resulted in a loss of EUR 29 million for 2013 (2012: loss

109 million) due to developments in liquidity spread. Exchange rates changes resulted in a profit of EUR 53 million (2012: gain EUR 76 million). Sales and buyback losses of EUR 42 million were mainly generated by a Guaranteed Government Bond tender in 2012.

**Operating expenses**

Operating expenses rose by 2% to EUR 4,770 million for the year ended 31 December 2013 as compared to EUR 4,686 million for the year ended 31 December 2012. Excluding special items, expenses increased by 12% (to EUR 4,733 million). This increase was in part due to the increase in pension costs of EUR 353 million largely as a result of a sharply lower discount rate used in 2013. In addition, higher costs were booked for change projects, and expenses last year included compensation from a service level agreement related to the EC Remedy which was terminated in 2012.

**Operating result**

The operating result for the year ended 31 December 2013 was EUR 2,554 million, a decrease of EUR 98 million or 4%, compared to EUR 2,652 million for the year ended 31 December 2012. The cost/income ratio over 2013 was 65% as compared to 64% over 2012. Excluding special items, the operating result for the year ended 31 December 2013 would have come down by 6% to EUR 2,713 million as a result of higher pension costs, partly offset by higher revenues. The cost/income ratio excluding special items was 64% for the year ended 31 December 2013.

**Impairment charges on loans and other receivables**

Impairment charges on loans and other receivables amounted to EUR 983 million for the year ended 31 December 2013, compared to EUR 1,228 million for the year ended 31 December 2012, but includes EUR 685 million of releases on the Greek and Madoff files. Excluding these special items, loan impairments amounted to EUR 1,668 million in 2013, an increase of EUR 237 million compared with 2012. In terms of cost of risk (impairment charges over average RWA), this amounted to 143bps in 2013 compared with 114bps in 2012. Higher loan impairments for SMEs, consumer lending and mortgages were the main cause of this increase.

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

The impairments over the total mortgage book amounted to 24bps over 2013, up from 16bps in 2012. Mortgage impairment charges have remained relatively constant in the past five quarters, indicating an end to the rise seen since 2011.

**Income tax expenses**

The effective rate was 26.2% in 2013 (2012: 19.0%) and differs from the theoretical rate that would arise using the statutory tax rate of 25% in The Netherlands. ABN AMRO's effective tax rate in 2013 was mainly affected by profits and losses outside The Netherlands taxed against different corporate income tax rates than in The Netherlands, non-taxable gains and income, and a significant amount of non-deductible bank tax.

**FTEs**

The total number of FTEs declined by 770 to 22,289 at year-end 2013 due to amongst others natural attrition (677), reorganisations (403) and several other factors, offset by an inflow of 1,192.

**Assets under Management**

Assets under Management increased by EUR 5.2 billion to EUR 168.3 billion at 31 December 2013 compared to EUR 163.1 billion at 31 December 2012, due to market performance. Net new assets in The Netherlands were more than offset by a decrease in Jersey.

## Selected Consolidated Balance Sheet Movements

***Condensed Consolidated statement of financial position***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| **Assets** | | |
| Cash and balances at central banks | 9,523 | 9,796 |
| Financial assets held for trading | 23,867 | 24,343 |
| Financial investments | 28,111 | 21,730 |
| Loans and receivables - banks | 31,210 | 46,461 |
| Loans and receivables - customers | 268,147 | 276,967 |
| Other | 11,164 | 14,461 |
| **Total assets** | **372,022** | **393,758** |
| **Liabilities** | | |
| Financial liabilities held for trading | 14,248 | 20,098 |
| Due to banks | 15,833 | 21,304 |
| Due to customers | 215,643 | 216,757 |
| Issued debt | 88,682 | 95,048 |
| Subordinated liabilities | 7,917 | 9,736 |
| Other | 16,131 | 17,932 |
| **Total liabilities** | **358,454** | **380,875** |
| **Equity** | | |
| Equity attributable to owners of the parent company | 13,555 | 12,864 |
| Equity attributable to non-controlling interests | 13 | 19 |
| **Total equity** | **13,568** | **12,883** |
| **Total liabilities and equity** | **372,022** | **393,758** |

### Total assets

Total assets declined by EUR 21.7 billion to EUR 372.0 billion at 31 December 2013 primarily due to a decline in loans and receivables – banks and loans and receivables – customers.

The year-end 2013 balance sheet includes activities divested in 2013. See "*The Issuer—4. Operating and Financial Review—4.2 Key factors affecting results of operations—Special items and divestments*".

The year-end 2012 balance sheet includes activities divested in 2012. See "*The Issuer—4. Operating and Financial Review—4.2 Key factors affecting results of operations—Special items and divestments*".

*Cash and balances at central banks*

Cash and balances at central banks was relatively stable at EUR 9,523 million as at 31 December 2013 compared to EUR 9,796 million at 31 December 2012.

*Financial assets held for trading*

Financial assets held for trading decreased by EUR 0.5 billion to EUR 23.9 billion as at 31 December 2013 due to lower valuation of the interest rate derivative positions, which also led to a decrease in the Financial liabilities held for trading. This was offset to a large extent by the fact that equity derivative client positions were hedged using underlying securities rather than derivatives.

*Loans and receivables – banks*

Loans and receivables – banks decreased by EUR 15.3 billion to EUR 31.2 billion. Outstanding securities financing client positions were EUR 7.0 billion lower than in 2012. The remainder of the decline was mainly due to lower deposits with the ECB as well as a decrease in pledged cash collateral.

*Loans and receivables – customers*

Loans and receivables – customers decreased by EUR 8.8 billion to EUR 268.1 billion as at 31 December 2013. Securities financing was responsible for EUR 3.4 billion of this decline. Commercial loans came down by EUR 2.1 billion (partly due to the sale of EUR 1.0 billion of Greek government-guaranteed corporate loans and EUR 0.4 billion in Madoff-related loans) where most businesses, with the exception of ECT, posted a small decrease in outstanding volumes. The mortgage portfolio shrank by EUR 3.6 billion as a result of extra repayments and lower new production. The total mortgage portfolio was EUR 150.5 billion at 31 December 2013.

The bulk of the loan book is generated in The Netherlands, reflecting the fact that the majority of ABN AMRO's business mix is located in The Netherlands.

***Loans and receivables - customers***

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| **Loans and receivables - customers (excl. securities financing activities)** | | |
| Retail Banking | 157,755 | 161,985 |
| Private Banking | 16,920 | 17,344 |
| Commercial Banking | 40,153 | 42,595 |
| Merchant Banking | 38,520 | 35,148 |
| Group Functions | 3,680 | 5,380 |
| Securities financing activities | 11,119 | 14,515 |
| **Total loans and receivables - customers** | **268,147** | **276,967** |

**Total liabilities**

Total liabilities decreased by EUR 22.4 billion to EUR 358.5 billion as at 31 December 2013. The increase in consumer deposits was more than offset by a decline in securities financing volumes and wholesale funding. Lower market values on interest rate derivatives also led to a decrease.

*Financial liabilities held for trading*

Financial liabilities held for trading at 31 December 2013 decreased by 5.9 billion or (29%) to EUR 14,248 billion compared to EUR 20,098 billion at 31 December 2012 mainly as a result of lower market values of interest rate derivatives.

*Due to customers*

Due to customers declined by EUR 1.1 billion to EUR 215.6 billion at year-end 2013, with the decline in securities financing positions largely offset by an increase in deposits of EUR 6.0 billion. The total savings market in The Netherlands grew, on top of which ABN AMRO increased its market share to 24%. Deposits grew particularly in Retail Banking in The Netherlands as well as at MoneYou (the online brand) in Belgium and Germany. Private Banking deposits increased somewhat as growth in The Netherlands was partly offset by a decline outside The Netherlands. Commercial Banking also posted a rise in deposits. The decrease in Merchant Banking was mainly recorded within Markets (including Clearing).

*Due to customers*

| | As at 31 December | |
|---|---|---|
| | 2013 | 2012 |
| | (in millions of euros) | |
| **Total deposits** | | |
| Retail Banking | 87,515 | 82,176 |
| Private Banking | 59,751 | 59,061 |
| Commercial Banking | 37,871 | 34,574 |
| Merchant Banking | 19,051 | 21,590 |
| Group Functions | 3,049 | 3,861 |
| Other (incl. securities financing activities) | 8,406 | 15,495 |
| **Total Due to customers** | **215,643** | **216,757** |

*Issued Debt*

Issued debt decreased by EUR 6.4 billion to EUR 88.7 billion at year-end 2013. Commercial Paper and Certificates of Deposit declined by EUR 5.5 billion at year-end 2013. Maturing long-term funding, as well as transactions which were called or tendered, was more than offset by new issuance. Fair value movements led to a decrease of EUR 1.6 billion.

*Subordinated Liabilities*

Subordinated liabilities declined by EUR 1.8 billion or 19% in 2013 to EUR 7,917 million at 31 December 2013 from EUR 9,736 million at 31 December 2012 as several lower Tier 2 instruments were called that were not Basel III compliant.

***Total equity***

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

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

ABN AMRO is organised into R&PB, C&MB and Group Functions. For financial reporting purposes, the Managing Board adopted a further refinement of the segment reporting in 2011, as follows: Retail Banking, Private Banking, Commercial Banking, Merchant Banking and Group Functions.

### *Retail Banking*

***Selected Retail Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 2,941 | 2,604 |
| Net fee and commission income | 465 | 465 |
| Other non-interest income | 29 | 36 |
| Operating income | 3,435 | 3,105 |
| Personnel expenses | 494 | 393 |
| Other expenses | 1,278 | 1,231 |
| Operating expenses | 1,772 | 1,624 |
| *Operating result* | 1,663 | 1,481 |
| Impairment charges on loans and other receivables | 598 | 383 |
| *Profit/(loss) before tax* | 1,065 | 1,098 |
| Income tax (expense)/credit | 277 | 276 |
| ***Profit/(loss) for the period*** | **788** | **822** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Cost/income ratio | 52% | 52% |
| Return on average RWA (in bps) | 254 | 267 |
| Cost of risk (in bps) | 193 | 125 |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Loan-to-deposit ratio | 174% | 190% |
| Loans and receivables customers (in EUR billions) | 157.8 | 162 |
| *Of which: mortgages* | *147.3* | *150.7* |
| Due to customers (in EUR billions) | 87.5 | 82.2 |
| Risk-weighted assets (in EUR billion) | 32.6 | 30.1 |
| FTEs (end of period) | 6,227 | 6,335 |

*Profit/(loss) for the period*

Retail Banking's net profit for 2013 decreased by EUR 34 million or 4% to EUR 788 million. Higher impairment charges and expenses were partly offset by the strong increase in operating income.

*Operating income*

Operating income increased by EUR 330 million to EUR 3,435 million for the year ended 31 December 2013 as a result of increased net interest income.

*Net interest income*

Net interest income rose by EUR 337 million to EUR 2,941 million for the year ended at 31 December 2013. The increase was due to the change in liquidity compensation (the methodology for determining the internal liquidity compensation applied to deposits was changed in 2013) as well as higher margins and higher savings volumes. Deposit volumes increased by EUR 5.3 billion in 2013, with the MoneYou label, also active in Germany and Belgium, accounting for the bulk of this growth. As of 2013, staff benefits on mortgage rates are booked as interest costs within each business segment rather than a compensation to Retail Banking through expenses. This has led to a one-off increase in both net interest income and expenses within Retail Banking.

*Net fee and commission income*

Net fee and commission income remained unchanged at EUR 465 million for the year ended 31 December 2013.

*Operating expenses*

Operating expenses showed a moderate increase from EUR 1,624 million for the year ended 31 December 2012 to EUR 1,772 million for the year ended 31 December 2013 or 9%. This increase is due to higher pension costs. Personnel expenses grew by EUR 101 million mainly due to the impact of higher pension costs as a result of the application of the amended IAS 19. Other expenses increased due to the abovementioned change made to booking of staff benefits on mortgages.

*Operating result*

The operating result improved by EUR 182 million or 12% for the year ended 31 December 2013 to EUR 1,663 million compared to EUR 1,481 million for the year ended 31 December 2012 and the cost/income ratio amounted to 52%, unchanged from 2012 notwithstanding the increase in pension costs.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables rose by 56% to EUR 598 million. Half of the increase in impairment charges was attributable to mortgages, the other was attributable to the consumer lending portfolio.

*Loans and receivables – customers*

Loans and receivables – customers came down slightly compared with year-end 2012 to EUR 157.8 billion at year-end 2013. The mortgage book continued its gradual decline. Low new production due to a still sluggish housing market as well as extra repayments were the main drivers for the decline in outstanding volume. The amount of consumer loans declined slightly.

*Due to customers*

Due to customers rose by 6% to EUR 87.5 billion at year-end 2013. ABN AMRO managed to increase its share of the growing savings market. Outside The Netherlands, MoneYou posted growth in Germany and Belgium, accounting for the remainder of the volume increase.

*FTEs*

The number of FTEs decreased by 108 to 6,227 at 31 December 2013.

## Private Banking

***Selected Private Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 586 | 537 |
| Net fee and commission income | 539 | 508 |
| Other non-interest income | 58 | 69 |
| Operating income | 1,183 | 1,114 |
| Personnel expenses | 453 | 417 |
| Other expenses | 440 | 471 |
| Operating expenses | 893 | 888 |
| *Operating result* | 290 | 226 |
| Impairment charges on loans and other receivables | 113 | 203 |
| *Profit/(loss) before tax* | 177 | 23 |
| Income tax (expense)/credit | 41 | (28) |
| ***Profit/(loss) for the period*** | **136** | **51** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Cost/income ratio | 75% | 80% |
| Return on average RWA (in bps) | 138 | 37 |
| Cost of risk (in bps) | 115 | 148 |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Loan-to-deposit ratio | 28% | 28% |
| Loans and receivables customers (in EUR billions) | 16.9 | 17.4 |
| *Of which: mortgages* | *3.2* | *3.4* |
| Due to customers (in EUR billions) | 59.8 | 59.1 |
| Risk-weighted assets (in EUR billion) | 9.3 | 10.7 |
| FTEs (end of period) | 3,523 | 3,648 |

*Profit/(loss) for the period*

Private Banking's profit in 2013 amounted to EUR 136 million. The increase of EUR 85 million compared with last year is primarily due to lower impairments in the ID&JG business. In addition, Private Banking posted higher income, while costs remained unchanged.

*Operating income*

Operating income amounted to EUR 1,183 million for the year ended 31 December 2013, an increase of 6% as a result of higher net interest income and higher net fee and commission income.

*Net interest income*

Net interest income rose by EUR 49 million to EUR 586 million for the year ended 31 December 2013. Excluding the change in the liquidity compensation (the methodology for determining the internal liquidity compensation applied to deposits was changed in 2013), net interest income would have shown a limited decline.

*Net fee and commission income*

Net fee and commission income benefited from higher client activity as well as higher Assets under Management, increasing by 6% to EUR 539 million for the year ended 31 December 2013. Other noninterest income declined by EUR 11 million, although this was mainly the result of a release on divested activities booked in 2012.

*Operating expenses*

Operating expenses were relatively flat, at EUR 893 million for the year ended 31 December 2013. Higher pension costs were offset by lower project costs.

*Operating result*

The operating result increased by EUR 64 million to EUR 290 million for the year ended 31 December 2013, while the cost/income ratio improved to 75% from 80%.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables came to EUR 113 million for the year ended 31 December 2013 compared with EUR 203 million for the year ended 2012, mainly due to a number of impairments in ID&JG in 2012 whereas some releases were booked in 2013.

*Loans and receivables – customers*

Loans and receivables – customers declined by EUR 0.5 billion, or 2% decline to EUR 16.9 billion at 31 December 2013 compared to EUR 17.4 billion at 31 December 2012. Like in the Dutch retail business, mortgages and consumer loans decreased somewhat.

*Due to customers*

Due to customers increased marginally, to EUR 59.8 billion. The increase of EUR 1.8 billion in The Netherlands was offset by a decline in the international network, mainly in Jersey.

*FTEs*

The number of FTEs decreased by 125 to 3,523 at 31 December 2013.

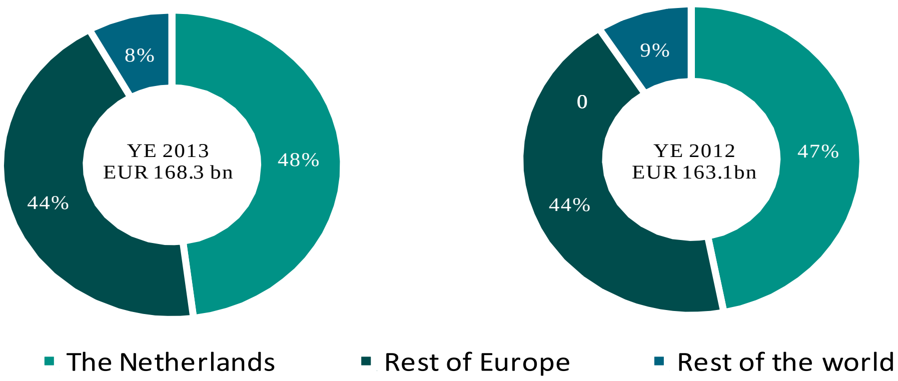
*Assets under Management*

Assets under Management increased by EUR 5.2 billion to EUR 168.3 billion at 31 December 2013 due to market performance. Net new assets in The Netherlands were more than offset by a decrease in Jersey.

***AuM development***

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

***AuM by geography***




***Commercial Banking***

***Selected Commercial Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 1,385 | 1,264 |
| Net fee and commission income | 273 | 302 |
| Other non-interest income | 27 | 19 |
| Operating income | 1,685 | 1,585 |
| Personnel expenses | 292 | 255 |
| Other expenses | 606 | 680 |
| Operating expenses | 898 | 935 |
| *Operating result* | 787 | 650 |
| Impairment charges on loans and other receivables | 796 | 587 |
| *Profit/(loss) before tax* | (9) | 63 |
| Income tax (expense)/credit | (1) | 22 |
| ***Profit/(loss) for the period*** | **(8)** | **41** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Cost/income ratio | 53% | 59% |
| Return on average RWA (in bps) | -3 | 15 |
| Cost of risk (in bps) | 294 | 214 |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Loan-to-deposit ratio | 106% | 122% |
| Loans and receivables customers (in EUR billions) | 40.2 | 42.6 |
| Due to customers (in EUR billions) | 37.9 | 34.6 |
| Risk-weighted assets (in EUR billion) | 24.7 | 28.8 |
| FTEs (end of period) | 3,048 | 3,249 |

*Profit/(loss) for the period*

Commercial Banking posted a strong increase in its operating result due to higher net interest income and lower costs. However, this was more than offset by higher impairments, resulting in an EUR 8 million net loss for 2013, a decline of EUR 49 million compared with the previous year.

*Operating income*

Operating income amounted to EUR 1,685 million for the year ended 31 December 2013, an increase of EUR 100 million primarily as a result of higher net interest income, despite the divestment of some insurance activities in 2012.

*Net interest income*

Net interest income rose by 10% to EUR 1,385 million for the year ended 31 December 2013 as a limited decline in outstanding commercial loans was more than offset by higher margins. In addition, increasing commitment fees are being charged on current accounts.

*Net fee and commission income*

Net fee and commission income declined by 29 million, or 10%, from EUR 302 million for the year ended 31 December 2012 to EUR 273 million for the year ended 31 December 2013, due chiefly to the divestment of part of the insurance activities partly offset by higher transaction fees. Fee income also declined due to a reclassification of interbank payment fees from other costs to negative fee income.

*Operating expenses*

Operating expenses declined by 4% in 2013 to EUR 898 million. Personnel expenses increased by 15% to EUR 292 million for the year ended 31 December 2013, primarily as a result of higher pension costs partly offset by a reduction in FTEs. Other expenses dropped by EUR 74 million largely due to the abovementioned reclassification.

*Operating result*

The operating result showed a strong increase of 21% to EUR 787 million for the year ended 31 December 2013. The cost/income ratio improved by 6 percentage points to 53% from 59% in 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables amounted to EUR 796 million in 2013, an increase of 36% compared with 2012. Impairment levels for Corporate Clients (clients with turnover between EUR 30 and EUR 500 million) remained flat, with the full increase in loan impairments due to SMEs. The construction, retail, commercial real estate and horticulture sectors were particularly affected. Files now remain longer within the Financial Restructuring & Recovery department and the proportion of clients that are restored to health has declined. Inflow of SMEs in the Financial Restructuring & Recovery department remains high.

*Loans and receivables – customers*

Loans and receivables – customers came down by EUR 2.4 billion to EUR 40.2 billion at year-end 2013 as commercial loans declined, partly offset by growth within factoring.

*Due to customers*

Due to customers increased by 10% to EUR 37.9 billion at year-end 2013, due to volume growth both in Corporate Clients and Business Banking (SMEs).

*FTEs*

The number of FTEs decreased by 201 to 3,048 at year-end 2013.

*Merchant Banking*

***Selected Merchant Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | 673 | 652 |
| Net fee and commission income | 370 | 376 |
| Other non-interest income | 114 | 433 |
| Operating income | 1,157 | 1,461 |
| Personnel expenses | 326 | 277 |
| Other expenses | 612 | 637 |
| Operating expenses | 938 | 914 |
| *Operating result* | 219 | 547 |
| Impairment charges on loans and other receivables | 163 | 256 |
| *Profit/(loss) before tax* | 56 | 291 |
| Income tax (expense)/credit | 45 | 27 |
| ***Profit/(loss) for the period*** | **11** | **264** |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Cost/income ratio | 81% | 63% |
| Return on average RWA (in bps) | 3 | 60 |
| Cost of risk (in bps) | 40 | 58 |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Loan-to-deposit ratio | 184% | 155% |
| Loans and receivables customers (in EUR billions) | 49,4 | 49.7 |
| Due to customers (in EUR billions) | 27,5 | 37 |
| Risk-weighted assets (in EUR billion) | 34,7 | 45.5 |
| FTEs (end of period) | 2,204 | 2,142 |

*Profit/(loss) for the period*

Net profit for 2013 amounted to EUR 11 million a decline of EUR 253 million from 2012. Excluding special items, net profit would have amounted to EUR 120 million, a decline of EUR 144 million compared with 2012. This was due to lower results across a wide array of market activities as well as the strategic decision to terminate the non-client-related equity derivatives business and lower results for Private Equity, offset by lower loan impairments.

*Operating income*

Operating income declined by EUR 304 million to EUR 1,157 million in 2013 compared with 2012.

Net interest income

Net interest income rose by 3% to EUR 673 million. Interest income from ECT, Real Estate, and Large Corporates increased which was partly offset by lower results at securities financing as the 2012 results benefited from higher margins following the European sovereign debt crisis.

*Net fee and commission income*

Net fee and commission income decreased by 2% to EUR 370 million for the year ended 31 December 2013. Other non-interest income, excluding special items, declined by 45% to EUR 236 million. Within Markets, trading income was lower across the board, although this was due in part to the strategic decision to terminate the non-client related part of the business, bringing down income compared with 2012. Private Equity also contributed to the decline as favourable revaluations in 2012 were followed by negative revaluations in 2013.

*Operating expenses*

Operating expenses increased by 3% to EUR 938 million for the year ended 31 December 2013.

Personnel expenses rose 18% to EUR 326 million for the year ended 31 December 2013 mainly as a result of higher pension costs. Other expenses were down 4% to EUR 612 million for the year ended 31 December 2013.

*Operating result*

Operating result declined by EUR 328 million to EUR 219 million in 2013.The operating result excluding special items declined by EUR 206 million to EUR 341 million in 2013 and the cost/income ratio excluding special items rose to 73% from 63% in 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables decreased by EUR 93 million to EUR 163 million in 2013. The decline was mainly due to a significant provision booked in 2012 for a single client.

*Loans and receivables – customers*

Loans and receivables – customers amounted to EUR 49.4 billion at year end 2013, virtually unchanged compared with 2012. Growth was recorded in ECT and Clearing, offset by a decline within client volumes in securities financing activities.

*Due to customers*

Due to customers declined by EUR 9.6 billion to EUR 27.5 billion in 2013. This decrease was mainly attributable to lower client volumes in securities financing activities.

*FTEs*

The number of FTEs increased by 62 to 2,204 at 31 December 2013.

***Group Functions***

The majority of the costs of Group Functions are allocated to the business segments. Items that are not allocated to the business segments include, among other things, the operating result from AML/Treasury, general restructuring charges, certain integration costs and costs for the Dutch Deposit Guarantee Scheme.

***Selected Group Functions financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *(in millions of euros)* | |
| Net interest income | (205) | (29) |
| Net fee and commission income | (4) | (95) |
| Other non-interest income | 73 | 197 |
| Operating income | (136) | 73 |
| Personnel expenses | 792 | 809 |
| Other expenses | (523) | (484) |
| Operating expenses | 269 | 325 |
| *Operating result* | (405) | (252) |
| Impairment charges on loans and other receivables | (687) | (201) |
| *Profit/(loss) before tax* | 282 | (51) |
| Income tax (expense)/credit | 49 | (26) |
| ***Profit/(loss) for the period*** | **233** | **(25)** |

| | As at 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Loans and receivables customers (in EUR billions) | 3.9 | 5.4 |
| Due to customers (in EUR billions) | 3.1 | 3.9 |
| Risk-weighted assets (in EUR billion) | 7.7 | 6.4 |
| FTEs (end of period) | 7,287 | 7,685 |

*Profit/(loss) for the period*

Profit for Group Functions rose to EUR 233 million over the year ended 31 December 2013 from a net loss of EUR 25 million as a result of significant impairment releases, offset by lower operating income and higher expenses. Excluding these, Group Functions would have posted a net loss of EUR 285 million.

*Operating income*

Operating income decreased by EUR 209 million in 2013. Operating income excluding special items remained virtually unchanged in 2013 compared to 2012.

*Net interest income*

Net interest income decreased by EUR 176 million to EUR 205 million for the year ended 31 December 2013, due mainly to the previously mentioned change to the liquidity compensation of EUR 312 million. The mismatch result increased due to lower short-term interest rates. The costs of funding as well as capital increased somewhat as maturing debt issued before the crisis was refinanced at higher spread levels.

*Net fee and commission income*

Net fee and commission income increased by EUR 91 million to negative EUR 4 million in 2013, due mainly to a reallocation of fees paid for interbank payments to the business. Other non-interest income, excluding special items, increased by EUR 91 million due to changes to the valuations within the investment and trading portfolios as well as higher DVA.

*Operating expenses*

Operating expenses decreased by EUR 56 million to EUR 269 million for the year ended 31 December 2013. Operating expenses excluding special items increased by EUR 357 million.

Personnel expenses showed a marginal decline in 2013, however in 2012 EUR 162 million of integration costs of the pension funds was booked (part of special items). Excluding special items, personnel expenses increased due to higher pension costs, partly offset by lower FTEs.

Other expenses decreased slightly by EUR 39 million. Other expenses excluding special items increased mainly as compensation from a service level agreement (related to the EC Remedy) lowered expenses in 2012 and due to higher costs for change projects, slightly offset by lower depreciation costs.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables was negative EUR 687 million in 2013, compared to negative EUR 201 million in 2012, and was primarily a result of the releases on Madoff and the Greek loans.

*FTEs*

The number of FTEs decreased by 398 to 7,287 at year-end 2013.

### 6.5 Results of operations for the years ended 31 December 2012 and 2011

***Selected Consolidated financial information***

| | Year ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| | *(in millions of euros)* | |
| Net interest income | 5,028 | 4,998 |
| Net fee and commission income | 1,556 | 1,811 |
| Other non-interest income | 754 | 985 |
| Operating income | 7,338 | 7,794 |
| Personnel expenses | 2,151 | 2,517 |
| Other expenses | 2,535 | 2,840 |
| Operating expenses | 4,686 | 5,357 |
| *Operating result* | 2,652 | 2,437 |
| Impairment charges on loans and other receivables | 1,228 | 1,757 |
| *Profit/(loss) before tax* | 1,424 | 680 |
| Income tax (expense)/credit | 271 | (9) |
| ***Profit/(loss) for the period*** | **1,153** | **689** |

| | Year ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Cost/income ratio | 64% | 69% |
| Return on average Equity (IFRS-EU) | 8.5% | 5.6% |
| Return on average RWA (in bps) | 92 | 61 |

| | As at 31 December | |
|---|---|---|
| | 2012 | 2011 |
| RWA/Total assets | 31% | 29% |
| Assets under Management (in EUR billion) | 163.1 | 146.6 |
| Risk-weighted assets (in EUR billion) | 121.5 | 118.3 |
| FTEs | 23,059 | 24,225 |

**Profit/(loss) for the period**

Profit for the year ended 31 December 2012 increased by EUR 464 million, or 67%, to EUR 1,153 million, as compared to EUR 689 million for the year ended 31 December 2011. This increase was primarily the result of lower pension expenses, lower impairment charges on loans and other receivables and releases from the Credit Umbrella and other EC Remedy-related provisions, partially offset by a reassessment of tax positions related to prior years and higher integration costs in 2012. Excluding divestments and special items for both years, underlying net profit would have been 34% lower than 2011 due mainly to a sharp increase in loan impairments.

The results in both the year ended 31 December 2012 and 2011 were influenced by several special items as well as by several divestments. See "*The Issuer—4. Operating and Financial Review—4.2 Key factors affecting results of operations—Special items and divestments*".

**Operating income**

Operating income for the year ended 31 December 2012 decreased by EUR 456 million, or 6%, to EUR 7,338 million, as compared to EUR 7,794 million for the year ended 31 December 2011. Excluding divestments, it declined by 2%. This decrease is primarily the result of the decreases in net fee and commission income and net trading income discussed below. Out of total operating income, 82% of operating income was generated in The Netherlands, 12% came from the rest of Europe and 6% in the rest of the world.

*Net interest income*

***Net interest income***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| **Interest income** | | |
| Cash and balances at central banks | 5 | 32 |
| Financial investments available-for-sale | 351 | 344 |
| Loans and receivables - banks | 631 | 590 |
| Loans and receivables - customers | 11,116 | 11,487 |
| Other | 935 | 770 |
| Total interest income | 13,038 | 13,223 |
| **Interest expense** | | |
| Due to banks | 474 | 686 |
| Due to customers | 3,385 | 3,280 |
| Issued debt | 1,882 | 2,068 |
| Subordinated liabilities | 271 | 203 |
| Other | 1,998 | 1,988 |
| Total interest expense | 8,010 | 8,225 |
| **Net interest income** | **5,028** | **4,998** |

Net interest income for the year ended 31 December 2012 increased slightly by EUR 30 million, or 1%, to EUR 5,028 million, as compared to EUR 4,998 million for the year ended 31 December 2011 as higher net interest income in Commercial & Merchant Banking was partially offset by lower net interest income in Retail & Private Banking. The rise in net interest income was driven mainly by improved margins on new mortgage production and other loans and higher net interest income in Merchant Banking (mainly Markets and ECT). Lower margins on savings and higher funding costs partly neutralised this rise. Divestments had a marginal negative impact on net interest income.

*Net fee and commission income*

***Net fee and commission income***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| **Fee and commission income** | | |
| Securities and custodian services | 1,179 | 1,106 |
| Insurance and investment fees | 94 | 110 |
| Portfolio management and trust fees | 362 | 392 |
| Payment services | 648 | 597 |
| Guarantees and commitment fees | 134 | 148 |
| Other service fees | 135 | 195 |
| Total fee and commission income | 2,552 | 2,548 |
| | | |
| **Fee and commission expense** | | |
| Securities and custodian services | 739 | 549 |
| Insurance and investment fees | 18 | 20 |
| Portfolio management and trust fees | 40 | 51 |
| Payment services | 168 | 70 |
| Guarantees and commitment fees | 9 | 14 |
| Other service fees | 22 | 33 |
| Total fee and commission income | 996 | 737 |
| **Total net fee and commission income** | **1,556** | **1,811** |

Net fee and commission income decreased by 14% or EUR 255 million from EUR 1,811 million for the year ended 31 December 2011 to EUR 1,556 million for the year ended 31 December 2012. Excluding divestments, the decline in net fee and commission income would have been 8%. Transaction volumes (Retail and Private Banking clients in particular conducted fewer transactions) were lower due to market uncertainty. The decrease was further caused by a reclassification of costs for international payment services to fee expenses in 2012, and 2011 included several positive large items.

*Net trading income*

***Net trading income***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| Interest instruments trading | 293 | 170 |
| Equity trading | 98 | (40) |
| Foreign exchange transaction results | 91 | 177 |
| Other | (219) | (83) |
| **Total net trading income** | **263** | **224** |

Net trading income for the year ended 31 December 2012 increased by EUR 39 million, or 17%, to EUR 263 million, as compared to EUR 224 million for the year ended 31 December 2011. This increase was mainly related to Merchant Banking.

Interest instruments trading benefitted from volume and results realised through short-term securities trading. Equity trading increased by EUR 138 million due to positive variation results between foreign exchange and equity trading positions. The decrease in foreign exchange results was mainly due to negative variation results between foreign exchange and equity trading positions and cancellation of specific financing transactions (EUR 33 million). Other trading income decreased mainly as a result of higher losses with respect to credit value adjustments (counterparty risk related to interest rate derivatives recorded under Interest instruments trading).

***Results from financial transactions***

***Results from financial transactions***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| **Net result on the sale of** | | |
| Available-for-sale debt securities | 8 | (40) |
| Available-for-sale equity investments | 45 | 9 |
| Loans and advances | - | - |
| **Impairments of** | | |
| Impairments of Available-for-sale equity investments | (4) | (4) |
| Impairments of other equity instruments | - | - |
| **Other net results** | | |
| Other equity investments | 20 | 22 |
| Dividends | 18 | 57 |
| Fair value changes in own credit risk and repurchase of own debt | (24) | 44 |
| Net result on risk mitigants | (16) | 26 |
| Other | (16) | 160 |
| **Total result from financial transactions** | **31** | **274** |

Results from financial transactions for the year ended 31 December 2012 decreased by EUR 243 million, or 89%, to EUR 31 million, as compared to EUR 274 million for the year ended 31 December 2011. This decrease was mainly driven by decreases in economic hedges and a revaluation of funding by private investment products, partially offset by net results on the sale of available-for-sale debt securities and of available-for-sale equity investments. The result on Available-for-sale debt securities increased due to sale of German bonds (EUR 5 million) and Dutch bonds (EUR 3 million) in 2012. The loss in 2011 of EUR 40 million was caused by the sale of a part of its investment portfolio. On the Statement of financial position, EUR 300 million Italian government bonds matured as well as a sale of EUR 1.2 billion of Dutch, German and French bonds (gain EUR 16 million). Cash from matured and sold bonds was reinvested. The result related to Available-for-sale equity investments increased mainly due to the gain on the sale of London Metal Exchange shares in 2012 (EUR 36 million). Dividends decrease as a result of the lower performance of specific financing deals, which came to EUR 13 million (2011: EUR 53 million).

Fair value changes in own credit risk and repurchase of own debt decreased mainly due to a loss of EUR 24 million related to the debt value adjustment on own issued debt (2011: gain EUR 19 million). Furthermore, in 2012 the buy-back of own RMBS resulted in a loss of EUR 1 million (2011: gain EUR 25 million on the buy back of own issued covered bonds).

Net result on risk mitigants includes the negative result related to the ineffectiveness of specific hedge accounting programmes. More details on hedge accounting can be found in note 40 "*Hedge accounting*" to the Consolidated Annual Financial Statements 2012.

"Other" mainly includes economic hedges (e.g. hedges not qualified for hedge accounting) amounting to EUR 11 million (2011: EUR 95 million). Revaluation of the funding by Private Investment Products, as far as they form part of the trading portfolio, resulted in a loss of EUR 109 million for 2012 (2011: gain EUR 76 million) due to developments of liquidity spread. Exchange rate changes resulted in a profit of EUR 76 million (2011: EUR 33 million).

**Operating expenses**

Operating expenses for the year ended 31 December 2012 decreased by EUR 671 million, or 13%, to EUR 4,686 million, as compared to EUR 5,357 million for the year ended 31 December 2011. This decrease was largely the result of lower pension expenses and lower integration costs combined with the result of additional cost synergies resulting from the integration, and reclassifications of leasing costs and costs for international payment services (EUR 118 million) to operating income. These were partially offset by wage inflation.

Personnel expenses decreased by EUR 366 million to EUR 2,151 million in 2012 as compared to 2,517 in 2011. This decrease was mainly due to lower pension expenses, a decrease in FTEs and divestments. The integration costs for the pension fund recorded in 2012 were offset by a reorganisation provision taken in 2011.

Other expenses decreased to EUR 2,535 million, down by 11% compared to 2011 due mainly to lower integration expenses in 2012.

**Operating result**

The operating result increased modestly to EUR 2,652 million for the year ended 31 December 2012, up 9% compared to 2011. The cost/income ratio improved to 64% in 2012 (from 69% in 2011). This improvement reflected the realisation of integration synergies and was in line with the targeted cost/income ratio of 60-65% set for year-end 2012 following the completion of the integration.

**Impairment charges on loans and other receivables**

Impairment charges on loans and other receivables for the year ended 31 December 2012 decreased by EUR 529 million to EUR 1,228 million, as compared to EUR 1,757 million for the year ended 31 December 2011. The 2011 results include EUR 880 million of impairment charges for Greek government-guaranteed corporate exposures, whereas the 2012 results contain a release of EUR 125 million following the sale of part of the exposures. Excluding these, a sharp increase (54%) would have been recorded as the economic downturn led to higher impairment charges, especially in (commercial) real estate, construction, and diamond financing (reported in Private Banking) as well as in the mortgage portfolio. Impairment charges on mortgages increased from 10bps to 16bps (over the total mortgage book). The increase in impairments can also be partially explained by significant recoveries and releases in Merchant Banking in 2011 which did not recur in 2012.

Total impairment charges over average RWA (cost of risk) went down to 98bps in 2012 (from 156bps in 2011). Excluding the impairments on the Greek government-guaranteed corporate Exposures, these figures would have been 108bps in 2012, 78bps for 2011.

**Income tax expenses**

The effective tax rate increased to 19% in 2012 from 8% in 2011. The effective tax rate went up primarily as a result of a reassessment of the tax positions related to prior years and a higher amount of tax-exempt income in 2011.

**FTEs**

The total number of full-time equivalents excluding temporary staff (FTEs) declined by 1,166, or 5%, to 23,059 at year-end 2012 largely as a result of the progress made on the integration and the impact of divestments, partially offset by a rise in the number of FTEs as a result of a small acquisition in 2012.

**Assets under Management**

Assets under Management grew by EUR 16.5 billion to EUR 163.1 billion in 2012 compared to EUR 146.6 billion in 2011. This increase was mainly caused by market performance and an increase in net new assets.

## Selected Consolidated Balance Sheet Movements

***Condensed Consolidated statement of financial position***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| **Assets** | | |
| Cash and balances at central banks | 9,796 | 7,641 |
| Financial assets held for trading | 24,343 | 29,523 |
| Financial investments | 21,730 | 18,721 |
| Loans and receivables - banks | 46,461 | 61,319 |
| Loans and receivables - customers | 276,967 | 272,008 |
| Other | 14,461 | 15,470 |
| **Total assets** | **393,758** | **404,682** |
| **Liabilities** | | |
| Financial liabilities held for trading | 20,098 | 22,779 |
| Due to banks | 21,304 | 30,962 |
| Due to customers | 216,757 | 213,616 |
| Issued debt | 95,048 | 96,310 |
| Subordinated liabilities | 9,736 | 8,697 |
| Other | 17,932 | 20,898 |
| **Total liabilities** | **380,875** | **393,262** |
| **Equity** | | |
| Equity attributable to owners of the parent company | 12,864 | 11,400 |
| Equity attributable to non-controlling interests | 19 | 20 |
| **Total equity** | **12,883** | **11,420** |
| **Total liabilities and equity** | **393,758** | **404,682** |

***Total assets***

Total assets decreased by EUR 10.9 billion, from EUR 404.7 billion at 31 December 2011 to EUR 393.8 billion at 31 December 2012. This decrease was primarily due to a decline in securities financing client volumes and lower equity trade positions. This was partially offset by growth in commercial loans and higher market value of (OTC) derivatives.

The year-end 2012 balance sheet includes activities divested in 2012. See "The Issuer—4. Operating and Financial Review—4.2 Key factors affecting results of operations—Special items and divestments".

*Cash and balances at central banks*

Cash and balances at central banks rose by EUR 2.2 billion to EUR 9.8 billion at 31 December 2012 compared to EUR 7.6 billion at 31 December 2011, predominantly due to an increase in overnight deposits placed at DNB.

*Financial assets held for trading*

Financial assets held for trading decreased by EUR 5.2 billion or (18%) to EUR 24.3 billion at 31 December 2012 compared to EUR 29.5 billion at 31 December 2011, due mainly to lower equity trade positions following uncertainty regarding the impact of Basel III, offset by higher market value of interest rate derivatives.

*Loans and receivables – banks*

Loans and receivables – banks decreased by EUR 14.9 billion (24%) to EUR 46,461 million at 31 December 2012 from EUR 61,319 million at 31 December 2011, mainly due to lower client securities financing volumes, down by EUR 13.5 billion, and the termination of a financing transaction offset by an increase in term deposits at central banks.

*Loans and receivables – customers*

Loans and receivables – customers increased by EUR 5.0 billion to EUR 277.0 billion at the end of December 2012 as a result of growth in commercial loan portfolio by EUR 8.1 billion, predominantly in Merchant Banking (especially Clearing) and, to a lesser extent, in Private Banking. The mortgage portfolio decreased slightly to EUR 154.1 billion as new production did not fully compensate redemptions.

The bulk of the loan book is generated in The Netherlands, reflecting the fact that the majority of ABN AMRO's business mix is located in The Netherlands.

***Loans and receivables - customers***

| | As at 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| **Loans and receivables - customers (excl. securities financing activities)** | | |
| Retail Banking | 161,985 | 162,566 |
| Private Banking | 17,344 | 15,941 |
| Commercial Banking | 42,595 | 41,946 |
| Merchant Banking | 35,148 | 30,129 |
| Group Functions | 5,380 | 4,977 |
| Securities financing activities | 14,515 | 16,449 |
| **Total loans and receivables - customers** | **276,967** | **272,008** |

***Total liabilities***

Total liabilities decreased by EUR 12.4 billion, from EUR 393.3 billion at 31 December 2011 to EUR 380.9 billion at 31 December 2012. This decrease was primarily due to a large decrease in securities financing activities, partially offset by an increase in client deposits in Retail & Private Banking.

*Financial liabilities held for trading*

Financial liabilities held for trading decreased by EUR 2.7 billion to EUR 20.1 billion at 31 December 2012 compared to 31 December 2011, due mainly to lower equity trade positions.

*Due to customers*

Due to customers increased by EUR 3.2 billion to EUR 216.8 billion at 31 December 2012 as compared to EUR 213.6 billion at 31 December 2011. This was primarily the result of growth in Retail (EUR 9.9 billion) and Private Banking (EUR 4.6 billion) deposits, offset by a decrease in securities financing volumes (down EUR 10.3 billion).

*Due to customers*

| | As at 31 December | |
|---|---|---|
| | 2012 | 2011 |
| | *(in millions of euros)* | |
| **Total deposits** | | |
| Retail Banking | 82,176 | 72,009 |
| Private Banking | 59,061 | 54,270 |
| Commercial Banking | 34,574 | 34,031 |
| Merchant Banking | 21,590 | 20,951 |
| Group Functions | 3,861 | 6,536 |
| Other (incl. securities financing activities) | 15,495 | 25,819 |
| **Total Due to customers** | **216,757** | **213,616** |

*Issued Debt*

Issued debt decreased by EUR 1.3 billion to EUR 95.0 billion at year-end 2012. The decrease was due mainly to maturing long-term funding exceeding newly issued long-term funding in 2012.

*Subordinated Liabilities*

Subordinated liabilities showed a net increase of EUR 1.0 billion in 2012 to EUR 9.7 billion at year-end 2012, mainly resulting from EUR 2.8 billion newly issued Tier 2 notes offset by the cancellation of the EUR 2.0 billion liability resulting from former mandatory convertible securities.

***Total equity***

At 31 December 2012, total equity grew by EUR 1.5 billion, or 13.2%, to EUR 12.9 billion as compared to EUR 11.4 billion at 31 December 2011. This was driven primarily by an increase of EUR 1.6 billion following the settlement with Ageas (including cancellation of the MCS liability) and EUR 0.9 billion of reported net profit. This was partly offset by the impact of the revised pension accounting standard IAS19 amounting to EUR 1.2 billion.

**Results of operations by segment for the years ended 31 December 2012 and 2011**

ABN AMRO is organised into R&PB, C&MB and Group Functions. For financial reporting purposes, the Managing Board adopted a further refinement of the segment reporting in 2011, as follows: Retail Banking, Private Banking, Commercial Banking, Merchant Banking and Group Functions.

### *Retail Banking*

***Selected Retail Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| Net interest income | 2,604 | 2,671 |
| Net fee and commission income | 465 | 490 |
| Other non-interest income | 36 | 51 |
| Operating income | 3,105 | 3,212 |
| Personnel expenses | 393 | 499 |
| Other expenses | 1,231 | 1,277 |
| Operating expenses | 1,624 | 1,776 |
| *Operating result* | 1,481 | 1,436 |
| Impairment charges on loans and other receivables | 383 | 276 |
| *Profit/(loss) before tax* | 1,098 | 1,160 |
| Income tax (expense)/credit | 276 | 280 |
| ***Profit/(loss) for the period*** | **822** | **880** |

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| Cost/income ratio | 52% | 55% |
| Return on average RWA (in bps) | 267 | 269 |
| Cost of risk (in bps) | 125 | 84 |

| | As at 31 December | |
|---|---|---|
| | **2012** | **2011** |
| Loan-to-deposit ratio | 190% | 218% |
| Loans and receivables customers (in EUR billions) | 162 | 162.6 |
| *Of which: mortgages* | *150.7* | *151.5* |
| Due to customers (in EUR billions) | 82.2 | 72 |
| Risk-weighted assets (in EUR billion) | 30.1 | 32.3 |
| FTEs (end of period) | 6,335 | 6,680 |

*Profit/(loss) for the period*

Profit for the year ended 31 December 2012 decreased by EUR 58 million, or 7%, to EUR 822 million, as compared to EUR 880 million for the year ended 31 December 2011. This decrease is a result of lower operating income and higher impairment charges.

*Operating income*

Operating income for the year ended 31 December 2012 decreased by EUR 107 million, or 3%, to EUR 3,105 million, as compared to EUR 3,212 million for the year ended 31 December 2011. This decrease resulted primarily from declines in net interest income and net fee and commission income discussed below.

*Net interest income*

Net interest income for the year ended 31 December 2012 decreased by EUR 67 million, or 3%, to EUR 2,604 million, as compared to EUR 2,671 million for the year ended 31 December 2011. This decrease resulted primarily from low market interest rate levels. The decreased margins could not be compensated by higher margins on new mortgages and on the consumer lending portfolio.

*Net fee and commission income*

Net fee and commission income decreased by EUR 25 million to EUR 465 million for the year ended 31 December 2012 due to lower transaction volumes as a result of unfavorable marked conditions.

*Operating expenses*

Operating expenses for the year ended 31 December 2012 decreased EUR 152 million to EUR 1,624 million, as compared to EUR 1,776 million for the year ended 31 December 2011.

Personnel expenses came down by 21% in 2012 compared to 2011 due to a lower average number of FTEs as the branch network was further optimised (reduction of number of branches to 408 in 2012). Other expenses showed a 4% decrease in 2012 compared to 2011 as lower integration costs and a decrease in temporary staff expenses and inter-segment costs were only partly offset by the Dutch bank tax introduced in 2012 and higher losses for cybercrime.

*Operating result*

The operating result increased by 3% for the year ended 31 December 2012 compared to 31 December 2011. The cost/income ratio decreased to 52% from 55%.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2012 increased by EUR 107 million, or 39%, to EUR 383 million, as compared to EUR 276 million for the year ended 31 December 2011. The rise in impairment charges were mainly related to the residential mortgage portfolio, reflecting a deterioration in the economic environment in The Netherlands, particularly the housing market, compared with a year ago.

*Loans and receivables – customers*

Loans and receivables – customers decreased slightly by EUR 0.6 billion to EUR 162.0 billion at 31 December 2012, as compared to EUR 162.6 billion at 31 December 2011. This decrease was predominantly apparent in mortgage loans, as the residential mortgage book (more than 90% of Retail Banking's loan book) decreased to EUR 150.7 billion.

The mortgage market slowed down further in 2012. Although the number of mortgage transactions remained at low levels and was again lower than in 2011, new mortgage production picked up in the second quarter due to an anticipated increase in the transfer tax. The number of mortgage transactions rallied towards the end of the fourth quarter as a result of the announced measures relating to interest deductibility as of 1 January 2013.

*Due to customers*

Due to customers rose by EUR 10.2 billion to EUR 82.2 billion at 31 December 2012 as compared to EUR 72.0 billion at 31 December 2011. The highly competitive Dutch market for retail savings recorded in the first quarter of 2012 eased up by the end of the year as the total market volume showed a significant increase in 2012. These developments combined with the successful roll-out of MoneYou in Germany and Belgium were the basis for growth in retail savings.

*FTEs*

FTEs in Retail Banking decreased by 345 to 6,335 at 31 December 2012, mainly due to further optimisation of the branch network and the transfer of several YourBusiness Banking account managers to Commercial Banking. This was partially offset by insourcing of the ICS call centre.

*Private Banking*

***Selected Private Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| | *(in millions of euros)* | |
| Net interest income | 537 | 558 |
| Net fee and commission income | 508 | 578 |
| Other non-interest income | 69 | 166 |
| Operating income | 1,114 | 1,302 |
| Personnel expenses | 417 | 484 |
| Other expenses | 471 | 526 |
| Operating expenses | 888 | 1,010 |
| *Operating result* | 226 | 292 |
| Impairment charges on loans and other receivables | 203 | 16 |
| *Profit/(loss) before tax* | 23 | 276 |
| Income tax (expense)/credit | (28) | 36 |
| ***Profit/(loss) for the period*** | **51** | **240** |

| | Year ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Cost/income ratio | 80% | 78% |
| Return on average RWA (in bps) | 37 | 176 |
| Cost of risk (in bps) | 148 | 12 |

| | As at 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Loan-to-deposit ratio | 28% | 28% |
| Loans and receivables customers (in EUR billions) | 17.4 | 16 |
| *Of which: mortgages* | *3.4* | *3.6* |
| Due to customers (in EUR billions) | 59.1 | 54.3 |
| Risk-weighted assets (in EUR billion) | 10.7 | 13.8 |
| FTEs (end of period) | 3,648 | 3,746 |

*Profit/(loss) for the period*

Profit for the year ended 31 December 2012 declined by EUR 189 million to EUR 51 million, as compared to EUR 240 million for the year ended 31 December 2011. This was primarily the result of higher impairment charges and the sale of the Swiss Private Banking activities in the fourth quarter of 2011. The results of Private Banking include the results of ID&JG which fell sharply year-on-year due to higher impairment charges in 2012. Excluding the net result of ID&JG and the impact of the sale of the Swiss Private Banking activities, net profit would have decreased by EUR 38 million.

*Operating income*

Operating income for the year ended 31 December 2012 decreased by EUR 188 million, or 14%, to EUR 1,114 million, as compared to EUR 1,302 million for the year ended 31 December 2011. Excluding the divestment, operating income was almost unchanged.

*Net interest income*

Net interest income for the year ended 31 December 2012 decreased by EUR 21 million, or 4%, to EUR 537 million, as compared to EUR 558 million for the year ended 31 December 2011. This decrease was primarily the result of lower margins on savings products in The Netherlands, partly compensated by a switch out of investments into cash (mainly in Private Banking International).

*Net fee and commission income*

Net fee and commission income decreased by 12% for the year ended 31 December 2012 due mainly to structurally lower fee income following the sale of the Swiss Private Banking activities and lower client activity. Other non-interest income decreased by EUR 97 million for the year 2012 due to the divestment of the Swiss Private Banking activities.

*Operating expenses*

Operating expenses for the year ended 31 December 2012 decreased by EUR 122 million, or 12%, to EUR 888 million, as compared to EUR 1,010 million for the year ended 31 December 2011. Operating expenses decreased following the sale of Swiss Private Banking activities. Excluding this divestment, operating expenses decreased by 1%.

*Operating result*

The operating result decreased from EUR 292 million in 2011 to EUR 226 million in 2012. The cost/income ratio fell by 2 percentage points (improved by 1 percentage point excluding divestments) to 80%.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables for the year ended 31 December 2012 rose by EUR 187 million to EUR 203 million, as compared to EUR 16 million for the year ended 31 December 2011. The majority of the increase was related to a few large impairments in the diamond financing activities and, to a lesser extent, to commercial real estate-linked exposures and some legacy products.

*Loans and receivables – customers*

Loans and receivables – customers rose by EUR 1.4 billion, or 9%, to EUR 17.4 billion at 31 December 2012 as compared to EUR 16.0 billion at 31 December 2011. This was mainly due to an increase in commercial loans internationally.

*Due to customers*

Due to customers increased EUR 4.8 billion, or 8%, from EUR 54.3 billion at 31 December 2011 to EUR 59.1 billion at 31 December 2012, as a result of deposit inflow and clients switching from securities to cash.

*FTEs*

The number of FTEs decreased by 98 to 3,648 in 2012 as a result of the integration of LGT Germany and cost efficiency measures in The Netherlands.

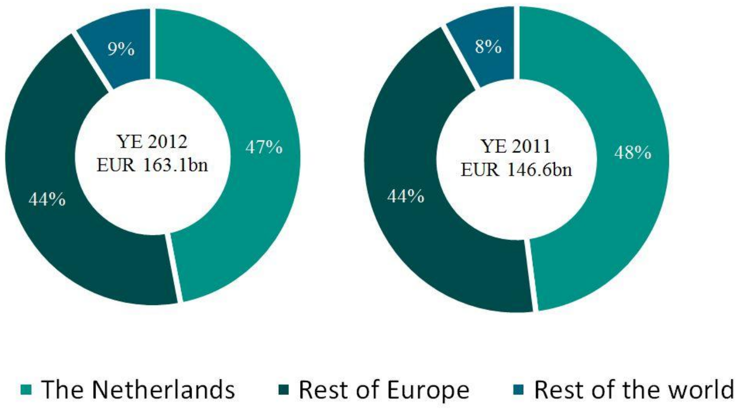
*Assets under Management*

Assets under Management increased by EUR 16.5 billion to EUR 163.1 billion at 31 December 2012 from EUR 146.6 billion at 31 December 2011. This increase was a result of improved market performance of the securities portfolio and net new assets of EUR 3.1 billion, mainly in Private Banking International.

***AuM development***

| | As at 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in billions of euros)* | |
| ***Opening balance as at 1 January*** | 146.6 | 164.2 |
| Net new assets | 3.1 | 0.9 |
| Market performance | 13.4 | (9.3) |
| Divestments/acquisitions | - | (5.0) |
| Other (including sales/acquisitions) | - | (4.2) |
| **Balance at 31 December** | **163.1** | **146.6** |

***AuM by geography***




***Commercial Banking***

***Selected Commercial Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| Net interest income | 1,264 | 1,231 |
| Net fee and commission income | 302 | 366 |
| Other non-interest income | 19 | 80 |
| Operating income | 1,585 | 1,677 |
| Personnel expenses | 255 | 342 |
| Other expenses | 680 | 805 |
| Operating expenses | 935 | 1,147 |
| *Operating result* | 650 | 530 |
| Impairment charges on loans and other receivables | 587 | 606 |
| *Profit/(loss) before tax* | 63 | (76) |
| Income tax (expense)/credit | 22 | (12) |
| ***Profit/(loss) for the period*** | **41** | **(64)** |

| | Year ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Cost/income ratio | 59% | 68% |
| Return on average RWA (in bps) | 15 | -23 |
| Cost of risk (in bps) | 214 | 221 |

| | As at 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Loan-to-deposit ratio | 122% | 122% |
| Loans and receivables customers (in EUR billions) | 42.6 | 41.9 |
| Due to customers (in EUR billions) | 34.6 | 34.0 |
| Risk-weighted assets (in EUR billion) | 28.8 | 28.3 |
| FTEs (end of period) | 3,249 | 3,547 |

*Profit/(loss) for the period*

In 2012, net profit continued to be impacted by high impairment charges on loans and other receivables. Profit for the year ended 31 December 2012 increased by EUR 105 million to EUR 41 million, as compared to a loss of EUR 64 million for the year ended 31 December 2011.

In alignment with market practice, as from 2012 lease costs are recorded under operating income (other non-interest income) and no longer under (other) operating expenses.

*Operating income*

Operating income for the year ended 31 December 2012 decreased by EUR 92 million to EUR 1,585 million, as compared to EUR 1,677 million for the year ended 31 December 2011, due mainly to the divestment of the international division of FCF in 2011 and the sale of the commercial insurance operations in 2012, and the reclassification of lease costs from (other) operating expenses to operating income (other non-interest income).

*Net interest income*

Net interest income for the year ended 31 December 2012 increased by EUR 33 million, or 3%, to EUR 1,264 million, as compared to EUR 1,231 million for the year ended 31 December 2011. Excluding the impact of the abovementioned divestments, net interest income would have increased by 6%, mainly as a result of volume growth in client lending.

*Net fee and commission income*

Net fee and commission income declined by EUR 64 million, or 21%, to EUR 302 million for the year ended 31 December 2012 compared to EUR 366 million at 31 December 2011, due mainly to abovementioned divestments. Other non-interest income declined by EUR 61 million predominantly due to the reclassification of lease costs from other expenses.

*Operating expenses*

Operating expenses for the year ended 31 December 2012 declined by EUR 212 million, or 18%, to EUR 935 million, as compared to EUR 1,147 million for the year ended 31 December 2011. This increase was primarily due to reclassification, the abovementioned divestments and lower intersegment costs. Personnel expenses decreased by EUR 87 million to EUR 255 million, primarily as a result of lower pension expenses and divestments. Other expenses fell by 16% to EUR 680 million, largely due to the reclassification of lease costs. Excluding these effects, other expenses decreased by 7%, primarily reflecting lower intersegment costs.

*Operating result*

The operating result rose by 23% in 2012. The cost/income ratio improved from 68% in 2011 to 59% in 2012.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables amounted to EUR 587 million in 2012, down EUR 19 million compared with 2011. Impairment charges are still at elevated levels, with cost of risk at 214 bps. The construction, retail and (commercial) real estate-related sectors are among those affected.

*Loans and receivables – customers*

Loans and receivables – customers increased by EUR 0.7 billion to EUR 42.6 billion at 31 December 2012 from EUR 41.9 billion at 31 December 2011 due mainly to volume growth. This was offset by re-allocation of certain positions to Markets and Retail Banking.

*Due to customers*

Due to customers increased EUR 0.6 billion, or 2%, to EUR 34.6 billion at 31 December 2012 from EUR 34.0 billion at 31 December 2011. The increase was a result of business growth in both Business Banking and Corporate Clients, offset by the re-allocation of positions to Markets and Retail Banking.

*FTEs*

The number of FTEs declined by 298, or 8%, to 3,249 at year-end 2012 mainly due to the sale of the commercial insurance activities and the transfer of SME insurance activities to ABN AMRO Verzekeringen.

***Merchant Banking***

***Selected Merchant Banking financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| Net interest income | 652 | 546 |
| Net fee and commission income | 376 | 364 |
| Other non-interest income | 433 | 420 |
| Operating income | 1,461 | 1,330 |
| Personnel expenses | 277 | 285 |
| Other expenses | 637 | 598 |
| Operating expenses | 914 | 883 |
| *Operating result* | 547 | 447 |
| Impairment charges on loans and other receivables | 256 | 27 |
| *Profit/(loss) before tax* | 291 | 420 |
| Income tax (expense)/credit | 27 | 16 |
| ***Profit/(loss) for the period*** | **264** | **404** |

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| Cost/income ratio | 63% | 66% |
| Return on average RWA (in bps) | 60 | 125 |
| Cost of risk (in bps) | 58 | 8 |

| | As at 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Loan-to-deposit ratio | 155% | 137% |
| Loans and receivables customers (in EUR billions) | 49.7 | 46.6 |
| Due to customers (in EUR billions)...................................................................... | 37 | 46.6 |
| Risk-weighted assets (in EUR billion) .................................................................. | 45.5 | 36.1 |
| FTEs (end of period)............................................................................................ | 2,142 | 1,998 |

*Profit/(loss) for the period*

Profit for the year ended 31 December 2012 decreased by EUR 140 million to EUR 264 million, as compared to EUR 404 million for the year ended 31 December 2011. This decrease primarily resulted from higher impairment charges partially offset by a higher operating result.

*Operating income*

Operating income increased by EUR 131 million, or 10%, to EUR 1,461 million for the year ended 31 December 2012 compared to EUR 1,330 million in 2011. This increase resulted from gains in net interest income and non-interest income discussed below.

*Net interest income*

Net interest income for the year ended 31 December 2012 increased by EUR 106 million, or 19%, to EUR 652 million, as compared to EUR 546 million for the year ended 31 December 2011. This increase was due mainly to higher interest income in Market activities and, to a lesser extent, ECT.

*Net fee and commission income*

Net fee and commission income increased by EUR 12 million, or 3%, to EUR 376 million from EUR 364 million. This increase mainly reflected growth in the ECT business offset by lower volumes at Clearing. Other non-interest income increase by EUR 13 million, or 3%, to EUR 433 million from EUR 420 million which reflected better results in Markets sales and trading, offset by lower private equity results and a one-off gain last year.

*Operating expenses*

Operating expenses increased by EUR 31 million, or 4%, to EUR 914 million for the year ended 31 December 2012, as compared to EUR 883 million in 2011, due primarily to the impact of the Dutch bank tax.

Personnel expenses increased by 7% to EUR 306 million for the year ended 2012 due mainly to the growth of the foreign operations and the acquisition of RBS professionals from RBS N.V. Other expenses increased by EUR 39 million, or 7%, to EUR 637 million, mainly reflecting the impact of the Dutch bank tax, offset by slightly lower intersegment costs.

*Operating result*

The operating result increased 22% to EUR 547 million in 2012. The cost/income ratio improved to 63% from 66% in 2011.

*Impairment charges on loans and other receivables*

Impairments charges on loans and other receivables over 2012 amounted to EUR 256 million. 2011 showed a charge of EUR 27 million as significant releases were recorded. Several impairments were recorded in the public and real estate sectors in 2012. Cost of risk increased to 58 bps (from 8 bps in 2011).

*Loans and receivables – customers*

Loans and receivables – customers increased by EUR 3.1 billion to EUR 49.7 billion at 31 December 2012 from EUR 46.6 billion at 31 December 2011. This increase was mainly driven by a decrease in client volumes in securities financing activities, offset by growth in LC&MB's commercial loan portfolio and at Clearing.

*Due to customers*

Due to customers decreased EUR 9.6 billion to EUR 37.0 billion at 31 December 2012 from EUR 46.6 billion at 31 December 2011, due mainly to lower client volumes in the securities financing activities.

*FTEs*

The number of FTEs rose by 144 to 2,142 at 31 December 2012 due to the growth of the foreign operations and the acquisition of certain RBS professionals to strengthen certain product capabilities.

***Group Functions***

The majority of the costs of Group Functions are allocated to the business segments. Items that are not allocated to the business segments include, among other things, the operating result from AML/Treasury, general restructuring charges, certain integration costs and costs for the Dutch Deposit Guarantee Scheme.

***Selected Group Functions financial information***

| | Year ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(in millions of euros)* | |
| Net interest income | (29) | (8) |
| Net fee and commission income | (95) | 13 |
| Other non-interest income | 197 | 268 |
| Operating income | 73 | 273 |
| Personnel expenses | 809 | 928 |
| Other expenses | (484) | (387) |
| Operating expenses | 325 | 541 |
| *Operating result* | (252) | (268) |
| Impairment charges on loans and other receivables | (201) | 832 |
| *Profit/(loss) before tax* | (51) | (1,100) |
| Income tax (expense)/credit | (26) | (329) |
| ***Profit/(loss) for the period*** | **(25)** | **(771)** |

| | As at 31 December | |
|---|---|---|
| | **2012** | **2011** |
| Loans and receivables customers (in EUR billions) | 5.4 | 5.0 |
| Due to customers (in EUR billions) | 3.9 | 6.7 |
| Risk-weighted assets (in EUR billion) | 6.4 | 7.8 |
| FTEs (end of period) | 7,685 | 8,254 |

*Profit/(loss) for the period*

Profit for the year ended 31 December 2012 increased by EUR 746 million to a loss of EUR 25 million, as compared to a loss of EUR 771 million for the year ended 31 December 2011.

*Operating income*

Operating income for the year ended 31 December 2012 decreased by EUR 200 million, or 73%, to EUR 73 million, as compared to EUR 273 million for the year ended 31 December 2011 of which EUR 30 million resulted from the divestment of activities.

*Net interest income*

Net interest income for the year ended 31 December 2012 declined by EUR 21 million to a loss of EUR 29 million, as compared to a loss of EUR 8 million for the year ended 31 December 2011. This decline was due largely to higher funding costs resulting from the lengthening of the funding maturity profile and higher capital costs related to the newly issued subordinated debt instruments.

*Net fee and commission income*

Net fee and commission income declined by EUR 108 million to a loss of EUR 95 million from 2011. This decline mainly reflects the effect of divestments, the occurrence of several positive large items in 2011 and a reclassification of international payment fees from other expenses in 2012. Other non-interest income dropped by EUR 71 million to EUR 197 million as the positive impact of releases from the Credit Umbrella and other EC Remedy-related provisions (EUR 215 million) was more than offset by fair value changes to structured funding instruments, the result of movements in interest rates, lower market valuations of the trading book and the impact of hedge accounting ineffectiveness.

*Operating expenses*

Operating expenses for the year ended 31 December 2012 decreased by EUR 216 million, or 40%, to EUR 325 million, as compared to EUR 541 million for the year ended 31 December 2011. Excluding divested activities, operating expenses went down by EUR 148 million.

Personnel expenses decreased in 2012, driven primarily by lower pension expenses and divestments. The increase as a result of the integration cost for the pension fund taken in 2012 offset the decrease as a result of the reorganisation provision taken in 2011.

Other expenses declined in 2012, due mainly to lower maintenance and depreciation expenses following the positive effect of the disposal of property, the abovementioned reclassification of international payment fees, lower housing costs and higher intersegment revenues, and the impact of divestments.

*Impairment charges on loans and other receivables*

Loan impairments moved from EUR 832 million in 2011 to a EUR 201 million impairment release for 2012. This was mainly the result of EUR 880 million impairment charges for Greek government-guaranteed corporate exposures in 2011 plus an impairment release following the sale of a tranche of those positions (EUR 125 million) in 2012.

*FTEs*

The number of FTEs fell by 569 to 7,685 FTEs at year-end 2012. The decrease in FTEs relates primarily to the integration and natural attrition.

## 6.6 Other references

### Liquidity and Funding

For information with respect to liquidity and funding, see Chapter 17 (*Liquidity & funding*) in the Annual Report 2013 and Chapter 19 (*Liquidity & funding*) in the Annual Report 2012, incorporated by reference herein.

### Risk Management

For information with respect to risk management, see Chapter 15 (*Risk management*) in the Annual Report 2013 and Chapter 17 (*Risk management*) in the Annual Report 2012, incorporated by reference herein.

**Capital Management**

For information with respect to capital adequacy, see Chapter 16 (*Capital management*) in the Annual Report 2013 and Chapter 18 (*Capital management*) in the Annual Report 2012, incorporated by reference herein.

**Critical Accounting Policies**

For critical accounting policies and changes contained in accounting rules, see note 1 "Accounting policies" to the Consolidated Annual Financial Statements.

## 6.7 Related Party Transactions

For information with respect to transactions with related parties, including the Dutch State, see note 41 "*Related parties*" to the Consolidated Annual Financial Statements.

## 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. See "*The Issuer—3. Management and Governance*".

On 11 March 2013, ABN AMRO Group N.V. exercised the call option to repurchase EUR 210 million preference shares in the share capital of ABN AMRO Group N.V. held by ABN AMRO Preferred Investments B.V. in accordance with the announcement made on 1 March 2013. The transaction was settled that same day. ABN AMRO Group N.V. cancelled the repurchased shares in May 2013. The repurchase of the preference shares resulted in a simplification of the shareholder structure of ABN AMRO Group N.V. As a result of the transaction, NLFI is the sole shareholder of ABN AMRO Group N.V. by holding all ordinary shares in its share capital. See "*The Issuer—3. Management and Governance*".

### Documents available

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

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

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

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

(iv) a copy of this Registration Document; and

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

A copy of the 403 Declaration is available for inspection at the Trade Register of the Chamber of Commerce, De Ruyter Kade 5, PO Box 1000 CW, Amsterdam, The Netherlands.

### Issuer ratings

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

| Corporate rating | S&P | Moody's | Fitch | DBRS |
|---|---|---|---|---|
| Long term credit rating | A | A2 | A+ | A(high) |
| Outlook long term credit rating | Negative | Negative | Negative | Stable |
| Short term credit rating | A-1 | P-1 | F1+ | R-1(middle) |

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

**Significant or material change**

There has been no (i) material adverse change in the Issuer's prospects or (ii) significant change in the financial position of the Issuer and its subsidiaries since 31 December 2013.

There has been no (i) material adverse change in the ABN AMRO Group's prospects or (ii) significant change in the financial position of the ABN AMRO Group and its subsidiaries since 31 December 2013.

**Independent auditor**

The consolidated annual financial statements of ABN AMRO Group N.V. as of 31 December 2013, and for the year then ended, incorporated by reference in this Registration Document, have been audited by KPMG Accountants N.V., independent auditors ("**KPMG**"), as stated in their report appearing herein. The consolidated annual financial statements of ABN AMRO Group N.V. as of 31 December 2012 (including the comparative 2011), 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 report in this Registration Document in the form and context in which it is included.

**Legal and arbitration proceedings**

ABN AMRO is involved in a number of governmental, legal and arbitration proceedings in the ordinary course of its business in a number of jurisdictions, including those set out in *"The Issuer—1. ABN AMRO Bank N.V.—1.7 Legal and arbitration proceedings*". However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

**Issuer**

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Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

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**Clifford Chance LLP**
Droogbak 1A
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**AUDITORS**

*to ABN AMRO Group N.V.*

**KPMG Accountants N.V.**
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1186 DS Amstelveen
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