ABN AMRO BANK N.V.

(incorporated in The Netherlands with its statutory seat in Amsterdam and registered in the Commercial Register of the Chamber of Commerce under number 34334259)

€40,000,000,000 Covered Bond Programme 2

guaranteed as to payments of interest and principal by ABN AMRO COVERED BOND COMPANY 2 B.V.

(*incorporated in The Netherlands with its statutory seat in Amsterdam and registered in the Commercial Register of the Chamber of Commerce under number 70176841*)

Under this €40,000,000,000 covered bond programme 2 (the "**Programme**"), ABN AMRO Bank N.V. acting through its head office (the "**Issuer**") may from time to time issue bonds with an extendable maturity date in global or definitive and in bearer or registered form (the "**Covered Bonds**") denominated in euro.

ABN AMRO Covered Bond Company 2 B.V. (the "**CBC2**") will as an independent obligation irrevocably undertake to pay interest and principal payable under the Covered Bonds pursuant to a guarantee issued under the Trust Deed (as defined below) and will pledge to the Trustee the Transferred Assets (as defined below) and certain other assets as security therefor. Recourse against the CBC2 under its guarantee will be limited to the Transferred Assets and such other assets.

The aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €40,000,000,000, subject to any increase as described herein.

The Covered Bonds may be issued on a continuing basis to purchasers thereof, which may include any Dealer(s) appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. The Dealer(s) who (intend to) subscribe an issue of any Covered Bonds, is or are collectively referred to as the "**relevant Dealer(s)**" in respect of those Covered Bonds.

The minimum denomination of Covered Bonds offered by the Issuer will be (i) such denomination as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (as defined below) and (ii) in respect of Covered Bonds which will be offered to the public within a member state of the European Economic Area or for which the Issuer will seek their admission to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive (as defined below), €100,000.

This Base Prospectus has been approved by the Dutch Stichting Autoriteit Financiële Markten ("**AFM**") as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), implementing Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (as amended or superseded, the "**Prospectus Directive**"). This Base Prospectus is issued in replacement of a base prospectus dated 28 December 2017 in respect of a €40,000,000,000 Covered Bond Programme as subsequently supplemented on 27 February 2018, 23 March 2018, 17 May 2018, 18 July 2018, 9 August 2018 and 12 November 2018 and, accordingly, supersedes that earlier base prospectus (as so supplemented). Application has been made for Covered Bonds issued under the Programme to be admitted to listing on Euronext in Amsterdam ("**Euronext Amsterdam**"), which is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"), during the period of 12 months from the date of this Base Prospectus (such date, the "**2019 Programme Update**"). The Covered Bonds may be listed on such other or further stock exchange(s) or market as may be agreed between the Issuer, the CBC2, the Trustee (as defined under "*Section 1.3 Terms and Conditions of Covered Bonds*" below) and the relevant Dealer(s) and specified in the applicable Final Terms. The Issuer may also issue unlisted and/or privately placed Covered Bonds. References in this Base Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading and have been listed on Euronext Amsterdam or such other or further stock exchange(s) or market which may be agreed between the Issuer, the CBC2, any Dealer and the Trustee.

Notice of the aggregate nominal amount of the relevant Covered Bonds, interest (if any) payable in respect of such Covered Bonds, the issue price of such Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Section 1.3 Terms and Conditions of Covered Bonds*" below) of such Covered Bonds will be set out in the final terms (the "**Final Terms**") in the form, or substantially in the form, as set out herein, which, with respect to such Covered Bonds to be listed on Euronext Amsterdam, will be delivered to Euronext Amsterdam on or before the date of issue of such Tranche.

The Issuer and the CBC2 may agree with any Dealer and the Trustee that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds set out herein, in which event a supplement, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

The Covered Bonds of each Tranche shall be either in bearer form or in registered form. Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a global Covered Bond. Global Covered Bonds will be deposited on or about the issue date thereof either (i) with a common safekeeper of Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or with a safekeeper or depositary for any other agreed clearing system or (ii) with Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. ("**Euroclear Netherlands**"). Registered Covered Bonds will be issued to each holder by way of a registered Covered Bonds deed. See "*Section* 1.1 *Form of Covered Bonds*" below.

The Covered Bonds are expected on issue to be assigned a 'Aaa' rating by Moody's Investors Service Ltd. ("**Moody's**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency (as defined in *Section 2. Asset Backed Guarantee* below). Moody's is established in the European Economic Area and registered under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**").

This Base Prospectus is to be read in conjunction with any supplement hereto and any Final Terms and with all documents which are deemed to be incorporated in it by reference (see "*Section* D.1 *Incorporation by reference*" below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated into, and form part of, this Base Prospectus.

The Covered Bonds and the Guarantee (as defined under "*Section 1.3 Terms and Conditions of Covered Bonds*" below) from the CBC2 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 and may not be offered or sold in the United States or to U.S. persons (other than distributors) unless they have been registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Bearer Covered Bonds in bearer form for U.S. federal income tax purposes are subject to U.S. tax law requirements.

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the CBC2 to fulfil their respective obligations under the Covered Bonds are discussed under "*Section B. Risk Factors*" below.

Arranger	**Dealer**
ABN AMRO	**ABN AMRO**

The date of this Base Prospectus is 10 July 2019.

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and the CBC2 accepts responsibility for the information relating to the CBC2 contained in this Base Prospectus. To the best of the knowledge of the Issuer and the CBC2 (which have taken all reasonable care to ensure that such is the case) the information (in the case of the CBC2, as such information relates to it) contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Arranger, the Dealer(s) (except for ABN AMRO Bank in its capacity as Issuer) nor the Trustee nor any of their respective affiliates have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealer(s) or the Trustee or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer and the CBC2 in connection with the Programme. Neither the Arranger, the Dealer(s) (except for ABN AMRO Bank in its capacity as Issuer) nor the Trustee nor any of their respective affiliates accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer and the CBC2 in connection with the Programme.

No person is or has been authorised by the Issuer, the CBC2, the Arranger, any of the Dealers or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the CBC2, the Arranger, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds should be considered as a recommendation by the Issuer, the CBC2, the Originators (as defined in *Section C.2 Principal Transaction Parties* below), the Arranger, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds shall be taken to have made its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the CBC2. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer, the CBC2, the Originators, the Arranger, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented 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 or the CBC2 since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealer(s) and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the CBC2 or the Originators during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Neither the Issuer nor the CBC2 has any obligation to update this Base Prospectus, except when required by and in accordance with the Prospectus Directive.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and any Final Terms and the

offering, sale and delivery of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the CBC2, the Originators, the Arranger, the Dealer(s) and the Trustee do not represent that this Base Prospectus or any Final Terms may be lawfully distributed, or that any Covered Bonds 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, the CBC2, the Originators, the Arranger, the Dealer(s) or the Trustee which would permit a public offering of any Covered Bonds or distribution of this Base Prospectus or any Final Terms in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any Final Terms 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 Base Prospectus, any Final Terms or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and any Final Terms and the offering and sale of Covered Bonds. In particular, there are selling restrictions in relation to the United States, the European Economic Area (including the United Kingdom, France, Italy and The Netherlands) and Japan and such other restrictions as may apply, see "*Section 1.5 Subscription and Sale*" below.

This Base Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer, the CBC2 or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, **provided that** any such prospectus has subsequently been completed by Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms or drawdown prospectus, as applicable. Neither the Issuer, the CBC2 nor any Dealer have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the CBC2 or any Dealer to publish or supplement a prospectus for such offer.

BENCHMARKS REGULATION - Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms.

Amounts payable under the Covered Bonds may, inter alia, be calculated by reference to the Euro-zone inter-bank offered rate ("**EURIBOR**") which is provided by the European Money Markets Institute (the "**EMMI**"). As at 2019 Programme Update, EMMI does appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation.

Amounts payable under the Covered Bonds may, inter alia, be calculated by reference to London interbank offered rate ("**LIBOR**"), which is provided by ICE Benchmark Administration Limited. As at the 2019 Programme Update, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation.

If a benchmark (other than EURIBOR or LIBOR) is specified in the applicable Final Terms, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation.

The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Base Prospectus or any applicable Final Terms to reflect any change in the registration status of the administrator.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET - The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2016/97/EU ("**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

All references in this document to "**EUR**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

In connection with the issue and distribution of any Tranche of Covered Bonds, the Dealer(s) (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds of the Series (as defined under "*Section 1.3 Terms and Conditions of Covered Bonds*" below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date

on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds (or such other periods as allowed under applicable laws and rules from time to time). Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

A. KEY FEATURES OF THE PROGRAMME

The following description of the key features of the Programme does not purport to be complete and is taken from, and is qualified in all respects by, the remainder of this Base Prospectus and the information incorporated by reference herein (as defined in Section D.1 Incorporation by Reference below) and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms and, in relation to the terms and conditions of any particular Transaction Document, the applicable Transaction Document.

Any decision to invest in the Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including any amendment and supplement hereto and the documents incorporated herein by reference.

Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in this description. An index of certain defined terms is contained at the end of this Base Prospectus.

*The following description of the key features of the Programme is not a summary as referred to in Article 5:14 of the Dutch Financial Supervision Act (Wet op het financieel toezicht, and its subordinate and implementing decrees and regulations: the "**Wft**").*

1. COVERED BONDS

Issuer:	ABN AMRO Bank N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands, having its statutory seat (*statutaire zetel*) at Amsterdam, The Netherlands and its registered and head office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 34334259, acting through its head office ("**ABN AMRO Bank**").
Guarantor:	CBC2. See "*Section* 2.3 CBC2" below.
Risk factors:	There are certain factors that may affect the Issuer's and/or CBC2's ability to fulfil its obligations under Covered Bonds issued under the Programme or the Guarantee, as the case may be. These include the fact that the Issuer's results can be adversely affected by (i) general economic conditions and other business conditions, (ii) competition, (iii) regulatory change and (iv) standard banking risks including changes in interest and foreign exchange rates and operational, credit, market, liquidity and legal risk. See "*Section B. Risk Factors*" below. There are certain factors which are material for the purpose of assessing the market risks and other risks associated with Covered Bonds issued under the Programme. These include, amongst other things, risks related to (a) suitability for investors, (b) the structure of a particular issue of Covered Bonds, (c) the Guarantee, (d) the CBC2, (e) the Covered Bonds generally, (f) the market generally, (g) asset monitoring, (h) servicing and custody of assets, (i) underlying swaps and (j) Transferred Assets (see "*Section B. Risk Factors*" below).
Programme description:	Programme for the issue of Covered Bonds by the Issuer to

	Covered Bondholders on each issue date (each, an "**Issue Date**").
Programme size:	Up to €40,000,000,000 of Covered Bonds outstanding at any time. The Issuer and the CBC2 may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed outside the United States to persons other than U.S. persons (as such terms are defined in Regulation S under the Securities Act) on a syndicated or non-syndicated basis.
Selling restrictions:	There are selling restrictions in relation to the United States, the European Economic Area (including the United Kingdom, France, Italy and The Netherlands) and Japan and such other restrictions as may apply in connection with the offering and sale of a particular Tranche or Series. See "*Section 1.5 Subscription and Sale*" below.
Specified Currency:	Subject to any applicable legal or regulatory restrictions, euro.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as defined in the applicable Final Terms) (the "**Specified Currency**") subject to a maximum maturity for each Series of 30 years.
Amortisation:	All Covered Bonds from time to time issued under the Programme will have soft bullet maturities (allowing payment by the CBC2 of Guaranteed Final Redemption Amounts to be extended to the relevant Extended Due for Payment Date).
Issue Price:	Covered Bonds shall be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Interest Payment Dates:	Interest (in respect of Covered Bonds other than Zero Coupon Covered Bonds) shall be payable on the Covered Bonds of each Series on the Interest Payment Dates agreed by the Issuer and the relevant Dealer(s) and up to the Final Maturity Date or the Extended Due for Payment Date (if applicable), as specified in and subject to the applicable Final Terms. The Issuer and the relevant Dealer(s) may agree that interest shall be payable monthly, bi-monthly, quarterly, semi-annually, annually or upon redemption of the relevant Covered Bonds, unless otherwise provided for in the applicable Final Terms.
Form of Covered Bonds:	Each Covered Bond will be issued in bearer form (a "**Bearer Covered Bond**") or in registered form (a "**Registered Covered Bond**"). Registered Covered Bonds will not be exchangeable for

Bearer Covered Bonds.

Each Tranche of Bearer Covered Bonds will (unless otherwise specified in the applicable Final Terms) initially be represented by a Temporary Global Covered Bond. Each Temporary Global Covered Bond (i) which is intended to be issued in new global note ("**NGN**") form (an "**NGN Temporary Global Covered Bond**") will be deposited on or around the relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg or (ii) which is not intended to be issued in NGN form (a "**Classic Temporary Global Covered Bond**") may be deposited on or around the relevant Issue Date with Euroclear Netherlands and/or with (a safekeeper or depositary for) any other agreed clearing system. A Temporary Global Covered Bond will be exchangeable as described therein for a Permanent Global Covered Bond.

A Permanent Global Covered Bond is exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event, all as described in *Section 1.1 Form of Covered Bonds* below, in accordance with the terms of the Permanent Global Covered Bond. Any interest in a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of either (i) Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system or (ii) Euroclear Netherlands, as appropriate. See "*Section 1.1 Form of Covered Bonds*" below.

Upon the occurrence of an Exchange Event, in the case of Bearer Covered Bonds, the relevant Permanent Global Covered Bond will become exchangeable for Definitive Covered Bonds, except that in each case a Covered Bond which forms part of a securities deposit (*girodepot*) with Euroclear Netherlands shall only be exchangeable within the limited circumstances as described in the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*, the "**Wge**") and such exchange will be made in accordance with the Wge, with the terms and conditions of Euroclear Netherlands and with its operational documents. If any Permanent Global Covered Bond is not duly exchanged, the terms of such Permanent Global Covered Bond, will provide a mechanism for relevant account holders with Euroclear, Clearstream, Luxembourg, Euroclear Netherlands and/or any other agreed clearing system(s) to whose securities account(s) with such clearing system(s) the beneficial interests in such Permanent Global Covered Bond, are credited to be able to enforce rights directly against the Issuer.

Registered Covered Bonds will (unless otherwise specified in the applicable Final Terms) be issued to each holder by way of a deed of issuance (a "**Registered Covered Bonds Deed**").

Fixed Rate Covered Bonds: Fixed Rate Covered Bonds will bear interest at a fixed rate, payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be

calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds: Floating Rate Covered Bonds will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Covered Bonds (as set out in the applicable Final Terms).

Other provisions in relation to Floating Rate Covered Bonds: Floating Rate Covered Bonds may also have a maximum interest rate ("**Cap**"), a minimum interest rate ("**Floor**") or both ("**Collar**"). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s).

Zero Coupon Covered Bonds: Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment.

Redemption: The applicable Final Terms will indicate either (a) that the relevant Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified events, if applicable, or for taxation reasons or following an Issuer Event of Default or a CBC2 Event of Default) or (b) that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Denomination of Covered Bonds: Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms save that (i) the minimum denomination of each Covered Bond will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency

	and (ii) the minimum denomination of each Covered Bond which will be offered to the public within a member state of the European Economic Area ("**EEA**") or which will be admitted to trading on a regulated market situated or operating within such a member state, in each case in circumstances which would require the approval of a prospectus under the Prospectus Directive, will be at least €100,000.
Taxation:	All payments in respect of the Covered Bonds will be made without withholding or deduction of taxes imposed by any Tax Jurisdiction, subject to restrictions. In the event that any such withholding or deduction is to be made, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted or, if the Issuer elects, it may redeem the Series affected. The CBC2 will not be liable to pay any such additional amounts under the Guarantee. The Issuer and the CBC2 shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the CBC2 (as the case may be) not being entitled to receive payments free of FATCA Withholding. The Issuer and the CBC2 will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the CBC2, a Paying Agent, the Registrar or any other party.
Cross default:	None of the Covered Bonds will accelerate automatically on an Issuer Event of Default or a CBC2 Event of Default. All Covered Bonds will accelerate following a failure to pay (subject to applicable grace periods) by the Issuer or the CBC2 in respect of any Series (or any other Issuer Event of Default or CBC2 Event of Default) if (a) the Trustee exercises its discretion to accelerate or (b) the Trustee accelerates following an instruction to accelerate by a Programme Resolution (as defined in Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*)).
Status of the Covered Bonds:	The Covered Bonds issued from time to time in accordance with the Programme will constitute unsecured and unsubordinated obligations of the Issuer, guaranteed by the Guarantee, and will rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for any obligations preferred by a mandatory operation of applicable law.

Ratings:	As at the 2019 Programme Update, the Issuer has a senior debt rating from Standard & Poor's Credit Market Services Europe Limited of 'A' (long-term) and 'A-1' (short-term) and from Fitch Ratings Limited of 'A+' (long-term) and 'F1' (short-term), a counterparty risk assessment from Moody's of 'Aa3(cr)' (long-term) and 'P-1(cr)' (short-term) and a bank deposit rating of 'A1' (long-term) and 'P-1' (short-term). The Covered Bonds are expected to be assigned a rating from Moody's of 'Aaa', to the extent such agency is a Rating Agency at the time of the issue of the Covered Bonds. Other Tranches of Covered Bonds issued under the Programme may be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made to Euronext Amsterdam for the Covered Bonds to be issued under the Programme to be admitted to trading and listed on Euronext Amsterdam, during the period of 12 months from the 2019 Programme Update. The Covered Bonds may also be listed, quoted and/or admitted to trading on or by such other or further competent listing authority(ies), stock exchange(s) and/or quotation system(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Unlisted Covered Bonds may also be issued. The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed, quoted and/or admitted to trading and, if so, on or by which competent listing authority(ies) or stock exchange(s) and/or quotation system(s).
Clearing:	Euroclear and/or Clearstream, Luxembourg and/or Euroclear Netherlands and/or any other agreed clearing system.
Governing law:	The Covered Bonds will be governed by, and construed in accordance with, Dutch law.

2. ASSET-BACKED GUARANTEE

Guarantee, Security, CBC2:	Pursuant to the Guarantee issued under the Trust Deed, the CBC2 will as an independent obligation irrevocably undertake to pay scheduled interest and principal payable under the Covered Bonds. The obligations of the CBC2 under the Guarantee will constitute unsubordinated and unguaranteed obligations of the CBC2, secured (indirectly through a parallel debt) by a pledge of the CBC2's Secured Property to the Trustee. Recourse under the Guarantee will be limited to the Secured Property from time to time. Payments made by the CBC2 under the Guarantee will be made subject to, and in accordance with, the Post-Notice-to-Pay Priority of Payments or the Post-CBC2-Acceleration-Notice Priority of Payments, as applicable.

Principal Transaction Documents: Trust Deed, Master Receivables Pledge Agreement, Accounts Pledge and CBC2 Rights Pledge.

Extendable obligations under the Guarantee:

In respect of each Series of Covered Bonds, if the CBC2 is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount, then:

(a) the obligation of the CBC2 to pay such Guaranteed Final Redemption Amount in respect of such Series shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the Extension Date or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any monies are available to the CBC2 after the CBC2 shall under the relevant Priority of Payments have paid or provided for (1) all higher and *pari passu* ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series with an Extended Due for Payment Date falling prior to the CBC2 Payment Period in which the Extended Due for Payment Date for the relevant Series falls, in which case the CBC2 shall (i) give notice thereof to the holders of the relevant Covered Bonds (in accordance with Condition 13 (Notices; Provision of Information)), the Rating Agencies, the Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the Extension Date and/or such Interest Payment Date, respectively, and (ii) apply such remaining available monies in payment, in whole or in part, of such Guaranteed Final Redemption Amount, if applicable *pro rata* with any Guaranteed Final Redemption Amount pertaining to a Series with an Extended Due for Payment Date falling in the same CBC2 Payment Period in which the Extended Due for Payment Date for the relevant Series falls (and to such extent such Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) on the Extension Date and/or such Interest Payment Date, respectively; and

(b) the CBC2 shall under the Guarantee owe interest over the unpaid portion of such Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (Interest), provided that for this purpose all references in Condition 4 (Interest) to the Final Maturity Date of such Series are deemed to be references to the Extended Due for Payment Date, *mutatis mutandis*, all without prejudice to the CBC2's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount)

when Due for Payment.

Principal Transaction Document: Trust Deed.

3. GUARANTEE SUPPORT

Transfers, Retransfers, Eligible Assets, Originators:

As consideration for the CBC2 assuming the Guarantee, and so as to enable the CBC2 to meet its obligations under the Guarantee, the Initial Originators have transferred and will transfer (to the extent they are an Originator) Eligible Assets to the CBC2 in accordance with the Guarantee Support Agreement. At the option of the Issuer and subject always to Rating Agency Confirmation, New Originators may accede to the Guarantee Support Agreement. The Originators are obliged, and the CBC2 will use reasonable endeavours, to ensure, amongst other things, that the Asset Cover Test is satisfied as at the end of each calendar month, as calculated on the immediately succeeding Calculation Date.

Principal Transaction Document: Guarantee Support Agreement.

4. ASSET MONITORING

Tests, Sale of Selected Receivables, Asset Monitor:

Up to two different types of tests will be carried out so as to monitor the CBC2's assets from time to time. The Asset Cover Test is intended to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level. A Breach of the Asset Cover Test will entitle the Trustee to serve a Notice to Pay on the CBC2. The Amortisation Test is only carried out following service of a Notice to Pay, and is like the Asset Cover Test intended to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level. A Breach of the Amortisation Test will entitle the Trustee to serve a CBC2 Acceleration Notice.

In addition, under the 2015 CB Legislation the Issuer will, among other things, be required to ensure that (i) a statutory minimum level of overcollaterisation of eligible cover assets is maintained, (ii) the value of the Transferred Assets (subject to certain deductions in accordance with the 2015 CB Legislation) is at all times at least equal to the Principal Amount Outstanding of the Covered Bonds and (iii) at all times sufficient liquidity is maintained or generated by the CBC2 to cover for the following 6 month-period interest payments on the Covered Bonds and certain higher and *pari passu* ranking payments, in each case as calculated and determined in accordance with the 2015 CB Legislation. Among other things, the Asset Cover Test and the Mandatory Liquidity Fund (as the case may be) are used to comply with such statutory overcollaterisation, minimum value and liquidity requirements under the 2015 CB Legislation. Furthermore, the Issuer will procure that a Mandatory Asset Quantity Test will be performed in order to comply with its obligations under the 2015 CB Legislation.

Principal Transaction Documents: Asset Monitor Agreement and

Administration Agreement.

5. SERVICING AND CUSTODY

Servicing, Servicers, Custody:

The Initial Servicer has entered into the Initial Servicing Agreement with the CBC2 and the Trustee, pursuant to which it provides administrative services in respect of the Portfolio. The Initial Servicer also services any New Receivables, unless it is agreed between the CBC2, the Trustee and the Initial Servicer that the Originator transferring such New Receivables (or an eligible third party servicer) shall act as Servicer in relation to such New Receivables. The Initial Servicer is, and each New Servicer will be, permitted to sub-contract its servicing role to a third party servicer subject to any applicable conditions in the relevant Servicing Agreement. If Substitution Assets are transferred to the CBC2, the CBC2 will appoint a custodian to provide custody services in relation to such Substitution Assets.

Principal Transaction Document: Initial Servicing Agreement.

6. SWAPS

Swap Undertaking Letter, Total Return, Interest Rate Swaps:

There may be certain mismatches between the rates of interest payable on the Transferred Receivables (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) or the rates of interest or revenue payable on the other Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account and the rate of interest payable on the outstanding Covered Bonds. In order to address these mismatches, the CBC2 may, but is not required to, enter into hedging arrangements.

The CBC2 may, to a certain extent, hedge the interest received on the Transferred Assets, the Authorised Investments, the Substitution Assets and the balance of the AIC Account to a floating rate for a fixed period as determined by the Issuer from time to time, being as at the 2019 Programme Update, EURIBOR for one month deposits (the "**Agreed Base Reference Rate**") under one or more Total Return Swaps or elect to implement an alternative hedging methodology provided that Rating Agency Confirmation has been obtained for such alternative methodology. The CBC2 is not required to enter into any Total Return Swap or to implement an alternative hedging methodology.

Interest Rate Swaps may be entered into to hedge the risk (and provided that there is such a risk) of any possible mismatch between the Agreed Base Reference Rate and the rate of interest payable under any Series. The CBC2 is not required to enter into any Interest Rate Swap.

Pursuant to the Swap Undertaking Letter, ABN AMRO Bank undertakes to, or to procure an Eligible Swap Provider to,

enter into one or more (as agreed between the CBC2 and such Eligible Swap Provider) Swap Agreements with the CBC2 governing one or more Total Return Swap(s) and/or one of more Interest Rate Swap(s) for any Series if so requested by the CBC2.

Principal Transaction Documents: the Swap Undertaking Letter and Swap Agreement(s).

7. CASHFLOWS

Ledgers, Priority of Payments, CBC2 Accounts:

For as long as no Notification Event has occurred and no Notice to Pay or CBC2 Acceleration Notice has been served on the CBC2, no cashflows will run through the CBC2. In those circumstances the Originators will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC2 assuming the Guarantee, pay all costs and expenses of the CBC2 and make and receive all payments to be made or received by the CBC2 under any Swap Agreement (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC2 irrespective of whether any Notification Event has occurred or any Notice to Pay or CBC2 Acceleration Notice has been served at such time). Upon the earlier to occur of a Notification Event and service of a Notice to Pay or CBC2 Acceleration Notice on the CBC2, cashflows will run through the CBC2 and will be applied in accordance with the relevant Priority of Payments.

Principal Transaction Documents: Trust Deed, Guarantee Support Agreement, Administration Agreement and AIC Account Agreement.

8. GENERAL INFORMATION

General Information:

Copies of the principal Transaction Documents and various other documents are available free of charge during usual business hours on any weekday (public holidays excepted) from the registered office of the Issuer, the specified office of the Principal Paying Agent for the time being in Breda or the specified office of the Listing Agent.

9. DUTCH COVERED BOND LEGISLATION

Regulated Covered Bonds:

On 28 December 2017, the Issuer and the Covered Bonds were admitted to the register maintained by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**") in respect of regulated covered bonds (the "**DNB-register**"). On the 2019 Programme Update, the Covered Bonds comply with article 52(4) UCITS.

Compliance with Article 129 CRR:

On the 2019 Programme Update, the Covered Bonds are in the DNB-register registered as being compliant with Article 129 CRR.

Hard Bullet Maturities:	No.
Extendable Maturities:	Yes, as specified in the applicable Final Terms.
Extendable Due for Payment Date in respect of each Series:	The date falling twelve (12) calendar months after the Final Maturity Date of the relevant Series, as specified in the applicable Final Terms.
Primary Cover Assets:	For the purpose of the 2015 CB Legislation, the primary cover assets (*primaire dekkingsactiva*) under the Programme solely comprise loans backed by residential real estate as referred to in Article 129 CRR, paragraph 1(d)(i).
Residence of Debtors of Transferred Receivables:	The Netherlands.
Governing Law of Transferred Receivables:	Dutch law.
Location of Mortgaged Properties:	The Netherlands.

10. OVERVIEW OF RATING THRESHOLDS

The following overview of rating thresholds does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus and the Transaction Documents. A specific rating or period in the following overview shall be deemed a reference to such other rating or period as may be determined to be applicable or agreed from time to time by the relevant credit rating agency. References in this overview to "**LT**" mean the relevant long-term rating, references to "**ST**" mean the relevant short-term rating and "**BDR**" mean bank deposit rating.

Transaction Party	**Moody's**	**Event/Action if below rating threshold**	**Section in Base Prospectus**
Account Bank	P-1(BDR) (ST)	Replacement of Account Bank, Account Bank to obtain guarantee or other remedy	*7.4 CBC2 Accounts*
Issuer	Baa1(cr)	Notification Event	*3.1 Transfers*
	A3(cr) (LT)	Unless rating is regained within 12 months or other appropriate remedy is found, Originators to pledge Residual Claims to the CBC2	*3.1 Transfers*
	Baa1(cr) (LT)	Unless other appropriate remedy is found, Originators to pledge Residual Claims to the CBC2	*3.1 Transfers*
	P-1(cr) (ST)	Item "Y" of Asset Cover Test is activated	*4.1 Asset Cover Test*
	P-2(cr) (ST)	For the definition of "Authorised Investments",	*4.3 Amortisation*

Transaction Party		**Moody's**		**Event/Action if below rating threshold**		**Section in Base Prospectus**
				investments to have a remaining maturity date of 30 days or less and to mature on or before next following CBC2 Payment Date		*Test*
		P-2(cr) (ST)		CBC2 to sell all Substitution Assets		*4.4 Sale or Refinancing of Selected Assets*
		P-1(cr) (ST)		CBC2 to establish a Reserve Fund and Issuer to fund such Reserve Fund		*7. Cashflows*
		P-1(cr) (ST)		CBC2 to establish an Interest Cover Reserve Fund and the Issuer to fund such Interest Cover Reserve Fund		*7. Cashflows*
Issuer or Administrator		Baa3(cr)		Increase frequency of verification by Asset Monitor of Asset Cover Test or Amortisation Test calculations, as applicable		*4.5 Asset Monitor*
Servicer		Baa3(cr)		Replacement of Initial Servicer		*5.1 Servicing*
Swap Provider		Minimum rating specified in any relevant Swap Agreement		Replacement of Swap Provider or other remedy		*6. Swaps*

B. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme and/or the CBC2's ability to fulfil its obligations under the Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the inability of the Issuer and the CBC2 to pay interest, principal or other amounts on or in connection with any Covered Bonds or the Guarantee, as applicable, may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Additional risks not currently known to the Issuer or that the Issuer now views as immaterial may also have a material adverse effect on the Issuer's future business, operating results or financial condition and affect an investment in Covered Bonds issued under the Programme. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Before making an investment decision with respect to any Covered Bonds, prospective investors should form their own opinions, consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Covered Bonds and consider such an investment decision in the light of the prospective investor's personal circumstances.

The subsequent numbers and capital headings used in the text below correspond to the numbers and headings of the subsequent chapters as contained in this Base Prospectus, where additional and more detailed information on the same heading can be found. Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in the below risk factors description. An index of certain defined terms is contained at the end of this Base Prospectus.

On 29 June 2019 the Group Legal Merger between ABN AMRO Bank and ABN AMRO Group became effective. As a result of the Group Legal Merger, ABN AMRO Group has ceased to exist and all shares in ABN AMRO Group have become shares in ABN AMRO Bank. As such, "ABN AMRO Group" refers to ABN AMRO Group N.V., a legal predecessor of ABN AMRO Bank N.V. before the Group Legal Merger took effect on 29 June 2019.

B.1 COVERED BONDS

Factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme

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

The Issuer's results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; changes in consumer spending; investment and saving habits; monetary and interest rate policies of the European Central Bank ("**ECB**") and other central banks; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation or deflation; the stability and solvency of states, financial institutions and other companies; investor sentiment and confidence in the financial markets; or a

combination of these or other factors. The business operations of the Issuer, its third party service providers and clients are also vulnerable to epidemics, weather or other forms of natural disasters, and other disasters caused by people which are wholly or partially beyond its control such as acts of terrorism, fire, acts of war, civil unrest and heightened geopolitical tension. These factors have in the past resulted in, or may in the future result in, a reduced demand for financial products and services, a deterioration in asset quality of the Issuer and increases in loan impairment charges. Moreover, a market downturn or a worsening of the Dutch, European or global economies may materially and adversely affect the value of the Issuer's assets, the ability of its clients to meet financial obligations and could cause the Issuer's loan impairment charges to rise, reduce the Issuer's fee and commission income and/or interest income or cause the Issuer to incur further mark-to-market losses which could have a material adverse effect on the Issuer's business, financial position and results of operation.

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

On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "**Brexit**"). The consequences and timing of the Brexit are uncertain. The result of the United Kingdom's referendum to leave the European Union and the subsequent initiation of the legal process pursuant to Article 50 of the Lisbon Treaty that must end in March 2019, which deadline has been extended to 31 October 2019, with the United Kingdom exiting the European Union may, amongst other things, lead to volatility in financial markets and may lead to liquidity disruptions or market dislocations. The Issuer could be adversely impacted by related market developments such as increased exchange rate movements of the pound sterling versus the euro and higher financial market volatility in general due to increased uncertainty, any of which could affect the results of the Issuer's operations in the European Union or the United Kingdom. The Issuer could also be adversely impacted should a Brexit result in the United Kingdom moving away from agreed and implemented EU legislation.

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

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

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

In addition, under volatile market conditions, funding transactions, as well as hedging and other risk management strategies may not be as effective at mitigating trading risks as they would be under

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

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

Severe market events have historically been difficult to predict, and could lead to the Issuer realising 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.

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

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

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

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

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

Liquidity risk is the risk that actual (and potential) payments or collateral posting and other obligations cannot be met on a timely basis. The Issuer discerns two types of liquidity risk. Funding liquidity risk is the risk of not being able to meet both expected and unexpected current and future cash outflows and collateral needs without affecting either daily operations or the financial position of the Issuer. Market liquidity risk is the risk that the Issuer cannot sell an asset without significantly

affecting the market price due to (i) insufficient market depth (insufficient supply and demand), (ii) market disruption, (iii) changes in the applicable haircuts and market value or (iv) uncertainty about the time required to realise the liquidity value of the assets. See also the risk factor "*Volatility in, and the position of, financial markets, liquidity disruptions or market dislocations can adversely affect the Issuer's banking and funding activities*" above.

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

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

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

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

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

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

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

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

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

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

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

The Issuer conducts its business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies, in most or all of the locations in which it operates or enters into transactions with clients or other parties. In various jurisdictions in which the Issuer operates, supervisory authorities may impose additional restrictions and conditions on the Issuer, including but not limited to capital, liquidity, corporate governance requirements and behavioural requirements. Interpretation of requirements by supervisory authorities and courts may change over time. For further information on legal and regulatory laws and regulation the Issuer is subject to, see chapter "*1.6 ABN AMRO Bank N.V. —1.8 Regulation*".

When expanding its business to other jurisdictions or offering new products in jurisdictions in which the Issuer is already active, the Issuer may become subject to other and additional legislation and regulatory requirements. The local businesses will not only need to comply with the local laws and regulations, but also with certain laws and regulations with worldwide application, including but not limited to certain European and U.S. legislation (see also the risk factor "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" and "*1.6 ABN AMRO Bank N.V. —1.8 Regulation*"). The above requires the businesses to liaise in a timely manner with the Issuer's legal and compliance departments.

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

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

The Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**"), for instance, has a legal mandate to exercise integrity supervision. DNB expects banks to have a solid systematic integrity risk analysis in place and to translate results of this analysis into actual integrity policies and control measures. Banks are in general required to devote attention to inherent integrity risks such as money laundering, financing of terrorism, sanctions, bribery and corruption, conflicts of interest, fraud and

tax risks. By adequately and periodically analysing and discussing these integrity risks at board and senior management level, banks should be able to formulate dedicated integrity policies and implement appropriate measures and procedures to manage these risks.

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

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

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

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

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

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

- Regulatory capital requirements proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**"), including its proposals set out in its paper released on 16 December 2010 (revised in June 2011) and press release of 13 January 2011 (the "**Basel III Final Recommendations**"), which have been implemented in the European Union through the Capital Requirements Directive (2013/36/EU) known as "**CRD IV**" and Capital Requirements Regulation ((EU) No 575/2013) known as "**CRR**", resulting, inter alia, in the Issuer becoming subject to stricter capital and liquidity requirements and will also affect the scope, coverage, or calculation of capital. See also the risk factor "*As a result of capital*

and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance" below.

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

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

In the first quarter of 2016 the Basel Committee published a consultative paper proposing changes to the internal ratings-based ("IRB") approaches. The Basel Committee proposed, amongst other things, to remove the option to use the IRB approaches for certain exposure classes, to introduce probabilities of default ("PD") and loss-given-default ("LGD") floors for exposure classes that are still permitted under IRB approach, a greater use of supervisory Credit Conversion Factors (CCF) and constraints on Exposure at Default (EAD) estimation processes. In Basel IV, the Basel Committee has (i) removed the option to use the advanced IRB (A-IRB) approach for certain asset classes, (ii) adopted "input" floors (for metrics such as PD and LGD) to ensure a minimum level of conservativism in model parameters for asset classes where the IRB approaches remain available and (iii) provided greater specification for parameter estimation practices to reduce RWA (REA) variability. Furthermore, in January 2017 the EBA published its guidelines on the application of the definition of default under the CRR which guidelines apply to the IRB approach and the standardized approach for credit risk.

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

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

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (as amended from time to time).

"**CRD IV Regulation**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (as amended from time to time).

"**Future Capital Instruments Regulations**" means any regulatory capital rules implementing the CRD IV Regulation or the CRD IV Directive which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards or implementing technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by DNB, the European Banking Authority or other relevant authority, which are applicable to the Issuer (on a solo or consolidated basis) and which lay down the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis) as required by (i) the CRD IV Regulation or (ii) the CRD IV Directive.

- On 23 November 2016, the European Commission published legislative proposals to amend and supplement certain provisions of, inter alia, CRD IV, CRR, the Bank Recovery and Resolution Directive (2014/59/EU) and the Single Resolution Mechanism Regulation ((EU) No 806/2014) (the "**EU Banking Reform Proposals**"), including measures to further strengthen the resilience of EU banks, including revisions in the Pillar 2 framework, a binding 3% leverage ratio, the introduction of a binding detailed NSFR, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, revisions in the MREL (as defined below) framework, the integration of the TLAC (as defined below) standard into EU legislation (see below under "*FSB Standard for Total Loss-Absorbing Capacity*"), a revised calculation method for derivatives exposures and the transposition of the fundamental review of the trading book (FRTB) conclusions into EU legislation. A bill implementing the requirement for senior non-preferred debt in The Netherlands came into force in December 2018.

  On 4 December 2018, the EU Council endorsed the agreement between the EU Council Presidency and the EU Parliament on various elements of the EU Banking Reform Proposals. During February 2019, the Committee of Permanent Representatives endorsed the positions agreed with the EU Parliament on all elements of the EU Banking Reform Proposals. The agreed measures address three of the key objectives set out by the EU Council roadmap on completing the banking union agreed in 2016: (i) enhancing the framework for bank resolution, in particular the necessary level and quality of the subordination of liabilities (MREL) to ensure an effective and orderly "bail-in" process, (ii) introducing the possibility for resolution authorities to suspend a bank's payments and/or contractual obligations when it is under resolution (the so-called "moratorium tool"), in order to help stabilise the bank's situation and (iii) strengthening bank capital requirements to reduce incentives for excessive risk taking, by including a binding leverage ratio, a binding net stable funding ratio and setting risk sensitive rules for trading in securities and derivatives. However, the EU Council noted that work on remaining outstanding issues will continue both at technical and political levels, in view of finalising negotiations on the banking package. The agreed text was adopted by the European Parliament on 16 April 2019 and formally approved by the Council on 14 May 2019. The text relating to the EU Banking Reform Proposals has been published in the Official Journal of the European Union and will enter into force on 27 June 2019. The majority of the rules are expected to apply from 18 months after that date, however, the principal rules brought into force by the amended CRR shall apply from two years after that date.

- At the end of 2015, the ECB started a targeted review of internal models ("**TRIM**") to assess whether the internal models currently used by EU banks comply with regulatory requirements, and whether they are reliable and comparable. The ECB's TRIM reviews credit and market risk models applied for calculating RWA. In addition, the EBA's review of the IRB approach provides more detailed requirements on the Issuer's application of the IRB approach for credit risk RWA. Both could result in an increase. However, at the date of this Base Prospectus, the exact impact on the Issuer is difficult to predict.

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

- A euro-wide deposit insurance scheme ("**EDIS**") for bank deposits was proposed by the European Commission on 24 November 2015, consisting of a re-insurance of national DGS, moving after three years to a co-insurance scheme, in which the contribution of EDIS would

progressively increase over time. As a final stage, a full European Deposit Insurance Scheme is envisaged in 2024.

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

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

- The revised EU Directive on Markets in Financial Instruments (2014/65/EU, the "**MiFID II Directive**") and the accompanying regulation "**MiFIR**" (Regulation 600/2014) (together "**MiFID II**"), which replace, extend and improve existing European rules on markets in financial instruments, giving more extensive powers to supervisory authorities, increasing market infrastructure and reporting requirements, more robust investor protection, increasing both equity and non-equity market transparency, introducing a harmonised position-limits regime for commodity derivatives and introducing the possibility to impose higher fines in case of infringement of its requirements. MiFID II entered into force on 3 January 2018.

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

- On 1 January 2018, the Benchmark Regulation became applicable, subject to certain transitional provisions. The Benchmark Regulation applies to 'contributors' to, 'administrators' of, and 'users' of benchmarks in the EU. The Benchmark Regulation, among other things, (a) requires EU benchmark administrators to be authorised or registered and to comply with requirements relating to the administration of benchmarks, (b) prohibits the use in the EU of benchmarks provided by EU administrators which are not authorised or registered in accordance with the Benchmark Regulation, and (c) prohibits the use in the EU of benchmarks provided by non-EU administrators which are not (i) authorised or registered and subject to supervision in a jurisdiction in respect of which an 'equivalence' decision has been adopted in accordance with the Benchmark Regulation, or (ii) where such equivalence decision is pending, 'recognised' by the competent authorities of the applicable Member State(s).

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

- A new payment services directive (Directive 2015/2366/EU, "**PSD 2**") which imposes additional requirements on the Issuer with respect to payment services in the EEA and supports the emergence of new players and the development of innovative mobile and internet payments in Europe. PSD 2 entered into force on 13 January 2018. The Dutch implementing legislation entered into force on 19 February 2019, save for those elements which will enter into force on the same date as the regulatory technical standards (2018/329) in respect of, *inter alia*, strong customer identification.

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

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

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

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

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

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

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

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

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

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

- For further information on laws and regulation the Issuer is subject to, see chapter "*1.6 ABN AMRO Bank N.V. —1.8 Regulation*". The timing and full impact of new laws and regulations, including the initiatives described above, cannot be determined yet and are beyond the Issuer's control. The introduction of these and other new rules and requirements could significantly impact the manner in which the Issuer operates, particularly in situations where regulatory legislation can interfere with or even set aside national private law. New requirements may adversely affect the Issuer's business, capital and risk management strategies and may result in the Issuer deciding to modify its legal entity structure, capital and funding structures and

business mix or exit certain business activities altogether or determine not to expand in certain business areas despite their otherwise attractive potential.

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

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

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

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

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

The Basel Committee has proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, strengthen the risk coverage of the capital framework in relation to derivative positions, and to introduce a new liquidity framework under which banks must gradually meet a liquidity coverage ratio and report on their net stable funding, and to introduce reporting requirements on leverage ratio. As a follow-up on the Basel III Final Recommendations, the Basel Committee proposed to introduce a requirement for banks to use stable sources of funding and meet a minimum leverage ratio. The envisaged required minimum percentage is currently 3% as proposed by the Basel Committee. In respect of the binding leverage ratio, in The Netherlands, the Dutch systematically important banks, including the Issuer, have been required to comply with a leverage ratio of at least 4% since 2018. International discussions are ongoing with respect to a possible leverage ratio surcharge (compared to the 3% introduced in the EU Banking Reform Proposals) for global systemically important institutions ("**G-SIIs**"). The Issuer does not currently qualify as a G-SII. On 10 October 2017, a coalition of four parties which form the

Dutch government has published its government coalition agreement (*regeerakkoord*), in which it announced, among other things, that as soon as the more stringent requirements of Basel IV come into force, the leverage ratio requirement will be brought in line with European standards. If the Issuer would become subject to a minimum leverage ratio of more than 4%, the Issuer may be required to raise additional regulatory capital to meet the required leverage ratio. See "*Annual Report 2018 - Risk, funding & capital*", which part has been incorporated by reference into this Base Prospectus, for information on the Issuer's capital and liquidity position under Basel III rules known as at 31 December 2018. The Basel III framework was implemented in the EEA through CRD IV and CRR. CRD IV replaced the preceding capital requirements directives (directives with numbers 2006/48/EC and 2006/49/EC ("**CRD I**"), amendment directive with number 2009/111/EC ("**CRD II**") and amendment directive with number 2010/76/EC ("**CRD III**")) and was transposed into Dutch law by the "Implementing law CRD IV and CRR *(Implementatiewet richtlijn en verordening kapitaalvereisten*)" and entered into force on 1 August 2014. CRR has been in effect since 1 January 2014, although particular requirements are phased in over a period of time and proposals have already been published by the European Commission to make certain amendments to CRD IV and CRR by means of the EU Banking Reform Proposals, partly drawing from the Basel Committee further banking reform proposals (see also the risk factor "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above). The European Banking Authority ("**EBA**") has and will continue to propose detailed rules through binding technical standard for many areas.

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

The Issuer has been designated by DNB as a financial institution with systemic relevance for The Netherlands. As a result, the Issuer had to progressively build up extra capital buffers set by DNB. These buffers have become applicable in phases in the period from 2016 to and including 2019. The Issuer will be required to maintain this buffer on top of the minimum CET1 capital ratio of 4.5% it is required to meet, as well as a capital conservation buffer of 2.5%, and a counter-cyclical buffer ranging from 0 to, in principle, 2.5%. When the Issuer is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic buffer addresses. As at the date hereof, the combined buffer requirement ("**CBR**") is set at 5.57% of CET1 capital above the minimum regulatory CET1 requirement of 4.5% (or 10.07% in aggregate) on a full phase-in basis. However, in the future the Issuer may need to comply with a higher CBR. For example, the relevant regulator may impose a higher systemic risk buffer or introduce a countercyclical capital buffer. In case the Issuer fails to meet, partly or in full, the CBR, CRD IV requires that restrictions on distributions (including dividend payments) are imposed on the Issuer. Also, any increase by DNB of the systemic risk buffer may require the Issuer not only to increase its CET1 capital ratio but also its overall amount of MREL (see the risk factor *"Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding"* below).

In addition, under CRD IV competent supervisory authorities as a result of the common procedures and methodologies for the supervisory review and evaluation process ("**SREP**") may require additional capital to be maintained by a bank relating to elements of risks which are not fully covered by the Pillar 1 minimum own funds requirements ("**P1R**") described above or which address macro-prudential requirements (Pillar 2). The EBA issued guidelines on 19 December 2014

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

The Issuer's capital ratios are above the regulatory minimum requirements. At 31 December 2018 the Issuer had a phase-in CET1 capital ratio of 18.4% (fully loaded 18.4%), which is well above the 2018 SREP requirement. Pursuant to the 2018 SREP requirement, the Issuer is required to hold on a consolidated basis a minimum CET1 capital ratio of 11.75%, which is composed of 4.5% Pillar 1 minimum capital requirement, 1.75% P2R, a fully loaded 2.5% capital conservation buffer and a fully loaded 3.0% systemic risk buffer ("**SRB**"), excluding a countercyclical buffer of 0.07%. Based on the current understanding of the applicable and pending regulations regarding leverage ratio, the Issuer aims for a leverage ratio equal or above 4% as from 2018, which it aims to achieve through management of its exposure measure, the issuance of AT1 instruments and retained earnings. The Issuer is monitoring upcoming regulatory requirements in relation to MREL and TLAC and has a MREL ambition of 29.3% of RWA for year-end 2019 and pre-position for TLAC. At 31 December 2018, ABN AMRO had fully-loaded leverage ratio of 4.2% and 29.2% MREL (solely based on own funds and other subordinated liabilities). The strong funding and liquidity profile is demonstrated by a growing client deposit base with low outflows, a diversified wholesale funding maturity profile and a commitment to comply with future regulatory liquidity requirements (liquidity coverage ratio and net stable funding ratio) before they will be in force. However, current and future regulatory developments may have an impact on the Issuer's capital position. For example, in the future the Issuer may elect to meet its MREL requirement by issuing senior non-preferred notes instead of Tier 2 capital (such as subordinated notes), which may impact the Issuer's total capital ratio.

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

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

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

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

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

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

Dutch Intervention Act

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

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

BRRD

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

BRRD (including the Bail-in Tool) have been implemented in national law with effect from 26 November 2015.

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

"**Bail-In Tool**" refers to the power provided to resolution authorities by the BRRD and the European regulation establishing uniform rules and a uniform procedure for the resolution of banks and certain investment firms in the framework of the Single Resolution Mechanism (Regulation 806/2014) to ensure that capital instruments and eligible liabilities absorb losses when the issuing institution meets the conditions for resolution, through the write-down or conversion of equity of such instruments.

Single Resolution Mechanism

The BRRD is complemented by the directly binding SRM. The primary geographic scope of the SRM is the euro area and SRM applies to the Issuer as a primary recovery and resolution code. The SRM establishes a single European resolution board (the "**Resolution Board**") having resolution powers over the institutions that are subject to the SRM, thus replacing or exceeding the powers of the national resolution authorities within the euro area. The Resolution Board will draw up and adopt a resolution plan for the entities subject to its powers, including the Issuer. It will also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities ("**MREL**"). MREL is designed to be available to the resolution authorities for write down, write off or conversion to equity in order to absorb losses and recapitalise a failing institution in the event of resolution action being taken, and before more senior-ranking creditors suffer losses. The amount of MREL the Issuer is required to maintain over time will be based on the expected required capacity to resolve and, if appropriate, recapitalise the Issuer in the event of its failure. The Resolution Board may also use the powers of early intervention as set forth in the SRM, including the power to require an institution to contact potential purchasers in order to prepare for resolution of the institution. The Resolution Board has the authority to exercise the specific resolution powers pursuant to the SRM similar to those of the national authorities under the BRRD. The resolution tools available for the Resolution Board include the sale of business tool, the bridge institution tool, the asset separation tool and the Bail-in Tool as further specified in the SRM. The use of one or more of these tools is included in a resolution plan adopted by the Resolution Board.

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

Recovery and resolution plans

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

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

Early intervention

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

Non-viability and resolution measures

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

Furthermore, BRRD and SRM provide resolution authorities with powers to implement resolution measures with respect to banks which meet the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the Bail-in Tool, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments. The Bail-in Tool comprises a more general power for resolution authorities to write-down the claims of unsecured creditors of a failing bank and to convert unsecured debt claims to equity. The Bail-in Tool covers eligible liabilities issued by the institution subject to resolution measures, but certain defined instruments are excluded from the scope, such as covered bonds. See also the risk factor "*Resolution measures*".

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

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the resolution authorities are not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of shares or debt instruments, or from any other creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or prospectus or to file or register any

document with any other authority, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the resolution authorities can exercise their powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply.

Resolution Fund

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

FSB Standard for Total Loss-Absorbing Capacity

In November 2015, the Financial Stability Board (the "**FSB**") published the final total loss-absorbing capacity ("**TLAC**") standard intended to enhance the loss-absorbing capacity of global systemically important banks ("**G-SIBs**") in resolution. The TLAC standard seeks to ensure that G-SIBs will have sufficient loss absorbing capacity available in a resolution of such an entity, in order to minimise any impact on financial stability, ensure the continuity of critical functions and avoid exposing taxpayers to loss. The TLAC standard also includes a specific termsheet for TLAC which attempts to define an internationally agreed standard. Similar requirements are also reflected in the EU Banking Reform Proposals (see also the risk factor "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects.*").

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

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

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

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

the systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Based on the RTS and pending future revisions to MREL, the SRB took a mechanical approach to calculating an informative MREL target in 2016, consisting of a Loss Absorption Amount (total P1R + P2R + CBR), a Recapitalization Amount (total P1R + P2R) and a Market Confidence Charge (CBR minus 125 basis points). The SRB is expected in the future to refine its methodology to calculate binding MREL targets, taking into account resolution strategies, business models and other bank specific features, whereby it also could opt for a non-risk weighted measure. In case of the risk weighted basis of calculating MREL targets, any fluctuation in RWAs (whether as a result of regulatory change or business environment) will not only have an impact on capital ratios but also on MREL ratios.

On 20 November 2018 and 16 January 2019, the SRB published its 2018 policy statement on MREL, which serves as a basis for setting consolidated MREL targets for banks under the remit of the SRB (including the Issuer). For the 2018 resolution planning cycle, the SRB introduces a series of new features to strengthen banks' resolvability within the Banking Union, including a refined approach for eligible instruments for consolidated MREL-targets, increased binding subordination requirements and the introduction of binding MREL targets at individual level. The SRB will continue to develop its MREL policy going forward. After the adoption of the EU Banking Reform Proposals, the SRB has indicated that the SRB policy will need to be adapted to address in particular the TLAC implementation and the new internal MREL requirements. The 2018 SRB MREL policy is part of a multi-year approach for establishing final MREL targets. The SRB has indicated that the 2018 SRB MREL policy is based on the current legal framework but it could review the policy in the course of 2019 on the basis of the publication of the EU Banking Reform Proposals in the Official Journal of the European Union.

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

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

Intended TLAC and MREL alignment

The EBA Final MREL Report contains a number of recommendations to amend the current MREL framework and to implement the TLAC standard as an integral component of that framework. The EU Banking Reform Proposals contain the legislative proposal of the European Commission for the amendment of the MREL framework and the implementation of the TLAC standard. The EU Banking Reform Proposals propose the amendment of a number of aspects of the MREL framework to align it, *inter alia*, with the TLAC standard. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the EU Banking Reform Proposals also propose a number of changes to the MREL rules applicable to non-G-SIBs, including (without limitation) the criteria for the eligibility of liabilities for MREL. While the EU Banking Reform

Proposals propose for a minimum harmonised or "Pillar 1" MREL requirement for G-SIBs, in the case of non-G-SIBs it is proposed that MREL requirements will be imposed on a bank-specific basis. The EU Banking Reform Proposals further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

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

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

State Aid

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

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

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

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

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

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

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

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

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

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

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

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

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

As of 31 December 2018, 82% of the Issuer's operating income was generated in The Netherlands and a majority of its aggregate credit exposure (as measured by 'Exposure at Default') is also located in The Netherlands (71.7% as of 31 December 2018). Accordingly, the Issuer is largely dependent

upon the prevailing economic, political and social conditions in The Netherlands, particularly those which impact the mortgage market and small and medium business enterprises, which recently have been subject to major regulatory changes. Accordingly, deterioration of the economic environment in The Netherlands could have a negative effect on the Issuer's results of operations and financial position. Efforts by the Issuer to diversify, limit or hedge its portfolio against concentration risks may not be successful and any concentration risk could increase potential losses in its portfolio; this risk is mainly manifested through business and credit risk.

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

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

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

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

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

The Issuer may see adverse changes in the credit quality of its borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors (such as the personal, banking and financial institution sectors) and in a number of geographies. Also, the transition to sustainability may impact the profitability and creditworthiness of the Issuer's borrowers and counterparties, for example, as a

result of a potential carbon tax or higher energy prices. This may lead to further impairment charges, higher costs and additional write-downs and losses for the Issuer.

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

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

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

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

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

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

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

to be materially inaccurate, incomplete or misleading, this could lead to fines or regulatory action, violation of rules and regulations, engagement in incorrect commercial transactions.

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

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

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

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

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

significance is not properly evaluated, this could have a material adverse effect on the Issuer's business, results of operations and reputation.

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

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

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

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

Another subject that has attracted press coverage regards the provision of loans by the Issuer to students of flight training programmes on the basis of expected future earnings. A large number of students has not been able to find work upon qualifying as commercial pilots; as a result they have difficulties repaying the significant principal amounts and the interest owed by them. A number of former students has complained about the Issuer's practices. Similar issues exist with other categories of clients. As lending on the basis of future income of the borrower is no longer permitted due to regulatory requirements, it may lead to lower volumes of lending on that basis, which might materially and adversely affect the income of the Issuer.

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

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

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

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

As required by and in consultation with the AFM, the Issuer has reviewed its small and medium enterprises ("**SMEs**") interest rate derivative portfolio. In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to arrive at a uniform solution for all clients and banks. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a panel of independent experts. On 5 July 2016 this committee of independent experts published its advice on the reassessment of SME and middle market interest rate derivatives (the "**Uniform Recovery Framework**"). ABN AMRO is adhering to this framework. The Issuer consulted with the panel of independent experts to determine how this framework affected the Issuer's review process in practice. The final Uniform Recovery Framework was published on 19 December 2016. In the first quarter of 2017 the Issuer began reassessments of around 6,800 clients with some 9,000 interest rate derivatives. As a result of the intensified scoping process set forth in the Uniform Recovery Framework the reassessment was expanded, so that on 31 May 2018 the reassessment consisted of 7,079 clients with 10,638 interest rate derivatives. Due *inter alia* to the complexity of the reassessment, it was not feasible to propose a solution to the Issuer's clients before the end of 2017. At the end of Q1 2019, the Issuer has proposed a solution to 6886 clients in scope of the Uniform Recovery Framework. Seventeen clients in scope have not received an offer. This group consists of (former) clients which started legal proceedings against the Issuer or in respect of which vital contact details are missing. At various points in the process, the reassessments will be checked by an independent external file reviewer (the audit firm PwC, supervised by the AFM). The total provision for SME derivatives-related issues as at 31 December 2018 amounted to EUR 276 million. See also "*1.6 ABN AMRO Bank N.V. - 1.9 Legal and arbitration proceedings – Sale of interest rate derivatives*").

Following the extensive media attention in relation to Vestia in general, a public and political discussion was initiated as to whether SME and (semi-)public institutions can be considered as professional clients or whether they should benefit from a higher level of protection. The AFM expressed the view that clients should be classified not only pursuant to the statutory rules regarding client classification, but also on the basis of information provided by the client in respect of its actual

level of knowledge and experience with the relevant service or product. Policy guidelines on the use of financial derivatives by (semi-)public institutions of the Dutch Minister of Finance (*Beleidskader inzake het gebruik van financiële derivaten door (semi-)publieke instellingen*) published on 17 September 2013 prescribe among other things that (semi-)public institutions may only enter into financial derivatives with an investment firm if it has classified them as a non-professional client. Although the Issuer has re-classified all housing corporations, educational institutions and care institutions as non-professional clients, this may not protect it from claims for services rendered or products sold prior to the re-classification.

In addition, ABN AMRO Levensverzekering N.V. ("**ABN AMRO Levensverzekering**"), a subsidiary of Nationale-Nederlanden ABN AMRO Verzekeringen Holding B.V. ("**ABN AMRO Verzekeringen**") in which the Issuer has a 49% interest, is exposed to claims from customers concerning unit-linked insurance contracts. ABN AMRO Levensverzekering entered into settlements with certain consumer and investor interest groups on standardized charges for individual, privately held unit-linked insurance products purchased in the past. ABN AMRO Levensverzekering has taken provisions for these settlements and remains a well-capitalised life insurance company. The Issuer in cooperation with ABN AMRO Levensverzekering is also executing the flanking policy. The public debate around insurance mis-selling (*woekerpolissen*) is however still ongoing and possible future claims and related costs may affect the capital position of ABN AMRO Levensverzekering. The Issuer has received complaints and faces, and may in the future face additional, exposure and claims for its role in distributing these products. A number of Kifid proceedings is pending against the Issuer and the insurers. See also the risk factor "*The Issuer can be forced, upon a change of control over the Issuer or NN Group N.V., to buy shares it does not yet own in Dutch insurance business ABN AMRO Verzekeringen. If this risk were to materialise, the Issuer could be forced to pay a currently unknown purchase price that would likely be material, the Issuer would be required to consolidate ABN AMRO Verzekeringen into its financial statements, which may have material adverse consequences for the Issuer's capital and liquidity ratios, and any potential losses incurred by ABN AMRO Verzekeringen would from then on be entirely for the account of the Issuer*". See also the risk factor "*The CBC may be unable to recover fully with respect to Loans which have been arranged so that the Borrower, instead of making principal payments, makes investments in certain investment products, the proceeds of which are intended to be used to repay the Loan. As a result, the CBC may be unable to make full and/or timely payments due to holders of the Covered Bonds under the Guarantee*".

International Card Services B.V. ("**ICS**"), the credit card business of ABN AMRO, identified certain issues in its credit lending portfolio and its internal processes and IT systems. ICS allowed credit limits to a number of its clients above their lending capacities. ICS prepared a redress scheme that contained remedial measures for affected clients. This redress scheme has been implemented and the final compensation payments are expected to be made in the course of 2019. ICS reported these issues to the AFM. On 15 June 2017, the AFM announced that it is imposing a fine of EUR 2.4 million on ICS for excessive credit limits.

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

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

The Issuer is exposed to many types of operational risk, being the risk of loss resulting from inadequate or failed internal processes, and systems, or from external events. Categories of risks identified by the Issuer as operational risks are: client, product and business practices, execution, delivery and process management, technology and infrastructure failures, malicious damage (terrorism), disasters and public safety and employee practices and workplace safety. This includes

the risk of internal and external fraud, crime, cybercrime or other types of misconduct by employees or third parties, unauthorized transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer, information technology or telecommunications systems, all of which could have a material adverse effect on the Issuer's business, reputation, results of operations, financial condition and prospects. In the area of payments, over the past several years the Issuer has been subject to cybercrime fraud in the form of phishing and malware. The Issuer believes that there is a growing threat of attacks on information technology systems from individuals and groups via the internet, including the IT systems of the Issuer that contain client and Issuer information and transactions processed through these systems.

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

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

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

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

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

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

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

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.

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

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

Over the past year, a number of European banks have been the object of money laundering investigations. The Issuer has identified customer due diligence, know your client, anti-money laundering and counter-terrorism financing as areas where the risk of non-compliance with regulations requires substantial effort. The Issuer has decided, based on existing shortcomings and input from DNB, to accelerate its customer due diligence programme in order to be compliant with anti-money laundering and terrorist financing legislation. The Issuer carried out a review of its Corporate & Institutional Banking business. A review of its Private Banking clients is now nearly complete. ABN AMRO has developed remediation programmes to speed up remediation actions in relation to ICS and Commercial Banking and has shared these with DNB and committed to their execution. For the incremental external costs involved, the Issuer has taken for ICS and Commercial Banking a provision in 2018 of EUR 85 million.

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

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

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

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

Failure by the Issuer to implement and maintain adequate programmes to combat money laundering, bribery and terrorist financing, tax evasion and corruption or to ensure economic sanctions compliance could lead to fines or harm the Issuer's reputation and could disrupt the Issuer's business and result in a material adverse effect on the Issuer's business, financial position, results of operations and prospects. See the chapter "*1.6 ABN AMRO Bank N.V. – Legal and arbitration proceedings - Discussions with tax authorities in Switzerland and Germany.*"

With respect to certain countries, such as Iran, North Korea, Syria and Russia and the Crimean peninsula, amongst others, the U.S. State Department, the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"), the U.S. Commerce Department and the European Union have issued restrictive measures and trade embargoes which together form a complex set of economic restrictions. A financial institution found to have engaged in specified activities involving targeted countries, regimes, organizations or individuals could become subject to various types of monetary penalties or sanctions, including (but not limited to) denial of U.S. bank loans, restrictions or a

prohibition on its ability to open or maintain correspondent or payable-through accounts with U.S. financial institutions, and the blocking of its property within U.S. jurisdictions.

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

The Issuer's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, which is periodically revised or expanded. Accordingly, from time to time the Issuer is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board ("**IASB**"). It is possible that future accounting standards which the Issuer is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on Issuer's results of operations and financial condition and may have a corresponding material adverse effect on capital ratios. Further changes in financial reporting standards or policies, including as a result of choices made by the Issuer, could have a material adverse effect on the Issuer's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

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

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

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

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

In the ordinary course of business the Issuer is involved in a number of legal proceedings. The Issuer's business is subject to the risk of litigation by customers, borrowers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. It is inherently difficult to predict or quantify the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving the Issuer and its businesses. The cost to defend current and future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. Examples are the failure or perceived failure to comply with legal and regulatory rules, laws,

regulations and other requirements, principles, guidelines (including but not limited to guidelines addressing possible ecological, social and ethical risks) or codes of conduct (including but not limited to the code of conduct on sustainability) by the Issuer, its customers, or other third parties linked to the Issuer, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, tax evasion or avoidance by clients, the quality and transparency of products sold to clients, the manner in which the Issuer protects its legitimate interest upon a client default or a margin obligation arising or the conduct of its employees. See also the risk factor "*The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties*" above and the risk factor "*The Issuer is subject to reputational risk*" below. As a result, litigation may adversely affect the Issuer's business. See "*1.6 ABN AMRO Bank N.V. —1.9 Legal and arbitration proceedings*".

In presenting the consolidated annual financial statements, management may make estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. If the provisions made turn out not to be sufficient, the Issuer is at risk of incurring losses that have not or not sufficiently been provided for. Such losses may occur potentially years after the event that caused them. Changes in estimates may have an adverse effect on the Issuer's business, financial position, results of operations and prospects.

The Issuer is subject to reputational risk.

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

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

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

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

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

Under European and Dutch law, remuneration of employees active in the financial sector is restricted. The Dutch Act on the Remuneration Policies of Financial Undertakings, which entered into force on 7 February 2015, includes certain bonus caps for employees of a Dutch financial

institution, including a cap on variable remuneration of 20% of the fixed salary for employees that are employed in The Netherlands, 100% for employees that are employed elsewhere in the European Union and 200% for employees that are employed outside of Europe.

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

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

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

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

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

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

Any default or other failure by a clearing member or a CCP could materially affect ABN AMRO Clearing's results of operations, prospects and financial condition.

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

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

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

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

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

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

litigation with the client's bankruptcy administrator or may become involved in regulatory investigations. This could increase ABN AMRO Clearing's operational and litigation costs and may result in losses.

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

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

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

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

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

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

Finally, new capital requirements applicable to clearing operations could force the Issuer to hold more capital for its clearing operations, which would affect the profitability of the clearing business and which could restrict the ability of the Issuer to use this capital for other – potentially more profitable – operations. For example, mainly due to the implementation of a revised calculation method for the exposure measure for clearing services set out in Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio ("**CDR**"), the Issuer's fully-loaded leverage ratio decreased from 3.5% as at 31 March 2015 to 3.1% as at 30 June 2015. The revised calculation method led to a considerable increase in the exposure measure, particularly the derivative exposure. The CDR specifies that when a clearing member guarantees the exchange traded

derivative transactions of clients towards CCPs, it must include the guarantee in the exposure measure. Furthermore, the non-renewal of waivers granted by the competent authority of the application of certain prudential requirements including capital requirements on a solo basis (solo waivers) currently in place with respect to ABN AMRO Clearing could have an adverse effect on ABN AMRO Clearing's capitalisation.

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

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 The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. prior to the Legal Demerger ("**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 "*1.6 ABN AMRO Bank N.V.—1.1 History and recent developments* ".

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

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

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

"**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 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.

"**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.

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

"**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.

"**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.

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

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

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

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

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

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

On 29 June 2019 the Group Legal Merger between ABN AMRO Bank N.V. and ABN AMRO Group N.V. became effective. As a result of the Group Legal Merger, ABN AMRO Group N.V. has ceased to exist and all shares in ABN AMRO Group N.V. have become shares in ABN AMRO Bank N.V. and each depository receipt subsequently represents one share in ABN AMRO Bank N.V.

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

The Issuer is exposed to a variety of political, legal, social, reputational, economic and other risks due to its current and future international presence.

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

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

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

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

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

If the Issuer were to be precluded from developing and implementing new business models based on the use and analysis of client data, this could have a material and adverse effect on its business operations and competitiveness with a material and adverse effect on the Issuer's business, results of operations and financial condition.

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

The Issuer aims to achieve its strategy on the basis of three pillars: supporting its clients' transition to sustainability, reinventing its customer experience and building a future-proof bank. The strategy and targets of the Issuer are based on assumptions and expectations, including but not limited to macro-economic developments, interest rates, revenue, expenses and cost of risk, that may not prove valid. Also, the benefits and impact of the Issuer's strategy and targets could fall short of what the Issuer envisages. The Issuer may, in addition, not succeed in achieving its targets, because of insufficient management attention, incorrect decisions or choices, inefficiencies or other reasons.

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

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

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

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

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

and adverse effect on the Issuer's business, revenues, results of operations, financial condition and prospects.

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

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

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

The Issuer can be forced, upon a change of control over the Issuer or NN Group N.V., to buy shares it does not yet own in Dutch insurance business ABN AMRO Verzekeringen. If this risk were to materialise, the Issuer could be forced to pay a currently unknown purchase price that would likely be material, the Issuer would be required to consolidate ABN AMRO Verzekeringen into its financial statements, which may have material adverse consequences for the Issuer's capital and liquidity ratios, and any potential losses incurred by ABN AMRO Verzekeringen would from then on be entirely for the account of the Issuer.

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

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

Factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement or Final Terms;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Covered Bonds

Covered Bonds issued under the Programme will either be fungible with an existing Series (and form part thereof) or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will be guaranteed by the Guarantee. The obligations of the CBC2 under the Guarantee are unsubordinated and unguaranteed obligations of the CBC2, which are secured (indirectly, through a parallel debt) as provided in the Security Documents. If an Issuer Event of Default or a CBC2 Event of Default occurs and results in acceleration, all Covered Bonds of all Series will accelerate at the same time.

Different types of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features, which contain particular risks for potential investors. Set out below is a description of the most common risks related to such features.

Covered Bonds may be subject to optional redemption by the Issuer.

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered

Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Floating Rate Covered Bonds with Caps, Floors or Collars may lead to volatile market values of the Covered Bonds.

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include Caps, Floors or Collars (or any combination of those features or other similar related features), their market values may be even more volatile than those for securities that do not include those features.

The interest basis of Fixed/Floating Rate Covered Bonds may be converted at the discretion of the Issuer.

Fixed/Floating Rate Covered Bonds may bear interest at a rate that may be automatically converted from a fixed rate to a floating rate, or from a floating rate to a fixed rate, as further specified in the applicable Final Terms. Such conversion may affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the rate is converted from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the rate is converted from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

The regulation and reform of "benchmarks" (including LIBOR and EURIBOR) may adversely affect the liquidity and value of, and return on, Floating Rate Covered Bonds linked to or referencing such "benchmarks".

The London inter-bank offered rate ("**LIBOR**"), the Euro-zone inter-bank offered rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences, including those which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds linked to such a "benchmark".

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to benchmarks and the use of benchmarks within the EU. The Benchmarks Regulation could have a material impact on any Covered Bonds linked to LIBOR, EURIBOR or other benchmarks, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of, the published rate or level, of the benchmark. In addition, the Benchmarks Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. Although, as far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation continue to apply, such that the provider of EURIBOR (the European Money Markets

Institute) is not currently required to obtain authorisation/registration, there is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmarks Regulation and other applicable regulations and reforms, and the risks associated therewith.

An example of such benchmark reform was the announcement on 27 July 2017 by the Chief Executive of the United Kingdom's Financial Conduct Authority (the "**FCA**"), which regulates LIBOR, stating that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted. Additionally, in March 2017, the European Money Markets Institute (the "**EMMI**") (formerly EURIBOR-EBF) published a position paper referring to certain proposed reforms to EURIBOR, which reforms aim to clarify the EURIBOR specification, to develop a transaction-based methodology for EURIBOR and to align the relevant methodology with the Benchmarks Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI has since indicated that there has been a "change in market activity as a result of the current regulatory requirements and a negative interest rate environment" and "under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path". It is the current intention of the EMMI to develop a hybrid methodology for EURIBOR and on 19 February 2019, following the publication of its second consultation paper on a hybrid methodology for EURIBOR, EMMI released the time series of the "Hybrid Euribor Testing Phase".

The potential elimination of, or the potential changes in the manner of administration of, LIBOR, EURIBOR or any other benchmark could require an adjustment to the terms and conditions to reference an alternative benchmark, or result in other consequences, including those which cannot be predicted, in respect of any Covered Bonds linked to such benchmark (including but not limited to Covered Bonds whose interest rates are linked to LIBOR or EURIBOR).

Investors should be aware that, if LIBOR, EURIBOR or any other benchmark were discontinued or otherwise unavailable, the rate of interest on Covered Bonds which reference any such benchmark will be determined for the relevant period by the fall-back provisions applicable to such Covered Bonds. Depending on the manner in which the relevant benchmark rate is to be determined under the Conditions of Covered Bonds, this may (i) be reliant upon the provision by reference banks of offered quotations for such rate which, depending on market circumstances, may not be available at the relevant time, (ii) be reliant on the Independent Advisor or the Issuer or, following an Issuer Event of Default, the CBC2 being able to determine a Successor Reference Rate or an Alternative Reference Rate (each as defined in the Conditions of the Covered Bonds) or (iii) result in the effective application of a fixed rate based on the rate which applied in the previous period when the relevant benchmark was available. It is possible that the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) may itself determine a fall-back interest rate. In such case, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) will make such determinations and adjustments as it deems appropriate, in accordance with the Conditions of the Covered Bonds. In making such determinations and adjustments, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) may be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion.

Uncertainty as to the continuation of a benchmark, the availability of quotes from reference banks to allow for the continuation of the floating rate on any Covered Bonds, the ability of any agent, any administrator, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) to establish a fall-back interest rate for any Covered Bonds (including the possibility that a license or

registration may be required for such agent, any administrator, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) under the relevant legislation), and the rate that would be applicable if the relevant benchmark is discontinued may adversely affect the trading market and the value of the Covered Bonds and the determination of any successor rate could lead to economic prejudice or benefit (as applicable) to investors. At this time, it is not possible to predict what the effect of these developments will be or what the impact on the value of the Covered Bonds will be. More generally, any of the above changes or any other consequential changes to LIBOR, EURIBOR or any other "benchmark" as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the liquidity and value of, and return on, any Covered Bonds based on or linked to a "benchmark". Furthermore, if the Issuer or, following an Issuer Event of Default, the CBC 2 (as applicable) is unable to appoint an Independent Adviser or if an Independent Adviser appointed by it fails to determine a Successor Reference Rate or an Alternative Reference Rate or Adjustment Spread in accordance with the Conditions of the Covered Bonds, the Issuer or, following an Issuer Event of Default, the CBC 2 (as applicable) may have to exercise its discretion to determine (or to elect not to determine) a Successor Reference Rate or an Alternative Reference Rate or Adjustment Spread, if applicable. Any such consequence could have a material adverse effect on the value of and return on any such Covered Bonds.

Furthermore, if LIBOR, EURIBOR or any other relevant interest rate benchmark is discontinued, and whether or not the Reference Rate has been replaced under Condition 4(d) (*Reference Rate Replacement*) to change the base rate with respect to the Covered Bonds as described in the second paragraph above, there can be no assurance that the applicable fall-back provisions under the Swap Agreements would operate to allow the transactions under the Swap Agreements to effectively mitigate interest rate risk in respect of the Covered Bonds.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Loans, the Covered Bonds and/or the Swaps due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer to meet its obligations under the Covered Bonds or the CBC2 to meet its obligations in respect of the Guarantee.

Volatility of Covered Bonds issued at a substantial discount or premium.

The market values of Covered Bonds issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Covered Bonds. Generally, the longer the remaining term of the Covered Bonds, the greater the price volatility as compared to conventional interest-bearing Covered Bonds with comparable maturities.

Actions taken by the Calculation Agent may affect the value of Covered Bonds.

The Calculation Agent for an issue of Covered Bonds is the agent of the Issuer and not the agent of the Covered Bondholders. It is possible that the Issuer will itself be the Calculation Agent for certain issues of Covered Bonds. The Calculation Agent will make such determinations and adjustments as it deems appropriate, in accordance with the terms and conditions of the specific issue of Covered Bonds. In making its determinations and adjustments, the Calculation Agent will be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion.

Risks related to Covered Bonds generally

As certain decisions of Covered Bondholders are taken at the Programme level, holders of the Covered Bonds may be dependent on the votes of the holders of other outstanding Covered Bonds.

A resolution to direct the Trustee to (i) accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*), (ii) take any enforcement action, or (iii) remove or replace the Trustee's Director, must be passed by a Programme Resolution, as set out in more detail in Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*)), and cannot be decided upon at a meeting of Covered Bondholders of a single Series. A validly adopted Programme Resolution will be binding on all Covered Bondholders and Couponholders including Covered Bondholders and Couponholders who did not attend or vote at the relevant meeting and Covered Bondholders who voted against such Programme Resolution at the relevant meeting or, as applicable, did not participate in the relevant written resolution. Thus, with respect to the actions described above, holders of the Covered Bonds may be dependent on the votes of the holders of other outstanding Covered Bonds. See also the risk factor entitled "*The CBC2, the Issuer and/or other members of the Group may at any time purchase Covered Bonds at any price in the open market or otherwise. Any exercise of voting rights in respect of Covered Bonds so purchased may be prejudicial to other holders of Covered Bonds.*" below.

The CBC2, the Issuer and/or other members of the Group may at any time purchase Covered Bonds at any price in the open market or otherwise. Any exercise of voting rights in respect of Covered Bonds so purchased may be prejudicial to other holders of Covered Bonds.

The CBC2, the Issuer and/or other members of the Group may at any time purchase Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the CBC2, the Issuer and/or such other member of the Group, surrendered to any Paying Agent for cancellation. Each of the CBC2, the Issuer and/or such other member of the Group will be able to exercise the voting rights in respect of the Covered Bonds purchased by it and, in so doing, may take into account its different roles (if any) in the Programme, its own interests and/or other factors specific to it. In addition, in case a member of the Group other than the Issuer holds Covered Bonds such member may, amongst other things, take into account its relationship with the Issuer when exercising its voting rights with respect to such Covered Bonds. Any such exercise of voting rights in respect of the Covered Bonds purchased by the CBC2, the Issuer and/or such other member of the Group may be prejudicial to other holders of Covered Bonds.

The Trustee may agree to, and in certain circumstances is obliged to concur with the Issuer and/or the CBC2 in making, certain modifications to the Transaction Documents and the Covered Bonds without the Covered Bondholders' or other Secured Creditors' prior consent.

Pursuant to the terms of the Trust Deed:

(i) the Trustee may from time to time and at any time without any consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors (other than the Trustee (where applicable)):

(A) agree to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or any Transaction Document, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC2 Event of Default or Potential Issuer Event of Default or Potential CBC2 Event of Default shall not be treated as such, provided that such waiver or authorisation does not relate to a Series Reserved Matter, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the Trustee may (without further enquiry) rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) provided that the Trustee has not been informed by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby

(other than a Secured Creditor who has given its written consent as aforesaid) and provided further that the Trustee shall not exercise any powers conferred upon it in contravention of any express direction by a Programme Resolution (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Series Reserved Matters;

(B) concur with the Issuer and the CBC2 and agree on any modifications to the Covered Bonds of any Series, the related Coupons or any Transaction Documents to which the Trustee is a party or over which it has Security (including without limitation designating further creditors as Secured Creditors), if (a) (i) in the opinion of the Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Creditors (other than the CBC2) (in which respect the Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) and (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given his/her written consent as aforesaid) or (b) such modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or to comply with mandatory provisions of law; and

(C) the Trustee is obliged, without the consent of the Covered Bondholders or any of the other Secured Creditors (other than any Secured Creditor party to the relevant Transaction Document to be amended), to concur with the Issuer and/or the CBC2 in making and agreeing on any modifications to the Transaction Documents and/or the Covered Bonds of one or more Series that are requested in writing by the Issuer and/or the CBC2 in order to enable the Issuer and/or the CBC2 to comply with any requirements which apply to it under Regulation (EU) 648/2012 (as amended from time to time, "**EMIR**") irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate), subject to receipt by the Trustee of a certificate of the Issuer, or of the CBC2, if applicable, (which certificate the Trustee shall be entitled to rely on without further investigation) certifying to the Trustee that the requested modifications are to be made solely for the purpose of enabling the Issuer and/or the CBC2 to satisfy any requirements which apply to either of them under EMIR.

(ii) the Trustee is obliged, without the consent of the Covered Bondholders and/or any other Secured Creditor (other than any Secured Creditor party to the relevant Transaction Document to be amended) to concur with the Issuer and/or the CBC2 in making any modifications to the Transaction Documents and/or the Covered Bonds of one or more Series that are requested in writing by the Issuer which are required or necessary in connection with any change, after the issue date of the relevant Covered Bonds, to any laws or regulations (including without limitation the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds (*gedekte obligaties*) to ensure that the Covered Bonds (continue) to meet the requirements for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft, irrespective of whether or not such modifications might otherwise constitute a Series Reserved Matter (which the Trustee shall not be required to investigate) subject to receipt by the Trustee of a legal opinion from a reputable law firm confirming that the requested modifications are necessary for the Covered Bonds (to continue) to meet the requirements

for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft and in each case such modifications are not materially prejudicial to the interest of the Covered Bondholders or any of the other Secured Creditors.

The Trustee shall not be obliged to agree to any modification contemplated pursuant to paragraph (ii) and the paragraph below which, in the sole opinion of the Trustee would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or the Covered Bonds.

In addition, pursuant to the terms of the Trust Deed, the Trustee is obliged from time to time and at any time without any consent or sanction of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors (save where any Secured Creditor is a party to the relevant Transaction Document which is proposed to be amended) to concur with the Issuer and/or the CBC2 (and for this purpose the Trustee may disregard whether any such modification relates to a Series Reserved Matter) and agree to make any modification in the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document as requested by the Issuer, or following an Issuer Event of Default, the CBC2, which are required or necessary in connection with the cessation of the publication of the original Reference Rate in accordance with Condition 4(d) (*Reference Rate Replacement*) and Condition 14A (*Reference Rate Modification*) subject as provided further pursuant to the terms of the Trust Deed.

Accordingly, holders of the Covered Bonds may not be able to prevent the Trustee from making certain modifications to the Transaction Documents and the Covered Bonds as described above.

Since the Covered Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples, a holder of a Covered Bond may have to purchase additional Covered Bonds in order to be able to transfer its holdings or to receive a definitive Covered Bond.

In relation to the Covered Bonds which have a denomination consisting of the minimum Specified Denomination (as defined in the applicable Final Terms) (the "**Specified Denomination**") plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time (i) may not be able to transfer such Covered Bond(s) and (ii) may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination. Thus, a holder of a Covered Bond that intends to transfer its holding or receive a definitive Covered Bond may have to make additional purchases of Covered Bonds.

Tax consequences of holding the Covered Bonds may be complex and would depend on the individual tax situation of the holders of the Covered Bonds.

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation. See "*Taxation in The Netherlands*". Thus, holders of the Covered Bonds may suffer unexpected tax consequences.

Covered Bondholders may be subject to withholding tax under FATCA.

Under 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) ("**FATCA**") the Issuer and other non-US financial institutions ("**FFI**") through which payments on Covered Bonds (including original issue discount), if any, principal and redemption proceeds) are made may be required to withhold US tax in certain circumstances.

Payments on Covered Bonds might become subject to US withholding tax under FATCA if the payments were considered (in whole or in part) to be "foreign pass-thru payments" within the meaning of the FATCA rules. Payments on or with respect to the Covered Bonds will not become subject to FATCA Withholding sooner than 1 January 2019. Furthermore, Covered Bonds that are issued on or before the date that is two years after regulations defining the term "foreign pass thru payment" are filed with the Federal Register (the "**grandfathering period**") will not be subject to FATCA Withholding in 2019 or later unless the Covered Bonds are considered to be equity for US federal income tax purposes or the Covered Bonds are "materially modified" for U.S. federal income tax purposes after the end of the grandfathering period. No withholding would be required on payments made directly to an investor that is not an FFI to the extent an investor provides information to the Issuer (or other FFI through which payments on the Covered Bonds are made) sufficient for the Issuer (and any other FFI through which payments on the Covered Bonds are made) to determine whether the investor is a US person or should otherwise be treated as holding a "United States Account" under FATCA (and consents, where necessary, to the disclosure of its information to the Internal Revenue Service) and, in the case of an investor that is a non-US entity, provides certifications or information regarding its US ownership.

On 18 December 2013 The Netherlands and the United States signed an intergovernmental agreement ("**IGA**") for the automatic exchange of data between the tax authorities of both countries in relation to the implementation of FATCA. The Issuer and CBC2 have obtained a Global Intermediary Identification Number (GIIN) with the Internal Revenue Service and based on the IGA should qualify as registered deemed compliant FFIs. As a deemed compliant FFI, the Issuer will not be subject to 30% FATCA Withholding. The obligations of the Issuer under the IGA include obtaining information from its account holders, which may include investors in the Covered Bonds. Certain investors that do not provide to the Issuer the information required under FATCA to establish that the investor is eligible to receive payments free of FATCA Withholding may be subject to 30% U.S. withholding on certain payments it receives in respect of the Covered Bonds.

Where Covered Bonds are in global form and held by Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be (together, the "**ICSDs**") in all but the most remote circumstances it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA Withholding. FATCA may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of FATCA Withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA Withholding. Investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA Withholding.

If an amount in respect of FATCA Withholding tax were to be deducted or withheld from any payments on the Covered Bonds, neither the Issuer nor the CBC2 nor any paying agent would be required to pay any additional amounts as a result of the deduction or withholding of such tax. As a result, investors who are FFIs that have not entered into an FFI agreement, investors that hold Covered Bonds through such FFIs or investors that are not FFIs but have failed to provide required information to an FFI that has entered into an FFI agreement may be subject to withholding tax for which no additional amount will be paid by the Issuer or the CBC2. Holders of Covered Bonds should consult their own tax advisers on how these rules may apply to payments they receive under the Covered Bonds.

*The proposed financial transactions tax ("**FTT**") may apply to certain dealings in the Covered Bonds.*

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

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

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating EU Member States may decide to withdraw. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Because Covered Bonds may be held in global form and, therefore, by or on behalf of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, investors will have to rely on the procedures of these organisations for transfers, payments and communications with the Issuer. Further, the ability of Covered Bondholders in global form to pledge their holdings will be limited to the extent that the party demanding the pledge requires securities in physical form.

The Bearer Covered Bonds which are in NGN form (as specified in the applicable Final Terms) will be held by a common safekeeper for Euroclear and/or Clearstream, Luxembourg and the Bearer Covered Bonds which are not in NGN form (as specified in the applicable Final Terms), will initially be held by Euroclear Netherlands, or in either case by any other agreed clearing system, and in each case in the form of a Global Covered Bond which will be exchangeable for Definitive Covered Bonds only in the limited circumstances as more fully described in *Section 1 Form of Covered Bonds* below.

Except in the circumstances described in the relevant Covered Bond held in global form, investors will not be entitled to receive Definitive Covered Bonds. Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, will maintain records of the beneficial interests in the Covered Bonds held in global form. While the Covered Bonds are represented by one or more Global Covered Bonds, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or such other agreed clearing system, as the case may be.

The holder of the relevant Covered Bond held in global form, being the common depositary or common safekeeper (as the case may be) for Euroclear, Clearstream, Luxembourg or Euroclear Netherlands or any other agreed clearing system, shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Covered Bonds represented by such Global Covered Bond with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Covered Bonds. Therefore, while the Covered Bonds are represented by one or more Covered Bonds held in global form the Issuer will discharge its payment obligations under the Covered Bonds by

making payments to the common depositary or, as the case may be, custodian for Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or such other agreed clearing system, as the case may be, for distribution to their account holders. A holder of a beneficial interest in a Covered Bond must rely on the procedures of the relevant clearing system(s) to receive payments under the relevant Covered Bonds.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Covered Bonds held in global form.

Holders of beneficial interests in the Covered Bonds held in global form will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be, to appoint appropriate proxies.

The lack of the bearer Covered Bonds in definitive form could also make it difficult for a Covered Bondholder to pledge the relevant Covered Bonds if Covered Bonds in definitive form are required by the party demanding the pledge and hinder the ability of the Covered Bondholder to recall such Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in definitive form.

Certain transfers of Covered Bonds or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements. Covered Bonds, which are represented by a Covered Bond held in global form will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system, as the case may be.

Accordingly, Covered Bondholders are dependent on the depositaries' procedures for transfers, payments and communications with the Issuer and may also be limited in their ability to pledge Covered Bonds.

Holders of Registered Covered Bonds issued pursuant to a Registered Covered Bonds Deed are responsible for the timely and properly effectuated transfer (pursuant to Dutch law) of Registered Covered Bonds.

Payments of principal, interest (if any) and any other amounts in respect of Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount, or part thereof, as the case may be, at the opening of business on the second Business Day falling prior to the due date of such payments. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 19.3 and the Trust Deed and such transfer is notified to the Issuer and the CBC2 prior to the close of business on the Record Date, the Issuer, the CBC2 and the Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered Bond is made after the close of business on the Record Date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC2, the Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with Condition 19 (*Terms and Conditions of Registered Covered Bonds*). The Registrar shall fulfil certain obligations of the Principal Paying Agent in relation to payments in respect of all Series of Registered Covered Bonds.

To the extent that Dutch law is applicable to a transfer of a Covered Bond, one of the requirements for a valid transfer of a Covered Bond is a valid delivery (*levering*). Also, to the extent that Dutch law is applicable to a transfer of a Covered Bond, investors should be aware that delivery of a Registered Covered Bond requires the execution of an assignment deed (*akte van cessie*) between the assignor and the assignee and notification thereof by the assignor or the assignee to the Issuer

and the CBC2, if it concerns a notified assignment. The forms of transfer annexed to the forms of Registered Covered Bonds scheduled to the Trust Deed comprise such an assignment deed.

Therefore, the holder of a Registered Covered Bond issued pursuant to a Registered Covered Bonds Deed may bear the risk associated with improper transfer of a Registered Covered Bond pursuant to Dutch law.

Covered Bonds may not be recognised as eligible collateral for Eurosystem purposes.

Covered Bonds may be issued with the intention to be held in a manner which will allow Eurosystem eligibility. If such is the intention this means that such Covered Bonds are intended upon issue to be deposited with one of the international central securities depositories and/or central securities depositories that fulfil the minimum standard established by the European Central Bank, as common safekeeper. However, it does not necessarily mean that each Covered Bond will be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However such recognition will, as in any particular case, depend upon satisfaction of all Eurosystem eligibility criteria at the relevant time and there can be no assurance that such Covered Bonds will be recognised as such.

Base Prospectus to be read together with applicable Final Terms.

The terms and conditions of the Covered Bonds included in this Base Prospectus apply to the different types of Covered Bonds which may be issued under the Programme under this Base Prospectus. The full terms and conditions applicable to each Tranche of Covered Bonds that may be issued under this Base Prospectus can be reviewed by reading the Conditions as set out in full or incorporated, as applicable, in this Base Prospectus, which constitute the basis of all Covered Bonds to be offered under the Programme, together with the applicable Final Terms which applies and/or disapplies, supplements and/or amends the Conditions in the manner required to reflect the particular terms and conditions applicable to the relevant Tranche. Copies of the legal documentation relating to the Programme and copies of the Final Terms relating to each issue of Covered Bonds are available for inspection as described in *Section 8 General Information* below.

Further issues.

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having the same terms and conditions as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price ("**Further Issue Covered Bonds**") and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series. The terms and conditions of the Further Issue Covered Bonds may differ from the Conditions set out in this Base Prospectus.

The Covered Bondholders may be subject to legal risks resulting from legal and regulatory changes.

The structure of the Covered Bonds and the ratings, which are to be assigned to them are based on the law of The Netherlands in effect as at the 2019 Programme Update. No assurance can be given as to the impact of any possible change to the law of The Netherlands or administrative practice in The Netherlands after the 2019 Programme Update. The Covered Bondholders may bear the risks associated with any such changes.

In addition, on 12 March 2018 the European Commission adopted a legislative proposal for an EU-framework consisting of a directive on the issue of covered bonds and covered bond public supervision and a regulation on amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds, as part of the EU Capital Markets Union project. The legislative proposal

aims to foster the development of covered bonds across the European Union. The proposed directive (i) provides a common definition of covered bonds, which will represent a consistent reference for prudential regulation purposes, (ii) defines the structural features of covered bonds, (iii) defines the tasks and responsibilities for the supervision of covered bonds and (iv) sets out the rules allowing the use of the 'European Covered Bonds' label. The legislative proposals build on the analysis and the advice of the European Banking Authority. In April 2019 the European Parliament and the Council reached a provisional agreement on the legislative proposals and the EU legislative process will need to be followed until the EU legislative process has been finalised.

Resolution measures

Pursuant to the Dutch Special Measures Financial Institutions Act (*Wet bijzondere maatregelen financiële ondernemingen*), the RRD and the SRM, substantial powers are granted to DNB, the Resolution Board and the Dutch Minister of Finance, enabling them to take certain measures in respect of struggling Dutch banks prior to insolvency. These powers will allow the relevant authorities to take measures in respect of such a financial institution which may result in: (a) the transfer of all or part of the business of the bank or insurance company to a private sector purchaser, (b) the transfer of all or part of the business of the bank or insurance company to a "bridge entity" and (iii) the transfer of shares in the bank or insurance company to a private sector purchaser or a "bridge entity". In addition, if circumstances arise which are not yet provided for under the RRD or the SRM or for which the RRD or the SRM do not provide sufficient instrument, the Dutch Minister of Finance may take the following measures pursuant to the Dutch Special Measures Financial Institutions Act (i) immediate interventions by the Minister of Finance with regard to the financial institution and (ii) public ownership (nationalisation) of all or part of the business of the financial institution or of all or part of the shares or other securities issued by that financial institution.

Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by DNB, the Resolution Board or, as applicable, the Dutch Minister of Finance, a counterparty of the relevant bank or insurance company is prohibited from invoking or enforcing certain contractual rights (for example, contractual rights to terminate a contract or to demand payment, performance or security) pursuant to (contemplated or actual) action undertaken by DNB, the Resolution Board or the Dutch Minister of Finance under the Wft or the SRM. However, subject to applicable insolvency laws, the CBC2's right to invoke or enforce provisions of the relevant Transaction Documents or the Covered Bondholders' rights under the Covered Bonds, respectively, against such contracting parties would in principle not be affected by the Wft or the SRM if the exercise of those CBC2's rights is based on grounds other than the intervention by DNB, the Resolution Board or the Minister of Finance under the Wft or the SRM (but for example, on the basis of a payment default or a ratings downgrade not related to or resulting from an intervention pursuant to the Wft or the SRM).

Furthermore, within the context of the resolution tools provided in the Wft and the SRM, holders of debt securities of a bank (including, if relevant to the Issuer, Covered Bondholders) subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings.

Also, pursuant to the RRD and the SRM, the regulators have the power to write down debt of a failing bank (or to convert such debt into equity). Such bail-in tool may be applied to recapitalise an institution to restore its ability to comply with the licensing conditions and to sustain market confidence in the institution or to convert claims or debts to equity or reduce their principal amount. The bail-in tool covers bonds and notes issued by the institution subject to resolution measures, but certain defined instruments are excluded from the scope. Pursuant to article 27 paragraph 3 of the SRM and article 44 paragraph 2 of the RRD (as implemented in The Netherlands in article 3A:60 of the Wft), covered bonds are in principle excluded from the applicability of the write-down and conversion powers laid down in the SRM and the RRD. This means that, in principle, Covered Bonds cannot be written down following a bail-in intervention of the national authorities in relation

to the Issuer. However, such write-down powers could be used in relation to the Covered Bonds if and to the extent the aggregate Principal Amount Outstanding of the Covered Bonds would exceed the value of the collateral available to secure such Covered Bonds. Although the Guarantee itself cannot be written down following bail-in intervention of the relevant resolution authority in relation to the Issuer, it is uncertain what would constitute collateral for such purpose in the context of the Covered Bonds and how and when during any such bail-in intervention the value of such collateral (and possibly the Guarantee) would be determined.

If at any time any resolution powers would be used by DNB, the Resolution Board or, as applicable, the Minister of Finance, the Resolution Board or any other relevant authority in relation to the Issuer or the Covered Bonds pursuant to the Wft, the RRD, the SRM or otherwise, this could result in losses to, or otherwise affect the rights of, Covered Bondholders and/or could affect the ratings assigned to the Covered Bonds.

Risks related to the market generally may adversely affect the value of the Covered Bonds

Set out below is a brief description of the principal market risks which may affect the Covered Bonds, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

There can be no assurance that a secondary market for the Covered Bonds will develop or provide efficient liquidity. The holders of the Covered Bonds may bear the risk of limited liquidity and its effect on the value of the Covered Bonds. Further, Covered Bonds may not be freely transferred within the United States, as they are not registered under the Securities Act.

Even though application is made for Covered Bonds to be admitted to listing on Euronext Amsterdam, any other regulated or unregulated market within the EEA or any further or other stock exchange(s), there can be no assurance that a secondary market for any of the Covered Bonds will develop, or, if a secondary market does develop, that it will provide the holders of the Covered Bonds with liquidity or that any such liquidity will continue for the life of the Covered Bonds. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Section 1.5 Subscription and Sale*" below and in the relevant Final Terms. A decrease in the liquidity of Covered Bonds may cause, in turn, an increase in the volatility associated with the price of such Covered Bonds. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds which are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Any investor in the Covered Bonds must be prepared to hold such Covered Bonds for an indefinite period of time or until redemption of the Covered Bonds. If any person begins making a market for the Covered Bonds, it is under no obligation to continue to do so and may stop making a market at any time. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

Illiquidity in the markets for mortgage loans and mortgage-backed securities may limit the ability of holders to sell Covered Bonds and/or to receive full payments from the CBC2 in the event of an Issuer Event of Default or a CBC2 Event of Default.

The secondary mortgage markets have been experiencing disruption, as a result of reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirement for those loans and securities. Consequently, the secondary market for mortgage-backed securities has been experiencing limited liquidity. These conditions may continue or worsen in the future. The developments in the market for mortgage-backed securities and liquidity constraints in general have also had an impact on the market for covered bonds. An investor in the Covered Bonds may not be

able to sell its Covered Bonds readily. The market values of the Covered Bonds are likely to fluctuate and may be difficult to determine. Any of such fluctuations could be significant.

Therefore, due to limited liquidity in the secondary market for mortgage loans, mortgage-backed securities and related securities (including covered bonds), holders may be unable to re-sell Covered Bonds readily and will bear a credit risk to the extent that the CBC2 and/or the Trustee experiences difficulties in fulfilling completely and/or timely their respective obligations to the Covered Bondholders in the event of an Issuer Event of Default or a CBC2 Event of Default.

The Covered Bondholders whose financial activities are denominated principally in a currency unit other than the Specified Currency will be subject to exchange rate risks and, potentially, exchange controls.

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors of the Covered Bonds may receive less interest or principal than expected, or no interest or principal.

Changes in prevailing bond interest rates may adversely affect the value of Fixed Rate Covered Bonds.

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Ratings may not reflect all of the risks and may not properly reflect the value of the Covered Bonds and rating downgrades or withdrawals may reduce the market value of the Covered Bonds.

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Covered Bonds.

The ratings assigned by Moody's address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have significant effect on yield to investors.

The expected ratings of the Covered Bonds, if rated individually, will be set out in the applicable Final Terms for each Series. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

In general, European regulated investors are restricted under the CRA Regulation from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU

and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain cases whilst the registration application is pending. Such general restriction will also apply in the case of ratings issued by non-EU credit rating agencies, unless the relevant ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU credit rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out in *Section A. Key Features of the Programme – Ratings* above and will be disclosed in the applicable Final Terms if the relevant Tranche of Covered Bonds are to be rated specifically.

Risk related to unsolicited credit ratings on Covered Bonds.

Other credit rating agencies that have not been requested by the Issuer to rate the Covered Bonds may issue unsolicited credit ratings on the Covered Bonds at any time. Any unsolicited credit ratings in respect of the Covered Bonds may differ from the credit ratings expected to be assigned by Moody's and may not be reflected in this Base Prospectus. Issuance of an unsolicited credit rating which is lower than the credit ratings assigned by a Rating Agency in respect of the Covered Bonds may adversely affect the market value and/or the liquidity of the Covered Bonds.

An investor's investment in the Covered Bonds may be subject to restrictions and qualifications.

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by any nominee service provider through which it holds its Covered Bonds and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

Legal investment considerations may restrict certain investments in the Covered Bonds.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Changes to ECB asset purchase programme could affect market value and liquidity.

In September 2014, the European Central Bank (the "**ECB**") initiated an asset purchase programme whereby it envisages to bring inflation back to levels in line with the ECB's objective to maintain the price stability in the euro area and, also, to help enterprises across Europe to enjoy better access to credit, boost investments, create jobs and thus support the overall economic growth. The expanded asset purchase programme encompasses the earlier announced asset-backed securities purchase programme and the covered bond purchase programme. On 25 October 2018, the ECB announced that it will continue to make net purchases at the monthly pace of EUR 15 billion until the end of December 2018 and, that subject to incoming data confirming the medium-term inflation outlook, net purchases will then end. As of 1 January 2019, the ECB has, however, maintained and on 7 March 2019 the ECB announced its intention to maintain its policy to reinvest the principal payments from maturing securities under the programme as long as deemed necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. However, if the economic outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the asset purchase programme may be adjusted in terms of size and/or duration. It remains to be seen what the effect of

the purchase programme ultimately will be on the volatility in the financial markets and economy generally. In addition, the continuation, the amendments to or the termination of the purchase programme could have an adverse effect on the secondary market value of the Covered Bonds and the liquidity in the secondary market for Covered Bonds.

Dutch tax risks related to the Dutch government's Tax Plan 2019.

On 10 October 2017, the Dutch government released its coalition agreement (*Regeerakkoord*) 2017-2021, which includes, among others, certain policy intentions for tax reform. The Dutch government released its Tax Plan 2019 as part of Budget Day 2018 on 18 September 2018 and made certain amendments to the Tax Plan 2019 in memoranda of amendments published on 26 October 2018, which include, among others, certain legislative proposals based on the policy intentions as mentioned in the coalition agreement and letter on tax avoidance and tax evasion. Two policy intentions in particular may become relevant within the context of the Dutch tax treatment of the Issuer, the CBC2 and/or (payments under) the Covered Bonds.

The first policy intention relates to the introduction of a thin capitalisation rule for banks and insurers as of 2020 for which a draft legislative proposal has been published subject to public consultation. Based on the draft legislative proposal, the thin capitalisation rule would limit the deduction of interest payments on debt instruments if generally the leverage ratio of a bank, or the own funds ratio of an insurer, is less than 8%. The draft legislative proposal suggests that this thin capitalisation rule will apply solely to banks and insurers with a license or notification of the Dutch Central Bank to operate as such in The Netherlands, including the Issuer.

The second policy intention relates to the introduction of a conditional withholding tax on interest paid to creditors in low tax jurisdictions or non-cooperative jurisdictions as of 2021. A legislative proposal introducing a similar conditional withholding tax on dividends (which has been postponed) and the supporting parliamentary documents thereto mention that, like the conditional dividend withholding tax, this interest withholding tax would apply to certain payments made by a Dutch entity directly or indirectly to a group or related entity (acting as a group with others) in a low tax or non-cooperative jurisdiction. However, it cannot be ruled out that the conditional withholding tax on interest will have a wider application and, as such, it could potentially be applicable to payments under the Covered Bonds. A legislative proposal introducing the conditional withholding tax on interest is still expected to be published in 2019.

Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on the Issuer and/or the CBC2 and their financial position in which case the Issuer may redeem the Series affected pursuant to its option under, and in accordance with and subject to the conditions set out in, Condition 6(b) (*Redemption for tax reasons*).(b) below

Changes resulting from the EU Anti-Tax Avoidance Directive

As part of its anti-tax avoidance package the EU Council adopted the Anti-Tax Avoidance Directive on 12 July 2016 in Council Directive (EU) 2016/1164 ("**ATAD 1**"). ATAD 1 must be implemented by each EU Member State as of 1 January 2019. On 29 May 2017 additional measures were introduced in Council Directive (EU) 2017/952 to neutralize the effects of hybrid mismatches with third countries ("**ATAD 2**"). The measures introduced in ATAD 2 must be implemented ultimately by 1 January 2020 and 1 January 2022 (to the extent relating to reverse hybrid mismatches).

The exact scope of these two measures, and impact on the Issuer's tax position, will depend on the implementation of the measures in the relevant EU Member State, but such measures could have a material adverse effect on the Issuer. The measures in ATAD 1 and ATAD 2 are minimum standards and, therefore, it is at the discretion of each EU Member State to implement measures in domestic law that go beyond the measures proposed in ATAD 1 and ATAD 2.

In relation to ATAD 1, the Dutch government has currently implemented this rule into Dutch laws as a result of which as of 1 January 2019 ATAD 1 came into force in the Netherlands. Given that the Issuer's business principally consists of banking related activities and under ATAD 1 the deduction of *net* borrowing costs will be limited to 30% of a taxpayer's adjusted EBITDA (to which a €1.0 million threshold applies), the Issuer does not expect that ATAD 1 may have an adverse effect on the Issuer and its financial position in the Netherlands.

In relation to ATAD 2, on 29 October 2018 the Dutch government published a draft legislative proposal as part of a public consultation ended on 10 December 2018. A legislative proposal implementing ATAD 2 is expected in 2019. However, in the absence of final implementing legislation (other than this draft legislative proposal which was subject to public consultation), the actual scope and implications of ATAD 2 are presently unascertainable.

B.2 ASSET-BACKED GUARANTEE

Covered Bondholders will receive payments from the CBC2 on any Guaranteed Amounts only when such payments are due and only in accordance with the provisions of the Transaction Documents. If a CBC2 Event of Default occurs, amounts owed by the CBC2 to holders of the Covered Bonds may be paid later than provided in the Transaction Documents, only partially or not at all.

The CBC2 has no obligation to pay the Guaranteed Amounts payable under the Guarantee until service by the Trustee:

- on the Issuer of an Issuer Acceleration Notice and on the CBC2 of a Notice to Pay; or
- if earlier, on the Issuer and the CBC2 of a CBC2 Acceleration Notice.

A Notice to Pay can only be served if (a) an Issuer Event of Default occurs and results in service by the Trustee of an Issuer Acceleration Notice on the Issuer or (b) a Breach of the Asset Cover Test occurs. A CBC2 Acceleration Notice can only be served if a CBC2 Event of Default occurs.

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Trustee on the CBC2. However, a failure by the Issuer to make a payment in respect of one or more Series will not automatically result in the service of an Issuer Acceleration Notice. The Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until (i) default is made by the Issuer for a period of 7 calendar days or more in the payment of principal or a redemption amount or for a period of 14 calendar days or more in the payment of any interest, or if the Issuer is adjudged bankrupt or (ii) requested or directed by a Programme Resolution of the Covered Bondholders of all Series then outstanding.

If a Notice to Pay is served by the Trustee on the CBC2 following a Breach of the Asset Cover Test, the CBC2 will not be obliged to make payments under the Guarantee until (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served or (b) a CBC2 Event of Default has occurred and a CBC2 Acceleration Notice has been served.

Following service of a Notice to Pay on the CBC2 (provided (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served and (b) no CBC2 Acceleration Notice has been served) under the terms of the Guarantee the CBC2 will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. Such payments will be subject to and will be made in accordance with the Post-Notice-to-Pay Priority of Payments. In these circumstances, other than the Guaranteed Amounts the CBC2 will not be obliged to pay any amount, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

Subject to applicable grace periods, if the CBC2 fails to make a payment when Due for Payment under the Guarantee or any other CBC2 Event of Default occurs then the Trustee may accelerate the

Covered Bonds (to the extent not yet accelerated) by service of a CBC2 Acceleration Notice, whereupon the CBC2 will under the Guarantee owe the Early Redemption Amount of each Covered Bond, together with accrued interest and certain other amounts then due under the Covered Bonds. Following service of a CBC2 Acceleration Notice, the Trustee may enforce the Security over the Secured Property. The proceeds of enforcement of the Security shall be applied by the Trustee in accordance with the Post-CBC2-Acceleration-Notice Priority of Payments, and Covered Bondholders will receive amounts from the CBC2 on an accelerated basis. If a CBC2 Acceleration Notice is served on the CBC2 then the Covered Bonds may be repaid sooner or later than expected and they may be repaid, only partially or not at all.

The Covered Bondholders may not receive any payments from the CBC2 to compensate for any tax withheld by the CBC2 on behalf of a Dutch taxing authority.

Notwithstanding anything to the contrary in this Base Prospectus, if withholding of, or deduction on account of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of The Netherlands, any authority therein or thereof having power to tax, the CBC2 will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders. Therefore, the Covered Bondholders may not expect that the CBC2 will compensate them for any tax withheld by the CBC2 on behalf of a Dutch tax authority.

The CBC2's obligation to pay Guaranteed Final Redemption Amounts in respect of a Series of Covered Bonds shall automatically be deferred to the relevant Extended Due for Payment Date if the CBC2 has insufficient funds available to make payments in respect of such Series at the relevant Extension Date.

If the CBC2 is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount in respect of a Series of Covered Bonds and has insufficient monies available under the relevant Priority of Payments to pay the Guaranteed Final Redemption Amount in respect of such Series on the Extension Date, then the obligation of the CBC2 to pay such Guaranteed Amount shall automatically be deferred to the relevant Extended Due for Payment Date. However, to the extent the CBC2 has sufficient monies available to pay in part the Guaranteed Final Redemption Amount in respect of such Series, the CBC2 shall make such partial payment in accordance with the relevant Priority of Payments, as described in, and subject to, Condition 3 (*The Guarantee*) on the relevant Extension Date and any subsequent Interest Payment Date falling prior to the relevant Extended Due for Payment Date. Payment of the unpaid amount under such Series shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will fall twelve (12) calendar months after the Final Maturity Date. Interest will continue to accrue and be payable on the unpaid Guaranteed Final Redemption Amount in respect of such Series on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (*Interest*), *mutatis mutandis*. In these circumstances, except where the CBC2 has failed to apply monies in accordance with the relevant Priority of Payments in accordance with Condition 3 (*The Guarantee*), failure by the CBC2 to pay the relevant Guaranteed Final Redemption Amount in respect of such Series on the Extension Date or any subsequent Interest Payment Date falling prior to the Extended Due for Payment Date (or the relevant later date in case of an applicable grace period) shall not constitute a CBC2 Event of Default. However, failure by the CBC2 to pay such Guaranteed Final Redemption Amount or the balance thereof, as the case may be, on the relevant Extended Due for Payment Date and/or pay any other amount due under the Guarantee will (subject to any applicable grace period) constitute a CBC2 Event of Default.

Mandatory liquidity buffers required pursuant to the 2015 CB Legislation may not be sufficient to cover liquidity shortfalls.

Under the 2015 CB Legislation the Issuer will be required to ensure that, amongst other things, at all times sufficient liquidity is maintained or generated by the CBC2 to cover for the following 6 month-period interest payments on the Covered Bonds and certain higher and *pari passu* ranking payments, in each case as calculated and determined in accordance with the 2015 CB Legislation. In determining such liquidity buffer to be maintained or generated in compliance with the 2015 CB Legislation, amongst other things, the proceeds of the Transferred Assets expected to be received in the relevant period and certain amounts (if any) standing to the credit of the AIC Account (including, without limitation, any amounts standing to the credit of the Mandatory Liquidity Revenue Ledger, the Reserve Fund Ledger and the Interest Cover Reserve Fund Ledger) may be taken into account.

The Mandatory Liquidity Revenue Ledger is used to administer the Mandatory Liquidity Fund. Pursuant to the Trust Deed, the Issuer is required to credit the Mandatory Liquidity Fund with Mandatory Liquidity Required Amounts which amounts are determined at the relevant time as the amount by which at such time the proceeds of the Transferred Assets expected to be received in the relevant period and the relevant amounts standing to the credit of the AIC Account (including, without limitation, any amounts standing to the credit of the Reserve Fund Ledger and the Interest Cover Reserve Fund Ledger) and such other amounts permitted to be taken into account pursuant to the 2015 CB Legislation, fall short of the amount which is at such time required to be held by the CBC2 to ensure compliance with such mandatory liquidity buffer. However, there is no assurance that there will not be a liquidity shortfall.

The CBC2 has limited resources the value of which depends on a number of factors and may be insufficient to meet the CBC2's obligations under the Guarantee. In the event of a CBC2 Event of Default, the Covered Bondholders may not receive the full amounts due to them from the CBC2 or the Issuer.

The CBC2's ability to meet its obligations under the Guarantee will depend on the realisable value of Transferred Assets (net of, without limitation, amounts due to any Participants in the case of Participation Receivables), the amount of principal and revenue proceeds generated by the Transferred Assets (net of, without limitation, amounts due to any Participants in the case of Participation Receivables) and Authorised Investments and the timing thereof and amounts received from the Swap Providers (if any), any Participants and the Account Bank. The CBC2 will not have any other source of funds available to meet its obligations under the Guarantee.

If a CBC2 Event of Default occurs and the Security created by or pursuant to the Security Documents is enforced, the Secured Property may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. Upon the occurrence of any Issuer Event of Default or a CBC2 Event of Default, the CBC2 or the Trustee, as the case may be, could experience difficulty with any sale of the relevant Transferred Receivables, particularly with respect to the price achievable and the timing of such sale. If, following enforcement of the Security constituted by or pursuant to the Security Documents, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Cover Test has been structured to ensure that the Adjusted Aggregate Asset Amount is greater than the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall. Also, under the 2015 CB Legislation the Issuer will be required to ensure that, in addition to the mandatory liquidity buffer required to be maintained or generated by the CBC2 (see also the risk factor entitled *Mandatory liquidity buffers required pursuant to the 2015 CB Legislation may not be sufficient to cover liquidity shortfalls*), (i) a statutory minimum level of overcollaterisation of eligible cover assets is maintained and (ii) the value of the Transferred Assets (subject to certain deductions in accordance with the 2015 CB Legislation) is at all times at least

equal to the Principal Amount Outstanding of the Covered Bonds, in each case as calculated and determined in accordance with the 2015 CB Legislation. These statutory overcollaterisation and minimum value requirements do not provide for a deduction of certain risks in the manner described in this Base Prospectus in respect of the Asset Cover Test. The Asset Cover Test is, amongst other things, used to comply with such statutory overcollaterisation and minimum value requirements under the 2015 CB Legislation. However, there is no assurance that there will not be a shortfall. The holders of the Covered Bonds will bear the risk of such a shortfall on payments due under the Transaction Documents as there may be insufficiency of resources of the Issuer or the CBC2.

The ability of the CBC2 to make full and timely payments pursuant to its obligations under the Guarantee may depend on the performance of third parties on which the CBC2 relies, such as the Servicers or the Administrator, of their obligations to the CBC2.

The CBC2 has entered into agreements with a number of third parties, which have agreed to perform services for the CBC2. In particular, but without limitation, the Initial Servicer has been (and New Servicers may be) appointed to service the Transferred Receivables, the Administrator has been appointed to monitor compliance with the Asset Cover Test and the Amortisation Test and to provide administration services to the CBC2 and the Asset Monitor has been appointed to conduct tests on the arithmetic accuracy of the calculations performed by the Administrator annually and in certain circumstances more frequently in respect of the Asset Cover Test and monthly in respect of the Amortisation Test with a view to confirming the accuracy of such calculations. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Transferred Assets or any part thereof may be affected, or, pending such realisation (if the Transferred Assets or any part thereof cannot be sold), the ability of the CBC2 to make payments under the Guarantee may be affected. For instance, if a Servicer has failed to adequately administer the Transferred Receivables, this may lead to higher incidences of non-payment or default by Borrowers. The CBC2 is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Guarantee.

If a Servicer Event of Default occurs pursuant to the terms of a Servicing Agreement, then the CBC2 and/or the Trustee will be entitled to terminate the appointment of the relevant Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Transferred Receivables on the terms of the Servicing Agreement. The ability of a substitute servicer to perform fully the required services would depend, amongst other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Transferred Receivables or any part thereof, and/or the ability of the CBC2 to make payments under the Guarantee. However, if a Servicer ceases to be assigned a rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as the 2019 Programme Update at least 'Baa3(cr)' by Moody's, the CBC2 will use reasonable efforts to enter into a master servicing agreement with a third party.

None of the Servicers have (or will have, as applicable) any obligation themselves to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by a Servicer under a Servicing Agreement.

The Trustee is not obliged in any circumstances to act as a Servicer or to monitor the performance by any Servicer of its obligations.

Thus, payments due to Covered Bondholders by the CBC2 may be affected by the performance of third parties such as the Servicers, the Administrator and the Issuer.

The Interest Cover Reserve Fund Required Amount may not be sufficient to cover any shortfall between the amounts of interest received by the CBC2 and the rate of interest payable on the outstanding Covered Bonds.

If any of the Issuer's ratings falls below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, the CBC2 is required to, among other things, establish an Interest Cover Reserve Fund and the Issuer is required to fund and maintain such Interest Cover Reserve Fund. The amounts to be paid by the Issuer in order to fund and maintain the Interest Cover Reserve Fund are calculated by reference to the rate of interest received on Transferred Collateral on a three (3) month basis for up to four consecutive periods of twelve (12) months. In order to calculate such amount, the Issuer will need make certain assumptions and estimates. The Interest Cover Reserve Fund may only be debited if on any CBC2 Payment Date there is a shortfall between the Scheduled Interest payable on such date and any amounts otherwise available to the CBC2 for such purpose. An amount standing to the credit of the Interest Cover Reserve Fund equal to such shortfall shall form part of the Available Revenue Receipts on any CBC2 Payment Date.

The amounts standing to the credit of the Interest Cover Reserve Fund may be insufficient to cover any shortfall between the actual rates of interest and revenue on the Transferred Receivables or the rates of interest or revenue payable on the other Transferred Assets, the Substitution Assets, the Authorised Investments and the balance of the AIC Account and the actual rate of interest payable on the outstanding Covered Bonds, as well as other mismatches which may adversely affect the realisation value of the Transferred Receivables, and/or the CBC2's ability to fulfil its obligations under the Guarantee.

Thus, payments due to Covered Bondholders by the CBC2 may be affected by the assumptions made by the Issuer, its performance to fund the relevant amount and the actual receipts of amounts of interest by the CBC2 and the actual amounts of interest payable by the CBC2 on the outstanding Covered Bonds.

The Trustee may face limitations in enforcing the CBC2's pledges in the event of a bankruptcy proceeding against the CBC2 under Dutch law.

Under or pursuant to the Security Documents, various Dutch law pledges are granted by the CBC2 to the Trustee. A Dutch pledge can serve as security for monetary claims (*geldvorderingen*) only and can only be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property is to be carried out in accordance with the applicable provisions and limitations of the Dutch Civil Code and the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

The CBC2 is a special purpose entity. It has been set up as a bankruptcy remote entity, mainly in two ways. Firstly, non-petition wording has been included in the relevant Transaction Documents. Notwithstanding such wording, it is possible that a Dutch court would deal with a petition for bankruptcy (*faillissement*), even if such petition was presented in breach of a non-petition covenant. Secondly, recourse by any person who is a party to a Transaction Document to the CBC2 has been limited to the Transferred Assets and any other assets the CBC2 may have (excluding for the avoidance of doubt amounts standing to the credit of the Capital Account). It is therefore unlikely that the CBC2 becomes subject to a bankruptcy (*faillissement*) or suspension of payments (*surseance van betaling*) (the "**Dutch Insolvency Proceedings**"). Should the CBC2 nevertheless be subjected to Dutch Insolvency Proceedings, the Trustee as pledgee can exercise the rights afforded by Dutch law to pledgees as if there were no Dutch Insolvency Proceedings. However, Dutch Insolvency Proceedings involving the CBC2 would affect the position of the Trustee as pledgee in some respects.

Firstly, if and to the extent that assets purported to be pledged by the CBC2 to the Trustee are future assets (i.e. assets that have not yet been acquired by the CBC2 or that have not yet come into existence) at the moment Dutch Insolvency Proceedings take effect (i.e. at 0:00 hours on the date Dutch Insolvency Proceedings are declared), such assets are no longer capable of being pledged by the CBC2 (unless the liquidator would agree). This would for example apply with respect to amounts that are paid to the CBC2 Accounts following the CBC2's Dutch Insolvency Proceedings taking effect. As such crediting of the relevant CBC2 Account would not yet have occurred when the Dutch Insolvency Proceedings take effect, the resulting receivable of the CBC2 *vis-à-vis* the Account Bank would qualify as a future asset. However, if following Dutch Insolvency Proceedings taking effect, amounts are due to be paid under receivables that have been pledged to the Trustee prior to such Dutch Insolvency Proceedings taking effect, the Trustee as pledgee could through notification to the relevant debtors prevent that such pledged receivables are discharged through payment to the CBC2 Accounts. The Trustee as pledgee is entitled itself to collect such receivables, in other words by requesting the relevant amounts be transferred into its own bank account, following notification of the assignment and pledge to the relevant debtor. Notification of the pledge may occur following the occurrence of a Notification Event. As long as no notification of the assignment has taken place in respect of pledged Transferred Receivables, the relevant debtor must continue to pay to the relevant Originator. Under "*Section B.3 Guarantee Support*" below, the position of the CBC2 is described in respect of payments so made to the relevant Originator prior to or after such Originator's possible Dutch Insolvency Proceedings taking effect. In respect of payments under pledged Transferred Receivables made to the CBC2 following notification of the assignment but prior to notification of the pledge and prior to Dutch Insolvency Proceedings of the CBC2 taking effect and not on-paid to the Trustee, the Trustee will be an ordinary, non-preferred creditor, having an insolvency claim (*voor verificatie vatbare vordering*). In respect of post-insolvency payments, the Trustee will be a preferred creditor having an insolvency claim (*voor verificatie vatbare vordering*). Creditors of insolvency claims have to share in the general insolvency costs and have to await finalisation of a (provisional) distribution list ((*voorlopige) uitdelingslijst*).

Furthermore, the following mandatory rules of Dutch insolvency law may affect the enforcement of the Trustee's pledges:

- a statutory stay of execution ('cooling-off period') of up to two months - with a possible extension by up to two more months - may be imposed during each type of Dutch Insolvency Proceedings by court order. Such stay of execution does not prevent the Trustee from giving notice to the debtors of any pledged receivables and collecting the proceeds thereof. However, where applicable, it will prevent the Trustee from (i) taking recourse against any amounts so collected during such stay of execution and (ii) selling pledged assets to third parties;

- the liquidator in bankruptcy can force the Trustee to enforce its security right within a reasonable period of time, failing which the liquidator in bankruptcy will be entitled to sell the pledged assets and distribute the proceeds. In such case, the Trustee will receive payment prior to ordinary, non-preferred creditors having an insolvency claim but after creditors of the estate (*boedelschuldeisers*). It should be noted, however, that this power of the liquidator in bankruptcy only aims to prevent a secured creditor from delaying the enforcement of the security without good reason; and

- excess proceeds of enforcement must be returned to the CBC2 in its Dutch Insolvency Proceedings; they may not be set-off against an unsecured claim (if any) of the Trustee on the CBC2. Such set-off is in principle allowed prior to the Dutch Insolvency Proceedings.

Similar or different restrictions may apply in the event of any proceeding equivalent or analogous to Dutch Insolvency Proceedings under the laws of any other jurisdiction (together with the Dutch Insolvency Proceedings, the "**Insolvency Proceedings**"). Accordingly, even though the CBC2 has

been set up as a bankruptcy remote entity, if Dutch Insolvency Proceedings are nevertheless commenced against the CBC2, the Trustee's enforcement rights of the pledges by the CBC2 may be adversely affected. As a result, the Trustee may be unable to enforce the CBC2's pledges in full or in time, in turn affecting the amounts available for payments due to the holders of the Covered Bonds.

As a result of the use of the "parallel debt" structure, if the Trustee becomes subject to a Dutch Insolvency Proceeding, payments made to it pursuant to the CBC2's pledges and any proceeds of the Security will be part of the Trustee's assets, which may adversely impact the timely and/or full payment to the holders of the Covered Bonds from such CBC2's pledges and any proceeds of the Security.

It is intended that the CBC2 grants pledges to the Trustee for the benefit of the Secured Creditors. However, under Dutch law there is no concept of trust and it is uncertain whether a pledge can be granted to a party other than the creditors of the receivables purported to be secured by such pledge. The Issuer has been advised that under Dutch law a 'parallel debt' structure can be used to give a trustee its own, separate, independent right of claim on identical terms as the relevant creditors. For this purpose, the Trust Deed creates a parallel debt of the CBC2 to the Trustee, equal to the corresponding Principal Obligations, so that the Security can be granted to the Trustee in its own capacity as creditor of the parallel debt. In the Trust Deed it is agreed that obligations of the CBC2 to the Trustee under the parallel debt shall be decreased to the extent that the corresponding principal obligations to the Secured Creditors are reduced (and *vice versa*). In the Trust Deed the Trustee agrees to act as trustee as abovementioned and agrees:

- to act for the benefit of the Secured Creditors in administering and enforcing the Security; and

- to distribute the proceeds of the Security in accordance with the provisions set out in the Trust Deed.

Any payments in respect of the parallel debt and any proceeds of the Security (in each case to the extent received by the Trustee) are in case the Trustee becomes subject to Dutch Insolvency Proceedings not separated from the Trustee's other assets, so the Secured Creditors accept a credit risk on the Trustee. However, the Trustee is a special purpose entity and is therefore unlikely to become subject to an Insolvency Proceeding. If an Insolvency Proceeding is nevertheless commenced against the Trustee, the holders of the Covered Bonds may not receive full or timely payments due to them from the enforcement of the CBC2's pledges and any proceeds of the Security.

Holders of beneficial interests in Global Covered Bonds or holders of Registered Covered Bonds transferred to them may not have the benefit of the Guarantee unless the Guarantee has been properly assigned and transferred to them under Dutch law.

Under Dutch law an independent guarantee like the Guarantee is in general an independent claim and not an accessory right (*afhankelijk recht*) and is unlikely to be an ancillary right (*nevenrecht*), that by operation of law follows the receivables it secures upon transfer thereof. The Issuer has been advised that under Dutch law, in the case of Bearer Covered Bonds, such an 'automatic' transfer of the Guarantee can be accomplished by ensuring that the Guarantee forms an integral part of the Covered Bonds. For this reason the Guarantee and the Covered Bonds will provide that the rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a Covered Bondholder only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The Issuer has been advised that as a result, in case of a physical transfer of a Bearer Covered Bond, such transfer includes the corresponding rights under the Guarantee. In case of a transfer of a beneficial interest in a Global Covered Bond to a transferee by way of book-entry transfer (*girale overboeking*), such transfer includes the corresponding rights under the Guarantee subject to and in accordance with any applicable laws, rules and regulations of the relevant clearing system. For Registered Covered Bonds

issued pursuant to a Registered Covered Bonds Deed, the rights under the Guarantee are to be separately assigned, together with the corresponding rights under the relevant Registered Covered Bonds. Thus, under Dutch law transferees of beneficial interests in Global Covered Bonds or holders of Registered Covered Bonds may not have the benefit of the Guarantee unless the rights under such Guarantee have been properly transferred to them.

B.3 GUARANTEE SUPPORT

In the event of a Dutch Insolvency Proceeding against an Originator, prior to the notification of the transfer of the Transferred Receivables to the debtors, the CBC2's claims to payments by such Originator under such Transferred Receivables may rank in priority behind the claims of other creditors of the Originator, in turn adversely affecting the ability of the CBC2 to collect fully and/or timely payments under the Transferred Receivables and subsequently meet its obligations fully and/or timely to Covered Bondholders.

The Guarantee Support Agreement provides that the transfer of the Eligible Receivables will be effected through a silent assignment (*stille cessie*) by the relevant Originator to the CBC2. This means that legal ownership of the Eligible Receivables will be transferred to the CBC2 by registration of a duly executed deed of assignment with the tax authorities (*Belastingdienst*), without notifying the debtors of such Eligible Receivables. The assignment will only be notified to the debtors if a Notification Event occurs. Notification is only necessary to achieve that the debtors can no longer discharge their obligations by paying to the relevant Originator.

As long as no notification of the assignment has taken place, the debtors under the Transferred Receivables must continue to make payments to the relevant Originator or its nominee. In respect of payments made to an Originator prior to a Dutch Insolvency Proceeding of the relevant Originator taking effect and not on-paid to the CBC2, the CBC2 will in the relevant Originator's Dutch Insolvency Proceedings be an ordinary, non-preferred creditor, having an insolvency claim. In respect of post-insolvency payments made by debtors to an insolvent Originator, the CBC2 will be a creditor of the estate (*boedelschuldeiser*), and will receive payment prior to creditors with insolvency claims, but after preferred creditors of the estate. Therefore, the CBC2 may be unable to collect fully and/or timely on payments due from an Originator under the Transferred Receivables in the event of a Dutch Insolvency Proceeding against such Originator, in turn adversely affecting the full and/or timely payments to the holders of the Covered Bonds.

The CBC2 may be unable, as a matter of Dutch law, to enforce mortgages or pledges in respect of Transferred Receivables, which, in turn, could adversely affect its ability to meet fully and/or timely its obligations to the Covered Bondholders under the Guarantee.

Under Dutch law mortgages and pledges are in principle accessory rights (*afhankelijke rechten*) which pursuant to articles 3:7, 3:82 and 6:142 of the Dutch Civil Code automatically follow the receivables they secure, for example if such receivables are transferred to a third party. The mortgages and pledges securing the Eligible Receivables qualify as either:

- 'fixed' security, securing only (i) one or more specified receivables of the relevant initial pledgee or mortgagee against the relevant debtor or (ii) receivables arising from one or more specified contractual relationships (*rechtsverhoudingen*) between the relevant initial pledgee or mortgagee and the relevant debtor ("**Fixed Security**"); or

- 'all-monies' security, securing all present and future receivables of the relevant initial pledgee or mortgagee against the relevant debtor, whether in general (*bankzekerheidsrecht*) or under any and all present and future credit agreements (*kredietzekerheidsrecht*) ("**All-monies Security**").

In the past a considerable degree of uncertainty existed in Dutch legal writing as to whether a transfer of a receivable secured by All-monies Security, results in a transfer of the All-monies Security, or a share therein, to the transferee.

The Issuer has been advised that like any other mortgage or pledge, an all-monies mortgage or pledge under Dutch law is in principle an accessory right (*afhankelijk recht*) and that, therefore, upon a transfer of a receivable secured by All-monies Security, the transferee will in principle become entitled to a share in the All-monies Security by operation of law. The Issuer has been advised that the above is confirmed by the Onderdrecht v. FGH and PHP decision of the Dutch Supreme Court (HR 16 September 1988, NJ 1989, 10). In this decision, the Dutch Supreme Court ruled that the main rule is that a mortgage as an accessory right transfers together with the receivable it secures. The Dutch Supreme Court also held that it is a question of interpreting the relevant clause in the mortgage deed whether the definition of the secured receivables entails that the mortgage exclusively vests in the original mortgagee, in deviation of said main rule. The Issuer has been advised that where the mortgage or pledge deed contains no specific intention regarding the transfer of the mortgage or pledge, the abovementioned main rule applies, so that following a transfer of a secured receivable, the relevant receivable will continue to be secured by the mortgage or pledge.

The Originators have under or pursuant to the Guarantee Support Agreement warranted and represented that the relevant mortgage and pledge deeds contain either (i) no specific wording regarding the transfer of any right of mortgage or pledge securing the Eligible Receivables or (ii) an express confirmation to the effect that upon a transfer of the relevant Eligible Receivable, the Eligible Receivable will following the transfer continue to be secured by the mortgage or pledge. However, if the Onderdrecht v. FGH and PHP decision or its interpretation is revisited, the CBC2 may be unable to enforce mortgages or pledges in respect of Transferred Receivables, which, in turn, may adversely affect its ability to meet fully and/or timely its obligations to the holders of the Covered Bonds under the Guarantee.

Certain security rights attached to the Eligible Receivables transferred to the CBC2 may become part of a joint estate between the CBC2 and the Originators, which could reduce or delay the amount which the CBC2 may recover under the relevant mortgage and which could adversely affect the ability of the CBC2 to meet fully and/or timely its obligations under the Guarantee.

As a consequence of the transfer to the CBC2 of Eligible Receivables secured by All-monies Security (or, if not all receivables which are secured, or if not the entire contractual relationship (*rechtsverhouding*) from which receivables may arise which will be secured, by the relevant security right are or is, respectively, transferred to the CBC2, Fixed Security), the relevant All-monies Security (or where applicable Fixed Security) will become part of a joint estate (*gemeenschap*) of the CBC2 and the original mortgagee or pledgee, as the case may be, governed by articles 3:166 *et seq*. of the Dutch Civil Code. This means, amongst other things, that in the event of foreclosure of the All-monies Security (or where applicable Fixed Security), the relevant original mortgagee or pledgee and the CBC2 in principle need to act jointly and share the proceeds *pro rata* on the basis of their respective shares in the joint estate.

For this purpose, the Guarantee Support Agreement contains an intercreditor arrangement granting the CBC2 the right to (i) foreclose on the All-monies Security (or where applicable Fixed Security) without involvement of the relevant Originator and (ii) take recourse to the foreclosure proceeds prior to the relevant Originator. The Issuer has been advised that it is uncertain whether said arrangement is binding on the relevant Originator's liquidator or administrator in Dutch Insolvency Proceedings. However, the Issuer has also been advised that on the basis of articles 3:166, 168, 170 and 172 of the Dutch Civil Code there are good arguments to state that such arrangement is binding. Moreover, generally the above only becomes relevant in the event that each of the following conditions is met:

- the Borrower does not meet his secured obligations in full to either the Originator or the CBC2, in particular because he is insolvent;
- the Originator is subject to a Dutch Insolvency Proceeding; and
- the proceeds of the Secured Property are insufficient to fully satisfy the secured receivables of the relevant Originator and the CBC2.

The abovementioned intercreditor arrangement will be supported by an undertaking of each relevant Originator to pledge to the CBC2 its Residual Claims forthwith *vis-à-vis* the relevant Borrowers which are secured by the relevant All-monies Security (or where applicable Fixed Security), unless an appropriate remedy to the satisfaction of the Trustee is found after having received Rating Agency Confirmation, (A) upon the occurrence of the Issuer's long-term rating from Moody's ceasing to be at least 'A3(cr)' (or such other minimum rating as determined to be applicable or agreed from time to time by the relevant Rating Agency) and such downgrade is continuing for a period of twelve months (or such other period as determined to be applicable or agreed from time to time by the relevant Rating Agency) after the date of such downgrade, or (B) upon the occurrence of the Issuer's long-term rating from Moody's ceasing to be at least 'Baal(cr)' (or such other minimum rating as determined to be applicable or agreed from time to time by the Relevant Rating Agency) or any such rating is withdrawn (such rating downgrade or withdrawal event, a "**RC Pledge Trigger Event**").

The pledge (if implemented) of such Residual Claims will secure a special indemnity created in the Guarantee Support Agreement for this purpose, under which each relevant Originator undertakes to pay to the CBC2 an amount equal to its share in the foreclosure proceeds. Recourse in respect of the indemnity is limited to the relevant Originator's share in the foreclosure proceeds. The indemnity will be immediately due and payable in case the relevant Borrower defaults (*in verzuim is*) in respect of the relevant Transferred Receivable or the receivable(s) he owes to the relevant Originator. If and to the extent the pledge is implemented and any foreclosure proceeds are applied in discharge of the indemnity, the relevant Originator's pledged receivables *vis-à-vis* the relevant Borrower would be discharged. For this reason, the CBC2 undertakes in the Guarantee Support Agreement to in that case retransfer to the relevant Originator a part of the unsatisfied part of the relevant Transferred Receivable for a principal amount corresponding to the principal amount of the Residual Claims so applied.

If, after the pledge of the Residual Claims, the Issuer regains a long-term rating from Moody's of at least 'A3(cr)' (or, in each case, such other minimum rating as determined to be applicable or agreed from time to time by the relevant Rating Agency) and retains such ratings for a consecutive period of twelve months (or such other period as determined to be applicable or agreed from time to time by the relevant Rating Agency), as the case may be (each such rating uplift event, a "**RC Pledge Release Trigger Event**"), the CBC2 and the Trustee will be obliged to release the rights of pledge vested on the Residual Claims. In addition, each of the CBC2 and the Trustee undertakes to release such right of pledge on any Residual Claims if (i) the principal amount outstanding in respect of the relevant Transferred Receivable secured by the same Related Security has been repaid in full together with all accrued interest and other secured amounts due under or in connection with the related Loan or (ii) all Transferred Receivables that are secured by the same Related Security as such Residual Claims have been retransferred to the relevant Originator in accordance with the terms of the Guarantee Support Agreement.

The Guarantee Support Agreement provides that:

(A) the Originators warrant and represent that:

(i) the relevant Receivable was originated by the relevant Originator (which includes origination by an originator (i) which has Merged into the relevant Originator or (ii)

whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) and the relevant Originator has not (nor has any such relevant Merged Originator or Demerged Originator (as the case may be)) transferred any receivable (including but not limited to any Residual Claim) secured by the Related Security to any party other than (a) the CBC2 (or in the case of a Merged Originator or Demerged Originator (as the case may be), the relevant Originator) and/or (b) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable; or

(ii) the relevant Receivable is secured by Related Security which does not include All-monies Security and that any and all present and future receivables which are secured by such Fixed Security forming part of the Related Security, together with any and all contractual relationships (*rechtsverhoudingen*) from which receivables have arisen or may arise which are or will be secured by such Fixed Security, have, together with all Related Security, been transferred to (i) such Originator (or an originator (a) which has Merged into the relevant Originator or (b) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) or (ii) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable;

(B) where the Originators cannot give the representations and warranties set out in (A) above, an intercreditor arrangement as abovementioned will be entered into with the relevant originator to deal with the joint security and such other representations and warranties as may be required by the CBC2 and the Trustee in relation to the transfer of the relevant Eligible Receivable by such originator to the relevant Originator;

(C) if (i) the relevant Originator will transfer any Residual Claims *vis-à-vis* the relevant Borrowers which are secured by the relevant All-monies Security (or where applicable Fixed Security), it will simultaneously transfer its corresponding obligations and rights under the intercreditor arrangement to the relevant transferee (other than an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable) and (ii) the CBC2 transfers a Transferred Receivable to any transferee other than the relevant Originator or insurer, it is entitled to transfer its corresponding rights and obligations under the intercreditor arrangement to the relevant transferee; and

(D) if (i) an Originator makes any Further Advance under any Loan Agreement or if Quion 9 acquires the receivable originating from any Further Advance under any Loan Agreement, in each case relating to a Transferred Receivable, (ii) such Further Advance is secured by the same Related Security and (iii) such Further Advance results in an Eligible Receivable, then it will transfer such further Eligible Receivable to the CBC2 as soon as reasonably practicable and, if possible, prior to the following Calculation Date.

Accordingly, if an Originator becomes subject to a Dutch Insolvency Proceeding and, as a result, the All-monies Security in respect of Loans transferred by that Originator becomes part of a joint estate between the CBC2 and the relevant Originator, the CBC2 would have to rely, in the first instance, on an intercreditor arrangement to ensure its priority, relative to the relevant Originator, in such All-monies Security. If the intercreditor arrangement is not binding in the insolvency of the relevant Originator, the CBC2 would need to rely on its rights under a pledge of the Residual Claims or an alternative arrangement, to the extent in place as described above. If the CBC2 is unable to rely on the intercreditor arrangement, having to rely on a pledge or other alternative arrangement, or if the CBC2 is unable to rely on such pledge or alternative arrangement, this may reduce or delay the amount which the CBC2 may recover under the relevant mortgage which, in turn, could adversely affect the ability of the CBC2 to meet its obligations under the Guarantee fully and/or timely.

In the event of a foreclosure of certain security, the CBC2 may have to act jointly with RBS N.V. and share with RBS N.V. the foreclosure proceeds pro rata, limiting the CBC2's ability to recover fully and/or timely on such security and consequently, adversely affecting the CBC2's ability to meet its obligations to Covered Bondholders fully and/or timely under the Guarantee.

Effective as from 6 February 2010, being the date on which the demerger of the relevant Dutch State acquired business with The Royal Bank of Scotland N.V. as demerging party and ABN AMRO Bank N.V. as acquiring party became effective in accordance with article 2:334n of the Dutch Civil Code (the "**Legal Demerger**"), it is possible that a joint estate as described in the previous risk factor exists between the CBC2 and The Royal Bank of Scotland N.V. (previously named ABN AMRO Bank N.V. (including its successors and assigns, "**RBS N.V.**")) (and, if an Originator, ABN AMRO Bank). The Issuer has been advised that if the entire contractual relationship pertaining to the relevant Borrower is included in full in the Legal Demerger, it is highly likely that the associated All-monies Security (or Fixed Security) has transferred along to ABN AMRO as part of the Legal Demerger, in which case no such joint estate would arise between RBS N.V. and the CBC2 (and if an Originator, ABN AMRO Bank). Under a master amendment agreement entered into on or around the Legal Demerger pertaining to the Programme, ABN AMRO Bank has represented and warranted to the CBC2 and the Trustee as of the date of such master amendment agreement and as of the moment the Legal Demerger takes effect, in relation to each Transferred Receivable that the entire contractual relationship pertaining to the relevant Borrower is included in full in the Legal Demerger. Nevertheless, the Issuer has been advised in relation to Transferred Receivables secured by All-monies Security that the risk cannot be excluded that a residual All-monies Security has remained with RBS N.V. following the Legal Demerger and that a joint estate exists between RBS N.V. and the CBC2 (and if an Originator, ABN AMRO Bank). Such risk is mitigated (i) as between the CBC2 and ABN AMRO Bank in the manner set out in the previous risk factor and (ii) as between the CBC2 and RBS N.V. in a security rights agreement dated on or about the Legal Demerger (as supplemented on 29 September 2011) in which RBS N.V. has, among other things, undertaken to, in the event of security rights held in a joint estate (*gemeenschap*) between ABN AMRO and/or RBS N.V. and/or the CBC2, respect and act in accordance with the contractual (priority) rights of the CBC2 as set out in the Transaction Documents as in force at the Legal Demerger, in particular on the proceeds of enforcement (*opbrengst van uitwinning*), as if it were an originator.

Despite these arrangements, it is still possible that the CBC2 would have to act jointly with RBS N.V. and share the proceeds with RBS N.V. *pro rata* (i.e. in the event of a Dutch Insolvency Proceeding against RBS N.V.). Therefore, the CBC2's ability to recover fully and/or timely on some mortgages or pledges in respect of Transferred Receivables originated by ABN AMRO Bank prior to the Legal Demerger may be limited, which may in turn adversely affect the CBC2's ability to meet fully and/or timely its obligations under the Guarantee.

Set-Off by Borrowers: The CBC2's rights and the Trustee's enforcement of pledges in respect of Transferred Receivables may be limited by Borrowers' set-off rights against Originators. As a result, the CBC2 and/or the Trustee may be unable to meet their payment obligations fully and/or timely under the Transaction Documents to holders of the Covered Bonds.

Notwithstanding the assignment and pledge of the Eligible Receivables to the CBC2, and the Trustee, respectively, the Borrowers may be entitled to set-off the relevant Eligible Receivable against a claim they may have *vis-à-vis* the relevant Originator (if any), such as (i) counterclaims resulting from a current account relationship, (ii) counterclaims resulting from damages incurred by a Borrower as a result of acts performed by the relevant Originator, or (iii) other counterclaims such as counterclaims (a) resulting from a deposit made by a Borrower, including, without limitation, deposits that pursuant to the terms of the relevant Bank Savings Loan have been made by the Borrower in the related Bank Savings Account or (b) relating to an employment agreement with the Borrower as employee. In the absence of contractual provisions expanding statutory set-off

possibilities, mutuality of claims is one of the requirements for set-off to be allowed: the parties, mutually, have to be each other's creditor and debtor. Following an assignment of an Eligible Receivable by an Originator to the CBC2, the relevant Originator would no longer be the creditor of the Eligible Receivable. However, for as long as the assignment has not been notified to the relevant Borrower, the Borrower remains entitled to set-off the Eligible Receivable as if no assignment had taken place. After notification of the assignment or pledge, the relevant Borrower can still invoke set-off pursuant to article 6:130 of the Dutch Civil Code. On the basis of such article a Borrower can invoke set-off against the CBC2 as assignee (and the Trustee as pledgee) if the Borrower's claim *vis-à-vis* the relevant Originator (if any) stems from the same legal relationship as the Eligible Receivable (such as the Borrower's right to receive payments from the Bank Savings Account stemming from the same legal relationship as the related AAHG Bank Savings Receivable) or became due and payable before the notification. In addition, the possibility cannot be excluded that on the basis of an analogous interpretation of article 6:130 of the Dutch Civil Code, a Borrower will be entitled to invoke set-off against the CBC2 or the Trustee (as the case may be) if prior to the notification, the Borrower was either entitled to invoke such set-off against the relevant Originator (e.g. on the basis of article 53 of the Dutch Bankruptcy Code) or had a justified expectation that he would be entitled to such set-off against the relevant Originator.

Furthermore, if a Borrower has a claim against any affiliate of the relevant Originator that is a separate legal entity (e.g. on the basis of a current account relationship with such an affiliate), the legal requirement under Dutch law for set-off that the parties mutually have to be each other's creditor and debtor, is as such not met. There may however be other circumstances which could lead to set-off or other defences being successfully invoked by such a Borrower. Also, if a Loan is granted by the relevant Originator to a Borrower, who is also an employee of an entity which is an affiliate of the relevant Originator and a separate legal entity, the requirement under Dutch law for set-off that the parties mutually have to be each other's creditor and debtor, is as such not met. There may however be other circumstances which could lead to set-off or other defences being successfully invoked by such an employee.

Some of the standard form mortgage documentation provide for a waiver by the Borrower of his rights of set-off *vis-à-vis* the relevant Originator. However, the waiver of set-off by a Borrower could be voided pursuant to Dutch contract law and may therefore not be enforceable. The Guarantee Support Agreement provides that if a Borrower sets off or set off is applied by operation of law in relation to amounts due to it by an Originator against the relevant Transferred Receivable, the relevant Originator will pay to the CBC2 an amount equal to the amount so set off. In addition, an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible set-off pertaining to the Deposit Amount will be deducted for the purpose of the Asset Cover Test if the Issuer's rating from a relevant Rating Agency falls below the relevant minimum ratings. In relation to each Transferred Receivable to which a Construction Deposit applies, an amount equal to the amount of the Construction Deposit will be deducted for the purpose of the Asset Cover Test and the Amortisation Test. Likewise, in relation to each AAHG Bank Savings Receivable, amounts standing to the credit of the related Bank Savings Account will be deducted for the purpose of the Asset Cover Test and the Amortisation Test (unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance). Such deductions in principle mean that the outcome of the Asset Cover Test and the Amortisation Test will be lowered each time when further deposits are made by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC2 under or pursuant to the Guarantee Support Agreement).

Furthermore, in respect of Bank Savings Loans, amounts standing to a Bank Savings Account will if the deposit guarantee scheme is activated in respect of the Bank Savings Deposit Bank by DNB or declared bankrupt (*failliet*), by operation of law, be set-off against the related Bank Savings Loan, irrespective of whether the Bank Savings Loan is owed to ABN AMRO Hypotheken Groep B.V.

("**ABN AMRO Hypotheken Groep**") (as Bank Savings Deposit Bank) or a third party, such as an Originator or the CBC2.

To mitigate set-off risk relating to Bank Savings Receivables, ABN AMRO Hypotheken Groep will enter into a Master Sub-Participation Agreement prior to its first transfer of Bank Savings Receivables to the CBC2 in accordance with the Guarantee Support Agreement.

Pursuant to a Master Sub-Participation Agreement relating to any Bank Savings Receivable, an Initial Settlement Amount and Further Settlement Amounts will be payable by the Bank Savings Deposit Bank as Participant to the CBC2 in return for a Participation. If the relevant Borrower invokes set-off, or set-off is applied by operation of law, in relation to any amount standing to the credit of the relevant Bank Savings Account as against any Transferred Receivable (such amount for which set-off is invoked or applied, the "**Bank Savings Set-Off Amount**") and, as a consequence thereof, the CBC2 will not have received such amount in respect of such Participation Receivable, the relevant Participation of the Bank Savings Deposit Bank will be reduced by an amount equal to such Bank Savings Set-Off Amount. Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC2 Acceleration Notice is served, all amounts expressed to be payable by or to the CBC2 under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC2 Acceleration Notice is served, all Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC2 and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC2-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, meaning in relation to AAHG Bank Savings Receivables that an amount equal to the relevant Participation will be deducted.

In addition to the foregoing, where the relevant Originator acquired an Eligible Receivable or the associated Loan Agreement from another originator pursuant to a Demerger or otherwise, there is a risk that the relevant Borrower may be entitled to set-off such Eligible Receivable against a claim (if any) he may have against such originator, such as counterclaims resulting from a current account relationship and, depending on the circumstances, counterclaims resulting from a deposit made by the relevant Borrower. The Issuer has been advised that on the basis of article 6:130 of the Dutch Civil Code such a Borrower can invoke set-off against the relevant originator (prior to notification of the assignment to the CBC2) or the CBC2 as assignee and the Trustee as pledgee (following notification of the assignment) if the Borrower's claim (if any) against the relevant originator stems from the same legal relationship as the Eligible Receivable or became due and payable before the relevant Demerger or relevant transfer if notified to the Borrower.

The Guarantee Support Agreement provides that (i) each Originator that acquired an Eligible Receivable or the associated Loan Agreement from another originator pursuant to a Demerger warrants and represents in respect of such Eligible Receivable that the general intent of the relevant Demerger was that the entire legal relationship with the relevant Borrower (including any due and payable payment obligations owed by the Demerged Originator to such Borrower) would be transferred to the relevant Originator and (ii) if nevertheless a Borrower sets off amounts due to it by a Demerged Originator against the relevant Transferred Receivable, the relevant Originator will pay to the CBC2 an amount equal to the amount so set off. The Guarantee Support Agreement also provides that if a Borrower sets off amounts due to it by a third party originator (other than a Demerged Originator) against the relevant Transferred Receivable, the relevant Originator will pay to the CBC2 an amount equal to the amount so set off.

Accordingly, the CBC2 and/or the Trustee may be unable to obtain full payments in respect of Transferred Receivables where Borrowers may be entitled to set-off claims against the relevant

Originators. As a result of such possible set-off amounts, the CBC2 and/or the Trustee may be unable to meet their payment obligations to holders of the Covered Bonds fully and/or timely.

Some of the Loans are arranged so that Borrowers, instead of paying principal on the Loans, make payments to insurers or to Originators (in Bank Savings Accounts with the Bank Savings Deposit Bank), which payments are intended to be used to repay the Loans at maturity. If such insurers or the Bank Savings Deposit Bank become subject to an Insolvency Proceeding or for some other reason do not fully make payments in respect of the relevant insurance policy or Bank Savings Account, the CBC2 may be unable to recover fully amounts due on the related Loans because Borrowers may deduct amounts due to them under any insurance agreement or Banks Savings Account. This, in turn, could adversely affect the ability of the CBC2 to meet fully and/or timely its obligations under the Guarantee in such circumstances.

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator, which is connected to an insurance agreement between the Borrower and an insurer. The insurance agreement relates to a combined risk and capital insurance product. The Borrower of such an Eligible Receivable does not repay principal during the term of the relevant mortgage loan, but instead, apart from paying a risk premium, invests capital premium under the insurance policy and which consists of a savings part and/or an investment part, as the case may be. The intention is that at maturity, the principal proceeds of the savings or investments (the "**Proceeds**") can be used to repay the loan, in whole or in part, following pay-out of the Proceeds by the insurer. However, it is possible that the relevant insurer becomes subject to an Insolvency Proceeding or for any other reason does not (fully) pay out the Proceeds. In such cases where the Proceeds are so lost and a Borrower is requested to repay the full principal amount of the relevant mortgage loan, the Borrower may invoke defences purporting to establish that an amount equal to the lost Proceeds is deducted from the Transferred Receivable he owes to the CBC2 (the risk that such a defence is successfully invoked is hereinafter referred to as the "**Deduction Risk**").

In addition, some of the Bank Savings Receivables (other than AAHG Bank Savings Receivables (which are subject to the right of set-off as described above in the paragraph *Set-Off by Borrowers: The CBC2's rights and the Trustee's enforcement of pledges in respect of Transferred Receivables may be limited by Borrowers' set-off rights against Originators. As a result, the CBC2 and/or the Trustee may be unable to meet their payment obligations fully and/or timely under the Transaction Documents to holders of the Covered Bonds* above)) relate to a mortgage loan agreement between the Borrower and the relevant Originator (other than ABN AMRO Hypotheken Groep), which is connected to a Bank Savings Account maintained by the relevant Borrower with the Bank Savings Deposit Bank. In that case, the Borrower of an Eligible Receivable does not repay principal during the term of the relevant mortgage loan, but instead deposits savings in its related Bank Savings Account (the "**Loan Savings**"). The intention is that at maturity the Loan Savings will be used for the full amount to repay the loan, in whole or in part. However, it is possible that the Bank Savings Deposit Bank becomes subject to an Insolvency Proceeding or for any other reason does not (fully) pay out the Loan Savings. In such cases where Loan Savings are so lost and a Borrower is requested to repay the full principal amount of the relevant mortgage loan, the Borrower may invoke defences purporting to establish that an amount equal to the lost Loan Savings is deducted from the Transferred Receivable he owes to the CBC2 (the risk that such a defence is successfully invoked is hereinafter referred to as the "**Bank Savings Deduction Risk**"). In addition to the Bank Savings Deduction Risk, there is the risk that such Bank Savings Receivables will become subject to set-off by operation of law as described in the paragraph *Set-Off by Borrowers: The CBC2's rights and the Trustee's enforcement of pledges in respect of Transferred Receivables may be limited by Borrowers' set-off rights against Originators. As a result, the CBC2 and/or the Trustee may be unable to meet their payment obligations fully and/or timely under the Transaction Documents to holders of the Covered Bonds* above.

The Issuer has been advised that a Borrower's relationships with the relevant Originator and insurer or Bank Savings Deposit Bank, as the case may be, are in principle two separate relationships. The Issuer has been advised that under Dutch law generally a range of defences is available to the Borrower, but that in cases as described above, the Borrower's defence is likely to focus on information provided by or on behalf of an Originator which may have led the relevant Borrower to believe that he was not entering into two separate relationships. In this respect, a general factor which to a certain extent increases the Deduction Risk and Bank Savings Deduction Risk, is that all Borrowers are consumers, many of whom may have limited or no legal knowledge.

On this basis the Issuer has been advised that insofar as the Deduction Risk and Bank Savings Deduction Risk are concerned, the products to which the Eligible Receivables relate can generally be divided into six categories (as further set out below) whereby the Bank Savings Deduction Risk will only be relevant for Category 6 Receivables.

In summary and as further set out below for each of the six categories:

(A) *the Deduction Risk does not apply to*:

(i) *products with no savings, no investment part and no Mixed Insurance Policy; and*

(ii) *products with an investment part (but no Mixed Insurance Policy);*

(B) *the Deduction Risk may apply to:*

(i) *products with a Mixed Insurance Policy where the Borrower selects the insurer;*

(ii) *products with a Mixed Insurance Policy (but no switch element) where the Originator pre-selects the insurer; and*

(iii) *products with a Mixed Insurance Policy and switch element, where the Originator pre-selects the insurer; and*

(C) *the Bank Savings Deduction Risk may apply to products with a savings part (but no investment part and no Mixed Insurance Policy*).

The six categories can be divided as follows:

1. *Products with no savings, no investment part and no Mixed Insurance Policy*

Certain Eligible Receivables do not relate to any savings and/or investment product or Mixed Insurance Policy. Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to an Interest-Only Loan, an Annuity Loan or a Linear Loan, that the relevant Receivable does not relate to any savings and/or investment product or Mixed Insurance Policy.

Therefore, provided that these representations and warranties are correct, the Deduction Risk does not apply to Loans containing no savings, investment part or Mixed Insurance Policy.

2. *Products with investment part (but no Mixed Insurance Policy)*

Certain Eligible Receivables do not relate to any Mixed Insurance Policy but relate to a securities account agreement between the relevant Borrower and:

- an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft; or

- a bank.

The securities account agreement provides for a securities account maintained in the name of the relevant Borrower with the relevant investment firm or bank. The Issuer has been advised that by law:

- the investment firm is obliged to administer (i) the securities through a bank (see the next paragraph) or a separate depositary vehicle (*bewaarinstelling*) or (ii) only securities the transfer of which is subject to the Wge (acting as intermediary (*intermediair*)); and

- the bank is obliged to administer (i) the securities through a separate depositary vehicle or (ii) only securities the transfer of which is subject to the Wge.

The Issuer has been advised that this means that the relevant Borrower is expected to be investing through a bankruptcy remote securities account arrangement. Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to an Investment Loan, that (i) the relevant Receivable does not relate to any Mixed Insurance Policy and (ii) the relevant securities account is maintained in the relevant Borrower's name with an investment firm or bank as abovementioned.

Therefore, provided that these representations and warranties are correct, the Deduction Risk does not apply to Loans containing only an investment part which have no Mixed Insurance Policy.

3. *Products with Mixed Insurance Policy where Borrower selects insurer*

The Deduction Risk may apply to Eligible Receivables relating to a Mixed Insurance Policy where Borrowers select insurers.

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer chosen by the Borrower (and approved by the relevant Originator). The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings part and/or an investment part, as the case may be. The insurer keeps the savings and/or investments in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances, which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, (i) sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan or that the Borrower could not himself choose the relevant insurer and/or (ii) the insurance conditions may have been printed on the letterhead of, or otherwise contain eye catching references to, the relevant Originator (or *vice versa*). However, the Issuer has been advised that absent such specific circumstances, it is unlikely for the Deduction Risk to apply to Eligible Receivables of this category. As the Borrower selects an insurer of his own choice (subject to prior approval by the relevant Originator), this emphasises that it concerns two separate relationships. Also, a factor which generally decreases the extent to which the Deduction Risk becomes relevant, is that Eligible Receivables of this category relate to different insurers.

Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to a Loan falling under this category 3, that (i) the relevant Mixed Insurance Policy and the relevant Loan are

not offered as one product or under one name and (ii) the relevant Borrowers are not obliged to enter into a Mixed Insurance Policy with an insurer which is a group company of the relevant Originator and are free to choose the insurer (subject to prior approval by the relevant Originator).

4. *Products with Mixed Insurance Policy (but no switch element) where Originator pre-selects insurer*

The Deduction Risk may apply to Eligible Receivables relating to a Mixed Insurance Policy (but no switch element) where Originators pre-select insurers.

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer pre-selected by the relevant Originator. A factor which may increase the extent to which the Deduction Risk becomes relevant in respect of Eligible Receivables of this category, is that there is only a limited number of insurers which are pre-selected by the Originators. The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings part and/or an investment part, as the case may be. The insurer keeps the savings and/or investments in its own name. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan. The Issuer has been advised that, although such specific circumstances may be absent, in general there may still be a certain Deduction Risk for Eligible Receivables of this category. As the Borrower has no option to choose an insurer this could, possibly with other circumstances, have led the Borrower to believe that he was not entering into two separate relationships. Other relevant circumstances include whether:

- the mortgage loan agreement and the insurance agreement, respectively, or documents or general terms and conditions pertaining thereto, have been printed on the letterhead of, or otherwise contain eye catching references to, the insurer or the relevant Originator, respectively;

- the representative of the relevant Originator also represents the insurer (or *vice versa*), for example in taking care of the medical acceptance of the Borrower or otherwise in entering into, executing or carrying out the insurance or mortgage loan agreement;

- the insurer is, or was when entering into the agreements, an affiliate of or otherwise associated with the relevant Originator; and/or

- as is the case in respect of Savings Loans, the interest base applicable to the savings is linked to the interest base applicable to the relevant Savings Loan.

Depending on the factors described above, the CBC2 may be unable to recover or recover fully on Eligible Receivables relating to a Mixed Insurance Policy (with no switch element) where the Originators select the insurers. This Deduction Risk will be catered for as follows, but only in relation to Transferred Receivables of this category resulting from a Savings Loan ("**Category 4 Receivables**").

4.1 *Deduction from Asset Cover Test and Amortisation Test*

Unless and until a Master Sub-Participation Agreement is in effect in relation to the relevant Category 4 Receivables, an amount calculated on the basis of a method notified to the Rating Agencies by the Administrator related to the relevant paid-in savings premium amounts will be deducted for the purposes of the Asset Cover Test and the Amortisation Test in relation to Category 4 Receivables. Such a deduction in principle means that the outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time when further savings premiums are paid to the insurer by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC2 under or pursuant to the Guarantee Support Agreement).

4.2 *Master Sub-Participation Agreement*

Each Originator undertakes in the Guarantee Support Agreement to use reasonable endeavours to procure that upon the occurrence of a Notification Event, a Master Sub-Participation Agreement is, or is put, in place between the relevant insurer and the CBC2 and signed for acknowledgement by the relevant Originator in relation to Category 4 Receivables. For as long as no Notification Event has occurred or the relevant Originator and the relevant insurer have not agreed to replace a Master Transfer Agreement with a Master Sub-Participation Agreement in respect of such Category 4 Receivable, a Master Sub-Participation Agreement may, if it concerns an MTA Receivable, be combined with a Further Master Transfer Agreement (see paragraph 4.3 (*Master Transfer Agreement*) below).

Pursuant to a Master Sub-Participation Agreement relating to any such Category 4 Receivable, an Initial Settlement Amount and Further Settlement Amounts will be payable by the relevant Participant to the CBC2 in return for a Participation. If the relevant Borrower invokes against the CBC2 that he may deduct lost Proceeds from the relevant Transferred Receivable, the relevant Participation of the relevant Participant will be reduced with an amount equal to such lost Proceeds, in accordance with the relevant Master Sub-Participation Agreement. Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC2 Acceleration Notice is served, all amounts expressed to be payable by or to the CBC2 under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC2 Acceleration Notice is served, all further Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC2 and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC2-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, meaning in relation to Category 4 Receivables in respect of which a Master Sub-Participation Agreement is in effect, that an amount equal to the relevant Participation will be deducted and that no further deduction as set out in paragraph 4.1 will be necessary.

When a Master Sub-Participation Agreement enters into force as abovementioned, the Participant may not be at liberty to on-pay savings premiums to the CBC2, for example because it has in principle committed itself to keep the savings in its bank account with the relevant Originator. In such circumstances and unless otherwise agreed between the relevant Originator and the relevant Participant, the monthly on-payment obligations of the relevant Participant will be funded by a loan from the relevant Originator to such relevant Participant (the "**Sub-Participation Loan**"). If:

- the Participant becomes insolvent and the Borrower invokes that he may deduct the lost Proceeds from the relevant Eligible Receivable, then (i) the Participant will not be paid under the Master Sub-Participation Agreement and (ii) the Originator will set-off (a) its obligation to pay out to the Participant the savings standing to the credit of the Participant's bank account against (b) its right to receive repayment of the Sub-Participation Loan; or

- the Originator becomes insolvent and as a result, the Participant is not able to pay out the Proceeds to the Borrower and the Borrower invokes that he may deduct the lost Proceeds from the relevant Eligible Receivable, then (i) the Participant will not be paid under the Master Sub-Participation Agreement and (ii) the Participant will set-off (a) its receivable for the savings balance in its bank account with the Originator against (b) its obligation to repay the Sub-Participation Loan to the Originator.

4.3 *Master Transfer Agreement*

Certain Eligible Receivables of the category described in this paragraph 4 (each an "**MTA Receivable**") are subject to an existing master transfer agreement (a "**Master Transfer Agreement**") between the relevant insurer and the relevant Originator. On the basis of such Master Transfer Agreement part of the relevant Eligible Receivable is on a monthly basis transferred to the insurer against on-payment of the relevant savings premium. The Deduction Risk for MTA Receivables will be catered for as set out in this paragraph 4.3 only.

Unless the relevant Originator and the relevant insurer have agreed to replace the relevant Master Transfer Agreement with a Master Sub-Participation and to retransfer all MTA Receivables the subject of such Master Transfer Agreement to the relevant Originator prior to that Originator transferring any such MTA Receivables to the CBC2, an existing Master Transfer Agreement fits into the Programme as follows: the part of the loan owed to the relevant Originator constitutes the Eligible Receivable to be transferred to the CBC2, whereas the CBC2 will on a monthly basis retransfer part of the relevant Transferred Receivable back to the relevant Originator, for on-transfer to the relevant insurer. The Guarantee Support Agreement and the Trust Deed provide that on-payments of savings premium received by the CBC2 as purchase price from the relevant Originator or the relevant insurer (on behalf of the relevant Originator), as the case may be, in connection with such retransfers under the Guarantee Support Agreement and any such Master Transfer Agreement will constitute principal proceeds in relation to, and for the purpose of, the relevant part of the Transferred Receivable and will on that basis be applied in accordance with the relevant Priority of Payments. Furthermore, the Guarantee Support Agreement provides that upon the occurrence of a Notification Event no further retransfers of MTA Receivables by the CBC2 to the relevant Originator for the purpose of on-transfer of such MTA Receivables by the relevant Originator pursuant to a Master Transfer Agreement will take place.

As a consequence of such indirect or, following the occurrence of a Notification Event, direct (re-)transfers to the insurer of Eligible Receivables secured by All-monies Security (or where applicable Fixed Security), the relevant All-monies Security (or where applicable Fixed Security) will become part of a joint estate (*gemeenschap*) of the insurer and the relevant Originator, or, as the case may be, CBC2. As set out above (see further the paragraph above entitled "*Joint Security of CBC2 and Originators*"), this means, amongst other things, that in the case of foreclosure of the All-monies Security (or where applicable Fixed Security), the insurer and the relevant Originator or, as the case may be, the CBC2 in principle need to act jointly and share the proceeds *pro rata* on the basis of their respective

shares in the joint estate whereas no intercreditor arrangements will be in place between the insurer and the relevant Originator or, as the case may be, the CBC2. The requirement to act jointly may cause delays, deadlocks and other difficulties in any such foreclosure proceedings.

The intention of a Master Transfer Agreement is that if and to the extent that the relevant Borrower purports to deduct lost Proceeds from the aggregate principal amount outstanding of the loan, he would do so *vis-à-vis* the insurer by way of set-off. After all, the insurer would at that time be in default to pay out the Proceeds under the relevant insurance policy and would for an amount equal to the lost Proceeds be creditor of part of the loan. However, the Issuer has been advised that under Dutch law it may not be possible for the Borrower to invoke set-off *vis-à-vis* the relevant insurer, as the CBC2 would be the beneficiary of, and/or the holder of a notified right of pledge on, the right to receive the Proceeds under the relevant insurance policy. Even if this barrier to set-off is removed (e.g. by the CBC2 waiving such beneficiary rights and/or granting its consent as pledgee), the Borrower may still have the alternative to, instead of invoking set-off *vis-à-vis* the insurer, invoke defences *vis-à-vis* the CBC2 purporting to establish that an amount equal to the lost Proceeds is deducted from the Transferred Receivable he owes to the CBC2. In that sense there may still be a certain Deduction Risk for a Transferred Receivable of this category for which a Master Transfer Agreement is in place (whilst such Receivables would already have been reduced as a result of the monthly (re)transfers in connection with the relevant Master Transfer Agreement).

This can be catered for by a combination of a further master transfer agreement (a "**Further Master Transfer Agreement**") and a Master Sub-Participation Agreement between the relevant insurer, the CBC2 and the relevant Originator, which would leave the existing Master Transfer Agreement in place, if so agreed between the relevant Originator and the relevant insurer, and which would in addition provide as follows in relation to the relevant MTA Receivable:

- in respect of savings premium already paid: the insurer sells and by way of silent assignment on-transfers to the CBC2 such MTA Receivable already transferred to it by the relevant Originator for a purchase price equal to the relevant Initial Settlement Amount. Such MTA Receivable will as a result be reunited with the relevant Transferred Receivable from which it was previously separated. In addition, the CBC2 will pursuant to the Master Sub-Participation Agreement grant a Participation to such insurer against payment by such insurer to the CBC2 of the relevant Initial Settlement Amount, which payment will where reasonably possible and without prejudice to the provisions of the Trust Deed be effected by way of set-off against the purchase price as abovementioned. Further details of the Master Sub-Participation Agreement are summarised in paragraph 4.2 (*Master Sub-Participation Agreement*) above; and

- in respect of future payments of savings premium: the CBC2 will agree to retransfer part of the relevant MTA Receivables back to the relevant Originator by way of silent assignment, for on-transfer by that relevant Originator to the relevant insurer by way of notified assignment, for subsequent on-transfer to the CBC2 by way of silent assignment. Each abovementioned series of three subsequent assignments takes place on a monthly basis. The Guarantee Support Agreement provides that upon the occurrence of a Notification Event no further retransfers of MTA Receivables by the CBC2 to the relevant Originator for the purpose of on-transfer of such MTA Receivables by the relevant Originator pursuant to a Master Transfer Agreement will take place. In addition to such Further Master Transfer Agreement, the CBC2 will pursuant to the related Master Sub-Participation Agreement grant a

Participation to such insurer against payment by such insurer to the CBC2 of the relevant Further Settlement Amount. Further details of the Master Sub-Participation Agreement are summarised in paragraph 4.2 (*Master Sub-Participation Agreement*) above.

No such combination of a Further Master Transfer Agreement and a Master Sub-Participation Agreement as abovementioned is in place as yet. For as long as this is the case, said Deduction Risk will be treated as follows in relation to MTA Receivables:

- as retransfers are carried out by the CBC2 in connection with the relevant Master Transfer Agreement, the principal amount of the relevant Transferred Receivable will gradually reduce. In addition, in relation to the abovementioned Deduction Risk pertaining to the so reduced Transferred Receivable, a deduction as described in paragraph 4.1 (*Deduction from Asset Cover Test and Amortisation Test*) above will take place for the purpose of the Asset Cover Test or the Amortisation Test; and

- each Originator undertakes in the Guarantee Support Agreement to use reasonable endeavours to procure that upon the occurrence of a Notification Event the relevant Master Transfer Agreement is terminated and replaced by a Master Sub-Participation Agreement in relation to the relevant Category 4 Receivables between the CBC2 and the relevant insurer.

4.4 *Third Party Accounts*

For certain Eligible Receivables of this category a third party account (*kwaliteitsrekening*) arrangement is in place between the relevant insurer and Originator (not involving the relevant Borrower) with a view to a possible insolvency of the relevant insurer. Under this arrangement the relevant insurer keeps an individual savings account with the relevant Originator for all savings premiums to be received from any individual Borrower. The intent of this individual arrangement is that in the case of an insolvency of the relevant insurer, the insurer's right to receive payment from the Originator in respect of the individual savings account, would fall outside the insurer's insolvent estate. The Issuer has been advised that under Dutch law this arrangement is in itself unlikely to be effective. Transferred Receivables for which this arrangement is in place will be treated as described under paragraphs 4.1 and 4.2 above.

4.5 *Category 4 Receivables originated by ABN AMRO Hypotheken Groep*

In respect of certain Savings Loans originated by ABN AMRO Hypotheken Groep, the relevant conditions applicable to the related savings insurance policy provide that, if (part of) the Savings Receivable is transferred to the relevant insurer (for example, pursuant to a Master Transfer Agreement), in the event of termination of the relevant savings insurance policy the insurer is entitled to set-off the commutation payment in respect of the relevant insurance policy against the part of the relevant Savings Receivable that has been transferred to such insurer. In addition, the relevant mortgage conditions provide that if and to the extent that (i) the insurer has deposited the Savings with ABN AMRO Hypotheken Groep and (ii) ABN AMRO Hypotheken Groep is unable to repay the relevant savings amount to the relevant insurer, such insurer is entitled to deduct such amounts unpaid by ABN AMRO Hypotheken Groep from any Proceeds payable by it to the relevant Borrower under the relevant savings insurance policy. The relevant mortgage conditions do not provide whether the Borrower is in such case discharged from its corresponding payment obligations *vis-à-vis* ABN AMRO Hypotheken Groep (or the CBC2) under the relevant Savings Receivable. The Issuer has been advised that also for Eligible Receivables of this category, the Deduction Risk cannot be excluded. As set out above, unless and until a

Master Sub-Participation Agreement is in effect in relation to such Category 4 Receivables, an amount calculated on the basis of a method notified to the Rating Agencies related to the relevant paid-in savings premium amounts will be deducted for the purposes of the Asset Cover Test and the Amortisation Test in relation to such Category 4 Receivables.

4.6 *Category 4 Receivables originated by ABN AMRO Bank*

In respect of certain Savings Loans originated by ABN AMRO Bank, the relevant conditions applicable to the related savings insurance policy provide that (i) in the event of ABN AMRO Bank being subjected to Dutch Insolvency Proceedings, the relevant insurer has the right to apply, on behalf of the relevant Borrower as (partial) repayment of the Loan to ABN AMRO Bank, the amount invested on the bank account of the relevant insurer held with ABN AMRO Bank in respect of such savings insurance policy and (ii) the relevant insurer will in such event be released from its obligations under the relevant savings insurance policy up to the amount so applied. It is uncertain whether this set-off arrangement is enforceable. If this arrangement is effective, upon the exercise of such set-off right by the relevant insurer, the Receivable will be reduced by the amount so applied and the CBC2 would suffer a loss up to an amount by which such Receivable is reduced. As set out above, unless and until a Master Sub-Participation Agreement is in effect in relation to such Category 4 Receivables, an amount calculated on the basis of a method notified to the Rating Agencies related to the relevant paid-in savings premium amounts will be deducted for the purposes of the Asset Cover Test and the Amortisation Test in relation to such Category 4 Receivables.

Despite the measures described in paragraphs 4.1 to 4.6 above taken to mitigate the Deduction Risk in respect of Category 4 Receivables, the Deduction Risk cannot be fully eliminated. Thus, the CBC2 may be unable to enforce fully its claims against the relevant Borrowers in respect of Category 4 Receivables if the relevant insurer becomes subject to an Insolvency Proceeding or for some other reason does not make payments in respect of the relevant insurance policy and, as a result, the CBC2 may be unable to meet fully and/or timely its payment obligations to Covered Bondholders under the Guarantee.

5. *Products with Mixed Insurance Policy and switch element, where Originator pre-selects insurer*

The Deduction Risk may apply to Loans relating to a Mixed Insurance Policy and switch element where Originators pre-select insurers.

Certain Eligible Receivables relate to a Mixed Insurance Policy between the relevant Borrower and an insurer pre-selected by the relevant Originator. A factor which may increase the extent to which the Deduction Risk becomes relevant in respect of Eligible Receivables of this category, is that there is only a limited number of insurers which are pre-selected by the Originators. The Mixed Insurance Policy provides for (a) a risk element for which risk premium is paid and (b) a capital element for which capital premium is paid and which consists of a savings part and/or an investment part, as the case may be. The Borrowers are allowed to choose how the insurer should invest the investment part (from a list of approved investments) and can request the insurer to switch between investments, in whole or in part. The Borrowers are allowed to choose whether they prefer a savings and/or investment part and to switch during the term of the relevant Loan between the savings and/or investment part, in whole or in part. The relevant insurer keeps the savings and/or investments in its own name, and maintains its savings account with the relevant Originator. The Issuer has been advised that for Eligible Receivables of this category, the Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, sales people or sales materials may have created an impression

(or sales people may have allowed to subsist an apparent impression) with the Borrower that his payments of capital premium were 'as good as' repayments of the relevant loan. The Issuer has been advised that, although such specific circumstances may be absent, in general there may still be a certain Deduction Risk for Eligible Receivables of this category. As the Borrower has no option to choose an insurer, this could, possibly with other circumstances, have led the Borrower to believe that he was not entering into two separate relationships. Other relevant circumstances include whether:

- the mortgage loan agreement and the insurance agreement, respectively, or documents or general terms and conditions pertaining thereto, have been printed on the letterhead of, or otherwise contain eye catching references to, the insurer or the relevant Originator, respectively;

- the representative of the relevant Originator also represents the insurer (or *vice versa*), for example in taking care of the medical acceptance of the Borrower or otherwise in entering into, executing or carrying out the insurance or mortgage loan agreement;

- the insurer is, or was when entering into the agreements, an affiliate of the relevant Originator; and/or

- to the extent the capital premium consists of a savings part, the interest base applicable to the savings is linked to the interest base applicable to the relevant Loan.

The Issuer has also been advised that paragraph 4.6 above (*Category 4 Receivables originated by ABN AMRO Bank*) similarly applies to Category 5 Receivables relating to certain Loans originated by ABN AMRO Bank other than that a Master Sub-Participation Agreement may not be in effect in respect of such Category 5 Receivables.

This Deduction Risk in relation to Transferred Receivables of this category ("**Category 5 Receivables**") can be catered for as follows, subject to compliance with applicable regulatory and other restrictions:

- the transfer by the insurer of:

  (i) both the relevant insurance agreements and the underlying savings and investments to a bankruptcy-remote special purpose subsidiary, which would then reinsure the risk element of the insurance policy with the relevant insurer; or

  (ii) only the underlying savings and investments to a bankruptcy-remote special purpose subsidiary, which would then as surety (*borg*) accept liability for the insurer's obligations to pay out the Proceeds to the Borrower; and/ or

- only to the extent relating to a savings part, the entering into of a Master Sub-Participation Agreement in relation to each Transferred Receivable of this category. The Issuer may (but is not obliged) at any time request a relevant Originator and the CBC2 to their use reasonable endeavours to procure that a Master Sub-Participation Agreement is put in place between the relevant insurer and the CBC2 and signed for acknowledgement by the relevant Originator in relation to Category 5 Receivables. The terms of any such Master Sub-Participation Agreement in respect of Category 5 Receivables may be similar to the terms of a Master Sub-Participation Agreement in respect of Category 4 Receivables, or may have other or additional terms approved by the Trustee.

  For as long as no Master Sub-Participation Agreement is in effect or other solution as described above is implemented to the satisfaction of the Rating Agencies in relation to Category 5 Receivables, the Deduction Risk for Category 5 Receivables will in relation to the CBC2 be catered for through the Asset Cover Test and the Amortisation Test. The outcome of the Asset Cover Test and the Amortisation Test will be negatively influenced each time further capital premiums are paid to the insurer by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC2 under or pursuant to the Guarantee Support Agreement). If a Master Sub-Participation Agreement is entered into in respect of a Category 5 Receivable, as described above, the Deduction Risk is mitigated in respect of the savings part only of the relevant insurance policy relating to the relevant Category 5 Receivable. The investment part of the relevant insurance policy relating to the relevant Category 5 Receivable is not covered by the relevant Master Sub-Participation Agreement.

  Despite the measures described above taken to mitigate the Deduction Risk in respect of Category 5 Receivables, the Deduction Risk cannot be fully eliminated. Thus, the CBC2 may be unable to enforce fully its claims against the relevant Borrowers in respect of Category 5 Receivables if the relevant insurer becomes subject to an Insolvency Proceeding or for some other reason does not make payments in respect of the relevant insurance policy and, as a result, the CBC2 may be unable to meet fully and/or timely its payment obligations to Covered Bondholders under the Guarantee.

6. *Products with savings part (but no investment part and no Mixed Insurance Policy)*

   The Bank Savings Deduction Risk (as defined above) may apply to Loans with savings part but no investment part and no Mixed Insurance.

   Certain Eligible Receivables relate to a mortgage loan agreement between the relevant Borrower and the relevant Originator (other than ABN AMRO Hypotheken Groep), which is connected to a Bank Savings Account which is, pursuant to the relevant mortgage loan agreement, required to be held in the name of the relevant Borrower with ABN AMRO Hypotheken Groep (the "**Bank Savings Deposit Bank**"). The intention is that at maturity the Loan Savings will be used to repay the loan, in whole or in part.

   The Issuer has been advised that for Eligible Receivables of this category, the Bank Savings Deduction Risk cannot be excluded, as there may be specific circumstances which justify an erroneous impression with the relevant Borrower that he was not entering into two separate relationships. For example, sales people or sales materials may have created an impression (or sales people may have allowed to subsist an apparent impression) with the Borrower that his Loan Savings were 'as good as' repayments of the relevant loan. The Issuer has been advised that, although such specific circumstances may be absent, in general there may still be a certain Bank Savings Deduction Risk for Eligible Receivables of this category. As the Borrower has no option to choose a bank where the related Bank Savings Account is to be held, the Bank Savings Deposit Bank is, or was when entering into the mortgage loan

agreements, an affiliate of or otherwise associated with the relevant Originator, the mortgage loan agreement, related documents and general terms and conditions pertaining thereto contain provisions relating to both the Bank Savings Loan and related Bank Savings Account (in this respect, the relevant general terms and conditions explicitly state that the Bank Savings Loan is a Savings Loan that consists of a mortgage loan and a savings account which account is only opened as part of a Bank Savings Loan) and the interest base applicable to the savings is linked to the interest base applicable to the relevant Bank Savings Loan, this could, possibly with other circumstances, have led the Borrower to believe that he was not entering into two separate relationships. Other relevant circumstances include whether the representative of the relevant Originator also represents the Bank Savings Deposit Bank (or *vice versa*), for example in entering into, executing or carrying out the mortgage loan agreement.

This Bank Savings Deduction Risk in relation to Transferred Receivables of this category ("**Category 6 Receivables**") will be catered for on the same basis as the set-off risk that exists in relation to the Bank Savings Receivables (see the paragraph *Set-Off by Borrowers* above). This means that amounts standing to the credit of the related Bank Savings Account will be deducted for the purpose of the Asset Cover Test and the Amortisation Test (unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance). Such deductions in principle mean that the outcome of the Asset Cover Test and the Amortisation Test will be lowered each time when further deposits are made by the relevant Borrower (save to the extent further Eligible Assets are transferred to the CBC2 under or pursuant to the Guarantee Support Agreement). This also means that to mitigate the Bank Savings Deduction Risk relating to Category 6 Receivables, the Bank Savings Deposit Bank will enter into a Master Sub-Participation Agreement prior to the first transfer by a relevant Originator of Bank Savings Receivables to the CBC2 in accordance with the Guarantee Support Agreement.

Pursuant to a Master Sub-Participation Agreement relating to any Category 6 Receivables, an Initial Settlement Amount and Further Settlement Amounts will be payable by the Bank Savings Deposit Bank as Participant to the CBC2 in return for a Participation. If the relevant Borrower invokes any defence purporting to establish that he may deduct an amount from the Participation Receivable based on any default by the Bank Savings Deposit Bank in the performance of any of its obligations in respect of the related Bank Savings Account and, as a consequence thereof, the CBC2 will not have received such amount in respect of such Participation Receivable, the relevant Participation of the Bank Savings Deposit Bank will be reduced by such amount. Unless and until (i) both an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC2 Acceleration Notice is served, all amounts expressed to be payable by or to the CBC2 under the relevant Master Sub-Participation Agreement, shall instead be payable by or to the Issuer for its own account in accordance with the Pre-Notice-to-Pay Priority of Payments. However, if (i) an Issuer Acceleration Notice and a Notice to Pay are served or (ii) a CBC2 Acceleration Notice is served, all Initial Settlement Amounts and Further Settlement Amounts will be collected by or on behalf of the CBC2 and be applied in accordance with the Post-Notice-to-Pay Priority of Payments or Post-CBC2-Acceleration-Notice Priority of Payments, as the case may be. For the purpose of the Asset Cover Test and the Amortisation Test, the Net Outstanding Principal Balance of the relevant Transferred Receivable will be taken into account, meaning in relation to Category 6 Receivables that an amount equal to the relevant Participation will be deducted.

For set-off risk in relation to Bank Savings Receivables reference is made to the paragraph Set-Off by Borrowers above.

Furthermore, under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is related to a Bank Savings Loan, that the relevant Receivable does not relate to any investment product or Mixed Insurance Policy.

Despite the measures described above taken to mitigate the Bank Savings Deduction Risk in respect of Loans where Borrowers make payments to a Bank Savings Account but no principal payments on the Loans, the Banks Savings Deduction Risk cannot be fully eliminated. Thus, the CBC2 may be unable to enforce fully its claims against the relevant Borrowers in respect of Loans with a savings part if the Bank Savings Deposit Bank becomes subject to an Insolvency Proceeding or for some other reason does not make payments in respect of the relevant Bank Savings Account and therefore, may be unable to meet fully and/or timely its payment obligations to Covered Bondholders under the Guarantee.

The CBC2 may be unable to recover fully with respect to Loans which have been arranged so that the Borrower, instead of making principal payments, makes investments in certain investment products, the proceeds of which are intended to be used to repay the Loan. As a result, the CBC2 may be unable to make full and/or timely payments due to holders of the Covered Bonds under the Guarantee.

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator, which is connected to an investment product, i.e. Investment Loans, Life Loans and Hybrid Loans. The Borrower of such an Eligible Receivable does not repay principal during the term of the relevant mortgage loan, but instead invests in the investment product (where applicable combined with, or part of, a Mixed Insurance Policy). The intention is that at maturity, the principal proceeds of the investment can be used to repay the loan, in whole or in part. However, it is possible that the value of the investment will have reduced considerably and will be insufficient to repay the loan in full (such shortfall the "**Investment Loss**").

In addition to this general risk, there might in such circumstances be a risk that the Borrower successfully claims that he was not properly informed of the risks involved in making the investment and, for example, that therefore he may deduct an amount equal to the Investment Loss from the Transferred Receivable he owes to the CBC2 or he may claim a breach of contract (*wanprestatie*) or tort (*onrechtmatige daad*) and as a result he may dissolve (*ontbinden*) or nullify (*vernietigen*) the relevant contract. The Issuer has been advised that for Eligible Receivables of this category, the risk that such a claim is successful cannot be excluded.

Some of the Eligible Receivables are linked to Mixed Insurance Policies with an investment part. There may in certain circumstances be a risk that a Borrower successfully claims that he was not properly informed of:

- the cost element applied by the relevant insurer to the investment premiums paid by such Borrower and/or that the insurer did not properly perform the related insurance agreement in applying the cost element; or

- the allocation of insurance premium between the investment part and the risk element of the Mixed Insurance Policy. A shortfall in the performance of the investment part increases the required amount of the insurance premium being allocated to the risk element and thus results in less insurance premium being allocated to the investment part, which may in turn negatively affect the performance of the investment part even further.

In either case there may in certain circumstances be a risk that, for example, a Borrower may terminate the insurance policy (which in turn could affect the collateral granted to the Originator (e.g. Beneficiary Rights and rights of pledge in respect of such insurance policy) and trigger early

termination of the related loan) and/or deduct from, or set-off against, the Transferred Receivable he owes to the CBC2 an amount equal to any (additional) amount owed to him under or in respect of such insurance policy as a result of or in connection with such claim.

Since 2006 an issue has arisen in The Netherlands regarding the costs of investment insurance policies (*beleggingsverzekeringen*), such as the Mixed Insurance Policies with an investment part, commonly known as the "usury insurance policy affair" (*woekerpolisaffaire*). It is generally alleged that the costs of these products are disproportionally high, that in some cases a legal basis for such costs is lacking and that the information provided to the insured regarding those costs has not been transparent. On this topic there have been (i) several reports, including reports from the AFM, (ii) a letter from the Dutch Minister of Finance to Parliament and (iii) a recommendation, at the request of the Minister of Finance, by the Dutch Financial Services Ombudsman to insurers to compensate customers of investment insurance policies for costs exceeding a certain level. Since June 2015 the Further Regulations on the Supervision of the Conduct of Financial Undertakings (Financial Supervision Act) (*Nadere regeling gedragstoezicht financiële ondernemingen Wft*) states how and when insurers should activate their clients with investment insurance policies. The activation program, coordinated by the AFM, was completed in December 2017. The AFM has checked whether insurers have involved all customers with a mortgage-linked unit-linked insurance in the activation trajectory. The mortgage linked insurances have all been activated by the insurers. Furthermore, there have been press articles stating (a) that individual law suits and class actions may be, and have been, started against individual insurers and (b) that certain individual insurers have reached agreement with claimant organisations about compensation of its customers for the costs of investment insurance policies entered into with the relevant insurer. The discussion on the costs of the investment insurance policies is currently continuing, as some consumer television programmes and some "no-win, no fee" legal advisors argue that the agreements reached with claimant organisations do not offer adequate compensation. Rulings of courts and of the Dutch Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) have been published, some of which are still subject to appeal, which were generally favourable to the insured. On 29 April 2015, a decision of the Court of Justice of the European Union was rendered on this subject. The Court of Justice of the European Union ruled, among others, that Member States are allowed to require life insurance companies to provide their policyholders with certain information additional to the information they are required to send to policyholders under Council Directive 92/96/EEC of 10 November 1992 on the coordination of laws, regulations and administrative provisions relating to direct life assurance and amending Directives 79/267/EEC and 90/619/EEC (Third Life Assurance Directive). The exact meaning and consequences of this decision are subject to further decisions to be given by the courts in the Netherlands. The Dutch Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*) has published five directional decisions. These decisions are in general in favour of the insurer.

If Mixed Insurance Policies with an investment part are for reasons described in this paragraph dissolved or terminated, this would affect the collateral granted to secure the related Life Loans and Hybrid Loans. The Issuer has been advised that in such case the related Life Loans and Hybrid Loans could also be dissolved or nullified, but that this would depend on the particular circumstances involved. Even if the related Life Loans or Hybrid Loan were not affected the policyholder may invoke set-off or other defences against the Issuer. No actions have yet been announced against the Initial Originators in relation to the risks described above in relation to Life Loans and Hybrid Loans.

The Issuer has been advised that the above risks largely depend on which specific information has been provided to the relevant Borrower through sales people and/or sales materials and that in this respect it is also relevant whether applicable statutory and contractual duties, including statutory duties to provide information to prospective investors, have been complied with. The risks described in this paragraph Investment products will neither through the Asset Cover Test nor through the Amortisation Test be catered for.

Under or pursuant to the Guarantee Support Agreement, each Initial Originator warrants and represents in relation to any of its Eligible Receivables which is connected to an investment product where the related investment product is offered by the relevant Initial Originator itself (and not by a third party securities institution or bank), that such investment product has been offered in accordance with all applicable laws and legal requirements prevailing at the time of origination, including those on the information that is to be provided to prospective investors.

In view of the potential inability of Borrowers to repay Loans where investment proceeds are insufficient for such repayment or the potentially successful claims by Borrowers that they were not properly informed of the risks involved in making the investments in question, as well as the potential for other actions against the Originators in relation to the Loans described above, there is a risk that the CBC2 would not be able to recover fully on Transferred Receivables based on Loans arranged as part of an investment product. Consequently, the CBC2 may be unable to meet fully and/or timely its obligations to Covered Bondholders under the Guarantee.

The CBC2's rights under insurance policies pledged by Borrowers or containing a beneficiary clause or partner instruction in favour of the relevant Originator may be subject to limitations under Dutch insolvency law.

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator which is connected to (i) an insurance policy with a risk and/or capital element, (ii) a securities account, or (iii) a Bank Savings Account, as the case may be. If the relevant mortgage conditions provide that rights of such Borrower in respect of such an insurance policy, securities account or a Bank Savings Account, as the case may be, are to be pledged, such rights of such a Borrower have been pledged to the relevant Originator. The above considerations on pledge and insolvency, made in the context of pledges to the Trustee (see "*Section B.2 Asset Backed Guarantee*" above), apply *mutatis mutandis* to pledges and mortgages by the Borrowers.

In particular, the Issuer has been advised that under Dutch law it is possible that the receivables purported to be pledged by the Borrowers in respect of insurance policies, qualify as future receivables. As mentioned above, if an asset is a future asset at the moment a bankruptcy, suspension of payments or debt restructuring arrangement (*schuldsaneringsregeling*) takes effect in relation to the relevant pledgor, such assets are no longer capable of being pledged (unless the relevant insolvency official would agree). The Issuer has been advised that under Dutch law there is no general rule that is readily applicable to determine whether a claim arising from an insurance policy is an existing or a future claim. As a result, it is uncertain whether and to what extent the pledges of receivables under said insurance policies by the Borrowers are effective. The Issuer has been advised that, in respect of capital insurances (*sommenverzekeringen*) it is likely that the beneficiary's claims against the insurer corresponding with premiums which have already been paid to the insurer are existing claims, while claims relating to periods for which no premiums have yet been paid may very well be future claims. The Issuer has been advised that in respect of risk insurances (*schadeverzekeringen*) it is uncertain whether the beneficiary's claim can be characterised as an existing claim before the insured event occurs.

Accordingly, if insurance claims qualify as future assets, the CBC2's ability to recover the full amount of the related Loans may be adversely affected, which may in turn adversely affect the CBC2's ability to meet timely and/or fully its obligations under the Guarantee.

The CBC2's rights in insurance policies pledged by Borrowers may be limited by Dutch law.

Some of the Eligible Receivables relate to a mortgage loan agreement between the Borrower and the relevant Originator, which is connected to an insurance policy with a risk and/or capital element. In addition to being granted a pledge of rights under insurance policies, as abovementioned, either:

- the relevant Originator has been appointed as beneficiary under the relevant insurance policy (the rights of the relevant Originator as a beneficiary under an insurance policy: the "**Beneficiary Rights**"); or

- if another person (the "**Partner**") has been appointed as beneficiary, the Partner has irrevocably authorised the relevant insurer to pay out the insurance proceeds to the relevant Originator (a "**Partner Instruction**").

1. Beneficiary Rights

With respect to the first alternative, the Issuer has been advised that under Dutch law it is uncertain whether Beneficiary Rights will follow the relevant Eligible Receivable upon assignment thereof to the CBC2 (and subsequent pledge thereof to the Trustee). For this purpose the Beneficiary Rights will, insofar as they will not follow the relevant Eligible Receivable upon assignment, themselves be assigned by the relevant Originator to the CBC2 by way of silent assignment and be pledged by the CBC2 to the Trustee by way of silent pledge. In the Guarantee Support Agreement the relevant Originator undertakes to, upon the occurrence of a Notification Event, notify the relevant insurer of the (purported) transfer and pledge. However, the Issuer has been advised that under Dutch law it is uncertain whether such assignment (and subsequent pledge) will be effective.

Insofar as the transfer of the Beneficiary Rights as abovementioned is not effective each Originator:

- has agreed pursuant to the Guarantee Support Agreement that it will in each deed of assignment to be executed with the CBC2 pursuant to the Guarantee Support Agreement to the extent possible, (a) appoint the CBC2 as beneficiary in its place and (b) to the extent such appointment is ineffective, waive its Beneficiary Rights. The Issuer has been advised that it is uncertain whether such appointment and/or waiver is effective. If such appointment is ineffective and such waiver is effective, either the relevant Borrower, or any other person ranking behind the relevant Originator as beneficiary (a "**Second Beneficiary**"), will become the beneficiary under the relevant insurance policy. Under or pursuant to the Guarantee Support Agreement each Originator warrants and represents that if the relevant Receivable relates to a Life Loan, Savings Loan or Hybrid Loan, all receivables under the relevant Mixed Insurance Policy have been validly pledged by the relevant Borrower to the relevant Originator for at least that part by which the relevant Receivable exceeds one hunderd per cent. of the foreclosure value of the relevant Property, which pledge has been notified to the relevant insurer. As mentioned above, a pledge is in principle an accessory right, so that upon a transfer of the relevant Receivable to the CBC2, the CBC2 will in principle become entitled to (a share in) the pledge, provided that following the waiver of the Beneficiary Rights by the relevant Originator, the Borrower will have become the beneficiary. If, however, following a waiver of Beneficiary Rights by the relevant Originator, a Second Beneficiary will have become the beneficiary, the pledge by the Borrower will not be effective; and

- in the Guarantee Support Agreement undertakes to, upon the occurrence of a Notification Event, use its reasonable endeavours to procure the entry into of a beneficiary waiver agreement between itself, the CBC2, the Trustee and the relevant insurer (each a "**Beneficiary Waiver Agreement**"), in which it is, amongst other things, agreed that to the extent necessary:

(i) the insurer (a) accepts the (purported) appointment of the CBC2 as beneficiary in the relevant Originator's place and (b) to the extent such appointment is ineffective, accepts the waiver by such Originator of its Beneficiary Rights; and

(ii) the Originator and insurer will use their best efforts to obtain the co-operation from all relevant Borrowers and, where applicable, Second Beneficiaries to change the Beneficiary Rights in favour of the CBC2.

The Originator may not be able to enter into a Beneficiary Waiver Agreement without the co-operation of the liquidator, if and to the extent that such Notification Event has occurred as a result of any such Originator having become subject to any Dutch Insolvency Proceedings.

2. Partner Instruction

With respect to the second alternative, the Issuer has been advised that it is uncertain whether the Partner Instruction entails that the insurer should pay the insurance proceeds to the relevant Originator or, following assignment of the relevant Eligible Receivable, to the CBC2, and that this depends on the interpretation of the Partner Instruction. Insofar as the Partner Instructions do not entail that the relevant insurer should, following assignment of the relevant Eligible Receivable, pay the insurance proceeds to the CBC2, pursuant to the Guarantee Support Agreement the CBC2, the Trustee, the relevant Originator and the relevant insurer will agree in each Beneficiary Waiver Agreement (if entered into in the form attached to the Guarantee Support Agreement) that the Originator and the insurer will use their best efforts to obtain the co-operation from all relevant Borrowers and Partners to change the Partner Instructions in favour of the CBC2.

If:

- in the case of the first alternative (a) the transfer of the Beneficiary Rights is not effective, (b) the appointment of the CBC2 as beneficiary in the place of the relevant Originator is not effective and (c) the waiver of Beneficiary Rights by the relevant Originator is ineffective or, if it is effective, results in a Second Beneficiary having become the beneficiary; or

- in the case of the second alternative, the Partner Instructions do not entail that insurance proceeds should be paid to the CBC2,

and, in either case, (i) no Beneficiary Waiver Agreements will be entered into with each relevant insurer and/or (ii) the relevant Borrowers, Second Beneficiaries and/or Partners do not co-operate as described above, then the proceeds under the relevant insurance policies could, as the case may be, either be paid to:

- the relevant Originator, in which case such Originator will be obliged to on-pay the proceeds to the CBC2 or the Trustee, as the case may be. If an Originator breaches such payment obligation, for example because the Originator is subject to a Dutch Insolvency Proceeding, this may result in the proceeds not being applied in reduction of the relevant Eligible Receivable and in a Deduction Risk; or

- the Second Beneficiary or the Partner, which may result in the proceeds not being applied in reduction of the relevant Eligible Receivable.

Accordingly, the CBC2's rights in insurance policies pledged by Borrowers or containing a beneficiary clause or Partner Instruction in favour of the relevant Originator may be limited by Dutch law, which in turn may limit the CBC2's ability to fulfil its obligations fully and/or timely under the Guarantee.

The CBC2's interest reset right in relation to Loans may be subject to limitations under Dutch law, particularly in the event of a Dutch Insolvency Proceeding against the relevant Originator.

The Issuer has been advised that it is uncertain whether any interest reset right will transfer to the CBC2 with the assignment of the relevant Receivable. If such interest reset right remains with the relevant Originator despite the assignment, this means that in case the relevant Originator becomes subject to a Dutch Insolvency Proceeding, the co-operation of the liquidator in insolvency would be required to reset the interest rates (unless such right is transferred to the CBC2 prior to the Dutch Insolvency Proceeding taking effect, but this may require the co-operation of the Borrower).

The Servicing Agreement provides that following notification to the relevant Borrowers of the assignment of the Receivables, the Servicer, acting on behalf of the CBC2, will only offer the relevant Borrowers an interest rate of at least the Minimum Mortgage Interest Rate, which rate may be amended by the CBC2 and the Issuer, subject to Rating Agency Confirmation and prior consent of the Trustee, subject to the Loan Agreement and to applicable law (including but not limited to principles of reasonableness and fairness and applicable duties of care).

Accordingly, the ability of the CBC2 to reset the interest on Loans may be limited, thereby affecting adversely the CBC2's ability to influence the interest rates applicable to the Loans, in turn limiting the CBC2's ability to meet fully and/or timely its obligations under the Guarantee. In addition, if the relevant Servicer does not comply with their respective obligation to set such interest rates not below the Minimum Mortgage Interest Rate, the CBC2 may have not receive sufficient interest to meet its obligations under the Guarantee in full or in time.

The CBC2's rights to full payment under the Transferred Receivables may be limited in cases where the relevant Loans entail an arrangement under which an Originator deposits funds into a blocked deposit account, to be applied at a later stage in connection with construction or improvement costs incurred by the Borrowers and the relevant Originator becomes subject to Insolvency Proceedings.

Certain Eligible Receivables result from a mortgage loan agreement under which the relevant Borrower has requested part of the loan to be disbursed into a blocked deposit account specifically opened in his name for such purpose, in anticipation of construction or improvement costs to be incurred by him at a later stage in connection with the Property (a "**Construction Deposit**"; *bouwdepot*). The intention is that when the applicable conditions are met, the Construction Deposit is applied towards the relevant construction or improvement costs of the Borrower and/or in repayment of the relevant part of the loan. In the Guarantee Support Agreement it is agreed that in cases as abovementioned, the full Eligible Receivable will be transferred to the CBC2. The Construction Deposits are held with the relevant Originator. There is a risk that the relevant Originator becomes subject to an Insolvency Proceeding and that the relevant Originator cannot pay out the Construction Deposits. If this happens a Borrower may be allowed to set-off his receivable in respect of the Construction Deposit against the related Transferred Receivable. To address this risk, it has been agreed in the Asset Monitor Agreement that an amount equal to the Construction Deposit will be deducted from the Current Balance of the Transferred Receivables for the purpose of the Asset Cover Test and the Amortisation Test.

Thus, the CBC2's rights to the Construction Deposits may be limited in the event of an Insolvency Proceeding against the relevant Originator, adversely affecting the CBC2's rights to full payment under the Transferred Receivables and in turn, the CBC2's ability to fulfil fully and/or timely its obligations under the Guarantee.

Certain Loans may become due and payable prior to their proposed terms and earlier than anticipated as a result of early termination of a long lease due to a leaseholder default or for other reasons, thereby potentially limiting the CBC2's recovery of the full value of the Loans and, in turn, the CBC2's ability to meet its full obligations under the Guarantee.

Certain Eligible Receivables are secured by a mortgage on a long lease (*erfpacht*). A long lease will, amongst other things, end as a result of expiration of the long lease term (in the case of a lease for a fixed period), or termination of the long lease by the leaseholder or the landowner. The landowner can terminate the long lease in the event the leaseholder has not paid the remuneration due for a period exceeding two consecutive years or seriously breaches other obligations under the long lease. In case the long lease ends, the landowner will have the obligation to compensate the leaseholder. In such event the mortgage will, by operation of law, be replaced by a pledge on the claim of the (former) leaseholder on the landowner for such compensation. The amount of the compensation will, amongst other things, be determined by the conditions of the long lease and may be less than the market value of the long lease.

In cases where a mortgage is vested on long lease, a paragraph is added to the relevant mortgage deed, providing that the relevant loan becomes immediately due and payable in the event the long lease is terminated or the leaseholder has not paid the remuneration or seriously breaches other obligations under the long lease. When underwriting a loan to be secured by a mortgage on a long lease, the relevant Originator has taken into consideration the conditions of the long lease, including the term thereof in comparison to the proposed term of the loan.

Accordingly, certain Loans may become due and payable prior to their proposed terms and earlier than anticipated as a result of early termination of a long lease due to a leaseholder default or for other reasons, thereby potentially limiting the CBC2's recovery of the full value of the Loans and, in turn, the CBC2's ability to meet its full obligations under the Guarantee.

The CBC2 may not have full proprietary or security rights to certain Substitution Assets transferred to it.

Under the Guarantee Support Agreement the Originators are permitted to transfer to the CBC2 Substitution Assets which are not deposited with Euroclear or of which the transfer is not subject to the Wge and which are not credited to a securities account in the name of the transferor of the assets in the Netherlands or Belgium. However, such Substitution Assets may only be transferred if Rating Agency Confirmation is obtained and the CBC2 and the Trustee, respectively, are satisfied that they will receive proprietary rights or security rights, respectively, of equivalent status and ranking for such Substitution Assets as they would have received if Eligible Receivables or Eligible Collateral had been transferred and pledged, respectively.

Nevertheless, there is a risk that the CBC2 and the Trustee may not obtain proprietary and security rights to such Substitution Assets transferred to them equivalent to those which they receive in respect of Eligible Receivables or Eligible Collateral potentially. Thus, the CBC2's and the Trustee's rights to such Substitution Assets may be limited, thereby affecting adversely their ability to fulfil their respective obligations under the relevant Transaction Documents.

The Covered Bondholders will receive only limited information in relation to the Transferred Assets which may adversely impact their ability to fully evaluate their potential investment.

Covered Bondholders will receive only certain statistical and other information in relation to the Transferred Assets, as set out in the Monthly Investor Reports which shall be prepared by the Administrator with assistance from the Servicer. Such information will not reflect any subsequent changes to the Portfolio between the relevant cut-off date for the preparation of such information and the relevant date on which it is published. It is expected that the constitution of the Transferred Assets may constantly change due to, for instance:

- the Originators transferring additional and/or new types of Eligible Assets to the CBC2;
- New Originators acceding to the Transaction and transferring Eligible Assets to the CBC2;

- Originators re-acquiring Transferred Assets pursuant to their obligations, or right of pre-emption, under the Guarantee Support Agreement; and

- payments made by the debtors in respect of the relevant Transferred Assets.

There is no assurance that the characteristics of new Eligible Assets will be the same as, or similar to, those of the Eligible Assets in the Portfolio as at the relevant Transfer Date. Nevertheless, on each Transfer Date, each Transferred Receivable and Substitution Asset will be required to meet the applicable eligibility criteria and the Representations and Warranties set out in the Guarantee Support Agreement (although such eligibility criteria and Representations and Warranties may change in certain circumstances). At the same time, the ability of the holders of the Covered Bonds to fully evaluate their potential investment may be limited by the fact that they will not receive detailed statistics or information in relation to the Transferred Assets.

Changes to Dutch laws on tax deductibility of interest may result in an increase of Loan defaults, thereby adversely affecting the CBC2's ability to recover fully and/or timely on the Transferred Receivables related to such Loans and, as a consequence, adversely affect the CBC2s ability to meet fully and/or timely its obligations under the Guarantee.

The Dutch tax system allows borrowers to deduct, subject to certain limitations, mortgage interest payments for owner-occupied residences from their taxable income. The period allowed for deductibility is restricted to a term of 30 years. Since 2004, the tax deductibility of mortgage interest payments has been restricted under the so-called additional borrowing regulation (*Bijleenregeling*). On the basis of this regulation, if a home owner acquires a new home and realises a surplus value on the sale of his old home in respect of which interest payments were deducted from taxable income, the interest deductibility is limited to the interest that relates to an amount equal to the purchase price of the new home less the net surplus value realised on the sale of the old home. Special rules apply to moving home owners that do not (immediately) sell their previous home.

As of 1 January 2013, interest deductibility in respect of newly originated mortgage loans is only available in respect of mortgage loans which amortize over 30 years or less and are repaid on at least an annuity basis.

In addition to these changes further restrictions on the interest deductibility have entered into force as of 1 January 2014. The tax rate against which the mortgage interest may be deducted will be gradually reduced as of 1 January 2014. For taxpayers subject to the 51.75% rate (i.e. the highest personal income tax rate in 2019), the maximum interest deductibility for mortgage loans has been reduced with 0.5% per year to 49% (in 2019) and will be gradually reduced until the rate is equal to 38.0% in 2041.

As per 2020 the decrease of the maximum interest deductibility for mortgage loans will be accelerated and will decrease with 3% annually to 37.05% in 2023. As a result, as from 2020 onwards the interest deductibility rate will be decreased more quickly than the current annual decrease of 0.5% per year. Many aspects of these policy intentions remain unclear. However, if the policy intentions are implemented they may have an adverse effect on tax deductibility of interest and other factors relevant in relation to the mortgage loans (including the Loans).

These changes and any other or further changes in the tax treatment could have an effect on, amongst other things, house prices and the rate of recovery on mortgage loans for mortgage loan providers (including the Initial Originators) and may result in an increase of defaults, prepayments and repayments of mortgage loans (including Loans).

Accordingly, defaults on Loans in relation to Transferred Receivables due to changes in Dutch laws on tax deductibility of interest may decrease the CBC2's proceeds from such Transferred

Receivables, thereby adversely affecting the CBC2's ability to meet fully and/or timely its obligations under the Guarantee.

Borrowers' defaults on their obligations under the Transferred Receivables may adversely affect the CBC2's realisation on such Transferred Receivables, thereby adversely affecting the CBC2's ability to fulfil its obligations under the Guarantee.

Upon service of a Notice to Pay on the CBC2 (provided (a) an Issuer Event of Default has occurred and an Issuer Acceleration Notice has been served and (b) no CBC2 Acceleration Notice has been served), the CBC2 is expected to make payments under the Guarantee. The ability of the CBC2 to meet its obligations under the Guarantee will depend solely on the proceeds of the Transferred Assets. In this respect it should be noted that Borrowers may default on their obligations due under the Transferred Receivables. Defaults may occur for a variety of reasons. The Transferred Receivables are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to make the required payments under the Transferred Receivables. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers or the Borrowers becoming subject to debt rescheduling arrangements (*schuldsaneringsregelingen*), and could ultimately have an adverse impact on the ability of Borrowers to make the required payments under the Transferred Receivables. In addition, the ability of a Borrower to sell a Property at a price sufficient to repay the amounts outstanding under that Transferred Receivable will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and Transferred Receivables which are 3 months or more in arrears will be excluded for 30% of the Current Balance of such Transferred Receivable in the calculation of the Amortisation Test.

As a Borrower's ability to meet its obligations under the Transferred Receivables depends on numerous factors beyond the control of the CBC2, Borrowers may default on such obligations at any point, thereby adversely affecting the CBC2's realisation under affected Transferred Receivables and, in turn, the CBC2's ability to meet its obligations under the Guarantee.

The CBC2's ability to meet its obligations under the Guarantee may be adversely affected by the relatively slow rate of principal repayment of Borrowers.

The fiscal incentives mentioned above in relation to interest deductibility have resulted in a tendency amongst borrowers to opt for products that do not directly involve principal repayment. The most common mortgage loan types in The Netherlands are interest-only, linear, savings, life and investment mortgage loans or a combination of these types. Under the interest-only, savings, life and investment types of mortgage loans no principal is repaid during the term of the contract. Instead, save in the case of interest-only mortgage loans, the Borrower makes payments into a savings account, towards endowment insurance or into an investment fund. Upon maturity, amounts available pursuant to the savings accounts, the insurance contract or the investment funds are applied to repay the mortgage loans.

Prepayment penalties that are incorporated in mortgage loan contracts tend to lower prepayment rates in The Netherlands. Penalties are generally calculated as the net present value of the interest loss to the lender upon prepayment.

Lower rates of prepayment may lead to slower repayments of the principal amount outstanding of mortgage loans in The Netherlands. As a result, the exposure of the Originators to the Borrowers of

the Loans tends to remain high over time. If and to the extent that the CBC2 has to rely on cashflow on the Loans to fund its obligation under the Guarantee, the relatively slower rate of principal repayment may adversely impact the Transferred Assets' value realisation, and, consequently, the CBC2's ability to meet fully and/or timely its obligations under the Guarantee.

Unpredictable variations in the rate of prepayment on the Loans may adversely affect the CBC2's ability to realise sufficient funds to meet fully and/or timely its obligations under the Guarantee.

The rate of prepayment of Loans granted pursuant to the Loan Agreements is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in Borrower's behaviour (including but not limited to home-owner mobility). No assurance can be given as to the level of prepayment that the Loans granted pursuant to the Loan Agreements may experience, and variation in the rate of prepayments of principal on the Loans granted pursuant to the Loan Agreements may affect the ability of the CBC2 to realise sufficient funds to make payments under the Guarantee.

Changes to the Lending Criteria of the Originators may lead to increased defaults by Borrowers, thereby adversely affecting the realisable value of the Transferred Receivables and, as a consequence, adversely affecting the CBC2's ability to fulfil fully and/or timely its obligations under the Guarantee.

Each of the Receivables originated by each Originator will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that each Originator's Lending Criteria will generally consider the type of Property, term of loan, age of applicant, loan-to-value ratio, loan-to-income ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants, credit history and Valuation Procedures. In the event of a transfer of Receivables by an Originator to the CBC2, each Originator will warrant only that such Receivables were originated in accordance with such Originator's Lending Criteria applicable at the time of origination. Each Originator retains the right to revise its Lending Criteria from time to time, provided that it acts as a Reasonable Prudent Lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the Transferred Receivables, or part thereof, and the ability of the CBC2 to make payments under the Guarantee. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

However, some of the Receivables may have been acquired by an Originator in the course of its business. Such Receivables may not have been originated in accordance with the existing Lending Criteria of any of the Originators, but will, as at the relevant Transfer Date, qualify as an Eligible Receivable as long as such Receivable meets the Eligibility Criteria.

Accordingly, the CBC2's ability to meet fully and/or timely its obligations under the Guarantee may be adversely affected by changes to the Lending Criteria of the Originators.

Interest rate averaging may have a downward effect on the interest to be received on the relevant Loans and decrease the CBC2's interest proceeds from the Transferred Receivables, thereby adversely affecting the CBC2's ability to meet fully and/or timely its obligations under the Guarantee.

Subject to certain conditions, certain Originators offer 'interest rate averaging' (*rentemiddeling*) to Borrowers for Loans. Originators and Borrowers can agree to a fixed interest rate for a certain period of time (*rentevaste periode*). If the interest rates drop during the fixed interest period, a Borrower can ask for 'interest rate averaging'. In short, the agreed interest rate will be compared to the current interest rate and the Originators will calculate the loss of income for the remaining original fixed interest period. A new interest rate will be calculated on the basis of the current interest rate and

offer this new interest rate to the Borrower for a new fixed interest period, increased by a compensation for the loss of income due to the 'interest rate averaging' and an increase in the event the Borrower moves to a new Property before the end of this new fixed interest period. Despite the compensation for 'interest rate averaging', this new interest rate may have a downward effect on the interest to be received on the relevant Loans as it remains uncertain how long a Borrower will remain in the same Property during the new fixed interest period. As a result, interest rate averaging may decrease the CBC2's interest proceeds from such Transferred Receivables, thereby adversely affecting the CBC2's ability to meet fully and/or timely its obligations under the Guarantee.

New Originators transferring assets to the CBC2 may have different Lending Criteria from the Initial Originators, which may lead to increased defaults under Transferred Receivables and, subsequently, adversely affect the realisable value of the Transferred Receivables by the CBC2 and the CBC2's ability to meet fully and/or timely its obligations under the Guarantee.

The Issuer may propose that any member of the Group will become a New Originator and be allowed to transfer Eligible Assets to the CBC2. However, this would only be permitted if the conditions precedent relating to New Originators acceding to the Programme are met in accordance with the Programme Agreement, including Rating Agency Confirmation.

Any Receivables originated by a New Originator will have been originated in accordance with the Lending Criteria of the New Originator, which may differ from the Lending Criteria of Receivables originated by the Initial Originators. If the Lending Criteria differ in a way that affects the creditworthiness of the Receivables, that may lead to increased defaults by Borrowers and may affect the realisable value of the Transferred Receivables or any part thereof or the ability of the CBC2 to make payments under the Guarantee. As set forth herein, however, Defaulted Receivables will be excluded from the calculation of the Asset Cover Test and the Amortisation Test.

Nevertheless, as described above, different Lending Criteria by New Originators transferring the Transferred Receivables to the CBC2 may increase the defaults under such Transferred Receivables, thereby decreasing the CBC2's realisation value on the Transferred Receivables and the CBC2's ability to fulfil its obligations fully and/or timely under the Guarantee.

The CBC2 has only limited recourse to the Originators, limiting its ability to recover fully in the event of an Originator's breach of a Representation or Warranty, which in turn, may affect the CBC2's ability to fulfil its obligations under the Guarantee.

The CBC2 and the Trustee have not undertaken and will not undertake any investigations, searches or other actions on any Receivable and have relied and will rely instead on the Representations and Warranties given in the Guarantee Support Agreement by the relevant Originators in respect of the Transferred Receivables.

Subject to the terms of the Guarantee Support Agreement, if any Transferred Receivable was in material breach of the Receivable Warranties as of the relevant Transfer Date or is or becomes a Defaulted Receivable, then such Transferred Receivable will be excluded from the Asset Cover Test and the Amortisation Test.

There is no further recourse to the relevant Originator in respect of a breach of a Representation or Warranty. There is no other recourse to the assets of the Originators if an Issuer Event of Default occurs or a CBC2 Event of Default occurs (save as is generally the case insofar as the assets of the Issuer for its obligations under the Covered Bonds are concerned).

Due to the CBC2's limited recourse to the Originators, the CBC2 may not be able to fully recover on the Transferred Assets which, in turn, may adversely affect the CBC2's ability to fulfil its obligations under the Guarantee.

The CBC2's right to payment under the NHG Guarantee which applies to certain Eligible Receivables may be limited if the relevant Originators have not complied with the terms and conditions of the NHG Guarantee, because the redemption structure of an Eligible Receivable may differ from the mandatory redemption structure set forth in the terms and conditions of an NHG Guarantee and, as of 1 January 2014, because of a 10% "own risk" participation in any loss claims made under the NHG Guarantee, the CBC2 may not be able to fully recover any loss incurred from the WEW under an NHG Guarantee, which may adversely affect the realisable value of the Transferred Receivables and the CBC2's ability to fulfil fully and/or timely its obligations under the Guarantee.

Certain Eligible Receivables have the benefit of an NHG Guarantee. Pursuant to the terms and conditions of the NHG Guarantee, the Stichting Waarborgfonds Eigen Woningen ("**WEW**") has no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the terms and conditions of the NHG Guarantee. Under or pursuant to the Guarantee Support Agreement, each Originator warrants and represents in relation to any of its Eligible Receivables which is secured by an NHG Guarantee that:

(i) the NHG Guarantee is granted for the full amount of the relevant Receivable outstanding at origination, and constitutes legal, valid and binding obligations of the WEW, enforceable in accordance with such NHG Guarantee's terms;

(ii) all terms and conditions (*voorwaarden en normen*) applicable to the "Nationale Hypotheek Garantie" at the time of origination of the related Loans were complied with; and

(iii) the relevant Originator is not aware of any reason why any claim under any NHG Guarantee, if applicable, in respect of the relevant Receivable should not be met in full and in a timely manner.

The terms and conditions of an NHG Guarantee (irrespective of the type of redemption of the mortgage loan) stipulate that the guaranteed amount is reduced on a monthly basis by an amount which is equal to the amount of the monthly repayments plus interest as if the mortgage loan were to be repaid on a thirty year annuity basis. The actual redemption structure of an Eligible Receivable can be different. Furthermore, for mortgage loans originated after 1 January 2014, the mortgage lender is obliged to participate for 10% in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower. The foregoing may result in the lender not being able to fully recover any loss incurred from the WEW under NHG Guarantee and consequently, in the CBC2 having insufficient funds to meet its obligations under the Guarantee. See "*Section 3.5 NHG Guarantee Programme*" below for further information on the WEW and the NHG Guarantee.

B.4 ASSET MONITORING

Improper maintenance of the collateral value of the Transferred Assets may adversely affect the realisable value of the Transferred Assets and, thereby, the CBC2's ability to meet its payment obligations under the Guarantee.

If the collateral value of the Transferred Assets has not been maintained in accordance with the terms of the Asset Cover Test or the Amortisation Test, then that may affect the realisable value of the Transferred Assets or any part thereof (both before and after the occurrence of a CBC2 Event of Default) and/or the ability of the CBC2 to make payments under the Guarantee.

Prior to the service of a Notice to Pay, the Asset Monitor will, no later than five Business Days following receipt of the relevant information, test the arithmetic of the calculations performed by the Administrator in respect of the Asset Cover Test on the Calculation Date immediately preceding each anniversary of the Programme Date, i.e. once a year and will carry out such tests more

frequently in certain circumstances. Following the service of a Notice to Pay, the Asset Monitor will no later than five Business Days following receipt of the relevant information be required to test the calculations performed by the Administrator on each Calculation Date in respect of each Amortisation Test.

The Trustee shall not be responsible for monitoring compliance with, nor the monitoring of, the Asset Cover Test, the Mandatory Asset Quantity Test or the Amortisation Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

Accordingly, to the extent that Transferred Assets are not maintained and monitored properly, the realisable value of such Transferred Assets by the CBC2 may be adversely affected, along with the CBC2's ability to meet its obligations under the Guarantee.

Market conditions may limit the CBC2's ability to meet fully and/or timely its obligations under the Guarantee if a certain Issuer Event of Default has occurred.

If an Issuer Event of Default has occurred and results in, amongst other things, a Notice to Pay being served on the CBC2, the CBC2 may be obliged to sell or refinance Selected Receivables (selected on a random basis) in order to make funds available to the CBC2 to make payments to the CBC2's creditors including to make payments under the Guarantee.

There is no guarantee that a buyer will be found to acquire Selected Receivables at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Guarantee.

Furthermore, there is no limit on the amount of Selected Receivables that may be elected for such sale or refinancing in proportion to other Transferred Receivables and other Transferred Assets of the CBC2, which would take into account the CBC2's guarantee obligations in respect of later maturing Covered Bonds. Although the intention of the Amortisation Test is to ensure that the ratio of the Transferred Assets to the Covered Bonds is maintained at a certain level, there can be no guarantee or assurance that, following any such sale or refinancing of Selected Receivables in relation to Earliest Maturing Covered Bonds or any other Series, there are sufficient Transferred Assets available to the CBC2 to make payments under, amongst other things, the Guarantee in respect of later maturing Covered Bonds.

Thus, the CBC2 may be unable to fulfil fully and/or timely its payment obligations under the Guarantee.

Lack of representations and warranties in a sale of Selected Receivables may adversely affect the realisable value of such Selected Receivables, thereby limiting the CBC2's ability to meet its payment obligations under the Guarantee.

Following the service of an Issuer Acceleration Notice and a Notice to Pay on the CBC2, but prior to the service of a CBC2 Acceleration Notice, the CBC2 may be obliged to sell Selected Receivables to third party purchasers, subject to a right of pre-emption enjoyed by the Originators pursuant to the terms of the Guarantee Support Agreement. In respect of any sale or refinancing of Selected Receivables to third parties, however, the CBC2 will not be permitted to give warranties or indemnities in respect of those Selected Receivables (unless expressly permitted to do so by the Trustee). There is no assurance that the Originators would give any warranties or representations in respect of the Selected Receivables. Any Representations or Warranties previously given by the Originators in respect of the Transferred Receivables may not have value for a third party purchaser if the Originators are subject to an Insolvency Proceeding. Accordingly, there is a risk that the realisable value of the Selected Receivables could be adversely affected by the lack of representations and warranties, which in turn may adversely affect the ability of the CBC2 to meet its obligations under the Guarantee.

B.5 SERVICING AND CUSTODY

If the Initial Servicing Agreement is terminated, the CBC2 will have to appoint a New Servicer which is licensed under the Wft or could, in theory, try to obtain a consumer credit licence itself under the Wft. If the CBC2 does not appoint such a licensed Servicer or does not manage to obtain a licence itself, the servicing and custody of the Transferred Receivables may be interrupted or otherwise adversely affected, which, in turn, may adversely affect the rights of the holders of the Covered Bonds.

Each Servicer will be permitted to sub-contract its servicing role to a third party servicer subject to any applicable conditions in the relevant Servicing Agreement.

By acquiring the Eligible Receivables, the CBC2 is deemed to provide consumer credit, which is a licensable activity under the Wft. The CBC2 can rely on an exemption from this licence requirement, if the CBC2 outsources the servicing of the Eligible Receivables and the administration thereof to an entity which is adequately licensed under the Wft to act as consumer credit offeror or intermediary and which complies with certain information duties towards the Borrowers. Pursuant to the Initial Servicing Agreement, the CBC2 outsources the servicing and administration of the Eligible Receivables to the Initial Servicer. In the Initial Servicing Agreement, the Initial Servicer represents and warrants that it is, and covenants that it shall remain, adequately licenced under the Wft to act as consumer credit offeror or intermediary and undertakes to comply with the information duties towards the Borrowers under or pursuant to the Wft. Furthermore, the Initial Servicer has covenanted that it shall only engage any sub-contractor if it is and continues to be duly licenced to provide the Services and to act as consumer credit offeror or intermediary, with due observance of the applicable rules under the Wft. If the Initial Servicing Agreement is terminated, the CBC2 will need to appoint a New Servicer which must be adequately licensed in order for the CBC2 to keep the benefit of exemptive relief. Alternatively, the CBC2 would, in theory, need to obtain a licence itself, although it is not certain that it would be able to do so. The Initial Servicing Agreement stipulates that the Initial Servicer may only terminate the Initial Servicing Agreement if a New Servicer is appointed prior to such termination which holds the requisite licences, including being duly licensed under the Wft to act as consumer credit offeror or intermediary.

If the CBC2 does not appoint such a licensed Servicer or alternatively does not manage to obtain a licence itself, the servicing and custody of the Transferred Receivables may be interrupted or otherwise adversely affected, which, in turn, may adversely affect the rights of the holders of the Covered Bonds.

B.6 SWAPS

The CBC2 is not required to enter into Swaps in relation to the Programme or any Series of Covered Bonds. If any Swap is entered into by the CBC2, such Swap may be insufficient to hedge fully against mismatches which may adversely affect the realisation value of the Transferred Receivables by the CBC2 and/or adversely affect the CBC2's ability to fulfil fully and/or timely its obligations under the Guarantee.

The CBC2 may, but is not required to, enter into any Total Return Swap or any Interest Rate Swap to mitigate any mismatch possible in the rates of interest and revenue received on the Transferred Receivables (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate) or the rates of interest or revenue payable on the other Transferred Assets, the Substitution Assets, the Authorised Investments and the balance of the AIC Account and the rate of interest payable on the outstanding Covered Bonds. Any Interest Rate Swap may be entered into to hedge the risk (and provided that there is such a risk) of any possible mismatch between the Agreed Base Reference Rate and the rate of interest payable under any Series.

Pursuant to the Swap Undertaking Letter, ABN AMRO Bank undertakes to, or to procure an Eligible Swap Provider to, enter into one or more (as agreed between the CBC2 and such Eligible Swap Provider) Swap Agreements with the CBC2 governing one or more Total Return Swap(s) and/or one of more Interest Rate Swap(s) for any Series if so requested by the CBC2.

Such Swaps may be insufficient to correct mismatches in the rates of interest and revenue on the Transferred Receivables or the rates of interest or revenue payable on the other Transferred Assets, the Substitution Assets, the Authorised Investments and the balance of the AIC Account and the rate of interest payable on the outstanding Covered Bonds, as well as other mismatches which may adversely affect the realisation value of the Transferred Receivables, and/or the CBC2's ability to fulfil its obligations under the Guarantee.

Defaults under the Swap Agreements may expose the CBC2 to any changes in the relevant rates of interest on the Transferred Receivables, thereby adversely affecting the CBC2's ability to fulfil its obligations under the Guarantee.

If the CBC2 (or the Issuer on its behalf) fails to make timely payments of amounts due under any Swap, then it will have defaulted under that Swap and the relevant Swap Agreement may be terminated. If a Swap Agreement terminates or the Swap Provider defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the CBC2 on the payment date under the Swap Agreements, the CBC2 will be exposed to any changes in the relevant rates of interest. As a result, unless a replacement swap is timely entered into, the CBC2 may have insufficient funds to make payments under the Guarantee.

The CBC2's obligation to make a termination payment under a Swap Agreement may adversely affect the ability of the CBC2 to meet its obligations under the Guarantee.

A Swap Agreement may govern the terms of one or more Total Return Swap(s) and/or one or more Interest Rate Swaps. There is no obligation for the CBC2 and the relevant Eligible Swap Provider to enter into a Swap Agreement for each Swap separately. Therefore, a default or termination event under a Swap Agreement could result in early termination of all Swaps governed by such Swap Agreement. If a Swap terminates, then the CBC2 may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the CBC2 will have sufficient funds available to make such a termination payment, nor can there be any assurance that the CBC2 will be able to enter into a replacement swap agreement, or if one is entered into, that the rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agencies.

If the CBC2 is obliged to make a termination payment under the Swap Agreement governing a Total Return Swap and any other Swap, such termination payment for an amount not exceeding the Capped TRS Termination Amount will rank ahead of amounts due under the Guarantee in respect of each Series except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. If the CBC2 is obliged to make a termination payment under any Swap Agreement governing one or more Interest Rate Swaps, such termination payment (or any remaining termination payment attributable to the relevant Interest Rate Swap if the relevant Swap Agreement also governs a Total Return Swap) will rank *pari passu* with interest amounts and, when the Post-CBC2-Acceleration Notice Priority of Payments applies, in priority to interest and principal amounts due under the Guarantee in respect of each Series except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation to make a termination payment other than arising from default by, or downgrading of, the Swap Provider, may adversely affect the ability of the CBC2 to meet its obligations under the Guarantee.

The difference in timing between the obligations of the CBC2 and the relevant Interest Rate Swap Provider may adversely affect the CBC2's ability to make payments under the Guarantee.

With respect to Interest Rate Swaps, the CBC2 (or the Issuer on its behalf) may be obliged to make monthly payments to the relevant Interest Rate Swap Provider, whereas the relevant Interest Rate Swap Provider may not be obliged to make corresponding swap payments for up to twelve months. If the relevant Interest Rate Swap Provider does not meet its payment obligations to the CBC2, the CBC2 may have a larger shortfall than it would have had if the relevant Interest Rate Swap Provider's payment obligations had coincided with CBC2's payment obligations under the relevant Swap Agreement. Hence, the difference in timing between the obligations of the CBC2 and the relevant Swap Provider may adversely affect the CBC2's ability to make payments under the Guarantee.

A Swap Provider's default under a Swap Agreement with the CBC2, when the Post-Notice-to-Pay Priority of Payments applies, may result in interest payments due under the Guarantee in respect of the relevant hedged Series not being paid timely and/or in full.

If the Post-Notice-to-Pay Priority of Payments applies, it is funded on each CBC2 Payment Date by the Available Revenue Receipts and the Available Principal Receipts, which are amounts actually received by the CBC2 prior to such CBC2 Payment Date. To avoid that amounts received by the CBC2 in respect of interest under any Interest Rate Swap during a CBC2 Payment Period need to be retained for application until the next CBC2 Payment Date, such amounts (for the avoidance of doubt excluding Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) are credited to the Swap Interest Ledger. Amounts which are credited to the Swap Interest Ledger in a CBC2 Payment Period in respect of a particular Series, are (a) on-paid to the Trustee or the Principal Paying Agent to cover Scheduled Interest that is Due for Payment in such CBC2 Payment Period under the Guarantee in respect of such Series or (b) in the event that there is an excess over such Scheduled Interest that is Due for Payment, for credit to the Revenue Ledger.

When the Post-Notice-to-Pay Priority of Payments applies, there is a risk that, should a Swap Provider default in the performance of its obligation to pay to the CBC2 an amount of interest under any Interest Rate Swap, the corresponding Scheduled Interest that is Due for Payment in such CBC2 Payment Period under the Guarantee in respect of such Series cannot be paid. This risk is mitigated in two ways in the manner described below.

Firstly, if on or before a CBC2 Payment Date it is expected that an Interest Rate Swap Provider will default in the performance of its obligation to pay to the CBC2 an amount of interest under any Interest Rate Swap in the immediately succeeding CBC2 Payment Period, then, subject to any higher or *pari passu* ranking items under the Post-Notice-to-Pay Priority of Payments, a payment or provision, as the case may be, will be made as of such CBC2 Payment Date for the corresponding amount of Scheduled Interest that is Due for Payment on such CBC2 Payment Date or in the CBC2 Payment Period starting on such CBC2 Payment Date and the Available Revenue Receipts and/or the Available Principal Receipts will be applied accordingly. However, this first mitigant will only be effective if as at the CBC2 Payment Date on which the CBC2 Payment Period started in which the Interest Rate Swap Provider defaults, (i) it was expected by or on behalf of the CBC2 that the relevant Interest Rate Swap Provider would so default and (ii) there were sufficient Available Revenue Receipts and/or Available Principal Receipts to pay or provide for all higher and *pari passu* ranking items in the Post-Notice-to-Pay Priority of Payments.

Secondly, if during a CBC2 Payment Period (i) there is an unexpected default by an Interest Rate Swap Provider in the performance of its obligation to pay to the CBC2 an amount of interest under any Interest Rate Swap and (ii) on the CBC2 Payment Date on which such CBC2 Payment Period starts, remaining monies have been deposited in the AIC Account for application on the next CBC2 Payment Date, then those remaining monies may be credited to the Swap Interest Ledger (a) for on-payment to the Trustee or the Principal Paying Agent to cover Scheduled Interest that (i) is Due for Payment in such CBC2 Payment Period under the Guarantee in respect of the relevant Series and (ii) could otherwise not be funded from amounts credited to the Swap Interest Ledger in respect of such

Series or (b) in the event there is an excess over such Scheduled Interest that is Due for Payment, for credit to the Revenue Ledger. However, this second mitigant will only be effective to the extent that as at the CBC2 Payment Date on which the CBC2 Payment Period started in which there is an unexpected default by an Interest Rate Swap Provider, remaining monies were deposited in the AIC Account for application on the next CBC2 Payment Date.

As a result of the foregoing, in a given CBC2 Payment Period the Hedged Series Amounts in respect of one or more Series may not be paid, or not be paid in full, from the Swap Interest Ledger, whereas the Hedged Series Amounts in respect of one or more other Series may be fully paid in that same CBC2 Payment Period if each of the following conditions is met: (i) the Post-Notice-to-Pay Priority of Payments applies, (ii) an Interest Rate Swap Provider defaults in its obligation to pay to the CBC2 an amount (other than a termination amount) of interest under the Interest Rate Swap in such CBC2 Payment Period in respect of such Series and (iii) as of the CBC2 Payment Date on which such CBC2 Payment Period starts the CBC2 (or the Administrator on its behalf) did not expect the Interest Rate Swap Provider to default and no, or insufficient, remaining monies were deposited in the AIC Account for application on the next CBC2 Payment Date.

Despite the risk mitigation described above, an Interest Rate Swap Provider's default under an Interest Rate Swap Agreement with the CBC2, when Post-Notice-to-Pay Priority of Payments applies, continues to present a risk that interest and principal payments due under the Guarantee in respect of the relevant hedged Series may not be paid timely and/or in full.

*Compliance with Regulation (EU) 648/2012 of 16 August 2012 on OTC derivatives, central counterparties and trade repositories (as amended from time to time, "**EMIR**"), and other regulations relating to derivative contracts, may give rise to additional costs and expenses for the Issuer and the CBC2, which may in turn reduce amounts available to make payments with respect to the Covered Bonds.*

EMIR introduced requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR requires entities that enter into any form of derivative contract to: (a) report every derivative contract entered into to a registered trade repository and (b) implement new risk management standards for all bilateral over-the-counter ("**OTC**") derivative trades that are not cleared by a central counterparty. In addition, certain entities are also required to clear, through a central counterparty, OTC derivatives that are subject to a mandatory clearing obligation or, for any OTC derivatives that are not subject to such mandatory clearing obligation, to post mandatory margin. CRR aims to complement EMIR by applying higher capital requirements for bilateral, OTC derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a 'qualifying central counterparty', which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms have been introduced in January 2018 by MiFID II and its subordinate regulations and technical standards as well as from Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse. In particular, MiFID II requires transactions in certain classes of OTC derivatives to be executed on a trading venue. In this respect, it is difficult to predict the full impact of these regulatory requirements on the CBC2. Member States were required to implement national legislation giving effect to MiFID II within 24 months after the entry into force of MiFID II (i.e. June 2016) which national legislation should have applied within 30 months after the entry into force of MiFID II (January 2017). However, the European Commission has extended the application date for MiFID II by one year, with MiFID II which came into force on 3 January 2018 in all Member States.

Under regulatory technical standards (the "**IRS RTS**") adopted on 6 August 2015 by the European Commission, which entered into force on 21 December 2015, a mandatory clearing obligation as regards interest rate swaps denominated in the G4 currencies (being, USD, EUR, GBP and JPY), has been phased-in, depending on the type of counterparty concerned. Timeframes for mandatory

clearing of certain other classes of OTC derivatives contracts such as certain classes of credit default swaps and certain interest rate swap denominated in non-G4 currencies (SEK, NOK and PLN) have also been established.

Following the entry into force of the Commission Delegated Regulation 2016/2251 supplementing EMIR with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (the "**Margin RTS**"), financial counterparties ("**FCs**") and certain non-financial counterparties ("**NFCs**") have an obligation to protect themselves against credit exposures to derivatives counterparties by collecting margins where such contracts are not cleared by a central counterparty (a "**CCP**"). The Margin RTS lays out the standards for the timely, accurate and appropriately segregated exchange of collateral. The requirements to post and/or collect variation margin became applicable to FCs and certain NFCs on 4 February 2017 or 1 March 2017 (depending on the aggregated gross notional amount of outstanding derivative contracts of the group to which the counterparties belong). The requirements to post and/or collect initial margin will be applicable from a date determined in accordance with the Margin RTS from 4 February 2017 to 1 September 2020 (depending on the aggregated gross notional amount of outstanding derivative contracts of the group to which the counterparties belong). These phase in gradually for those greater than €2.25 trillion in September 2017, €1.5 trillion in 2018, €750 billion in 2019 and €8 billion in 2020.

Pursuant to each of the IRS RTS and the Margin RTS covered bond vehicles are exempt from such clearing requirements and the requirement to post margin, provided certain conditions are met (including that the transactions are entered into only for hedging purposes). No draft regulatory technical standards have been published which would relate to mandatory clearing of any of the cross currency swaps entered into by the CBC2 and therefore it is unclear whether any exemption for covered bond vehicles will be included in any such regulatory technical standards.

Following the adoption of Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (the "**Securitisation Regulation**") certain amendments are proposed to EMIR. Consequently the European Supervisory Authorities launched on 4 May 2018 a consultation on a draft regulatory technical standards specifying criteria for establishing which arrangements under covered bonds or securitisations adequately mitigate counterparty risk. The European Supervisory Authorities proposes, inter alia, to migrate the conditions to benefit from an exemption from the clearing obligation from the IRS RTS to a new regulatory technical standard or, where relevant, amend the IRS RTS to avoid duplication with EMIR (as it stands following the adoption of the Securitisation Regulation). The final draft regulatory technical standard amending Delegated Regulation (EU) 2016/2251 on risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (CCP) under Article 11(15) of Regulation (EU) No 648/2012 in the context of simple, transparent and standardised (STS) securitisations under Regulation (EU) 2017/2402 was subsequently published on 12 December 2018. It is uncertain if and how this will affect the Issuer and/or the CBC2.

If the exemptions referred to above do not (continue to) apply to covered bond vehicles and the CBC2 is required to comply with any clearing and/or margin requirements under EMIR, this may give rise to additional costs and expenses for the CBC2, which may in turn reduce amounts available to the CBC2 to make payments under the Guarantee. In addition, compliance by the CBC2 may also require certain amendments to be made to the Programme and/or the entry into new agreements by the CBC2. Further, based on the Margin RTS, the exemption from the margin requirement referred to above may not be available to any swap counterparty to the CBC2, meaning that any such counterparty would be required to comply with the margin requirements. The potential impact of the margin requirements on the swap counterparties to the CBC2 is unclear but it is possible that the CBC2 may find it more difficult or costly to replace any existing swap counterparty following the introduction of mandatory margin requirements.

On 4 May 2017, the European Commission published a proposal for a regulation amending EMIR (the "**Amending Regulation**"). The Amending Regulation proposes, among others, to bring securitisation special purpose entities into the definition of financial counterparties (which must clear OTC derivative contracts that are entered into on or after the effective date for the clearing obligation, **provided that** such class of OTC derivative contract has been declared subject to the clearing obligation). The Amending Regulation does not propose to also add entities such as the CBC2 to the definition of financial counterparty. In February 2019 the European Parliament and the Council reached a preliminary political agreement and the Amending Regulation has entered into force on 17 June 2019 is in its final form.

Uncertainty as to the validity and/or enforceability of "flip clauses" may adversely affect the CBC2's ability to meet its obligations under the Guarantee.

The validity of contractual priorities of payments such as those contemplated in the Transaction Documents has been challenged in the English and U.S. courts. In particular, there is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of the same debtor, upon the occurrence of insolvency proceedings relating to that creditor. Recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such swap counterparty (so-called "**flip clauses**") and have considered whether such flip clauses breach the "anti-deprivation" principle under English and U.S. insolvency law. Flip clauses are similar in effect to the terms which are included in the Transaction Documents relating to the subordination of Excluded Swap Termination Amounts.

The "anti-deprivation" principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. In the English proceedings it was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc [2011] UKSC 38* unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have, as its predominant purpose or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, the U.S. Courts declined to follow the judgement of the English courts and ruled that a similar provision in the payments priorities offended the "*ipso facto* rule" of U.S. bankruptcy law. Whilst leave to appeal had been granted, the case was settled before an appeal was heard in New York.

This is an aspect of cross border insolvency law which remains untested. Whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and U.S. courts will diverge in their approach, which in the case of an unfavourable decision in the U.S, may adversely affect the CBC2's ability to make payments under the Guarantee. The Issuer has been advised that such a flip clause would be valid under Dutch law.

In light of the above, if a creditor of the CBC2 (such as ABN AMRO Bank as Swap Provider pursuant to any Swap Agreement) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales or The Netherlands (including, but not limited to, the United States), and it is owed a payment by the CBC2, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English and Dutch law governed Transaction Documents (such as a provision of each of the Post-Notice-to-Pay Priority of

Payments and the Post-CBC2-Acceleration-Notice Priority of Payments which refers to the ranking of the Swap Provider's payment rights in respect of Excluded Swap Termination Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to ABN AMRO Bank as Swap Provider pursuant to any Swap Agreement given that it has assets and/or operations in the U.S. and notwithstanding that it is a non-US established entity (and/or with respect to any replacement counterparty or other Swap Provider, depending on certain matters in respect of that entity). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales or The Netherlands and any relevant foreign judgment or order was recognised by the English or Dutch courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the CBC2 to satisfy its obligations under the Guarantee.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English or Dutch courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

B.7 CASHFLOWS

Cashflows from the Transferred Assets will run through the CBC2 only upon a Notification Event and service of a Notice to Pay or CBC2 Acceleration Notice on the CBC2, thereby leaving the CBC2 with no control over such cashflows until such an event occurs, creating a potential for delays of cashflows transfers which may in turn adversely affect the CBC2's ability to fulfil its obligations under the Guarantee.

For as long as no Notification Event has occurred and no Notice to Pay or CBC2 Acceleration Notice has been served on the CBC2, no cashflows will run through the CBC2 unless otherwise required pursuant to the Transaction Documents. In those circumstances the Originators will be entitled to receive and retain the proceeds from the Transferred Assets for their own benefit. In addition, the Issuer will, as consideration for the CBC2 assuming the Guarantee, pay all costs and expenses of the CBC2 and make and receive all payments to be made or received by the CBC2 under any Swap Agreement. Upon the earlier to occur of a Notification Event and service of a Notice to Pay or CBC2 Acceleration Notice on the CBC2, cashflows will run through the CBC2 and will be applied in accordance with the relevant Priority of Payments (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC2 irrespective of whether any Notification Event has occurred or any Notice to Pay or CBC2 Acceleration Notice has been served at such time). As the CBC2 does not have control over the cashflows from Transferred Receivables unless one of the events described above occurs, the CBC2's ability to fulfil its obligations under the Guarantee may be limited. If the Issuer for whatever reason does not make the requested payments for the CBC2 and the Originators received and retained the relevant proceeds for their own benefit this may potentially adversely affect the CBC2's ability to fulfil its obligations under the Guarantee.

B.8 GENERAL INFORMATION

The Covered Bonds and the Guarantee represent obligations only of the Issuer and the CBC2 and solely in their corporate capacity.

The Covered Bonds and the Guarantee will not represent an obligation or be the responsibility of the Arranger, the Dealer(s), the Originators, the Trustee or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and

the CBC2, respectively. The Issuer and the CBC2 will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and the Guarantee, respectively, and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators. To the extent that the Issuers' and the CBC2's corporate assets are not sufficient to fulfil their obligations under the Covered Bonds and Guarantee, Covered Bondholders may not be able to take recourse against third parties for payment and the CBC2's obligations under the Guarantee may not be fully met.

Actual results might differ substantially from the projections in this Base Prospectus.

Forecasts and estimates in this Base Prospectus are forward looking statements which relate, but are not limited, to the Issuer's potential exposure to various types of market risks, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk and are speculative in nature. Such statements are subject to risks and uncertainties and therefore not historical facts and represent only the Issuer's beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond the control of the Issuer. It can be expected that some or all of the assumptions underlying the projections will not prove to be correct or will vary from actual results. Consequently, the actual result might differ from the projections and such differences might be significant.

If at any point the Covered Bonds fail to be compliant with the 2015 CB Legislation, CRR and/or the UCITS Directive, holders of the Covered Bonds may be adversely affected.

On 28 December 2017, DNB admitted the Issuer and the Covered Bonds to the DNB-register in accordance with the 2015 CB Regulations. As at the 2019 Programme Update, the Covered Bonds comply with both Article 52(4) UCITS and are in the DNB-register registered as being compliant with Article 129 CRR.

The 2015 CB Legislation imposes ongoing obligations, including ongoing administration and reporting obligations towards DNB, on an issuer of DNB-registered covered bonds and includes newly introduced ongoing obligations to comply with asset quality and quantity requirements (including statutory minimum overcollaterisation and liquidity buffer requirements) and ongoing audit and stress-testing obligations. DNB will perform certain supervision and enforcement related tasks in respect of covered bonds admitted to its register, including monitoring compliance with ongoing requirements.

If a covered bond no longer meets such requirements, or if the relevant issuer no longer complies with its ongoing obligations towards DNB, DNB can take several measures, which include, without limitation, cancelling an issuer's registration, imposing an issuance-stop and/or fines and penalties on the issuer. However, DNB cannot cancel the registration of outstanding covered bonds registered under the 2015 CB Legislation. Cancellation of registration of an issuer itself should therefore not result in loss of the preferential treatment under Article 52(4) UCITS for outstanding covered bonds registered in accordance with the 2015 CB Legislation.

DNB also registers in the DNB-register whether the Covered Bonds comply with Article 129 CRR. Pursuant to the 2015 CB Legislation, DNB may cancel such registered compliance with Article 129 CRR, if the Issuer or the CBC2 would not provide the required information to DNB to monitor compliance with Article 129 CRR or if the Covered Bonds would no longer comply with Article 129 CRR.

To date there is no example and/or guidance as to how DNB will apply the discretionary powers that it has been given. In addition, if at any time the Issuer's registration would be cancelled or the Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR, a Covered Bondholder may, depending on its reasons for investing in the relevant Covered Bonds, experience adverse consequences, including an adverse effect on the market value of its Covered

Bonds as a result of other Covered Bondholders disposing of their Covered Bonds and less demand for these Covered Bonds in the market.

No Transaction Document grants any right to any party or imposes any obligation on the Issuer or any other party in connection with any Covered Bond no longer complying with Article 52(4) UCITS and/or Article 129 CRR.

In particular, none of the Transaction Documents prescribes the occurrence of an Issuer Event of Default or imposes an obligation on the Issuer to notify any Covered Bondholder in the event that Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR or in the event that the Issuer does not comply with the 2015 CB Legislation in itself.

Depending on their reasons for investing in Covered Bonds, Covered Bondholders should, among other things, conduct their own thorough analysis, and consult their own legal advisers or the appropriate regulators from time to time to determine the appropriate status of Covered Bonds under any applicable risk based capital or similar rules, including, without limitation, Article 52(4) UCITS and Article 129 CRR and any technical standards relating thereto. Non-compliance by the Covered Bonds with any such rules might adversely affect the Covered Bondholders.

See also Section 1.9 (*Description of the Dutch Covered Bond Legislation*) below.

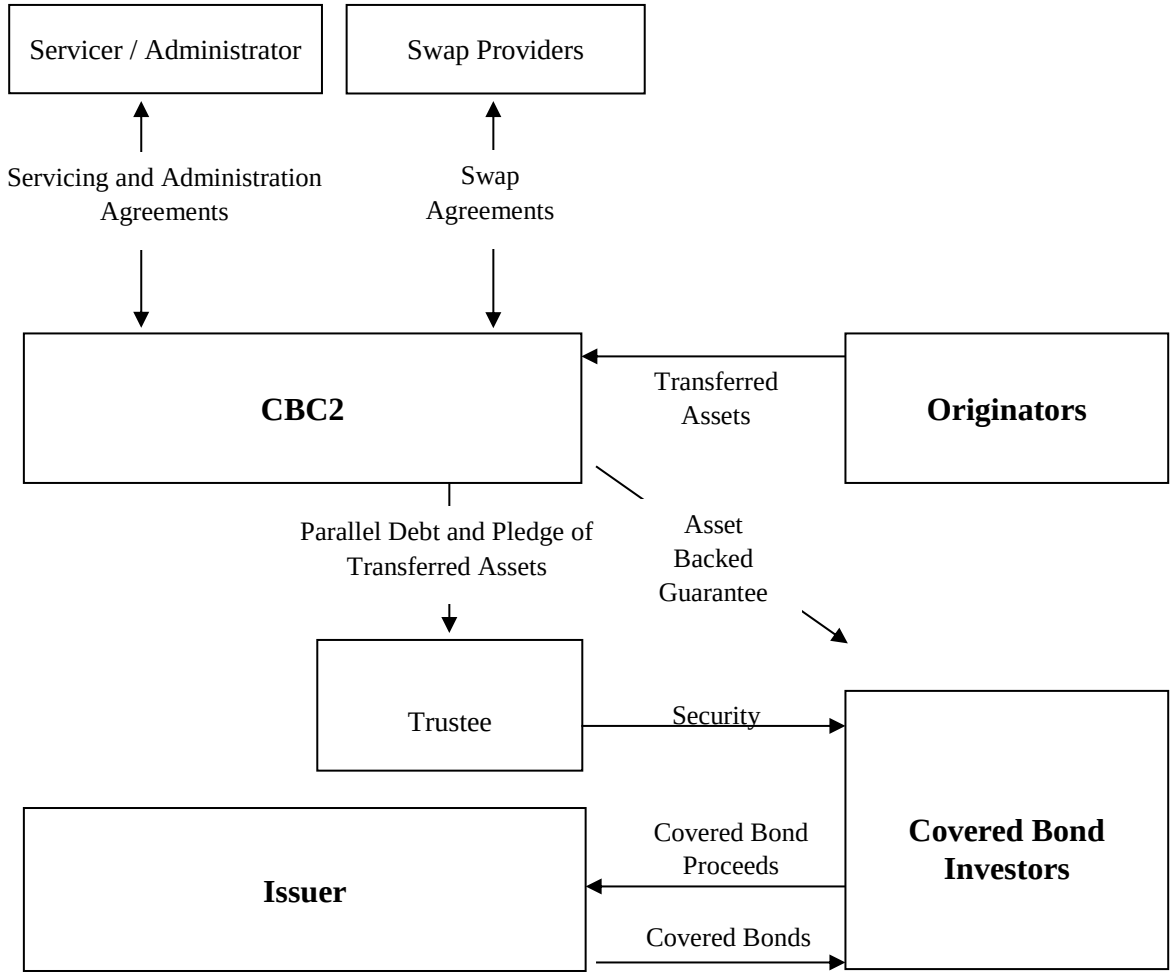
Under Dutch law, ABN AMRO Bank may not contract with itself.

ABN AMRO Bank acts in different capacities under the Transaction Documents, including, without limitation, as Issuer, Originator, Arranger, Dealer, Servicer and Administrator. The Issuer has been advised that, as a matter of Dutch law, a party is not capable of contracting with itself. However, this does in itself not prevent such party (like ABN AMRO Bank) from acting with other parties (such as the Trustee and the CBC2).

Accordingly, if pursuant to any Transaction Document ABN AMRO Bank in a particular capacity assumes obligations against ABN AMRO Bank in a different capacity such obligations may not be enforceable which may potentially adversely affect the CBC2's ability to fulfil its obligations under the Guarantee or the Trustee's obligations under the Trust Deed unless such obligations of ABN AMRO Bank are also assumed against the CBC2 or the Trustee (as the case may be).

C. STRUCTURE DIAGRAM; PRINCIPAL TRANSACTION PARTIES

C.1 STRUCTURE DIAGRAM



C.2 PRINCIPAL TRANSACTION PARTIES

The following list does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus. The parties set out below may be replaced from time to time.

Account Bank:	**ABN AMRO Bank**
Administrator:	**ABN AMRO Bank**
Arranger:	**ABN AMRO Bank**
Asset Monitor:	**Ernst & Young Accountants LLP**
CBC2:	**ABN AMRO Covered Bond Company 2 B.V. ("CBC2")**
CBC2's Director:	**Intertrust Management B.V.**
Dealer:	**ABN AMRO Bank**
Guarantor:	**CBC2**
Holding:	**Stichting Holding ABN AMRO Covered Bond Company 2 ("Holding")**
Initial Originators:	**ABN AMRO Bank, ABN AMRO Hypotheken Groep, Moneyou B.V. ("Moneyou"), Oosteroever Hypotheken B.V. ("Oosteroever Hypotheken") and Quion 9 B.V. ("Quion 9")**
Initial Servicer:	**ABN AMRO Bank**
Issuer:	**ABN AMRO Bank**
Listing Agent:	**ABN AMRO Bank**
Principal Paying Agent:	**ABN AMRO Bank**
Registrar (for Covered Bonds evidenced by a Registered Covered Bonds Deed):	**ABN AMRO Bank**
Trustee:	**Stichting Trustee ABN AMRO Covered Bond Company 2 ("Trustee")**
Trustee's Director:	**IQ EQ Structured Finance B.V. (formerly known as SGG Securitisation Services B.V.) ("Trustee's Director")**

D. INCORPORATION BY REFERENCE; DEFINITIONS & INTERPRETATION; FINAL TERMS AND DRAWDOWN PROSPECTUSES

D.1 INCORPORATION 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 Base Prospectus:

(a) The articles of association of the Issuer which can be obtained from https://www.abnamro.com/en/about-abnamro/profile/corporate-governance/articles-of-association/index.html;

(b) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2018, as set out on pages 153 to 256 in relation to the financial statements 2018, including the notes to the financial statements as set out on pages 161 to 253, pages 35 to 122 (certain information in the Risk, funding & capital report), and the auditors' report thereon on pages 258 to 263, all as included in ABN AMRO Group N.V.'s Annual Report 2018 (the "**Annual Report 2018**") (the "**Consolidated Annual Financial Statements 2018 ABN AMRO Group N.V.**") which can be obtained from https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2018/ABN_AMRO_Group_Annual-Report_2018.pdf;

(c) the Section "*Key figures and profile*" on page 3, the Section "*ABN AMRO shares*" on page 4, the Section "*Financial review*" of the Strategy and performance report on pages 13 to 16, the Risk, funding & capital report on pages 35 to 122, the Section "*Other information*" on pages 264 to 266 and the Section "*Cautionary statements*" on page 267, all as included in the Annual Report 2018;

(d) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2017 (as set out on pages 179 to 296 in relation to the financial statements 2017, including the notes to the financial statements as set out on pages 187 to 292, pages 43 to 136 (certain information in the Risk, funding & capital report), and the auditors' report thereon on pages 298 to 305, all as included in ABN AMRO Group N.V.'s Annual Report 2017, the "**Annual Report 2017**") (the "**Consolidated Annual Financial Statements 2017 ABN AMRO Group N.V.**" and together with the Consolidated Annual Financial Statements 2018 ABN AMRO Group N.V., the "**Consolidated Annual Financial Statements ABN AMRO Group N.V.**") which can be obtained from https://www.abnamro.com/en/images/Documents/050_Investor_Relations/Financial_Disclosures/2017/ABN_AMRO_Group_Annual_Report_2017.pdf;

(e) the Section "*Introduction*" on pages 1 to 4, the subsection "*Financial review*" of the Section "*Group performance*" on pages 14 to 19, the Section "*Risk, funding & capital*" on pages 43 to 136, the Section "*Other information*" on pages 306 to 308, the Section "*Definitions of important terms*" on pages 309 to 310, the Section "*Abbreviations*" on page 311 and the Section "*Cautionary statements*" on page 312, all as included in the Annual Report 2017;

(f) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2018, as set out on pages 142 to 258 in relation to the financial statements 2018, including the notes to the financial statements as set out on pages 149 to 241, pages 34 to 120 (certain information in the Risk, funding & capital report), and the auditors' report thereon on pages 260 to 265, all as included in ABN AMRO Bank N.V.'s Annual Report 2018 which can be obtained from

https://www.abnamro.com/nl/images/Documents/050_Investor_Relations/Financial_Disclosures/2018/ABN_AMRO_Bank_NV_Annual_Report-2018.pdf;

(g) the Section "*Key figures and profile*" on page 3, the Section "*Financial review*" of the Strategy and performance report on pages 12 to 15, the Section "*Legal structure*" on page 133, the Section "Other information" on pages 266 to 268 and the Section "*Cautionary statements*" on page 269, all as included in ABN AMRO Bank N.V.'s Annual Report 2018;

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

(i) the Section "*Introduction*" on pages 2 to 3, the subsection "*Financial review*" of the Section "*Bank performance*" on pages 10 to 15, the Section "*Risk, funding & capital*" on pages 40 to 123, the Section "*Legal structure*" on page 144, the Section "*Other information*" on pages 297 to 299, the Section "Definitions of important terms" on pages 300 to 301, the Section "*Abbreviations*" on page 302 and the Section "*Cautionary statements*" on page 303, all as included in ABN AMRO Bank N.V.'s Annual Report 2017;

(j) the document titled "*Abbreviations and Definitions of important terms*" which can be obtained from https://www.abnamro.com/en/images/Documents/010_About_ABN_AMRO/Annual_Report/2018/ABN_AMRO_Annual_Report_Abbreviations_and_definitions.pdf;

(k) the quarterly report titled "*Quarterly Report First quarter 2019*" dated 15 May 2019 excluding the specific chapter titled: "*Enquiries*" which can be obtained from https://www.abnamro.com/en/images/Documents/050_Investor_Relations/Financial_Disclosures/2019/ABN_AMRO_Group_Quarterly_Report_2019_Q1.pdf. The information set out therein is unaudited;

(l) the articles of association of the CBC2; and

(m) ABN AMRO Covered Bond Company 2 B.V.'s audited annual financial statements for the financial year ended 31 December 2018.

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

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

The Issuer and the CBC2 will provide, without charge, to each person to whom a copy of this Base Prospectus 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 either 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) or the CBC2 at its office set out at the end of this Base Prospectus. In addition, such documents will be available upon request from the principal office of the Listing Agent, the Principal Paying Agent, any Paying Agent and, in the case of Registered Covered Bonds, the Registrar. Such documents can also be obtained in electronic form from the Issuer's website (https://www.abnamro.com/en/investor-relations/debt-investors/covered-bonds/index.html). 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 Base Prospectus is not a part of this Base Prospectus.

The Issuer and the CBC2 will, in the event of a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds issued by the Issuer prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds by the Issuer to be admitted to trading on an EU regulated market or to be offered to the public in the EU.

D.2 DEFINITIONS & INTERPRETATION

Capitalised terms, which are used but not defined in any section of this Base Prospectus, will have the meaning attributed thereto in any other section of this Base Prospectus (including in the information incorporated by reference into this Base Prospectus (see "*Section D.1 Incorporation by Reference*" above)). An alphabetical index of certain definitions is contained at the end of this Base Prospectus, listing the page or pages where such definitions can be found.

Any reference to any Transaction Document or any other agreement or document in this Base Prospectus shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated, supplemented or replaced.

A reference to any transaction party in this Base Prospectus or in the Conditions shall be construed so as to include its successors and transferees and any subsequent successors and transferees in accordance with their respective interests.

The language in this Base Prospectus is English. Certain references and terms have been cited in their original language in order that the correct meaning may be ascribed to them under applicable law.

Headings used in this Base Prospectus are for ease of reference only and shall not affect the interpretation thereof.

D.3 FINAL TERMS AND DRAWDOWN PROSPECTUSES

Each Tranche of Covered Bonds will be issued on the terms set out herein under "*Section* 1.3 *Terms and Conditions of the Covered Bonds*" below, as amended and/or supplemented by the Final Terms specific to such Tranche, or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") as described below or without a prospectus. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Covered Bonds which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

In this *Section D.3 Final Terms and Drawdown Prospectuses* the expression "**necessary information**" means, in relation to any Tranche of Covered Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the CBC2 and of the rights attaching to the Covered Bonds. In relation to the different types of Covered Bonds which may be issued under the

Programme the Issuer and the CBC2 (in respect of the CBC2, regarding information relating to the CBC2) have endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Covered Bonds which is not known at the 2019 Programme Update and which can only be determined at the time of an individual issue of a Tranche of Covered Bonds.

Any information relating to a Tranche of Covered Bonds which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to such Tranche will be contained either in the relevant Final Terms or in a separate Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Covered Bonds, may be contained in a supplement to the Base Prospectus under Article 16 of the Prospectus Directive or, in case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, in a Drawdown Prospectus.

For a Tranche of Covered Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of Final Terms are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of a Drawdown Prospectus will be the Conditions either contained in such Drawdown Prospectus, or as contained in this Base Prospectus as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the CBC2 and the relevant Covered Bonds or (2) by a registration document containing the necessary information relating to the Issuer and the CBC2, a securities note containing the necessary information relating to the relevant Covered Bonds and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a registration document and a securities note, any significant new factor, material mistake or inaccuracy relating to the information included in that registration document which arises or is noted between the date of the registration document and the date of the securities note which is capable of affecting the assessment of the relevant Covered Bonds will be included in the securities note.

1. COVERED BONDS

1.1. FORM OF COVERED BONDS

Each Tranche of Covered Bonds will (as specified in the applicable final terms (the "**applicable Final Terms**") be in bearer or in registered form. Bearer Covered Bonds will initially be issued in the form of a temporary global covered bond without interest coupons attached (a "**Temporary Global Covered Bond**") or, if so specified in the applicable Final Terms, a permanent global covered bond without interest coupons attached (a "**Permanent Global Covered Bond**" and, together with any Temporary Global Covered Bond, each a "**Global Covered Bond**"). Each Temporary Global Covered Bond which is intended to be issued in new global note ("**NGN**") form, as specified in the applicable Final Terms, will be deposited on or prior to the original issue date of the Tranche with a common safekeeper for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Each Classic Temporary Global Covered Bond which is not intended to be issued in NGN form, as specified in the applicable Final Terms, will on or prior to the original issue date of the Tranche be deposited with *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Netherlands**") or with (safekeeper or depository for) any other agreed clearing system. Registered Covered Bonds will be issued to each holder by way of a deed of issuance (a "**Registered Covered Bonds Deed**") .

Whilst any Covered Bond is represented by a Temporary Global Covered Bond payments of principal, interest (if any) and any other amount payable in respect of the Covered Bonds due prior to the Exchange Date will be made against presentation of the Temporary Global Covered Bond only to the extent that certification (in a form to be provided) to the effect that the beneficial holders of interests in such Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or Euroclear Netherlands or any other agreed clearing system and that clearing system has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is not less than 40 days nor (if the Temporary Global Covered Bond has been deposited with Euroclear Netherlands) more than 90 days after the date on which the Temporary Global Covered Bond is issued (or the "**restricted period**" within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein for interests in a Permanent Global Covered Bond of the same Series, against certification of non-US beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond is improperly withheld or refused. Payments of principal, interest (if any) and any other amounts on a Permanent Global Covered Bond will be made without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will only be exchangeable (free of charge), in whole but not in part, for definitive bearer Covered Bonds (each a "**Bearer Definitive Covered Bond**") with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event, subject to mandatory provisions of applicable laws and regulations. For these purposes, "**Exchange Event**" means that (i) the Covered Bonds become immediately due and repayable by reason of an Issuer Event of Default or (ii) the Issuer has been notified that the relevant clearing system has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences

which would not be suffered if the Covered Bonds represented by the Permanent Global Covered Bond were in definitive form. The Issuer will promptly give notice to Covered Bondholders of each Series in accordance with Condition 13 (*Notices; Provision of Information*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg and/or, if applicable, Euroclear Netherlands (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

In the event that Covered Bonds which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount are issued, it is possible that the Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. So long as such Covered Bonds are represented by a Temporary Global Covered Bond or Permanent Global Covered Bond and the relevant clearing system(s) so permit, these Covered Bonds will be tradeable only in the minimum Specified Denomination increased with integral multiples of another smaller amount, notwithstanding that Definitive Covered Bonds shall only be issued up to, but excluding, twice the minimum Specified Denomination. Bearer Definitive Covered Bonds will be in the standard euromarket form.

In the case of Covered Bonds represented by a Permanent Global Covered Bond deposited with Euroclear Netherlands, on the occurrence of an Exchange Event as described above, an exchange for Definitive Covered Bonds will only be possible in the limited circumstances as described in the Wge and in accordance with the rules and regulations of Euroclear Netherlands.

Global Covered Bonds, Definitive Covered Bonds and Registered Covered Bonds will be issued in accordance with and subject to the terms of the Agency Agreement and the Trust Deed.

The following legend will appear on all Covered Bonds in bearer form, which have an original maturity of more than one year and on all receipts and interest coupons relating to such Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Covered Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Covered Bonds, receipts or interest coupons.

The following legend will appear on all Global Covered Bonds in bearer form held through Euroclear Netherlands:

"NOTICE: THIS COVERED BOND IS ISSUED FOR DEPOSIT WITH *NEDERLANDS CENTRAAL INSTITUUT VOOR GIRAAL EFFECTENVERKEER B.V.* ("**EUROCLEAR NETHERLANDS**") AT AMSTERDAM, THE NETHERLANDS. ANY PERSON BEING OFFERED THIS COVERED BOND FOR TRANSFER OR ANY OTHER PURPOSE SHOULD BE AWARE THAT THEFT OR FRAUD IS ALMOST CERTAIN TO BE INVOLVED.

Covered Bonds which are represented by a Global Covered Bond deposited with a common depositary for Euroclear or Clearstream, Luxembourg or with a common safekeeper will only be transferable in accordance with the rules and procedures for the time being of Euroclear or

Clearstream, Luxembourg or that common safekeeper, as the case may be. In the case of a Global Covered Bond deposited with Euroclear Netherlands, the rights of Covered Bondholders will be exercised in accordance with the Wge.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a temporary common code and ISIN Code by Euroclear and Clearstream, Luxembourg, Clearnet S.A. Amsterdam Branch Stock Clearing and/or any other relevant security code which are different from the common code, ISIN Code and/or other relevant security code assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**")) applicable to the Covered Bonds of such further Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee but shall not include Euroclear Netherlands.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the CBC2 unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

1.2. FORM OF FINAL TERMS

Set out below is the form of Final Terms, which, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under the Programme.

FINAL TERMS

[Date]

ABN AMRO Bank N.V.

(incorporated in The Netherlands with its statutory seat in Amsterdam and registered in the Commercial Register of the Chamber of Commerce under number 34334259

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]

Guaranteed as to payment of principal and interest by
ABN AMRO Covered Bond Company 2 B.V.
under the €40,000,000,000
Covered Bond Programme 2

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended or superseded, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State) and includes any relevant implementing measures in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS - the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"), (ii) a customer within the meaning of Directive 2016/97/EU ("**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). Consequently no Key Information Document is required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market - Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in

respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[[*specify benchmark*] is provided by [*administrator legal name*]][repeat as necessary], [[*administrator legal name*] [appears]/[does not appear]][*repeat as necessary*] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the "**Benchmarks Regulation**").

[As far as the Issuer is aware, [[*insert benchmark(s)*] [does/do] not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation] ***OR*** [the transitional provisions in Article 51 of the Benchmarks Regulation apply], such that [*insert names(s) of administrator(s)*] [is/are] not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]][1]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [10] July 2019 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [www.abnamro.com/debtinvestors] and during normal business hours at the registered office of the Issuer, currently at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands and copies may be obtained from the Issuer at that address.

[*The following alternative language applies if the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date. Consider whether a Drawdown Prospectus is required in this case, for example, because the final terms of the first Tranche included information which is no longer permitted to be included in final terms under the Prospectus Directive.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [10] July 2019 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive, provided that solely for the purpose of Condition 7 (*Taxation*) sub (iv) and (c) and (d) of the sixth paragraph of Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*), the Issue Date shall be deemed to be [include issue date of original issuance]. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with the Base Prospectus. This document constitutes the Final Terms relating to the issue of Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for

[1] For benchmarks other than EURIBOR and LIBOR this legend and item 27 of the Final Terms will be included.

viewing at [www.abnamro.com/debtinvestors] and during normal business hours at the registered office of the Issuer, currently at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands and copies may be obtained from the Issuer at that address.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.*]

[*When completing any final terms or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

1.	(i)	Issuer:	ABN AMRO Bank N.V., acting through its head office
	(ii)	CBC2:	ABN AMRO Covered Bond Company 2 B.V.
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(iii)	Date on which the Covered Bonds become fungible:	[Not Applicable/The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Covered Bond for interests in the Permanent Global Covered Bond, as referred to in paragraph [21] below [which is expected to occur on or about [*insert date*]]].]
3.	Specified Currency:		EUR
4.	Aggregate Nominal Amount:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
6.	(i)	Specified Denominations:	[ ] (*At least EUR 100,000 for public offers and/or admissions to trading on a regulated market within the EEA*) (*For Bearer Covered Bonds where multiple denominations above EUR 100,000 are being*

			used the following sample wording should be followed: "[EUR 100,000] (*or the relevant higher denomination*) and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 99,000] (*or twice the relevant higher denomination minus the smallest denomination*). No Covered Bonds in definitive form will be issued with a denomination above [EUR 199,000] (*or twice the relevant higher denomination minus the smallest denomination*).")
	(ii)	Calculation Amount	[.] (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.)
7.	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.	(i)	Final Maturity Date:	[ ] (specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year)
9.		Extended Due for Payment Date:	[ ] (specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to [specify month and year]; in each case falling twelve (12) calendar months after the Final Maturity Date and, in relation to Zero Coupon or if otherwise applicable, specify interest basis as referred to in Condition 3(b) (*The Guarantee*))
10.		Interest Basis:	[[ ] per cent. Fixed Rate] [from, and including the Interest Commencement Date to, but excluding the Final Maturity Date. Thereafter, [[specify reference rate] +/- [ ] per cent. Floating Rate] [[specify reference rate] +/- [ ] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
11.		Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption and subject to Condition 3 (*The Guarantee*), the Covered Bonds will be redeemed on the Final Maturity Date at [100] per cent. of

			their nominal amount.
12.	Change of Interest Basis:		[[•]/[in accordance with paragraphs [15] and [16] below]/[Not Applicable]] (*If applicable, specify the date when any fixed to floating or floating to fixed rate change occurs or refer to paragraphs 15 and 16 below and identify there*)
13.	Call Option(s):		[Not Applicable / Issuer Call (further particulars specified below)]
14.	(i)	Status of the Covered Bonds:	Unsubordinated, unsecured, guaranteed
	(ii)	Status of the Guarantee:	Unsubordinated, secured (indirectly, through a parallel debt), unguaranteed

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Covered Bond Provisions**		[Applicable/Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including [ ] [[Extended Due for Payment Date] [(provided however that after the Extension Date, the Interest Payment Date shall be [monthly][other])]] [in each case subject to adjustment in accordance with the [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] [and [ ] as Additional Business Centre[s] for the definition of "Business Day"][, Unadjusted]] (This will need to be amended in the case of long or short coupons)
	(iii)	Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(iv)	Broken Amount(s):	[Not Applicable / [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]] (*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*)
	(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA)]

	(vi)	Determination Date(s):	[[ ] in each year / Not Applicable] (*Insert regular Interest Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last Coupon.* *NB: This will need to be amended in the case of regular Interest Payment Dates which are not of equal duration* *NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
16.	**Floating Rate Covered Bond Provisions**		[Applicable/Not Applicable/Applicable as of and including the Final Maturity Date] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[ ]
	(ii)	[Specified Interest Payment Dates / Specified Period:]	[ ] (*NB: Specify the Specified Period(s) and Specified Interest Payment Dates. (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the Floating Rate Convention (also called FRN Convention or Eurodollar Convention), include Specified Period and not Specified Interest Payment Dates)*
	(iii)	[First Interest Payment Date:]	[ ]
	(iv)	Business Day Convention:	[Floating Rate Convention / FRN Convention / Eurodollar Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / None]
	(v)	Unadjusted:	[No/Yes/Not applicable] (*Only applicable in case a Business Day Convention applies. Insert "No" if the amount of interest payable in respect of the relevant Interest Period should also be adjusted in accordance with the applicable Business Day Convention. Insert "Yes" if the amount of interest should be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the applicable Business Day Convention.*)
	(vi)	Additional Business Centre(s):	[Not Applicable/*give details*]
	(vii)	Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined:	[Screen Rate Determination / ISDA Determination]
	(viii)	Calculation Agent	[Principal Paying Agent / [ ]]

	(ix)	Screen Rate Determination:	[Yes/No] (*If "No", delete the remaining sub-paragraphs of this paragraph*)
	—	Reference Rate:	[ ] (*for example, euro LIBOR or EURIBOR*)
	—	Interest Determination Date(s):	[ ] (*Second day on which TARGET2 is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	—	Relevant Screen Page:	[ ] (In the case of EURIBOR, if not Reuters EURIBOR 01, ensure it is a page which shows a composite rate, due to the fallback provisions contained in Condition 4(b)(ii)(B) (Screen Rate Determination for Floating Rate Covered Bonds))
	(x)	ISDA Determination:	[Yes/No] (*If "No", delete the remaining sub-paragraphs of this paragraph*)
	—	Floating Rate Option:	[ ]
	—	Designated Maturity:	[ ]
	—	Reset Date:	[ ]
	(xi)	Margin(s):	[+/-] [ ] per cent. per annum
	(xii)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xiv)	Day Count Fraction:	[Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Euro) / Actual/360 / 30E/360 or Eurobond Basis / 30/360 / 30E/360 (ISDA)]
17.	**Zero Coupon Covered Bond Provisions**		[Applicable/Not Applicable] (If "Not Applicable", delete the remaining sub-paragraphs of this paragraph)
	(i)	Accrual Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	[(iii)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA)]]

PROVISIONS RELATING TO REDEMPTION

18.	**Issuer Call**		[Applicable/Not Applicable] (*If "Not Applicable", delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s) of each Covered Bond:	[ ] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[ ] per Calculation Amount
		(b) Maximum Redemption Amount:	[ ] per Calculation Amount
	(iv)	Notice period (*if other than as set out in the Conditions*):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agents*)
19.	**Final Redemption Amount of each Covered Bond**		[ ] per Calculation Amount (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply*)
20.	**Early Redemption Amount of each Covered Bond**		
	Early Redemption Amount per Calculation Amount payable on redemption for taxation reasons, or on acceleration following an Issuer Event of Default as against the Issuer or a CBC2 Event of Default or other early redemption:		[Not Applicable / As set out in Condition 6 (*Redemption and Purchase*) / [ ] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Form of Covered Bonds:	[Bearer form / Registered form] (*Delete as appropriate*) [Temporary Global Covered Bond exchangeable for a Permanent Global Covered

		Bond which is exchangeable for Definitive Covered Bonds only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations.] [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations.] [Registered Covered Bonds, issued to each holder by way of Registered Covered Bonds Deed. Specified office of Issuer for notification of transfers of Registered Covered Bonds: [Breda office, [*address*]/other] [*Delete as appropriate*].]
22.	New Global Note	[Yes/No] (*If "No" is specified here ensure that "Not Applicable" is specified for Eurosystem eligibility in the relevant sub-paragraph of paragraph 8 of Part B of the Final Terms and if "Yes" is specified here ensure that the appropriate specification is made in respect of Eurosystem eligibility in that same sub-paragraph*)
23.	Exclusion of set-off	[Not applicable / Condition 5(g) applies]
24.	For the purposes of Condition 13, notices to be published in a newspaper:	[Yes, in [the Financial Times / [*specify other leading English language daily newspaper of general circulation in London*]] / No] (*N.B. Only relevant for Bearer Covered Bonds*)
25.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this item relates to the date and place of payment (see Condition 5(e) (Payment Day)) and not Interest Period end dates (to which items 14(ii) and 15(vii) relate*))
26.	Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	[No / Yes (*give details*)] (If the Covered Bonds have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.)
27.	Consolidation provisions:	[The provisions [of Condition 16 (*Further Issues*) / annexed to these Final Terms] apply]

		[Not Applicable] (*Only "Not Applicable" if it is intended that there be no future fungible issues to this Series*)
28.	Relevant Benchmark[s]:	[Specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation (Regulation (EU) 2016/1011)]/[Not Applicable]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The CBC2 accepts responsibility for the information relating to the CBC2 contained in these Final Terms. [[*Relevant third party information*] relating to item [ ] above has been extracted from [*specify source*]. The Issuer and the CBC2 confirm that such information (in the case of the CBC2, as such information relates to it) has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [(*specify source*)], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:	Signed on behalf of the CBC2:
By:	By:
Duly authorized	Duly authorised
By:	By:
Duly authorised	Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing:	[Euronext in Amsterdam / [ ] / None]
(ii)	Admission to trading:	[Application [has been / is expected to be] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [Euronext in Amsterdam/*specify relevant regulated market and, if relevant, admission to an official list*] with effect from [ ].] [Not Applicable] (Where documenting a fungible issue, indicate that original covered bonds are already admitted to trading)
(iii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Covered Bonds to be issued [have been/are expected to be] rated:] / [The Covered Bonds to be issued have not been specifically rated. The rating allocated to Covered Bonds under the Programme generally is:] [Moody's: [ ]] [[ ]] *(Insert one (or more) of the following options, as applicable:)* [*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"). [*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority]. [*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it

applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but the rating it has given to the Covered Bonds is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not certified under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

[In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

(*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*)

Save as discussed in ["*Section 1.5 Subscription and Sale*"], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. [*Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)]]

4. **[YIELD** *(Fixed Rate Covered Bonds only)*

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Other relevant code:	[[ ] / Not Applicable]
(iv)	[FISN:	[ ]]
(v)	[CFI Code:	[ ]]
(vi)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] (*Include this text if "Yes" selected:*) Note that the designation "Yes" does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met. The Covered Bonds will be deposited initially upon issue with [one of the ICSDs acting as common safekeeper / a common safekeeper].
(vii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Euroclear Netherlands/Not Applicable/*give name(s) and number(s)*]
(viii)	Delivery:	Delivery [against/free of] payment
(ix)	Names and addresses of additional Paying Agent(s) (if any):	[ ] / [Not Applicable]

6. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager(s) (if any):	[Not Applicable/*give name[s]*]
(iii)	If non-syndicated, name of Dealer(s):	[Not Applicable/*give name[s]*]
(iv)	U.S. selling restrictions:	[Regulation S Compliance Category [2] / TEFRA D / TEFRA C / TEFRA rules not applicable] (Regulation S language and one of the TEFRA options must always be included)
(vi)	Applicable Netherlands / Global selling restriction:	[Not Applicable/specify (Note that depending on the exemption used, specific wording may need to be included)]
(vii)	Additional selling restrictions:	[Not Applicable/*give details*]

1.3. TERMS AND CONDITIONS OF COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond, Registered Covered Bond and each Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond, Definitive Covered Bond and Registered Covered Bond. Any amendments to the Terms and Conditions will be made by way of, and in accordance with the applicable requirements for, amendments to the Trust Deed.

This Covered Bond is one of a Series of Covered Bonds issued by ABN AMRO Bank N.V., acting through its head office (the "**Issuer**") pursuant to a trust deed dated 28 December 2017 (the "**Programme Date**") (such trust deed as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") between the Issuer, ABN AMRO Covered Bond Company 2 B.V. (the "**CBC2**") and Stichting Trustee ABN AMRO Covered Bond Company 2 (the "**Trustee**", which expression shall include any successor as trustee).

Save as provided for in Conditions 9 (*Events of Default and Enforcement*) and 14 (*Meetings of Covered Bondholders, Modification and Waiver*) or where the context otherwise requires, references herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

(i) in relation to any Covered Bonds represented by a global covered bond, units of the lowest Specified Denomination in the Specified Currency;

(ii) any Temporary Global Covered Bond, any Permanent Global Covered Bond and any Registered Covered Bonds, as the case may be; and

(iii) any Definitive Covered Bonds issued in exchange for a Permanent Global Covered Bond upon the occurrence of an Exchange Event.

The Covered Bonds and the Coupons have the benefit of an agency agreement dated the Programme Date (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") between the Issuer, the CBC2, the Trustee, ABN AMRO Bank N.V. as issuing and principal paying agent (the "**Principal Paying Agent**" which expression shall include any successor principal paying agent, and the Principal Paying Agent together with any other paying agents named in the Agency Agreement, the "**Paying Agents**", which expression shall include any additional or successor paying agent), ABN AMRO Bank N.V. acting through its head office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands as registrar in respect of all Registered Covered Bonds issued pursuant to a Registered Covered Bonds Deed (the "**Registrar**" which expression shall include any successor registrar) and any other agents named therein (together with the Paying Agent and the Registrar, the "**Agents**", which expression shall include any additional or successor agent).

Interest bearing definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms) interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Covered Bonds do not have Coupons or Talons attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) is (i) in the case of a Bearer Covered Bond, attached to or endorsed on this Covered Bond or (ii) in the case of a Registered Covered Bond, attached to the relevant Registered Covered Bond, and supplements these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the applicable Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond or the relevant Registered Covered Bond.

The Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the "**Covered Bondholders**", which expression shall, in relation to (i) any Bearer Covered Bonds represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond, and (ii) any Registered Covered Bond, as the case may be, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), and for holders of each other Series in accordance with the provisions of the Trust Deed. Any holders mentioned above include those having a credit balance in the collective depots held by Euroclear Netherlands or one of its participants.

As used herein, "**Tranche**" means Covered Bonds which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

These Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Security Documents and the Agency Agreement.

Copies of the Trust Deed, the Security Documents, the Incorporated Terms Memorandum incorporating the Master Definitions Schedule, the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Security Documents, the Incorporated Terms Memorandum, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meaning given to them in the applicable Final Terms and/or the master definitions schedule (as amended from time to time, the "**Master Definitions Schedule**") incorporated in the incorporated terms memorandum (as amended from time to time, the "**Incorporated Terms Memorandum**"), a copy of each of which may be obtained as described above.

1. FORM, DENOMINATION AND TITLE

The Covered Bonds are in bearer form ("**Bearer Covered Bonds**") or registered form ("**Registered Covered Bonds**"), as set out in the applicable Final Terms, and, in the case of Definitive Covered Bonds, serially numbered, and in the case of Definitive Covered Bonds or Registered Covered Bonds in the Specified Currency and the Specified Denomination(s).

Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination. Registered Covered Bonds may not be exchanged for Bearer Covered Bonds.

A Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds or Registered Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.

Under Dutch law, the valid transfer of Covered Bonds requires, amongst other things, delivery (*levering*) thereof.

For Covered Bonds held by Euroclear Netherlands deliveries will be made in accordance with the Wge.

The Issuer, the CBC2, the Paying Agents and the Trustee may (except as otherwise required by law) deem and treat the holder of any Bearer Covered Bond or Coupon as the absolute owner thereof, whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such bearer for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the first succeeding paragraph. The signatures on the Covered Bonds and the Registered Covered Bond Deeds are manual and/or in facsimile.

For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") by a common safekeeper, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the CBC2, the Paying Agents and the Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond shall be treated by the Issuer, the CBC2, any Paying Agent and the Trustee as the holder of the nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions "**Covered Bondholder**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Covered Bonds as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or an error established as such to the satisfaction of the Trustee, be conclusive and binding on all concerned.

Covered Bonds, which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg, Euroclear Netherlands and/or any other agreed clearing system, as the case may be.

Where Covered Bonds represented by a Permanent Global Covered Bond are deposited with Euroclear Netherlands, a Covered Bondholder shall not have the right to request delivery (*uitlevering*) of his Covered Bonds under the Wge other than as set out in the Global Covered Bond.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee but shall not include Euroclear Netherlands. Any amendments to these Conditions required in connection with such additional or alternative clearing system shall be specified in the applicable Final Terms.

2. STATUS OF THE COVERED BONDS

The Covered Bonds and any relative Coupons constitute unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantee and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, other than any obligations preferred by mandatory provisions of applicable law.

3. THE GUARANTEE

Pursuant to a guarantee issued under the Trust Deed, the CBC2 has as an independent obligation irrevocably undertaken to pay the Guaranteed Amounts when the same shall become Due for Payment (as amended from time to time, the "**Guarantee**"). However, the CBC2 shall have no such obligation under the Guarantee until (i) the occurrence of an Issuer Event of Default, service by the Trustee on the Issuer of an Issuer Acceleration Notice and service by the Trustee on the CBC2 of a Notice to Pay or (ii) the occurrence of a CBC2 Event of Default and the service by the Trustee of a CBC2 Acceleration Notice on the Issuer and the CBC2. In addition, the CBC2 is obliged under the Guarantee to pay a Guaranteed Final Redemption Amount in relation to any Series (the "**Relevant Series**"), then:

(a) the obligation of the CBC2 to pay such Guaranteed Final Redemption Amount in respect of the Relevant Series shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the date when such Guaranteed Final Redemption Amount is Due for Payment (the "**Extension Date**") or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any monies are available to the CBC2 after the CBC2 shall under the relevant Priority of Payments have paid or provided for (1) all higher and *pari passu* ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series with an Extended Due for Payment Date falling prior to the CBC2 Payment Period in which the Extended Due for Payment Date for the Relevant Series falls, in which case the CBC2 shall (i) give notice thereof to the holders of the Relevant Series (in accordance with Condition 13 (*Notices; Provision of Information*)), the Rating Agencies, the Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the Extension Date and/or such Interest Payment Date, respectively and (ii) apply such remaining available monies in payment, in whole or in part, of such Guaranteed Final Redemption Amount, if applicable *pro rata* with any Guaranteed Final Redemption Amount pertaining to a Series with an Extended Due for Payment Date falling in the same CBC2 Payment Period in which the Extended Due for Payment Date for the Relevant Series falls (and to such extent such Guaranteed Final Redemption Amount shall for the purpose of the

relevant Priority of Payments and all other purposes be due) on the Extension Date and/or such Interest Payment Date, respectively; and

(b) the CBC2 shall under the Guarantee owe interest over the unpaid portion of such Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (*Interest*) provided that for this purpose all references in Condition 4 (*Interest*) to the Final Maturity Date of the Relevant Series are deemed to be references to the Extended Due for Payment Date, *mutatis mutandis*,

all without prejudice to the CBC2's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

The rights under the Guarantee (a) form an integral part of the Covered Bonds, (b) are of interest to a Covered Bondholder only if, to the extent that, and for so long as, it holds Covered Bonds and (c) can only be transferred together with all other rights under the relevant Covered Bond. The obligations of the CBC2 under the Guarantee are unsubordinated and unguaranteed obligations of the CBC2, which are secured (indirectly, through a parallel debt) as provided in the Security Documents.

As security for a parallel debt corresponding to the CBC2's obligations under the Guarantee and the other Transaction Documents to which it is a party, the CBC2 has granted or will grant (as the case may be) the following security rights to the Trustee:

(i) a first ranking right of pledge over the Transferred Assets;

(ii) a first ranking right of pledge over the monies standing to the credit of the CBC2 Accounts from time to time; and

(iii) a first ranking right of pledge over the CBC2's present and future rights (*vorderingen*) *vis-à-vis* any debtors of the CBC2 under any Transaction Document to which the CBC2 is a party, other than the Management Agreement (CBC2).

The holders of the Covered Bonds of each Series will, through the Trustee, benefit from the Security and are deemed to have acknowledged, and are bound by, Clause 8 (*Parallel Debt*) of the Trust Deed.

In these Conditions:

"**Extended Due for Payment Date**" means, in relation to any Series, the date falling twelve (12) calendar months after the Final Maturity Date, as specified as such in the applicable Final Terms; and

"**Guaranteed Final Redemption Amount**" means a Guaranteed Amount relating to Scheduled Principal payable on the Final Maturity Date in respect of any Series.

4. INTEREST

(a) *Interest on Fixed Rate Covered Bonds*

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the applicable Rate of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date and subject to Condition 3 (*The Guarantee*), the Extended Due for Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If a "**Business Day Convention**" is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(2) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(3) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

If a Business Day Convention is specified in the applicable Final Terms, the number of days for calculating the amount of interest payable in respect of the relevant Interest Period shall also be adjusted in accordance with such Business Day Convention, unless "**Unadjusted**" is specified in the applicable Final Terms, in which case such amount of interest shall be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the Fixed Rate Covered Bond, divided by the Calculation Amount.

In these Conditions:

"**Business Day**" means a day which is:

(i) in relation to any sum payable in respect of any Series of Covered Bonds a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 ("**TARGET2**") is open and a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Amsterdam and in any "**Additional Business Centre**" specified in the applicable Final Terms; and

(ii) in any other case (A) in relation to any sum payable (other than in respect of any Series of Covered Bonds), a day on which banks are generally open for business in

Amsterdam and TARGET2 is open, or (B) a day on which banks are generally open for business in Amsterdam;

"**Calculation Amount**" has the meaning given thereto in the applicable Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Covered Bonds where the actual number of days in the relevant period from (and including) the most recent Interest Payment Date (or, in the case of the first interest period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is so specified, the number of days in the Fixed Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Fixed Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Fixed Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Fixed Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Fixed Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Fixed Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Fixed Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Final Maturity Date**" means in respect of a Series the Interest Payment Date which falls no more than 30 years after the Issue Date of such Series and on which the Covered Bonds of such Series are expected to be redeemed at their Principal Amount Outstanding in accordance with these Conditions as specified in the applicable Final Terms;

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or, in the case of the first interest period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

"**Principal Amount Outstanding**" means, on any date:

(i) in respect of a Covered Bond outstanding, the principal amount of that Covered Bond on the relevant Issue Date, less the aggregate amount of any principal payments in respect of such Covered Bond which have been paid to the Paying Agent on or prior to that date; and

(ii) in relation to the Covered Bonds outstanding at any time, the aggregate of the amount in (i) in respect of all Covered Bonds outstanding; and

"**sub-unit**" means one euro cent.

(b) ***Interest on Floating Rate Covered Bonds***

(i) *Interest Payment Dates*

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**", such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

If a Business Day Convention is specified in the applicable Final Terms, the number of days for calculating the amount of interest payable in respect of the relevant Interest Period shall also be adjusted in accordance with such Business Day Convention, unless "**Unadjusted**" is specified in the applicable Final Terms, in which case such amount of interest shall be calculated as if the relevant Interest Payment Date were not subject to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner described further in subparagraph (A) or subparagraph (B) below, as determined in the applicable Final Terms and subject to Condition 4(d) (*Reference Rate Replacement*).

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as

published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period as specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR), the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the time specified two paragraphs above on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the

arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be determined by the Calculation Agent as the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, by the Calculation Agent as the Reference Rate which appears on the Relevant Screen Page as at 11.00 a.m. in the principal financial centre of the relevant currency (such as London, or Amsterdam in respect of the Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro) on the relevant Interest Determination Date; and

(ii) in any other case, by the Calculation Agent as the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as at the time specified in the preceding paragraph on the relevant Interest Determination Date.

For the purposes of this subparagraph (B), "**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Amsterdam office of four major banks in the Amsterdam inter bank market selected by the Calculation Agent or, in the case of a determination of a rate other than

EURIBOR, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Calculation Agent will at or as soon as practicable at each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the Floating Rate Covered Bond, divided by the Calculation Amount.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

if "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of the Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

if "**Actual/365 (Euro)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

if "**30/360**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; or

if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any competent listing authority, stock exchange and/or quotation system on or by which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or admitted to trading and notice thereof to be published in accordance with Condition 13 (*Notices; Provision of Information*) as soon as possible after their determination but in no event later than the fourth Amsterdam Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each competent listing authority, stock exchange and/or quotation system on or by which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or admitted to trading and to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*). For the purposes of this paragraph, the expression "**Amsterdam Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Amsterdam. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Floating Rate Covered Bond having the minimum Specified Denomination.

(vi) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (B) above, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4(b), but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Calculation Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error or an error established as such to the satisfaction of the Trustee) be binding on the Issuer, the CBC2, the Calculation Agent, the other Paying Agents, the Trustee and all Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the CBC2, the Covered Bondholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Accrual of interest***

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(d) ***Reference Rate Replacement***

(i) If the Calculation Agent (in consultation with the Issuer or, following an Issuer Event of Default, the CBC2) determines a Reference Rate Event has occurred when any Rate of Interest (or component thereof) remains to be determined by reference to the Reference Rate, then the following provisions shall apply to the relevant Series of Covered Bonds:

(A) the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) shall use reasonable endeavours to appoint an Independent Adviser to determine:

(1) a Successor Reference Rate; or

(2) if such Independent Adviser fails so to determine a Successor Reference Rate, an Alternative Reference Rate,

and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) no later than five

Business Days prior to the Interest Determination Date relating to the next Interest Period (the "**IA Determination Cut-off Date**"), for the purposes of determining the Rate of Interest applicable to the Covered Bonds for such next Interest Period and for all other future Interest Periods (subject to the subsequent operation of this Condition 4(d) during any other future Interest Period(s));

(B) if the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) is unable to appoint an Independent Adviser or such Independent Adviser appointed fails to determine a Successor Reference Rate or an Alternative Reference Rate (in accordance with Condition 4(d)(i)(A) prior to the relevant IA Determination Cut-off Date, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable), acting in good faith, in a commercially reasonable manner and take into account any applicable requirements arising from the Benchmarks Regulation, shall use reasonable endeavours to determine:

(1) a Successor Reference Rate; or

(2) if the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) fails so to determine a Successor Reference Rate, an Alternative Reference Rate,

and, in each case, an Adjustment Spread (if any) no later than three Business Days prior to the Interest Determination Date relating to the next Interest Period (the "**Issuer Determination Cut-off Date**"), for the purposes of determining the Rate of Interest applicable to the Covered Bonds for such next Interest Period and for all other future Interest Periods (subject to the subsequent operation of this Condition 4(d) during any other future Interest Period(s)). Without prejudice to the definitions thereof, for the purposes of determining any Alternative Reference Rate and/or any Adjustment Spread, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;

(C) if a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) in accordance with this Condition 4(d):

(1) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(d));

(2) if the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines that an Adjustment Spread is required to be applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) and determines to the best of its knowledge and capability (acting in good faith and in a commercially reasonable manner) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be

applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(d)); and

(3) the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) (acting in good faith and in a commercially reasonable manner) may in its discretion specify:

(x) changes to these Conditions in order to follow market practice in relation to such Successor Reference Rate or Alternative Reference Rate (as applicable), including, but not limited to (1) Additional Business Centre(s), Additional Financial Centre(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reference Banks and/or Relevant Screen Page applicable to the relevant Series of Covered Bonds and (2) the method for determining the fall-back to the Rate of Interest in relation to the relevant Series of Covered Bonds if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and

(y) any other changes which the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines are reasonably necessary to ensure the proper operation and comparability to the Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable),

which changes shall apply to the relevant Series of Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 4(d)); and

(D) promptly following the determination of (i) any Successor Reference Rate or Alternative Reference Rate (as applicable) and (ii) if applicable, any Adjustment Spread, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) shall give notice thereof and of any changes (and the effective date thereof) pursuant to Condition 4(d)(C)(3) to the Trustee, the Principal Paying Agent, the Calculation Agent and the relevant Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*).

(ii) If a Successor Reference Rate or an Alternative Reference Rate is not determined pursuant to the operation of this Condition 4(d) on or before the relevant Issuer Determination Cut-off Date, then the Rate of Interest for the next Interest Period shall be determined by reference to the fall-back provisions of Condition 4(b)(ii)(B) (*Screen Rate Determination for Floating Rate Covered Bonds*).

(iii) An Independent Adviser appointed pursuant to this Condition 4(d) shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable), the Transfer Agent, the Registrars, the Paying Agents, the Calculation Agent or the

Covered Bondholders for any determination made by it (or not made by it) pursuant to this Condition 4(d).

(iv) As used in this Condition 4(d):

"**Adjustment Spread**" means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines is required to be applied to a Successor Reference Rate or an Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to relevant Covered Bondholders as a result of the replacement of the Reference Rate with such Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines is recognized or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by such Successor Reference Rate or Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognized or acknowledged, the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) in its discretion determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

"**Alternative Reference Rate**" means the rate that the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines has replaced the Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest in respect of covered bonds which meet the criteria set out in article 129 of the CRR (as amended from time to time) and which are denominated in the Specified Currency and of a comparable duration to the relevant Interest Periods, or, if such Independent Adviser, or the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines that there is no such rate, such other rate as such Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines in its discretion is most comparable to the Reference Rate.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) at its own expense.

"**Reference Rate**" shall be reference rate as specified in the applicable Final Terms, subject as provided in Condition 4(d) (*Reference Rate Replacement*).

"**Reference Rate Event**" means:

(i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(ii) a public statement by the administrator of the relevant Reference Rate that it has ceased, or will cease, publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences either generally, or in respect of the Covered Bonds; or

(v) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

(vi) it has or will become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any Covered Bondholder using the relevant Reference Rate (including, without limitation, under the Benchmark Regulation (EU) 2016/1011, if applicable).

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which such reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which such reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

"**Successor Reference Rate**" means the rate that the relevant Independent Adviser, the Issuer or, following an Issuer Event of Default, the CBC2 (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body

5. PAYMENTS

(a) *Method of payment*

Subject as provided below, payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment in these Conditions, the Trust Deed, the Agency Agreement and the Final Terms, but without prejudice to the provisions of

Condition 7 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

(b) ***Presentation of Definitive Covered Bonds and Coupons***

Payments of principal in respect of Definitive Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Covered Bonds, and payments of interest in respect of Definitive Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Fixed Rate Covered Bonds in definitive form (other than Long Maturity Covered Bonds (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Final Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive form becomes due and repayable in whole, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due date for redemption of any Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Covered Bond.

(c) ***Payments in respect of Global Covered Bonds***

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond in bearer form not in new global note form will

(subject as provided below) be made in the manner specified above in relation to Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender (as the case may be) of such Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

If a Global Covered Bond in bearer form is in the form of a new global note, payments of principal and interest (if any) in respect of such Covered Bonds shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the principal amount of such Covered Bonds recorded in the records of the relevant clearing system and represented by the Global Covered Bond in bearer form in the form of a new global note will be reduced accordingly.

(d) ***General provisions applicable to payments***

The holder of a Global Covered Bond shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or the CBC2 and the Trustee will be discharged by payment to, or to the order of, the holder of such Global Covered Bond in respect of each amount so paid.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or Euroclear Netherlands or any other agreed clearing system as the beneficial holder of a particular nominal amount of Covered Bonds represented by a Global Covered Bond must look solely to Euroclear, Clearstream, Luxembourg or Euroclear Netherlands or any other agreed clearing system, as the case may be, for his share of each payment so made by the Issuer or the CBC2 or the Trustee to, or to the order of, the holder of such Global Covered Bond.

(e) ***Payment Day***

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*)) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Bearer Covered Bonds in definitive form only, the relevant place of presentation; and

(B) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) a day on which TARGET2 is open.

(f) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Covered Bonds;

(iii) the Early Redemption Amount of the Covered Bonds;

(iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

(v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(d) (*Redemption and Purchase - Early Redemption Amounts*));

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds; and

(vii) any Excess Proceeds which may be payable by the Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(g) ***Set-off***

If this Condition 5(g) is specified to apply in the applicable Final Terms:

(i) any payments under or pursuant to the Covered Bonds shall be made by the Issuer free of set-off; and

(ii) for the purpose of Registered Covered Bonds issued to a German insurance company or pension fund under the German Insurance Supervisory Act, the Issuer and the CBC2 each hereby waive, for the benefit of all present and future holders of the Registered Covered Bonds, any right to set-off (*verrekenen*, in German: *aufrechnen*) any amount against, any right to retain (*inhouden*, in German: *zurückbehalten*) any amount from, and any right of pledge (*pandrecht*, in German: *Pfandrecht*), including but not limited to any right of pledge created under the Issuer's General Banking Conditions, with regard to any amount it owes under or in respect of the Registered Covered Bonds and any similar right which may adversely affect the rights under or in respect of the Registered Covered Bonds. This waiver (i) applies as far as and as long as and to the extent that the Registered Covered Bonds are part of the guarantee assets (*Sicherungsvermögen*) within the meaning of the German Insurance Supervisory Act (*Versicherungsaufsichtsgesetz*)), also in the event of an insolvency or in the event that insolvency proceedings or similar proceedings are instituted and (ii) prevails over any present or future agreement with a conflicting content, save in the case of future agreements

only, where such future agreement has a conflicting content which explicitly refers to this specific waiver.

6. REDEMPTION AND PURCHASE

(a) ***Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below and subject to Condition 3 (*The Guarantee*), each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Final Maturity Date (the "**Final Redemption Amount**").

(b) ***Redemption for tax reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 13 (*Notices; Provision of Information*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (Taxation)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Covered Bonds; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Covered Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Covered Bondholders and the Couponholders.

Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(d) (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*) or such other notice period as may be specified in the applicable Final Terms; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee, the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date specified in the applicable Final Terms (each such date, an "**Optional Redemption Date**") and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date, provided that no Issuer Event of Default has occurred and is continuing. Any such (partial) redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and where applicable in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or Euroclear Netherlands or any other agreed clearing system, in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds (i) represented by Definitive Covered Bonds, a list of the serial numbers and (ii) in the case of Registered Covered Bonds, the nominal amount drawn and the holders thereof, of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices; Provision of Information*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*) at least five days prior to the Selection Date.

(d) ***Early Redemption Amounts***

For the purpose of paragraph (b) above and Condition 9 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (each, the relevant "**Early Redemption Amount**"):

(i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount;

(iii) in the case of a Zero Coupon Covered Bond, at the Amortised Face Amount (as defined below); or

(iv) such other redemption amount as may be specified in the applicable Final Terms.

The "**Amortised Face Amount**" is calculated in accordance with the following formula:

Amortised Face Amount = RP x (1 + AY)y

where:

"**RP**" means the Reference Price specified in the applicable Final Terms;

"**AY**" means the Accrual Yield specified in the applicable Final Terms, expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator of which is 360, provided that where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (iii) on the basis of such other Day Count Fraction mentioned in Conditions 4(a) (*Interest on Fixed Rate Covered Bonds*) and 4(b)(iv) (*Determination of Rate of Interest and calculation of Interest Amounts*) as may be specified in the applicable Final Terms.

(e) ***Purchases***

The CBC2, the Issuer and/or any of its consolidated subsidiaries from time to time (the Issuer and its consolidated subsidiaries, the "**Group**"), may at any time purchase Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the CBC2, the Issuer and/or such other member of the Group, surrendered to any Paying Agent for cancellation.

(f) ***Cancellation***

All Bearer Covered Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Bearer Covered Bonds so cancelled and any Bearer Covered Bonds purchased and cancelled pursuant to paragraph (e) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(g) ***Late payment on Zero Coupon Covered Bonds***

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to paragraph (a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in paragraph

(d)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

(ii) five days after the date on which the full amount of the monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*).

(h) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 13 (*Notices; Provision of Information*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(h) will be redeemed at their Early Redemption Amount referred to in Condition 6(d) (*Redemption and Purchase - Early Redemption Amounts*) above together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(i) ***Certificate***

Prior to the publication of any notice of redemption pursuant to this Condition 6 (*Redemption and Purchase*), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Covered Bondholders.

7. TAXATION

All payments of principal and interest in respect of the Covered Bonds and Coupons by the Issuer or the CBC2, as the case may be, will be made without withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon:

(i) presented for payment outside The Netherlands; or

(ii) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Covered Bond or Coupon; or

(iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(e) (*Payments - Payment Day*)); or

(iv) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

Should any payments made by the CBC2 under the Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature imposed or levied by or on account of any Tax Jurisdiction the CBC2 will not be obliged to pay any additional amounts as a consequence.

Notwithstanding any other provision in these Conditions, the Issuer and the CBC2 shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the CBC2 (as the case may be) not being entitled to receive payments free of FATCA Withholding. The Issuer and the CBC2 will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the CBC2, a Paying Agent, the Registrar or any other party.

As used herein:

the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*); and

"**Tax Jurisdiction**" means The Netherlands or any political subdivision or any authority thereof or therein having power to tax.

8. PRESCRIPTION

The Covered Bonds and Coupons will become void unless presented for payment within a period of five years after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor, subject in each case to the provisions of Condition 5(b) (*Payments - Presentation of Definitive Covered Bonds and Coupons*).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5(b) (*Payments - Presentation of Definitive Covered Bonds and Coupons*) or any

Talon which would be void pursuant to Condition 5(b) (*Payments - Presentation of Definitive Covered Bonds and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

(a) *Issuer Events of Default*

An "**Issuer Acceleration Notice**" means a notice from the Trustee in writing to the Issuer that as against the Issuer (but not against the CBC2) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed.

The Trustee at its discretion may, and:

(1) in relation to the defaults set out in subparagraphs (i) and (v) below; or

(2) if so directed by a Programme Resolution of the Covered Bonds,

shall give an Issuer Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

(i) default is made by the Issuer for a period of 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 14 calendar days or more in the payment of any interest of the Covered Bonds of any Series when due; or

(ii) a default is made in the performance by the Issuer of any material obligation (other than any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) under the provisions of the Covered Bonds of any Series or the Trust Deed or any other Transaction Document to which the Issuer is a party which (unless certified by the Trustee, in its opinion, to be incapable of remedy) shall continue for more than 30 calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied, shall have been given to the Issuer by the Trustee in accordance with the Trust Deed; or

(iii) an order is made or an effective resolution passed for the dissolution or winding up of the Issuer (except a dissolution or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by an Extraordinary Resolution of the holders of the Covered Bonds or which has been effected in compliance with the terms of Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*)); or

(iv) a liquidator, receiver or other similar officer is appointed in relation to the Issuer or in relation to the whole of its assets; or the Issuer initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or equivalent or analogous proceedings under any applicable law, or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or

(v) the Issuer is adjudged or found bankrupt (*failliet*) or equivalent or analogous judgments or measures under any applicable law, are imposed on the Issuer,

provided that (1) in case an event described in paragraph (ii) above shall occur, the Trustee shall only deliver an Issuer Acceleration Notice if it shall have certified in writing to the

Issuer that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series and (2) failure by the Issuer to comply with the 2015 CB Legislation shall not in itself be an Issuer Event of Default, unless such breach by the Issuer is also a breach of its obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Documents which constitutes an Issuer Event of Default in accordance with paragraph (ii) above.

Upon delivery of an Issuer Acceleration Notice pursuant to this Condition 9(a), the Trustee shall forthwith serve a notice to pay on the CBC2 (the "**Notice to Pay**") pursuant to the Guarantee and the CBC2 shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9(c) (*Enforcement*).

The Trust Deed provides that all monies received by the Trustee from the Issuer or any administrator, liquidator, trustee or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall, unless a CBC2 Event of Default has occurred which is continuing, be paid by the Trustee on behalf of the Covered Bondholders of the relevant Series to the CBC2 for its own account, as soon as practicable, and shall be held by the CBC2 in the AIC Account and shall be used by the CBC2 in the same manner as all other monies from time to time standing to the credit of the AIC Account. Any Excess Proceeds received by the Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons for an amount equal to such Excess Proceeds. However, the receipt by the Trustee of any Excess Proceeds shall not reduce or discharge any of the obligations of the CBC2 under the Guarantee.

Each Covered Bondholder shall be deemed to have irrevocably directed the Trustee to pay the Excess Proceeds to the CBC2 in the manner as described above.

(b) ***CBC2 Events of Default***

A "**CBC2 Acceleration Notice**" means a notice in writing to the CBC2 and the Issuer, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and, through the Guarantee, as against the CBC2, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed and after delivery of such CBC2 Acceleration Notice, the Security shall become enforceable.

The Trustee at its discretion may, and, if so directed by a Programme Resolution, shall give a CBC2 Acceleration Notice (subject in each case to being indemnified and/or secured to its satisfaction), if any of the following events (each a "**CBC2 Event of Default**") shall occur and be continuing:

(i) default is made by the CBC2 under the Guarantee for a period of 7 calendar days or more in the payment of any principal or redemption amount, or for a period of 14 calendar days or more in the payment of any interest when due; or

(ii) a default is made in the performance or observance by the CBC2 of any material obligation binding upon it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Security Documents or any other Transaction Document to which the CBC2 is a

party which (unless certified by the Trustee, in its opinion, to be incapable of remedy) shall continue for more than 30 calendar days after written notification requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the CBC2 by the Trustee in accordance with the Trust Deed; or

(iii) an order is made or an effective resolution passed for the dissolution or winding up of the CBC2; or

(iv) the CBC2 ceases to carry on its business or substantially all its business; or

(v) a liquidator, receiver or other similar officer is appointed in relation to the CBC2 or in relation to the whole or any major part of its assets or a conservatory attachment (*conservatoir beslag*) or an executory attachment (*executoriaal beslag*) or other process is levied or enforced upon or sued out against the whole or any major part of its assets or the CBC2 initiates or consents to judicial proceedings relating to its bankruptcy (*faillissement*) or (preliminary) suspension of payments (*(voorlopige) surseance van betaling*), or equivalent or analogous proceedings under any applicable law, or makes a conveyance, assignment or equivalent or assignation for the benefit of, or shall enter into any composition (*akkoord*) with, its creditors generally; or

(vi) the CBC2 is subjected to any applicable Insolvency Proceedings or analogous judgments or measures under any applicable law are imposed on the CBC2; or

(vii) the Guarantee is not, or is claimed by the CBC2 not to be, in full force and effect; or

(viii) the Amortisation Test (as set out in the Asset Monitor Agreement) is not satisfied as at the end of a calendar month, as calculated on the immediately succeeding Calculation Date following the service of a Notice to Pay on the CBC2,

provided that, in case an event described in paragraph (ii) above shall occur, the Trustee shall only deliver a CBC2 Acceleration Notice if it shall have certified in writing to the CBC2 that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following the occurrence of a CBC2 Event of Default and service of a CBC2 Acceleration Notice, the Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9(c) (*Events of Default and Enforcement - Enforcement*) and the Covered Bondholders shall have a claim against the CBC2, under the Guarantee, for the Early Redemption Amount together with accrued interest as provided in the Trust Deed in respect of each Covered Bond.

In these Conditions:

"**Amortisation Test**" means the test pursuant to which the CBC2 and the Originators shall procure that the Amortisation Test Aggregate Asset Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated as at the end of each calendar month as calculated on the immediately succeeding Calculation Date following service of a Notice to Pay on the CBC2;

"**Calculation Date**" means the date falling two Business Days before each CBC2 Payment Date. The "relevant" Calculation Date in respect of any Calculation Period will be the first Calculation Date falling after the end of that period and the "relevant" Calculation Date in respect of any CBC2 Payment Date will be the last Calculation Date prior to that CBC2 Payment Date;

"**Calculation Period**" means the period from the Programme Date to the last day of December 2017 and thereafter, each period from (and including) the first day of each month to the last day of that same month; and

"**CBC2 Payment Date**" means the 28th day of each month or, if such day is not a Business Day, the next following Business Day unless it would thereby fall into the next calendar month, in which event such CBC2 Payment Date shall be brought forward to the immediately preceding Business Day.

(c) ***Enforcement***

The Trustee may at any time after service of an Issuer Acceleration Notice (in the case of the Issuer) or a CBC2 Acceleration Notice (in the case of both the Issuer and the CBC2), at its discretion and without further notice, take such proceedings against the Issuer and/or the CBC2, as the case may be, to enforce the provisions of the Trust Deed, the Covered Bonds and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds or the Coupons or any other Transaction Document unless it shall have been so directed by a Programme Resolution and it shall have been indemnified and/or secured to its satisfaction.

The Trustee may at any time, at its discretion and without further notice, take such proceedings against the CBC2 and/or any other person as it may think fit to enforce the provisions of the Security Documents and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by a Programme Resolution or (ii) it shall have been directed in writing to do so by each of the other Secured Creditors (other than the Issuer); and (iii) it shall have been indemnified and/or secured to its satisfaction.

(d) ***Limitation on Covered Bondholders action***

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the CBC2 or to take any action with respect to the Trust Deed, the Coupons or the Security unless the Trustee having become bound so to proceed, fails to do so within a reasonable time and such failure shall be continuing.

(e) ***Limited Recourse***

The recourse of the Covered Bondholders and the Couponholders against the CBC2 pursuant to the Guarantee is limited:

(i) a Covered Bondholder will have a right of recourse (*verhaalsrecht*) only in respect of the Secured Property (subject to paragraph (ii) below) and will not have any claim, by operation of law or otherwise, against, or recourse to any of the CBC2's other assets or its contributed capital; and

(ii) sums payable to each Covered Bondholder in respect of the CBC2's obligations to such Covered Bondholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Covered Bondholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Trustee in respect of the Secured Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are (1) excluded from application in accordance with the relevant Priority of Payments or (2) payable by the CBC2 in accordance with the relevant Priority of Payments in priority to or *pari passu* with sums payable to such Covered Bondholder; and

(iii) on the Final Maturity Date or the Extended Due for Payment Date (subject to Condition 3 (*The Guarantee*) or if following final enforcement of the Security the Trustee certifies, in its sole opinion, that the CBC2 has insufficient funds to pay in full all of the CBC2's obligations to such Covered Bondholder, then such Covered Bondholder shall have no further claim against the CBC2 in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

10. REPLACEMENT OF COVERED BONDS, COUPONS AND TALONS

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS AND REGISTRAR

The names of the initial Paying Agents and the Registrar and their initial specified offices are set out in the Base Prospectus.

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying Agent and the Registrar and/or appoint additional or other Paying Agents or Registrars and/or approve any change in the specified office through which any Paying Agent or Registrar acts, provided that:

(a) there will at all times be a Principal Paying Agent and, as long as any Registered Covered Bonds of any Series are outstanding, a Registrar for that Series; and

(b) so long as the Covered Bonds are listed, quoted and/or admitted to trading on or by any competent listing authority, on any stock exchange or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant competent authority or stock exchange.

Any variation, termination, appointment or change shall only take effect (other than in the case of bankruptcy, insolvency or any equivalent or analogous proceeding, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 13 (*Notices; Provision of Information*).

In acting under the Agency Agreement, the Paying Agents and the Registrar act solely as agents of the Issuer and the CBC2 and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent or registrar.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to

(and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES; PROVISION OF INFORMATION

All notices regarding the Bearer Covered Bonds will be deemed to be validly given if published in, if so specified in the applicable Final Terms, a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any competent listing authority, stock exchange or quotation system on or by which the Covered Bonds are for the time being listed, quoted and/or admitted to trading or by which they have been admitted to listing, quotation and/or trading including publication on the website of the relevant stock exchange or relevant authority if required by these rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any Definitive Covered Bonds are issued, there may, so long as the Bearer Covered Bond(s) is or are held in its or their entirety on behalf of Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or any other agreed clearing system, be substituted for such publication in any newspaper or website the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg, and/or Euroclear Netherlands or such other agreed clearing system (as the case may be) for communication by them to the holders of beneficial interests in the Bearer Covered Bonds. Any such notice delivered on or prior to 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Bearer Covered Bonds on such business day. A notice delivered after 4.00 p.m. (local time) on a business day in the city in which it is delivered will be deemed to have been given to the holders of the Bearer Covered Bonds on the next following business day in such city.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Bearer Definitive Covered Bond) with the relative Covered Bond or Covered Bonds, with the Principal Paying Agent. Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent through Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or any other agreed clearing system, as the case may be, in such manner as the Principal Paying Agent and Euroclear, Clearstream, Luxembourg and/or Euroclear Netherlands or such other agreed clearing system, as the case may be, may approve for this purpose.

A copy of each notice given in accordance with this Condition 13 shall be provided to the relevant stock exchange if the Covered Bonds are listed on such stock exchange and the rules of such stock exchange so require.

14. MEETINGS OF COVERED BONDHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds of such Series or the related Coupons or of any of the Transaction Documents (subject as provided below and in the Trust Deed). Such a meeting may be convened by the Issuer, the CBC2 or the Trustee and shall be convened by the Issuer if required in writing by Covered Bondholders of a

Series holding not less than fifteen per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being remaining outstanding. The quorum at any such meeting in respect of any Series for passing an Extraordinary Resolution is: (i) one or more persons holding or representing not less than fifty per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented; (ii) at any meeting the business of which includes the modification of certain provisions of the Covered Bonds of a Series, the related Coupons or the Trust Deed (including a reduction or cancellation of the amount payable in respect of such Covered Bonds, the alteration of the currency in which payments under such Covered Bonds are to be made, the alteration of the majority required to pass an Extraordinary Resolution, any amendment to the Guarantee or the Security Documents (except in a manner determined by the Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series) or the sanction of any scheme or proposal for the exchange of such Covered Bonds in respect of such Series (each, a "**Series Reserved Matter**" all as more particularly set out in the Trust Deed)): one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series. Pursuant to the Trust Deed, the Trustee may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the preceding paragraphs of this Condition 14, any resolution to direct the Trustee (i) to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*); (ii) to take any enforcement action, or (iii) to remove or replace the Trustee's Director shall only be capable of being passed by a Programme Resolution. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the CBC2 or the Trustee or by Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders and Couponholders of all Series, whether or not present at such meeting, and each of the Covered Bondholders and Couponholders shall be bound to give effect to it accordingly.

An Extraordinary Resolution and a Programme Resolution may also be taken in writing (whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Covered Bondholders) or through the electronic communications systems of the relevant clearing system(s) (in accordance with their operating rules and procedures) by or on behalf of (i) in the case of an Extraordinary Resolution, all holders who are for the time being entitled to receive notice of a meeting of Covered Bondholders in accordance with the provisions for meetings of Covered Bondholders as set out in the Trust Deed, or (ii) in the case of a Programme Resolution, the

holders of not less than twenty-five per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series.

The Trustee may from time to time and at any time without any consent or sanction of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors concur with the Issuer and the CBC2 (and for this purpose the Trustee may disregard whether any such modification relates to a Series Reserved Matter) and agree to:

(a) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document and/or designate further creditors as Secured Creditors, provided that (i) in the opinion of the Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series or any of the other Secured Creditors (other than the CBC2) (in which respect the Trustee may rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) and (ii) it has not been informed in writing by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given his/her written consent as aforesaid); or

(b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or to comply with mandatory provisions of law; or

(c) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document as requested by the Issuer and/or the CBC2 in order to enable the Issuer and/or the CBC2 to comply with any requirements which apply to it under Regulation (EU) 648/2012 (as amended from time to time, "**EMIR**") subject as provided further pursuant to the terms of the Trust Deed; or

(d) any modification of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document, required or necessary in connection with any change, after the issue date of the relevant Covered Bonds, to any laws or regulations (including without limitation the laws and regulations of the Netherlands and the European Union) applicable or relevant with respect to covered bonds (*gedekte obligaties*) to ensure that the Covered Bonds (continue) to meet the requirements for registered covered bonds (*geregistreerde gedekte obligaties*) within the meaning of the Wft subject as provided further pursuant to the terms of the Trust Deed.

The Trustee may also agree, without the consent of the Covered Bondholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or any Transaction Document, or determine, without any such consent as aforesaid, that any Issuer Event of Default or CBC2 Event of Default or Potential Issuer Event of Default or Potential CBC2 Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of any of the Secured Creditors (in which respect the Trustee may (without further enquiry) rely upon the consent in writing of any other Secured Creditor as to the absence of material prejudice to the interests of such Secured Creditor) provided that the Trustee has not been informed by any Secured Creditor (other than any Covered Bondholder(s)) that such Secured Creditor will be materially prejudiced thereby (other than a Secured Creditor who has given its written consent as aforesaid) and provided further that the Trustee shall not exercise any such powers conferred upon it in contravention of any express direction by a Programme Resolution (but so that no such

direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Series Reserved Matters.

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series for the time being outstanding, the related Couponholders and the other Secured Creditors and the Issuer shall cause such modification, waiver, authorisation or determination to be notified to the Rating Agencies and, unless the Trustee otherwise agrees, the Covered Bondholders of all Series for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the CBC2, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

The Issuer may, without the consent of the holders of the Covered Bonds of any Series or any Coupons relating thereto, or any other Secured Creditor:

(a) consolidate with, merge or amalgamate into or transfer its assets; or

(b) transfer its rights and obligations under the Covered Bonds and Transaction Documents substantially as an entirety, by way of de-merger (splitsing),

to any corporation organised under the laws of The Netherlands, or any political subdivision thereof provided that (if the surviving entity or transferee company is not the Issuer, such surviving entity or transferee company shall be referred to as the "**New Entity**"):

(i) a certificate of two authorised signatories of the Issuer and one authorised signatory of the CBC2 is delivered to the Trustee to the effect that immediately after giving effect to such transaction no Issuer Event of Default and no CBC2 Event of Default, respectively, and no Potential Issuer Event of Default and no Potential CBC2 Event of Default, respectively, will have happened and be continuing;

(ii) where the surviving entity or transferee company is not the Issuer, the Issuer shall procure that the surviving or transferee company assumes its obligations as Issuer under the Trust Deed, each other relevant Transaction Document and all of the outstanding Covered Bonds of all Series, in place of the Issuer;

(iii) where the surviving entity or transferee company is not the Issuer, the Guarantee of the CBC2 is fully effective on the same basis in relation to the obligations of such successor or transferee company; and

(iv) certain other conditions set out in the Trust Deed are met.

Upon the assumption of the obligations of the Issuer by such surviving or transferee company, the predecessor Issuer shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the outstanding Covered Bonds of each Series then outstanding or any Coupons appertaining thereto and the other Transaction Documents other than as a result of mandatory law. The Trust Deed provides that any such assumption shall be notified to the holders of all Series in accordance with the relevant terms and conditions of such Covered Bonds and the other Secured Creditors.

For the purposes hereof:

"**Extraordinary Resolution**" means a resolution at a meeting duly convened and held in accordance with the provisions for meetings of Covered Bondholders as set out in the Trust Deed, by not less than two-thirds of the votes cast;

"**Programme Resolution**" means either:

(a) a written resolution of the holders of not less than twenty-five per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding as if they were a single Series; or

(b) an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series).

"**Potential Issuer Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

"**Potential CBC2 Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a CBC2 Event of Default;

"**Rating Agency Confirmation**" means, following a notification to the Rating Agencies of a certain event or matter, the earlier of, in relation to each Rating Agency, (i) a confirmation in writing from such Rating Agency that its then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of such event or matter and (ii) if such Rating Agency neither provides such confirmation nor indicates (a) which conditions should be met before it is in a position to grant such confirmation or (b) that its then current ratings of the Covered Bonds will be adversely affected by or withdrawn as a result of such event or matter, the passage of 14 days after such notification; and

"**Trustee's Director**" means IQ EQ Structured Finance B.V. (formerly known as SGG Securitisation Services B.V.) and/or such other person(s) who may be appointed as director(s) (*bestuurder*) of the Trustee from time to time.

14A. REFERENCE RATE MODIFICATION

(a) Notwithstanding the provisions of Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*), the Trustee is obliged from time to time and at any time without any consent or sanction of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors (save where any Secured Creditor is a party to the relevant Transaction Document which is proposed to be amended) to concur with the Issuer and/or the CBC2 (and

for this purpose the Trustee may disregard whether any such modification relates to a Series Reserved Matter) and agree to make any modification in the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document as requested by the Issuer, or following an Issuer Event of Default, the CBC2, which are required or necessary in connection with the cessation of the publication of the original Reference Rate in accordance with Condition 4(d) (*Reference Rate Replacement*) subject as provided further pursuant to the terms of the Trust Deed.

(b) Other than where specifically provided in this Condition 14A (*Reference Rate Modification*) or any Transaction Document, the provisions of Condition 14 (*Meetings of Covered Bondholders; Modification and Waiver*) shall apply to this Condition 14A.

15. INDEMNIFICATION OF THE TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE CBC2

If, in connection with the exercise of its powers, authorities or discretions, the Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Trustee shall not exercise such power, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than fifty per cent. of the aggregate Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed contains provisions for the indemnification of the Trustee and for the Trustee's relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction.

The Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Transferred Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee. The Trustee will not be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Transferred Assets, including, without limitation, whether the Transferred Assets are in compliance with the Asset Cover Test, the Mandatory Asset Quantity Test or the Amortisation Test; or (iv) monitoring whether Transferred Receivables satisfy the applicable Eligibility Criteria or such other criteria as may be notified to the Rating Agencies in relation to other Transferred Assets. The Trustee will not be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent pledgee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

The power of appointing a new director of the Trustee shall be vested in the board of directors of the Trustee. In case no Trustee director is in office, a director shall be appointed by the Covered Bondholders and Couponholders of any Series then outstanding, by adopting a Programme Resolution to this effect. Any appointment of a new director of the Trustee shall as soon as practicable thereafter be notified by the Issuer to the Principal Paying Agent, the Rating Agencies and the holders of the Covered Bonds then outstanding.

A Trustee director may resign (*vrijwillig aftreden*) at any time, provided that in case the resigning Trustee director was the sole director of the Trustee, such resignation will not become effective until a successor Trustee director has been appointed. The Covered Bondholders and Couponholders of any Series then outstanding may, by adopting a Programme Resolution to this effect, remove any Trustee director, provided that (i) the other Secured Creditors have been notified and (ii) neither the Trustee nor the Trustee director so removed shall be responsible for any costs or expenses arising from any such removal.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) *Governing law*

The Covered Bonds and the Transaction Documents are governed by, and shall be construed in accordance with, the laws of The Netherlands unless specifically stated to the contrary.

(b) *Submission to jurisdiction*

All disputes arising from or in connection with the Covered Bonds and the Coupons shall be submitted to the competent court in Amsterdam.

18. ADDITIONAL OBLIGATIONS

For as long as the Covered Bonds are listed and/or admitted to trading on Euronext in Amsterdam ("**Euronext Amsterdam**"), the Issuer will comply with all rules and regulations of Euronext Amsterdam. If the Covered Bonds are listed and/or admitted to trading on other or further stock exchanges or markets, it will comply with all rules and regulations of such stock exchanges or markets.

19. TERMS AND CONDITIONS OF REGISTERED COVERED BONDS

19.1 If in the applicable Final Terms it is specified that Registered Covered Bonds are issued, then the following terms and conditions shall apply in addition to the terms and conditions set out in Condition 1 until and including 18 above. In the event of any inconsistency between Conditions 1 up to and including 18 and this Condition 19, this Condition 19 will prevail with regard to Registered Covered Bonds.

19.2 Registered Covered Bonds are registered claims (*vorderingen op naam*) which will, as specified in the applicable Final Terms, be issued pursuant to the terms and conditions of a registered covered bonds deed ("**Registered Covered Bonds Deed**"). The holder of a Registered Covered Bond is the creditor of the relevant registered claim and "**Covered Bondholder**" shall be construed accordingly, provided that if the provision at the end of Condition 19.4 applies, the transferee shall, from the moment the transfer takes effect be treated as a Covered Bondholder for all purposes, without prejudice to any entitlement of the transferor pursuant to Condition 19.6.

A Registered Covered Bonds Deed is not a document of title. Entitlements are determined by entry in the Register. Consequently, references in any Registered Covered Bonds Deed to

Covered Bonds represented by such Registered Covered Bonds Deed shall mean such Covered Bonds as evidenced by the Registered Covered Bonds Deed.

19.3 Under Dutch law, the valid transfer of Covered Bonds requires, amongst other things, delivery (*levering*) thereof, which in the case of Registered Covered Bonds is effected by assignment (*cessie*) of both the rights under the Registered Covered Bonds and the corresponding rights under the Guarantee by execution of an assignment deed (*akte van cessie*) between the transferor and the transferee and, in the case of a notified assignment, notification (*mededeling*) thereof to the Issuer and the CBC2.

A form of deed of assignment and notification is attached to each Registered Covered Bonds Deed to effect this assignment and notification.

19.4 Registered Covered Bonds may be transferred in whole, but not in part, provided that the relevant transferor and transferee may otherwise agree in the relevant assignment deed in respect of amounts that have accrued but not yet been paid in respect of the period up to the relevant transfer. Registered Covered Bonds shall not be exchangeable for Bearer Covered Bonds.

19.5 In respect of all Series of Registered Covered Bonds, the Issuer shall procure that a register be kept by the Registrar in accordance with the provisions of the Agency Agreement (in respect of all Series of Registered Covered Bonds, the "**Register**"). The Registrar shall register details of any holder of the relevant Registered Covered Bonds in the Register and amend the Register to reflect any transfer and/or redemption of the relevant Registered Covered Bonds.

19.6 Payments of principal, interest (if any) and any other amounts in respect of the relevant Registered Covered Bonds will be made to the person shown on the Register as being entitled to the relevant amount of principal or interest or other amount at the opening of business on the second Business Day falling prior to the due date of such payments. If any Registered Covered Bondholder transfers any Registered Covered Bonds in accordance with Condition 19.3 and the Trust Deed and such transfer is notified to the Issuer and the CBC2 prior to the close of business on the fifteenth Business Day before the due date for payment (the "**Record Date**"), the Issuer, the CBC2 and the Trustee will in respect of the Registered Covered Bond so transferred, be discharged from their respective payment obligations only by payment to or to the order of the transferee. If the notification of transfer of the relevant Registered Covered Bond is made after the close of business on the Record Date, (i) the risk that the transfer is not timely recorded in the Register is borne by the transferee and (ii) the Issuer, the CBC2, the Trustee, the Registrar and the relevant Paying Agent shall not be liable as a result of any payment being made to the person shown in the Register in accordance with this Condition 19. The Registered Covered Bonds will become void unless demand for payment is made within a period of five years after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

19.7 Notices to holders of Registered Covered Bonds shall be mailed or faxed to them at their respective addresses as recorded in the Register and shall be deemed to have been given on the fourth business day (being a day other than a Saturday or a Sunday) after the date of mailing.

19.8 All Registered Covered Bonds which are purchased by the Issuer and transferred to the Issuer will extinguish by operation of law (*tenietgaan door vermenging*). Therefore such repurchased Registered Covered Bonds, as opposed to Bearer Covered Bonds, cannot be held, reissued or resold. The Issuer shall send a notification of such repurchase to the Principal Paying Agent and the Registrar.

1.4. TAXATION IN THE NETHERLANDS

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the 2019 Programme Update and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary neither purports to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Covered Bonds, and nor purports to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Save as otherwise indicated, this summary only addresses the position of investors who do not have any connection with The Netherlands other than the holding of the Covered Bonds. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the Covered Bonds under the laws of their country of citizenship, residence, domicile or incorporation.

For the purpose of the paragraph "Taxes on Income and Capital Gains" below it is assumed that a holder of Covered Bonds, being an individual or an entity, neither has a substantial interest (aanmerkelijk belang) nor a deemed substantial interest in the Issuer and that no connected person (verbonden persoon) to the holder has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has or is deemed to have, or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have, (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. Generally, an individual has a deemed substantial interest in a company if such individual has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity directly or indirectly has or is deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company and the substantial interest is held (a) with the main aim or one of the main aims to avoid Dutch income tax or Dutch dividend tax falling due in the hands of another party and (b) there is an artificial construction or series of constructions. A construction or series of constructions is deemed to be artificial if the structure was not set up for business purposes that reflect economic reality. Generally, an entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

Where this summary refers to a holder, whether an individual or an entity, of a Covered Bond, such reference is restricted to an individual or entity holding legal title to, as well as an economic interest in, such Covered Bond. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

*For the purpose of this summary, the term "**entity**" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.*

In this Section 1.4 Taxation in The Netherlands references to "The Netherlands" or "Dutch" refer only to the European part of the Kingdom of The Netherlands.

Withholding Tax

All payments of principal and interest by the Issuer under the Covered Bonds can be made without withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

A Covered Bondholder will not be subject to Dutch taxation on income or a capital gain derived from a Covered Bond unless:

(i) the holder is or is deemed to be resident in The Netherlands; or

(ii) the income or gain is attributable to an enterprise or part thereof which is (a) either effectively managed in The Netherlands and the holder derives profits from such enterprise (other than by way of the holding of securities) or (b) carried on through a (deemed) permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) that is taxable in The Netherlands; or

(iii) the holder is an individual and the income or gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift or Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Covered Bond by way of gift by, or on the death of, a holder, unless:

(i) the holder is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or as a gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

For purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied.

Value Added Tax

There is no Dutch value added tax payable by a Covered Bondholder in respect of payments in consideration for the issuance or acquisition of the Covered Bonds, payments of principal or interest under the Covered Bonds, or payments in consideration for the transfer or disposal of the Covered Bonds.

Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a Covered Bondholder in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Covered Bonds or the performance of the Issuer's obligations under the Covered Bonds.

Residence

A Covered Bondholder will not be and will not be deemed to be resident in The Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Covered Bond or the execution, performance, delivery and/or enforcement of the Covered Bonds.

Common Reporting Standard

The common reporting standard framework was first released by the OECD in February 2014 as a result of the G20 members endorsing a global model of automatic exchange of information in order to increase international tax transparency. On 21 July 2014, the Standard for Automatic Exchange of Financial Account Information in Tax Matters was published by the OECD and this includes the Common Reporting Standard ("**CRS**").

As per 25 June 2019, 106 jurisdictions, including The Netherlands, have signed the multilateral competent authority agreement, which is a multilateral framework agreement to automatically exchange financial and personal information, with the subsequent bilateral exchanges coming into effect between those signatories that file the subsequent notifications. More than 40 jurisdictions, including The Netherlands, have committed to a specific and ambitious timetable leading to the first automatic exchanges in 2017 (early adopters). Under CRS, financial institutions resident in a CRS country would be required to report, according to a due diligence standard, account balance or value, income from certain insurance products, sales proceeds from financial assets and other income generated with respect to assets held in the account or payments made with respect to the account. Reportable accounts include accounts held by individuals and entities (which include trusts and foundations) with tax residency in another CRS country. CRS includes a requirement to look through passive entities to report on the relevant controlling persons.

As of 1 January 2016, CRS and EU Council Directive 2014/107/EU have been implemented in Dutch law. As a result, the Issuer will be required to comply with identification obligations (if any) starting in 2016, with reporting set to begin in 2017. Covered Bondholders may be required to provide additional information to the Issuer to enable it to satisfy its identification obligations (if any) under the (Dutch implementation of the) CRS. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the CRS and EU Council Directive 2014/107/EU.

1.5. SUBSCRIPTION AND SALE

The Dealer(s) has or have, in a programme agreement dated the Programme Date (such programme agreement as amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**"), agreed with the Issuer, the CBC2 and the Initial Originators a basis upon which any Dealer may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under *Form of the Covered Bonds* and *Terms and Conditions of the Covered Bonds*. In the Programme Agreement, the Issuer has agreed to reimburse the Dealer(s) for certain of its or their expenses in connection with the establishment and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealer(s) against certain liabilities incurred by it or them in connection therewith.

United States

The Covered Bonds and the Guarantee have not been and will not be registered under the Securities Act or any other applicable securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or pursuant to an effective registration statement under the Securities Act.

Each issuance of Covered Bonds may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer(s) may agree, which additional selling restrictions shall be set out in the applicable Final Terms or Drawdown Prospectus.

In connection with any Covered Bonds which are offered and sold outside the United States in reliance on Regulation S, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will offer, sell or deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, (as determined and certified by the relevant Dealer(s) or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager), of all Covered Bonds of the Tranche of which such Covered Bonds are a part, only in accordance with Rule 903 or Rule 904 of Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form may be subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

In addition, until 40 days after the commencement of the offering of any Series, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the

offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of FSMA does not, or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer or the CBC2; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, Covered Bonds to the public in France and that offers and sales of Covered Bonds in France will be made only to (i) qualified investors (*investisseurs qualifiés*) excluding individuals, investing for their own account, and/or (ii) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code *monétaire et financier*.

In addition, each Dealer has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Base Prospectus or any other offering material relating to the Covered Bonds other than to investors to whom offers and sales of Covered Bonds in France may be made as described above.

This Base Prospectus prepared in connection with the Covered Bonds has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

Republic of Italy

The offering of the Covered Bonds has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not offered or sold, and will not offer or sell, any Covered Bonds in the Republic of Italy in an offer to the public and that sales of the Covered Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Covered Bonds or distribute copies of this Base Prospectus and any other document relating to the Covered Bonds in the Republic of Italy except:

(i) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Decree No. 58") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); or

(ii) that it may offer, sell or deliver Covered Bonds or distribute copies of any prospectus relating to such Covered Bonds in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Directive 2003/71/EC of 4 November 2003 (the "**Prospectus Directive**" as amended, including by Directive 2010/73/EU), as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or

(iii) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Covered Bonds or distribution of copies of the Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must be:

(a) (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 20307 of 15 February 2018, as amended and any other applicable laws and regulations; and

(b) (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Provisions relating to the secondary market in the Republic of Italy

Investors should also note that, in any subsequent distribution of the Covered Bonds in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Covered Bonds are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Covered Bonds who are acting outside of the course of their

business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Covered Bonds were purchased, unless an exemption provided for under Decree No. 58 applies.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Law**"). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme and each other purchaser will be required to represent and agree, that it has not offered or sold, directly or indirectly and will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

The Netherlands/Global

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) as long as it does not have the benefit of a licence or exemption as an investment firm of the relevant type pursuant to the Wft it shall not offer any Covered Bonds or distribute this Base Prospectus or any circulars, offer documents or information relating to the Issuer or the Covered Bonds in The Netherlands;

(ii) unless the Covered Bonds are traded on the regulated market of Euronext Amsterdam and (in relation to such Covered Bonds) this Base Prospectus has been approved by the AFM and Final Terms have been filed with the AFM in accordance with the Wft, it will not make an offer of Covered Bonds in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Wft; or (ii) standard exemption wording is disclosed as required by article 5:20(5) of the Wft, provided that no such offer of Covered Bonds shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

(iii) For the purposes of this provision, the expressions (i) an "**offer**" in relation to any offer of Covered Bonds in The Netherlands; and (ii) "**Prospectus Directive**", have the meaning given to them above in the paragraph headed with "Public Offer Selling Restriction Under the Prospectus Directive"; and

(iv) Zero Coupon Covered Bonds (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations, provided that no such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Covered Bond in global form, or (b) in respect of the initial issue of Zero Coupon Covered Bonds in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Covered Bonds in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Covered Bonds within, from or into The Netherlands if all Zero Coupon Covered Bonds (either in definitive form or as rights representing an interest

in a Zero Coupon Covered Bond in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "**Zero Coupon Covered Bonds**" are Bearer Covered Bonds that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it has complied and will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the CBC2, the Trustee nor any of the other Dealers shall have any responsibility therefor.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the CBC2 and the Dealer(s) to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealer(s) shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer(s) described in this paragraph "*General*".

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Covered Bonds) or in a supplement to this Base Prospectus.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

1.6. ABN AMRO Bank N.V.

ABN AMRO is a full-service bank with a primary focus on The Netherlands and selective operations internationally, serving retail, private and corporate banking clients. ABN AMRO is internationally active in a number of specialized activities such as trade and commodity finance and clearing, private banking and asset based lending in a select number of countries.

The discussion in this Base Prospectus of ABN AMRO's results of operations for the year ended 31 December 2018 as compared to the year ended 31 December 2017 is based on reported results. The discussion in this Base Prospectus of ABN AMRO's results of operations for the year ended 31 December 2017 as compared to the year ended 31 December 2016 is based on underlying results. Underlying results are non-IFRS measures and have not been audited or reviewed. See for further information "Operating and Financial Review".

1.1 History and recent developments

The formation of ABN AMRO is the result of various legal and operational separations, combinations, and restructurings arising from the acquisition of ABN AMRO Holding N.V. by The Royal Bank of Scotland Group plc, Ageas and Banco Santander S.A. (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. ("**RFS Holdings**"). 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 group of ABN AMRO headed by ABN AMRO Holding N.V. as acquired on 17 October 2007 by the Consortium through RFS Holdings ("**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 by 1 April 2010. Effective 1 July 2010, FBN and ABN AMRO Bank merged to form the new ABN AMRO Bank, at the time a wholly-owned subsidiary of the former ABN AMRO Group.

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

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

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

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

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

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

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

In February 2019, ABN AMRO announced its intention to simplify its group structure by executing a legal merger between ABN AMRO Bank and ABN AMRO Group (the "**Group Legal Merger**"). The Group Legal Merger was completed on 28 June 2019 and became effective on 29 June 2019. As a result of the Group Legal Merger, ABN AMRO Group has ceased to exist. The Group Legal Merger aims to improve regulatory capital ratios (including the leverage ratio, see also the paragraph below), optimise administrative processes and lower administrative costs. The activities of ABN AMRO Group have been integrated and will be continued in ABN AMRO Bank.

The Group Legal Merger has a positive impact on several capital ratios. On a pro forma basis, the Q1 2019 capital ratios will improve as follows: the Tier 1 ratio improves to 19.8% (from 18.9%), the total capital ratio to 25.8% (from 21.7%) and the leverage ratio to 4.3% (from 4.1%). The Group Legal Merger has also removed the Maximum Distributable Amount shortfall and simplified administrative processes.

In March 2019, ABN AMRO announced that it has sold 75% of its shares in Stater N.V. to Infosys. Stater N.V. is ABN AMRO's administrative mortgage services provider. The transaction was closed on 23 May 2019. Retaining a 25% interest in Stater N.V., ABN AMRO will continue to be a strategic shareholder.

1.2 Business description

ABN AMRO is organised into Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking, Finance, Risk Management, Technology & Innovation and Transformation & HR. ABN AMRO's management structure includes an Executive Board and an Executive Committee. ABN AMRO has five reporting segments: Retail Banking, Commercial Banking, Private Banking, Corporate & Institutional Banking and Group Functions (as described below).

1.3 Retail Banking

Business scope and clients

Retail Banking provides banking products and services to individuals. In addition, a wide variety of banking and insurance products and services are provided through its branch network, online, via contact centres and through subsidiaries.

Main subsidiaries

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

ABN AMRO Hypotheken Groep

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

Moneyou

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

Alfam

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

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

International Card Services

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

ABN AMRO Verzekeringen

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

ABN AMRO Pensions

APG-ABN AMRO Pensioeninstelling N.V. ("**ABN AMRO Pensions**") is a joint venture of ABN AMRO (70%) and APG (30%), the largest pension institution in The Netherlands. ABN AMRO Pensions is a premium pension institution ('PPI') which offers pension schemes without insurance based on longevity or death.

1.4 **Commercial Banking**

Commercial Banking serves business clients with a turnover of up to EUR 250 million, clients active in commercial real estate (excluding publicly listed companies, which are served by Corporate & Institutional Banking) and small businesses. Commercial Banking has a selective asset based finance presence in the UK, Germany, Belgium and France.

Main subsidiaries

The Commercial Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive)[3]:

ABN AMRO Asset Based Finance N.V. provides asset-based solutions (working capital solutions, equipment lease, equipment loans and vendor lease services) to its customers in the Netherlands, France, Germany, the United Kingdom and Belgium.

1.5 **Private Banking**

Business scope and clients

Private Banking provides global wealth management services and offers a various array of products and services designed to address these clients' individual requirements. Private Banking targets high net worth individuals with more than EUR 500,000 in investable assets in the Netherlands or more than EUR 1 million outside the Netherlands and ultra-high net worth individuals with more than EUR 25 million in investable assets.

Private Banking operates under the brand name of ABN AMRO MeesPierson in the Netherlands and internationally under the name of ABN AMRO Private Banking or various local brand names such as Banque Neuflize OBC S.A. ("**Banque Neuflize OBC**") in France and Bethmann Bank AG ("**Bethmann**") in Germany.

Main subsidiaries

The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive)[4]:

Banque Neuflize OBC

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

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

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

Bethmann Bank

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

Neuflize Vie

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

1.6 Corporate & Institutional Banking (CIB)

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

Main subsidiaries

The CIB business of ABN AMRO is supported by the following subsidiary (this list is not exhaustive)[5]:

ABN AMRO Clearing Bank

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

1.7 Group Functions

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

Innovation & Technology

Innovation & Technology supports ABN AMRO by facilitating innovation, managing ABN AMRO's programmes, and providing services in the areas of IT, information security, data, back-office processing, facilities management and procurement, both in the Netherlands and internationally.

Finance

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

Risk Management, Legal and Compliance

Risk management aims to secure a sound risk/ reward ratio by maintaining a bank-wide, moderate risk profile as part of ABN AMRO's long-term strategy. This risk profile is managed on the basis of an integrated risk management framework, in which all risk types, cross-risk types

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

and overarching risks are identified in order to provide a single, integrated view of the risk profile of the bank and its various businesses. Risk Management aims to take careful account of this integrated risk profile and aims to balance actions so as to ensure that the moderate risk profile is maintained. The main risk types are credit, market, liquidity, business and operational (non-financial) risks. Underlying these main risk types are various sub-risk types. Risk appetite statements are set both for the main and the sub-risk types.

HR, Transformation & Communications

The primary responsibility of HR, Transformation and Communications is to help ABN AMRO's businesses to put clients centre stage by managing human resources and ABN AMRO's corporate identity and reputation. HR, Transformation and Communications aims to prevent reputational damage and to manage and improve ABN AMRO's reputation, brand name and brand value within and outside the Netherlands in a consistent manner and to position ABN AMRO as a trustworthy and sustainable organisation.

Group Audit, Stategy & Sustainability and Corporate Office

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

Group Functions is supported by the following subsidiaries (this list is not exhaustive)[6]:

ABN AMRO Funding USA LLC

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

Stater N.V.

Stater N.V. offers administrative services related to mortgage loans. Stater works for ABN AMRO and other parties supplying mortgage loans. In March 2019, ABN AMRO announced that it has sold 75% of its shares in Stater N.V. to Infosys. The transaction was closed on 23 May 2019.

1.8 Regulation

Regulation and supervision in the European Union

The European Union is working on a broad range of measures aimed at bringing more stability and transparency to the European financial sector. Major developments include Basel III/CRD IV, the creation of a banking union, the European Market Infrastructure Regulation (EMIR), the revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (together, MiFID II), the Bank Recovery and Resolution Directive (BRRD), a renewed Deposit Guarantee Scheme Directive (DGS), the Packaged Retail Investment Products (PRIIPs) Regulation, the Mortgage Credit Directive, the Payment Services Directive (PSD 2), the General Data Protection Regulation (GDPR) and the EU Banking Reform Proposals.

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

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

Solvency Supervision

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

Capital adequacy framework (Basel)

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

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

Basel II is structured around three "pillars":

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

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

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

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

Basel II Pillar 1

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

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

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

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

Basel II Pillar 2

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

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

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

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

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

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

Basel II Pillar 3

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

New Basel regulation

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

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

CRD

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

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

CRD II

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

CRD III

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

Basel III/CRD IV

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

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

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

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

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

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

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

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

Banking Union

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

- *Single Supervisory Mechanism*

Under the SSM, the ECB has become the primary supervisor for the prudential supervision of credit institutions in participating Member States that qualify as "significant credit institutions" as of 4 November 2014. In the European Union, around 117 credit institutions are identified as significant banks, and ABN AMRO is one of them. The ECB will be responsible for market access, among other things, and will supervise capital requirements and governance.

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

- *Single Resolution Mechanism*

  On 19 August 2014, the SRM entered into force. The SRM provides for a single resolution framework, a single resolution board ("**Resolution Board**") and a single resolution fund ("**Resolution Fund**").

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

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

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

Resolution Fund "*Issuer - 4. Operating and Financial Review - 4.2 Key factors affecting results of operations*".

- *Single Rule Book*

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

  - *CRD IV*

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

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

    On 15 April 2014, the European Parliament adopted the new EU Deposit Guarantee Scheme Directive (the "DGS Directive") which was published in the Official Journal of the EU on 12 June 2014. The DGS Directive was required to be transposed into national law by 3 July 2015. In The Netherlands a decree implementing the DGS Directive was adopted by the Dutch Minister of Finance on 26 November 2015. The DGS continues to guarantee repayment of certain client deposits up to EUR 100,000 held at European banks in the event of bankruptcy or resolution. The funding of the DGS has been amended from an ex-post funded system to a partially ex-ante funded system. This means that participating financial institutions will have to contribute to the scheme on a periodic basis rather than facing charges only when an actual insolvency event occurs requiring them to compensate the clients of the affected financial institutions. The new ex-ante funding system was required to be transposed into national law by 3 July 2015, however the requirement for the relevant deposit guarantee

schemes to have available means at the target level of 0.8% of the amount of covered deposits held with its members, including the Issuer, must be achieved by 3 July 2024. Contributions are based on the covered deposits of the bank and risk based contributions. The Netherlands may also impose minimum contributions. The ex-ante funding system has increased the Issuer's expenses in connection with the DGS. In addition, if the available financial means of the relevant DGS is insufficient to repay depositors when deposits become unavailable, an additional contribution may be required, which will in principle not exceed 0.5% of the covered deposits held with the Issuer per calendar year. Additional requirements of the DGS Directive include a broadening of the scope of clients for whom the deposit guarantee will be available (in addition to consumer deposits, deposits of businesses will be included, whereas currently only companies who published abridged annual accounts fall within its scope), information requirements to customers and the shortening of the period for making payments under the DGS Directive from 20 working days (until 31 December 2018) to 7 working days (from 1 January 2024). Based on national legislation (Besluit Bijzondere Prudentiële maatregelen, beleggerscompensatie en depositogarantie Wft) the information requirements (i.e., pre contractual information and the provision of information at least once a year on deposits that are covered by the DGS) apply as of 1 January 2015.

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

- *Banks Recovery and Resolution Directive*

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

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

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

On 27 December 2017, the directive (EU) 2017/2399 on the ranking of unsecured debt instruments in insolvency hierarchy (Bank Creditor Hierarchy) which proposes to amend the BRRD was published. The directive changes the insolvency hierarchy and introduces a new statutory category of unsecured "non-preferred" senior debt for banks. This category will rank just below the ordinary senior debt and other senior liabilities for the purposes of resolution, but will still rank as part of the senior unsecured debt category (only as a "non-preferred" senior debt). The directive does not affect the existing stock of bank debt and would only apply to debt when designated as such by the issuing bank. A bill implementing the requirement for senior non-preferred debt in The Netherlands came into force in December 2018.

Recovery and resolution plans

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

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

Early intervention

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

Resolution measures

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

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

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

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

MiFID II

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

On 15 April 2014 the European Parliament adopted updated rules for investment firms and markets in financial instruments, after an agreement in principle was reached with the Council of the European Union ("**Council**") on 14 January 2014. The new rules, which were published in the Official Journal of the European Union on 12 June 2014, consist of a Directive ("**MiFID II Directive**") and a Regulation with direct force in the EU ("**MiFIR**") (together: "**MiFID II**"). The rules of the MiFID II Directive were initially required to be transposed into EU Member State law by 3 July 2016 and the EU Member States were initially required to apply most of these rules as from 3 January 2017. However, the European legislature has extended the application and transposition dates for most of these MiFID II Directive rules with one year. Most rules of the MiFID II Directive apply from 3 January 2018. The update covers topics such as market infrastructure, more robust investor protection and strengthened supervisory powers. MiFID II increases equity market transparency and, for the first time, establishes a principle of transparency for non-equity instruments such as bonds and derivatives. Investment firms operating an internal matching system which executes client orders in financial instruments on a multilateral basis may in future be required to seek authorisation as a Multilateral Trading Facility or Organised Trading Facility, a new category of multilateral trading venue through which transactions in non-equity instruments may be executed. To meet the G20 commitments, MiFID II provides for strengthened supervisory powers and a harmonised position limits regime for commodity derivatives to improve transparency, support orderly pricing and prevent market abuse. A new framework will improve conditions for competition in the trading and clearing of financial instruments. MiFID II introduces

trading controls for algorithmic trading activities. Stronger investor protection is achieved by introducing better organisational requirements, such as client asset protection or product governance. MiFID II strengthens the existing regime to ensure effective and harmonised administrative sanctions. A harmonised regime for granting access to EU markets for firms from third countries is based on an equivalence assessment of third country jurisdictions by the European Commission. As MiFID II significantly extends not only the scope but also the detail of existing (MiFID) regulations, the Issuer will have to review existing activities and, where necessary, may need to adjust the manner in which it operates. ABN AMRO will also need to provide more information to its clients, such as about the costs and charges involved in providing investment services.

EMIR

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

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

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

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

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

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

- As a consequence of an extensive assessment of EMIR and evaluation thereof, the European Commission proposed two sets of amendments. The first set of amendments were published in

May 2017, and it is intended that these amendments introduce simpler and more proportionate rules on OTC derivatives that will reduce costs and burdens for market participants, without compromising financial stability (see the Commission's Proposal in COM 2017/0208).

Packaged Retail and Insurance-based Investment Products

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

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

Mortgage Credit Directive

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

PSD 2 and Multilateral Interchange Fees Regulation

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

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

The Interchange Fees Regulation (2015/751) was published in the Official Journal of the European Union on 19 May 2015, and applies from 8 June 2015, with the exception of certain provisions that apply from 9 December 2015 and other provisions that apply from 9 June 2016. The main objective of the Interchange Fees Regulation is to create a level playing field by removing barriers between national payment markets

and allowing new entrants to enter the market, driving down the fees that retailers pay their banks and ultimately allowing consumers to benefit from lower retail prices.

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

Data Protection Regulation

In 2012 the European Commission presented its proposal to reform the general EU legal framework on the protection of personal data. The main policy objectives in this reform are to: (i) modernise the EU legal system for the protection of personal data, in particular to meet the challenges resulting from globalisation and the use of new technologies, (ii) strengthen individuals' rights and at the same time reduce administrative formalities to ensure a free flow of personal data within the EU and beyond, (iii) improve the clarity and coherence of the EU rules for personal data protection and achieve consistent and effective implementation of the privacy rules and application of the fundamental right to the protection of personal data in all areas of the EU's activities. The European Commission intends to achieve this by substituting the current EU Data Protection Directive of 1995 for a new EU general data protection regulation that will apply directly and uniformly throughout the European Union. This reform will have a major impact on the private sector and provides for significant fines, with fines that could amount to 4% of the worldwide turnover of a company or EUR 20 million, whichever one is higher. The Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**") was adopted on 27 April 2016 and applied from 25 May 2018. The GDPR, despite being a regulation and not a directive, allows member states to further enact local legislation on a number of aspects. This means that local implementation legislation may be enacted throughout Europe. In The Netherlands, the rules pursuant to the GDPR entered into force on 25 May 2018. In addition, on 10 January 2017 the European Commission published a draft regulation concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (the "**E-Privacy Regulation**"). The E-Privacy Regulation affects in principle only the telecommunications sector, however all other sectors are affected by it to the extent they make use of electronic communication means such as e-mail or telephone, or cookies or other similar techniques for commercial purposes. The fines for infringing the E-Privacy Regulation are the same as those of the GDPR. The text is not yet final and the impact on the industry still needs to be determined. The European Commission, the European Parliament and Council will first need to enter into the tripartite negotiations on the final text. The E-Privacy Regulation was intended to come in effect on 25 May 2018 (the date as from which the GDPR applies), but is now expected to come into effect in the course of 2019.

The proposed financial transactions tax ("FTT")

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

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

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

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

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

Other

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

Supervision of insurance activities

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

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

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

As is the case with respect to banks, Dutch insurers are subject to certain rules on recovery and resolution. On 1 January 2019, a new recovery and resolution regime came into force for Dutch insurers pursuant to the Act on recovery and resolution of insurance undertakings (*Wet herstel en afwikkeling van verzekeraars*, the "**Insurance Recovery and Resolution Act**"). The Insurance Recovery and Resolution Act sets out, *inter alia*, the resolution instruments that are available to DNB when the insurer meets the conditions for resolution, which may include (without limitation) the sale of the insurer's business, the separation of assets, bail-in and temporarily transferring (part) of an insurance undertaking to a semi-public entity.

Insurance brokerage

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

Key features of the IDD are, among other things, mandatory disclosure requirements obliging insurance intermediaries to disclose to their customers the nature of remuneration they receive, including any

contingent commissions, and in case the remuneration is directly payable by the customer the amount of the remuneration, or if the full amount of remuneration cannot be calculated, the basis of its calculation. Insurers carrying out direct sales will be required to comply with information and disclosure requirements and certain conduct of business rules, including a general obligation to act honestly, fairly and professionally in accordance with customers' best interests.

UCITS V/AIFM Directive/MMFR

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

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

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

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

4th EU AML/CFT Directive

On 26 June 2015, Directive EU 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. The provisions of the directive were to be transposed into the laws of the EU Member States (*Wet ter voorkoming van witwassen en financieren van terrorisme or WWFT*) and were to be applied by 26 June 2017. However, the Dutch implementation of these provisions only entered into force on 25 July 2018. Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism (EU AML/CFT requirements) relate to additional requirements for identification and verification of the ultimate beneficial owner and extension of the definition of politically exposed persons (PEPs) to domestic PEPs. The changes will have considerable impact on client on-boarding processes and may require re-papering of client files to meet the obligations on a group wide level.

Regulation and supervision in The Netherlands

General

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

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

Prudential Supervision

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

Supervision by DNB

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

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

Dutch Intervention Act

In anticipation of the European Commission ("**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 powers to DNB and the Dutch Minister of Finance, enabling them to deal with ailing Dutch banks prior to insolvency.

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

Financial Markets Amendment Decree 2017

A consultation document for the Financial Markets Amendment Decree 2017 was published on 27 July 2016. The 2017 Amendment Decree entered into force on 1 July 2017. Two of important changes relate to (i) the extension of the inducement ban for advisors and intermediaries advising on investments in

investment funds with a prohibition for such advisors and intermediaries to be paid a fee by the client that is directly debited from the investment account of the client and (ii) the introduction of a requirement for financial institutions providing automated advice to have procedures in place to ensure compliance with the same laws and regulations that apply to advice given in person.

Financial Markets Amendment Act 2018

A consultation document for the Financial Markets Amendment Act 2018 was published on 27 July 2016. The 2018 Amendment Act entered into force on 1 January 2019. Two of the important changes relate to (i) the introduction of a requirement for the AFM and the DNB to disclose confidential information in respect of entities, their managing directors and shareholders to the Ministry of Finance and (ii) introduction of the attachment prohibition (*verbod op derdenbeslag*) when monies or assets are placed with DNB for the settlement of payments.

Financial Markets Amendment Act 2019

A consultation document for the Financial Markets Amendment Act 2019 was published on 19 January 2018. The 2019 Amendment Act is expected to enter into force on 1 July 2019. Two of the important changes relate to (i) the ability of the *Bureau Financieel Toezicht* to share information with the AFM for the purpose of exercising the AFM's supervisory tasks under the Act on the supervision of audit firms (*Wet toezicht accountantsorganisaties*) and (ii) the removal of the requirement that the Ministry of Finance needs to approve regulations (*verordeningen*) from the Dutch Professional Association of Accountants (*Nederlandse Beroepsorganisatie van Accountants*) before they can enter into force.

Mortgage Lending Rules

In The Netherlands, additional restrictions apply to the principal residence mortgage loan market for individuals. These restrictions have been introduced against the background of a stagnant Dutch economy and in an environment of decreasing house prices and a significant reduction in the volume of houses sold. The maximum loan amount for government-guaranteed mortgage loans (*Nationale Hypotheekgarantie*, "**NHG**") is currently capped at EUR 290,000. This cap is related to the average value of houses. In addition, the Dutch government has further restricted the maximum permissible amount of a mortgage loan to 100% (including 2% transfer tax) of the value of the property as from 1 January 2018. The lowering of this loan-to-value rate is expected to put further downward pressure on the total outstanding volume of mortgages in The Netherlands which could decrease the size of the Issuer's mortgage portfolio.

In The Netherlands, subject to a number of conditions, mortgage loan interest payments used to be fully deductible from the income of the borrower for income tax purposes. However, new legislation on tax deductibility of new mortgages loans took effect on 1 January 2013. To be eligible for tax deductibility, new mortgage loans must be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme. Existing mortgage loans are not impacted. However, for all mortgage loans, new and existing, tax deductibility will be gradually reduced by 0.5% per year (49% in 2019). As per 1 January 2020, the maximum deduction of mortgage interest will be reduced more quickly than the current reduction of 0.5% per year. From 2020 onwards, the maximum deduction will be reduced with 3% per year to 37.05% in 2023. Changes to the deductibility of interest payments may, amongst other things, have an effect on the house prices and the rate of economic recovery on mortgage loans for mortgage loan providers (such as the Issuer) and may result in an increase of defaults, prepayments and repayments of mortgage loans.

Ban on referral fees and bonuses

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

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

in response introduced new investment products in The Netherlands, which include advisory fees for investment advisory services and fees for execution only services. As of 1 January 2014, all clients who use these services must pay these fees. As of 1 January 2014, the majority of the funds held in discretionary portfolio management do not involve inducements or distribution fees. For the remaining minority of clients (primarily where clients wish to continue their investments in particular funds), ABN AMRO passes on amounts received to the individual clients.

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

Conduct of business supervision

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

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

Dutch bank tax

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

Due to the introduction of the bank tax, ABN AMRO incurred a EUR 98 million surcharge in 2015, a EUR 98 million surcharge in 2016 and a EUR 103 million surcharge in both 2017 and 2018, increasing expenses and the cost/income ratio. This measure will lead to costs in subsequent years.

Regulation in the rest of the world

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

Dodd-Frank Act

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

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

AMRO is monitoring legal developments and OTC derivatives volumes to determine whether it needs to register with either the CFTC or the SEC.

FATCA

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

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

Information exchange and reporting

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

Sanctions

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

For further information on laws and regulations applicable to ABN AMRO see, *inter alia*, the risk factors "*The regulatory environment to which the Issuer is subject gives rise to significant legal and financial compliance costs and management time, and non-compliance could result in monetary and reputational damages, all of which could have an adverse effect on the Issuer's business, financial position and results of operations*", "*The 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*", "*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*", "*Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*" and "*The Issuer is subject to stress tests and other regulatory enquiries, the outcome of which could negatively impact the Issuer's reputation, financing costs and trigger enforcement action by supervisory authorities. Stress tests could also bring to the surface information which may result in additional regulatory requirements or measures being imposed or taken which could have a negative impact on the Issuer's business, results of operations, profitability or reputation*".

1.9 ***Legal and arbitration proceedings***

ABN AMRO is involved in a number of governmental, legal and arbitration proceedings in the ordinary course of its business in a number of jurisdictions, including those set out in this section. However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that, save as set out below, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Base Prospectus 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 ("**MCS**") 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, the former 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 the former 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 group of companies headed by Fortis SA/NV (renamed "ageas SA/NV") and Fortis N.V. (renamed "ageas N.V.") by the Dutch State on 3 October 2008. Previously, the EUR 2.0 billion liability resulting from the MCS was retained in the balance sheet, of which EUR 1.75 billion continued to qualify as Tier 1 capital. Under IFRS this obligation was required to be classified as a liability instead of equity since the number of shares to be issued by ABN AMRO, if any, for the conversion of the liability was unclear as the contract did not stipulate a fixed amount of shares to be delivered. After the settlement, core Tier 1 capital increased by EUR 1.6 billion, being the sum of the EUR 2.0 billion liability and the one-off settlement amount of EUR 400 million as paid by ABN AMRO to Ageas. As a result, Tier 1 and total capital decreased by EUR 150 million.

Certain MCS-related hedge fund claims of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 are not included in the settlement. These related proceedings initiated by certain hedge funds in Belgium against the four issuers of the MCS are still pending. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims of the hedge funds. This verdict underlines the verdict in the summary proceedings (*kort geding*) of November 2010 that the MCS holders could not unilaterally amend the terms and conditions of the contract. Certain hedge funds have filed an appeal against the verdict. The Court of Appeal rendered judgement on 1 February 2019 and all claims of the hedge funds have been denied by the Court of Appeal.

Madoff fraud

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

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

Sale of interest rate derivatives

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

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

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

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

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to come to a uniform solution for all clients and banks. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a committee of independent experts. On 5 July 2016 this committee of independent experts published the first draft Uniform Recovery Framework. On 19 December 2016 the final Uniform Recovery Framework was published. ABN AMRO is adhering to and participating in the Uniform Recovery Framework. As a result, ABN AMRO increased the provision charged to the results in the second quarter of 2016 by around EUR 360 million (this increase was exclusive of implementation costs). The provision was increased mainly to cover an additional consideration and an expanded scope of the reassessment. Originally, all SME and middle market clients with a current interest rate derivative at 1 April 2014 were in scope of the reassessment. The new recovery framework includes clients who had one or more interest rate derivatives between 1 April 2011

and 1 April 2014. At the end of Q1 2019, the Issuer has proposed a solution to 6886 clients in scope of the Uniform Recovery Framework. Seventeen clients in scope have not received an offer. This group consists of (former) clients which started legal proceedings against the Issuer or in respect of which vital contact details are missing. At various points in the process, the reassessments will be checked by an independent external file reviewer (the audit firm PwC, supervised by the AFM). The total provision for SME derivatives-related issues as at 31 December 2018 amounted to EUR 276 million. See also the risk factor "*The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties*".

Intertrust

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

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

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

Adjustment of margin charge on mortgage loans with floating interest rates

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

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

ABN AMRO filed an appeal against this judgement. On 19 December 2017, the Amsterdam Court of Appeal ruled that ABN AMRO was not allowed to increase the surcharges on Euribor mortgages. The court ruled that the amendment clauses used by the bank in its general conditions to increase the margin charged were unfair, based on the European Directive on unfair conditions in consumer contracts. Consequently, these clauses were quashed. The court ruled that the clauses were unfair because they were not transparent as: (i) the mortgage credit agreement was not clear about the fact that the interest rate

contained a variable margin and/or how high the surcharge was, (ii) clients were not informed about the different cost components of the margin and could not foresee the economic consequences up-front, and (iii) therefore, clients had not explicitly chosen for a variable margin and its economic consequences when entering into the mortgage credit agreement. ABN AMRO decided to appeal (*cassatie*) to the Supreme Court (*Hoge Raad*) and filed the final necessary documents in view thereof in late August 2018. The Procurator General of the Supreme Court issued its advice in early April 2019. The Supreme Court's verdict is expected in October 2019.

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

Imtech

ABN AMRO has extended credit to the Imtech N.V. group of businesses and it holds shares in Imtech N.V. further to an underwriting commitment in an Imtech N.V. rights offering. The Imtech N.V. group has been in financial difficulties ever since certain fraudulent events, perpetrated by certain managers and staff, were discovered a few years ago. In April 2015, Stichting Imtechclaim has threatened to initiate a collective action lawsuit against Imtech N.V., KPMG Accountants N.V. and the underwriters of the Imtech N.V. rights offerings. By letter of 20 January 2018, Stichting Imtechclaim and Imtech Shareholders Action Group B.V. have held ING, Rabobank, Commerzbank and ABN AMRO liable for (alleged) misstatements in the prospectuses and for (alleged) *actio pauliana.* In the course of 2015 the Vereniging van Effectenbezitters ("**VEB**") announced that it had concluded an agreement with the liquidators of Imtech and is preparing actions against various parties involved in the Imtech matter, including against banks. The VEB wrote to ABN AMRO and the other underwriters by letter dated 28 March 2018 and holds ING, Rabobank, Commerzbank and ABN AMRO liable for (alleged) misstatements in the prospectuses. On 10 August 2018, ABN AMRO received a formal notification from Imtech's trustees in which they assert to have claims on Imtech's lenders, bondholders and underwriting banks based on (alleged) actio pauliana and (alleged) unlawful acts. The letter aims to interrupt limitation periods in view of the trustee's alleged claims. The trustees indicated in their letter that they are still investigating the case.

Novacap

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

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

Stichting Havensteder

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

Eurostar Diamond Traders

Eurostar is a client of ABN AMRO that has defaulted on its loans. ABN AMRO is trying to recover as much of ABN AMRO's outstandings as possible. In response, Eurostar has made a series of accusations and claimed compensation in proceedings commenced in 2019 in the amount of USD 700 million for alleged wrongful acts committed by ABN AMRO.

Partner Logistics

In August 2016, the Issuer received a writ of summons from an indirect shareholder of the Issuer's former clients Partner Logistics Group B.V. and Partner Logistics Europe B.V. Both companies declared bankruptcy in the course of 2012. The indirect shareholder now alleges that the Issuer has acted wrongfully in the context of the bankruptcy of both companies and claims damages allegedly suffered by it in the amount of EUR 200 million. In response to the writ of summons, the Issuer filed its statement of defence with the Amsterdam court on 18 January 2017. The court has ordered another round of pleadings, after which parties have filed their statements of reply (the indirect shareholder) and rejoinder (the Issuer) in the course of 2017. The indirect shareholder has responded on the Issuer's exhibits in a further statement of 18 January 2018. The Issuer has subsequently responded to parts of this statement on 14 March 2018. After the hearing in September 2018, the court rendered its judgement in October 2018 in which it denied all the claims. The indirect shareholder has filed (pro forma) appeal against judgement in January 2019. The appeal proceedings will continue in the course of 2019.

Claims relating to the history of ABN AMRO

A group of former Fortis SA/NV and Fortis N.V. shareholders, including the VEB is litigating against, among other persons, Ageas, certain banks and a number of former Fortis SA/NV and Fortis N.V. directors. The VEB alleges damages in excess of EUR 17 billion. The VEB announced on 14 March 2016 that it has reached a settlement with Ageas. Following renegotiation upon instruction of the Court of Appeal in Amsterdam, Ageas has made EUR 1.3 billion available for this settlement. The settlement has been approved and declared binding (*verbindend verklaard*) by the Court of Appeal in Amsterdamon 13 July 2018. The claimants in certain other actions have been successful in establishing misleading disclosure by, among other persons, Ageas. ABN AMRO is not a party to any of these proceedings. Although ABN AMRO believes that there is no basis for successful claims against it in connection with these matters, it cannot be excluded that it is joined in current proceedings, or that proceedings in connection with the matters described above are brought against it.

Discussions with tax authorities in Switzerland and Germany

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

In Germany, investigations are being conducted by German authorities into equity arbitrage trading extending over dividend record dates by various banks and other parties. A subsidiary previously owned by a subsidiary of FBNH sold shares in a Luxembourg entity by way of a management buy-out, which held the shares in a different German company (referred to, for purposes of this section, as the "**German company**"). ABN AMRO assumed the German company's tax liabilities in the merger with FBNH. In 2012, the German tax authorities issued notices to the German company of intent to reclaim dividend withholding tax amounts claimed by the German company in the years 2007 through 2009. ABN AMRO has paid amounts in relation to these notices in the first quarter of 2017. In 2018, almost all outstanding tax issues were settled, which resulted in a refund of partial payments earlier made. Remaining tax issues are not material. ABN AMRO has furthermore received information requests from authorities and third parties in respect of such customer dealings in the past, and it cannot be excluded that ABN AMRO might be affected by official investigations in the future. ABN AMRO could become subject to civil and criminal law claims and sanctions, which may be material.

Ciccolella

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

Indemnity to the Dutch State

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

ICS

ICS, the credit card business of ABN AMRO, identified certain issues in its credit lending portfolio and its internal processes and IT systems. ICS allowed credit limits to a number of its clients above their lending capacities. ICS prepared a redress scheme that contained remedial measures for affected clients. This redress scheme has been implemented and the final compensation payments are expected to be made in the course of 2019. ICS reported these issues to the AFM. On 15 June 2017, the AFM announced that it is imposing a fine of EUR 2.4 million on ICS for excessive credit limits.

1.10 **Material Agreements**

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

IBM Global Master Services Agreement

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

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

1.11 Recent developments

In November 2018 ABN AMRO announced that Mr Steven ten Have and Ms Frederieke Leeflang have decided to resign from ABN AMRO's Supervisory Board in 2019 in order to allow for the appointment of Ms Anna Storåkers and Mr Michiel Lap. In April 2019, the Annual General Meeting approved the appointments of Ms Anna Storåkers and Mr Michiel Lap as members of the Supervisory Board of ABN AMRO for a period of four years ending at the close of the Annual General Meeting in 2023. Mr Steven ten Have and Ms Frederieke Leeflang have stepped down as members of ABN AMRO's Supervisory Board. As a result, the Supervisory Board consists of Mr Tom de Swaan (Chairman), Mr Arjen Dorland, Mr Michiel Lap, Ms Annemieke Roobeek, Mr Jurgen Stegmann, Ms Anna Storåkers and Mr Tjalling Tiemstra.

On 16 June 2019 ABN AMRO announced that Mr Kees van Dijkhuizen will not serve a new term of office as CEO following the end of his current term, which will expire at the Annual General Meeting on 22 April 2020.

2. SHAREHOLDER AND CONTROL

2.1 Shareholder

On the date of this Base Prospectus, all shares in the capital of ABN AMRO Bank are held by two foundations: NLFI and Stichting Administratiekantoor Continuïteit ABN AMRO Bank ("**STAK AAB**"). Both foundations have issued depositary receipts for shares in ABN AMRO Bank. Only STAK AAB's depositary receipts are issued with the cooperation of ABN AMRO Bank and traded on Euronext Amsterdam.

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

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

NLFI entered into a relationship agreement with the former ABN AMRO Group with respect to their mutual relationship after the IPO (the "**Relationship Agreement**"). Upon the IPO, the Relationship Agreement replaced an earlier memorandum of understanding between NLFI and the former ABN AMRO Group. In view of the Group Legal Merger, the Relationship Agreement was amended by NLFI and ABN AMRO Bank (as legal successor of ABN AMRO Group) with effect from 29 June 2019. The Relationship Agreement will terminate if and when NLFI (directly or indirectly) holds less than 10% of ABN AMRO Bank's (as legal successor of ABN AMRO Group after the Group Legal Merger) issued share capital, except for a limited number of clauses, which will not terminate under any circumstances.

STAK AAB is independent from ABN AMRO and is a holder of shares in ABN AMRO Bank's issued share capital. STAK AAB has acquired such shares for the purpose of administration (*ten titel van beheer*) in exchange for depositary receipts. This structure can serve as a defence measure. The STAK AAB also aims to promote the exchange of information between

ABN AMRO Bank on the one hand and holders of depositary receipts and shareholders on the other hand, for example, by organising a meeting of depositary receipt holders prior to ABN AMRO Bank's General Meeting. STAK AAB will also report on its activities periodically, at least once a year. This report was published by STAK AAB for the first time in 2016. In addition, further selldowns of NLFI's shareholding in ABN AMRO Bank will take place through STAK AAB (and in the form of depositary receipts).

2.2 **Control**

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

The depositary receipts for the shares in the capital of ABN AMRO Group (as legal predecessor of ABN AMRO Bank N.V. prior to the Group Legal Merger) 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 (as legal predecessor of ABN AMRO Bank N.V. prior to the Group Legal Merger), 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 (or ABN AMRO Bank as its legal successor after the Group Legal Merger).

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

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

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

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

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

On 29 June 2019 the Group Legal Merger between ABN AMRO Bank and ABN AMRO Group became effective. As a result, all shares in ABN AMRO Group became shares in ABN AMRO Bank and each depository receipt subsequently represents one share in ABN AMRO Bank.

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

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

3. MANAGEMENT AND GOVERNANCE

ABN AMRO Bank is a public company with limited liability incorporated on 9 April 2009 under the laws of The Netherlands. The company has a two-tier board governance consisting of a Supervisory Board and an Executive Board.

3.1 Supervisory Board of ABN AMRO Bank

Responsibilities of the Supervisory Board

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

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

Composition of the Supervisory Board

The following persons are appointed as members of the Supervisory Board (an overview indication of their principal activities outside of ABN AMRO is included)[7]:

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
Tom de Swaan *Chairman*	12 July 2018	*Last position:* Chief Financial Officer ABN AMRO Bank N.V.	*Supervisory positions:* Chairman of the Supervisory Board of Antoni van Leeuwenhoekziekenhuis (Netherlands Cancer Institute) Member of the Supervisory Board of the Holland Festival Foundation (Netherlands) Board member of the Liszt Concours Foundation (Netherlands) *Other positions:* Chairman of the Board of the National Opera & Ballet Fund Foundation (Netherlands) Member of the Board of the Premium Erasmianum Foundation Member of the International Advisory Board of Akbank
Arjen Dorland	18 May 2016	*Last position:* Executive Vice President of Technical and Competitive IT, Royal Dutch Shell.	*Supervisory position:* Member of Supervisory Council of Stichting Naturalis Biodiversity Center Member supervisory board Essent N.V. Chairman of the Supervisory Council of Haaglanden Medisch Centrum
Annemieke Roobeek	30 March 2010 Reappointed on 30	*Current position:* Professor of Strategy and	*Supervisory positions*: Member of the Supervisory

[7] Except for their principal functions in ABN AMRO or its subsidiaries, directors' other functions within ABN AMRO or its subsidiaries have not been included.

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
	May 2017 for such period until the new member shall be appointed (such period, for the avoidance of doubt, in any event not being longer than 4 years)	Transformation Management at Nyenrode Business Universiteit, Director and owner of MeetingMoreMinds B.V., Owner of Open Dialogue B.V. and Co-initiator and Co-owner of XL Labs B.V.	Board of Howaldt & Co. Investmentaktiengesellschaft TGV (Hamburg, Germany) *Other positions:* Chair of PGGM Advisory Board for Responsible Investment Chair of Stichting INSID (Institute for sustainable innovation & development directed by His Royal Highness Prince Carlos de Bourbon de Parme) Member of the "Inspirational Board" (Advisory Board), CPI Governance Chair of Stichting Social Finance NL
Jurgen Stegmann	12 August 2016	*Last position:* Director Stegmanagement B.V.	*Supervisory positions:* Member Supervisory Board of Janssen de Jong Groep B.V. Member of the Supervisory Board of MN Services N.V.
Tjalling Tiemstra	18 May 2016	*Current position:* Director Drs J.S.T. Tiemstra Management Services B.V. *Last position:* Chief Financial Officer of Hagemeyer N.V.	*Supervisory positions:* Member of Supervisory Board of Royal Haskoning DHV B.V. *Other positions:* Board member of Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster) Board member of Stichting Preferente Aandelen (Preference Shares) Wolters Kluwer

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
			Board member of Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares)
			Member of Advisory Board of Dienst Uitvoering Onderwijs (DUO) (Education Executive Agency of the Dutch Ministry of Education, Culture and Science)
			Member Monitoringcommissie Code Pensioenfondsen (Monitoring Committee Dutch Pension Funds Code)
			Member of the Advisory Board of the Court of Justice of Rotterdam
			Deputy expert member of the Ondernemingskamer Gerechtshof Amsterdam (Court of
			Enterprise at the Amsterdam Court of Appeal)
			Chairman of the Governance, Risk & Compliance Committee of Nederlandse Beroepsorganisatie van Accountants (NBA) (Dutch Institute of Chartered Accountants)
			Chairman of the European Leadership Platform's Advisory Board
Anna Storåkers	24 April 2019	*Last position:*	*Supervisory positions*:
		Several management positions within Nordea Bank	Non-executive Member of the Board of Directors of Nordea Life Holding AB
			Non-executive Member of the Board of Directors of

Name	Appointment date	Positions held	Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO
			eWork Group AB Non-executive director of NDX Intressenter AB Non-executive director of Nordax Group AB (publ) Non-executive director of Nordax Bank AB (publ)
Michiel Lap	24 April 2019	*Current position:* Director at Rijn Capital B.V. Industrial Advisor at EQT Partners	*Supervisory positions*: Vice Chairman and member of the Supervisory Board and Audit and Risk Committee at Arcadis N.V.

In April 2019, the Annual General Meeting approved the appointments of Ms Anna Storåkers and Mr Michiel Lap as members of the Supervisory Board of ABN AMRO for a period of four years ending at the close of the Annual General Meeting in 2023. Mr Steven ten Have and Ms Frederieke Leeflang have stepped down as members of ABN AMRO's Supervisory Board (see also "*1.11 Recent Developments*" above).

Activities of the Supervisory Board

The Supervisory Board of ABN AMRO has three committees:

Audit Committee

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

Remuneration, Selection & Nomination Committee

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

Risk & Capital Committee

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

3.2 **Executive Board of ABN AMRO Bank N.V.**

Responsibilities of the Executive Board

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

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

Composition of the Executive Board

The following persons are appointed as members of the Executive Board, together with an indication of their principal activities outside of ABN AMRO[8]:

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

[8] 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.

Name	Date of Appointment	Principal activities performed outside ABN AMRO which are significant with respect to ABN AMRO
Tanja Cuppen, *Chief Risk Officer*	1 October 2017	*Supervisory positions:* No *Other positions:* Member of Investment Committee, Argidius Foundation, Zug, Switzerland

3.3 **Conflict of interest and address information**

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

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

OPERATING AND FINANCIAL REVIEW

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

The discussion in this Base Prospectus of ABN AMRO Group's results of operations for the year ended 31 December 2018 as compared to the year ended 31 December 2017 is based on reported results. The discussion in this Base Prospectus of ABN AMRO Group's results of operations for the year ended 31 December 2017 as compared to the year ended 31 December 2016 is based on underlying results. Underlying results are non-IFRS measures and have not been audited or reviewed. The underlying results have been derived by adjusting the reported results, which are reported in accordance with IFRS, for defined Incidentals. For further information, please see "Presentation of Financial Information".

The reported results for the years ended as at 31 December 2018, 2017 and 2016 which are included in this Operating and Financial Review are derived from the Consolidated Annual Financial Statements of ABN AMRO Group N.V., which have been audited.

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

1.1 Summary of Financial Information Policies

Consolidated Annual Financial Statements

The Consolidated Annual Financial Statements are prepared on a historical cost basis, except for derivative financial instruments, financial assets and liabilities held for trading or designated as measured at fair value through profit or loss, financial instruments not held in a hold to collect business model, debt instruments that do not meet the solely payments of principal and interest ("**SPPI**") test, and equity investments in associates of a private equity nature, all of which are measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Associates and joint ventures are accounted for using the equity method.

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

Changes in accounting policies in 2018

During 2018 ABN AMRO adopted the following amendments to IFRS:

IFRS 9 (Financial Instruments)

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

ABN AMRO has decided to continue applying IAS 39 for hedge accounting and the application of the European Union carve out. For more information regarding the IFRS 9 transition, please

refer to "*Notes to the Consolidated Annual Financial Statements – 1 Accounting policies*" in the Annual Report 2018.

Classification and measurement

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

As part of the transition to IFRS 9, ABN AMRO has performed an analysis of the business models and contractual cash flows of all of its financial asset portfolios. This has resulted in a number of changes. Additional information on these changes is provided in the Annual Report 2018. See "*Notes to the Consolidated Annual Financial Statements – 1 Accounting policies*" in the Annual Report 2018.

The classification and measurement of financial liabilities (with the exception of the financial liabilities designated at FVTPL) has largely remained unchanged. The changes in fair value attributable to changes in the own credit risk of such liabilities are now presented in other comprehensive income. This resulted in a transfer of the applicable carrying amounts from retained earnings to accumulated other comprehensive income as at 1 January 2018. The cumulative amount of changes in fair value attributable to the credit risk of such liabilities is presented as liability own credit risk reserve in equity.

The IFRS 9 classification and measurement accounting policies of ABN AMRO are explained in "*Notes to the Consolidated Annual Financial Statements – 1 Accounting policies*" in the Annual Report 2018.

Impairments

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

- Financial instruments without a significant increase in credit risk (stage 1): the portion of the lifetime expected credit losses ("**LECL**") associated with default events occurring in the next twelve months is recognised. Interest income is recognised based on the gross carrying amount;

- Financial instruments with significantly increased credit risk (stage 2): LECL is recognised. Interest income is recognised based on the gross carrying amount;

- Credit-impaired financial instruments (stage 3): these financial instruments are in default and consequently a LECL is recognised. Interest income is recognised based on the amortised cost.

For more information regarding ABN AMRO's impairment policy, see "*Risk, funding & capital – Credit risk*" in the Annual Report 2018.

IFRS 15 Revenue from Contracts with Customers

The IFRS 15 standard became effective for annual periods beginning on or after 1 January 2018. It establishes a comprehensive five-step framework for determining the nature, amount, timing and uncertainty of revenue from contracts with customers.

After identifying contracts and their performance obligations, revenue is recognised as an amount that reflects the consideration to which ABN AMRO expects to be entitled to receive in exchange for transferring promised goods or services to customers. The transaction price is allocated to each performance obligation. Revenue is recognised when a promised good or service is transferred to the customer, either at a point in time or over time. ABN AMRO elected to apply the modified retrospective approach during the transition to the new standard and uses practical expedients where applicable. The standard enhanced the disclosure requirements for fee and commission income, and had no further impact on the Consolidated Annual Financial Statements ABN AMRO Group N.V and comparative figures.

IFRS 2 (Share-based Payment)

In June 2016 the IASB issued amendments to IFRS 2 (Share-based Payments) to clarify the classification and measurement of share-based payment transactions. This comprised three amendments that clarify how to account for certain types of share-based payment transactions. As ABN AMRO currently does not have any IFRS 2 share-based payment plans, these amendments did not have any impact on the Consolidated Annual Financial Statements ABN AMRO Group N.V.

Annual Improvements to IFRS Standards 2014-2016 Cycle

This cycle of annual improvements comprises three amendments, one of which became effective on 1 January 2017. This amendment relates to IFRS 12 (Disclosure of Interests in Other Entities) and provides clarifications on the scope of the standard. The other two amendments became effective on 1 January 2018. Neither amendment, IFRS 1 relating to First-Time adoption and IAS 28 relating to Investments in Associates and Joint Ventures, had an impact on the Consolidated Annual Financial Statements ABN AMRO Group N.V.

New standards, amendments and interpretations not yet effective

The following amendments to IFRSs are issued by the IASB and endorsed by the European Union, but are not yet effective for the purposes of the Consolidated Annual Financial Statements of ABN AMRO Group N.V. ABN AMRO did not early apply any of the forecoming amendments. Note that only the amendments to IFRSs that are relevant for ABN AMRO are discussed.

IFRS 16 Leases

The new standard on leases was issued by the IASB in January 2016 and became effective on 1 January 2019. IFRS 16 replaces IAS 17 Leases and removes the distinction between 'operating' and 'finance' leases for lessees. The requirements for lessor accounting remain largely unchanged. In the transition to IFRS 16, the standard permits a choice of either a full retrospective or modified retrospective approach.

The main impact of IFRS 16 on the financial statements of ABN AMRO is expected to arise from leases of office buildings and cars which the bank leases for own use as lessee. ABN AMRO has elected to apply the modified retrospective approach in the transition to the new standard and will use several of the practical expedients. The transition to IFRS 16 is estimated to result in an increase of assets and liabilities of approximately EUR 0.3 billion. Additional disclosures on both the lessor and lessee lease portfolios will be included in the 2019 financial statements.

Amendments to IFRS 9

The IASB issued amendments to IFRS 9 (Prepayment Features with Negative Compensation), which became effective on 1 January 2019. These amendments allow instruments with symmetric prepayment options to be measured at amortised cost or at FVCOI. As ABN AMRO does not currently have any financial instruments with these features, it does not expect these amendments to have any impact on its financial statements .

New standards, amendments and interpretations not yet endorsed

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

IAS 28 Investments in Associates and Joint Ventures

In October 2017, the IASB issued amendments to IAS 28 that became effective on 1 January 2019. The amendments state that IFRS 9 should be applied when accounting for long-term interests in an associate or joint venture to which the equity method is not applied. Based on our initial analysis, ABN AMRO does not expect these amendments to have any impact on its financial statements.

Annual Improvements 2015-2017 Cycle

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

IFRS 3 (Business Combinations)

In October 2018 the IASB issued amendments to IFRS 3 (Business Combinations). The amendments seek to resolve difficulties in determining whether an entity has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after 1 January 2020. ABN AMRO is currently assessing the impact of the amendments.

Definition of Material (IAS 1 and IAS 8)

In October 2018 the IASB issued amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The amendments revised the definition of "material" and aligned the definition across other IFRS publications. ABN AMRO is currently assessing the impact of the amendments.

Amortisation of mortgage penalty interest

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

Changes in accounting policies in 2017

During 2017 ABN AMRO adopted the following amendments to IFRS:

- IAS 7 (Statement of Cash Flows): Disclosure Initiative. The amendments of IAS 7 require enhanced disclosures about changes in liabilities arising from financing activities. By disclosing the information in note 26 Due to banks, note 27 Due to customers and note 28 Issued debt and subordinated liabilities, together with the audited information in the capital and funding disclosures in the Risk, funding & capital section of the Consolidated Annual Financial Statements ABN AMRO Group N.V., ABN AMRO complies with the enhanced disclosure requirements. This information should be

read in conjunction with the financing activities in the cash flow statement, which shows, for example, the proceeds and repayment of issued debt and subordinated liabilities.

- IAS 12 (Income taxes): Recognition of Deferred Tax Assets for Unrealised losses. The amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. This amendment did not have any impact on ABN AMRO.

- Annual Improvements to IFRS Standards 2014-2016 Cycle IFRS 12: Disclosure of Interests in Other Entities provides clarifications to the scope of the standard which became effective on 1 January 2017.

- Annual Improvements to IFRS Standards 2014-2016 Cycle IFRS 1: First-Time adoption became effective on 1 January 2018 and had no significant impact on the Consolidated Annual Financial Statements ABN AMRO Group N.V.

- Annual Improvements to IFRS Standards 2014-2016 Cycle IAS 28: Investments in Associates and Joint Ventures, became effective on 1 January 2018 and had no significant impact on the Consolidated Annual Financial Statements ABN AMRO Group N.V.

Segmentation

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

The segment reporting is in accordance with IFRS 8 (Operating Segments). The segments are reported in a manner consistent with the internal reporting provided to the Executive Board, which is responsible for allocating resources and assessing performance and has been identified as the chief operating decision-maker. All transactions between segments are eliminated as inter-segment revenues and expenses in Group Functions.

Update on Segmentation for 2018

During the first half of 2018, ABN AMRO transferred the portfolio of small business clients with a turnover of up to EUR 1 million from the Retail Banking segment to the Commercial Banking segment. As a consequence, the segment reporting has also changed. Historical figures for 2018 and 2017 have been adjusted for comparison purposes. The transfer has no effect on the historical overall group results or financial position of the bank.

The financial results in the Section 4.4 "*Results of operations for the years ended 31 December 2018 and 2017*" are presented in accordance with this new structure.

1.2 Key Factors Affecting Results of Operations

Drivers of Profitability

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

Key drivers of operating income

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

Interest-based business

Interest-based revenue is the largest contributor to ABN AMRO's operating income generating 73% of total operating income in 2018 and 69% of total operating income in 2017. The Group earns interest (Interest income) on assets such as residential mortgages, consumer loans, commercial loans and other assets. The Group pays interest (Interest expense) on its liabilities to depositors and other creditors. Net interest income is the difference between interest income and interest expenses. In 2018, Retail Banking generated 47% of ABN AMRO's net interest income, Commercial Banking 24%, Private Banking 11%, and Corporate & Institutional Banking 18%. In 2017, Retail Banking generated 53% of ABN AMRO's net interest income, Commercial Banking 22%, Private Banking 10%, and Corporate & Institutional Banking 15%.

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

Net interest income from business activities comprises the business margin as well as capital [9] and indirect liquidity [10] costs. The business margin is defined as the margin the business makes on granting loans to or taking in deposits from clients as well as interest related fees, for example commitment fees charged on current accounts. The business margin should cover the required return on allocated equity and all remaining operational and risk costs borne by the business. To be able to determine the business margin, the related cost of funding is needed. ALM charges (in case of an asset) or compensates (in case of a liability) the cost of funds to the business, which is done through the funds transfer pricing ("FTP") methodology. The Group's policy is that interest rate risk and liquidity risk related to the interest-based business is managed centrally by ALM within Group Functions and that the business is responsible for the business margin. To enable ALM to manage these risks, the risks are transferred from the business to ALM by application of the FTP methodology. This means that these risks taken by the businesses need to be transferred to ALM in order to have a full overview of ABN AMRO's position. The FTP is comprised of an interest base rate (e.g. EURIBOR/LIBOR), based on the interest maturity of the transaction and a liquidity spread, based on the contractual or behavioural maturity of the transaction. Business segments either pay the FTP rate, for loans and other receivables, or receive the FTP rate, for deposits, to ALM. The mismatch in maturities between assets and liabilities is managed centrally by ALM and the resultant interest mismatch position is defined as the interest results recorded in ALM. Generally, the steering of the interest mismatch position is done via hedging transactions, with the aim to reduce the sensitivity of the net interest income to future interest rates moves. From time-to-time, ABN AMRO could anticipate future interest rate moves and may try to enhance its interest income by taking certain positions in the swap market, for example.

Fee and commission-based business

The secondary contributor to ABN AMRO's operating income is its fee and commission-based business generating 19% of total operating income in 2018 and 19% of total ABN AMRO's operating income in 2017. Fee and commission income can arise as compensation for services provided by ABN AMRO to its clients. This income can arise from transaction services, asset management services, payment services or other services. The profitability of fee and

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

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

commission-based businesses depends on fees and commissions charged to the client for providing these services and the related fee and commission expenses incurred by ABN AMRO. In 2018, Commercial Banking generated 15% of ABN AMRO's net fee and commission income, Corporate & Institutional Banking 31%, Private Banking 30%, Retail Banking 21% and Group Functions 2%. In 2017, Commercial Banking generated 12% of ABN AMRO's net fee and commission income, Corporate & Institutional Banking 31%, Private Banking 33%, Retail Banking 23% and Group Functions 2%.

Within ABN AMRO the main fee contributors are:

1. *Transaction fees on securities*

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

2. *Payment services fees*

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

3. *Asset Management fees*

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

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

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

4. *Guarantees and commitment fees*

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

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

Key drivers of operating expenses

Personnel expenses

Banking is a human capital-intensive business, as it is, for an important part, a relationship driven business with increasing compliance and risk management requirements. Therefore, Personnel expenses contribute significantly to ABN AMRO's expenses and amounted to 46% of the Group's operating expenses in 2018 and 46% of the Group's operating expenses in 2017. This means that ABN AMRO is dependent on conditions and trends in local labour markets, primarily the Dutch market. Personnel expenses comprise of all expenses related to personnel on the payroll of ABN AMRO and consists of fixed salary, employer social security charges, employee

benefits (e.g. pension premiums, jubilee benefits) and variable remuneration. Expenses related to personnel not on ABN AMRO's payroll, such as external consultants and temporary staff, are included in general and administrative expenses.

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

General and administrative expenses

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

The majority of General and administrative expenses relate to information technology followed by agency staff, contractors and consultancy costs. General and administrative expenses amounted to 54% of the ABN AMRO's operating expenses in 2018 and 49% of the ABN AMRO's operating expenses in 2017.

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

Bank tax

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

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

Deposit Guarantee Scheme

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

National Resolution Fund and Single Resolution Fund

ABN AMRO has made contributions to the National Resolution Funds in 2015, 2016, 2017 and 2018 and has made contributions to the Single Resolution Fund as of 1 January 2016. For further information, please see "*Risk Factors - Proposals for resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding*." and "*Issuer – 1. ABN AMRO BANK N.V. – 1.8 Regulation*". Major changes in laws and regulations and in their interpretation could materially and adversely affect the Group's business, business model, financial condition, results of operations and prospects.

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

European Central Bank

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

Sale of Private Banking Asia

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

Other Key drivers of impairment charges on loans and other receivables

The ABN AMRO's results of operations are also affected by the level of impairment charges on loans and other receivables. These impairment charges result from changes in the quality of assets. The quality of assets is impacted by the economic developments in general and the housing market in particular, as the mortgage portfolio counts for more than 55% of ABN AMRO's loan book (as defined by total loans and advances - customers) for the year ended 31 December 2018. Impairment charges on loans and other receivables are closely related to the interest-based business, as it is based on credit risk and compensation for credit risk is charged to the client as part of the business margin on interest-earning assets.

Economic developments

The Group's business and performance, including its results of operations, are affected by Dutch, European and global economic and market conditions and future economic prospects, particularly in the Netherlands in which ABN AMRO's operating income is predominantly generated (82% for the year ended 31 December 2018).

The Group's operations are also affected by the developments in the Dutch housing and mortgage market with 39% of total assets of ABN AMRO for the year ended 31 December 2018 consisting of residential mortgages.

The economic environment remained relatively favourable in 2018. The key countries in which ABN AMRO operates – Belgium, France, Germany, the United States and the Netherlands – all experienced continued growth. Once again, ABN AMRO's home market outperformed its European counterparts as the Dutch economy expanded by 2.5%.

Continued broad-based growth

The increase in activity in the Netherlands was broadbased, with household consumption, government spending, investments and exports all contributing to growth. Consumption advanced on the back of a positive labour market and developments in the housing market. The number of jobs rose, while unemployment fell to a historic low. Although the government decided to increase spending, supply constraints meant it was unable to meet all its intended expenditure commitments. Businesses experienced strong demand, and a lack of production capacity induced them to step up investments. Meanwhile, housing investments started to flatten after years of acceleration. The external sector benefited from relatively high growth in world trade on the back of strong international demand.

Global trade under pressure

Various signs point to global expansion having reached its peak in 2018, with the clearest sign of a slowdown being the persistent fall in confidence indicators. During the year, growth in world trade, industrial production and global GDP all weakened. This was partly for cyclical reasons as pent-up demand waned and the inventory cycle started running out of steam. In addition, inflation rose in response to higher energy prices and held back the increase in consumer purchasing power. The threat of protectionism also contributed to the declining confidence, while the political uncertainty created by Brexit and concerns about the Italian budget impacted

sentiment. Business surveys meanwhile showed a substantial drop in export orders. Moreover, restrictive measures by Chinese policymakers aimed at deleveraging the economy reduced GDP growth in China, while the rate hikes and shortening of the balance sheet by the US Federal Reserve also resulted in tighter financial conditions in many other countries.

ECB preparing for QE withdrawal

On the back of higher commodity prices, headline inflation rose towards the ECB's 2% target, while core inflation, which disregards volatile price components, remained much lower. Technological change, growing international competition and a more flexible labour market continued to hold back price rises. However, the ECB repeatedly stated that it expects core inflation to rise, with ongoing economic growth and a further improvement in the labour market propping up the pressure on prices. Given this prospect, the ECB is gradually reducing the degree of policy accommodation. Its first step was to reduce its monthly asset purchases, while the second step was to announce plans to cease purchases completely by the end of 2018 and then raise the deposit rate. Credit spreads materially widened in 2018, and once market participants start pricing in higher official rates, bond yields will gradually drift upwards.

Rapidly rising house prices

After reaching a historic high in 2017, Dutch housing transaction volume started declining in 2018. While the deceleration was initially confined to the Randstad conurbation, it later also became visible in other parts of the country. The decline was primarily caused by a lack of properties for sale. In response to this shortage, but also because of strong economic growth, the favourable labour market, low mortgage interest rates and demand from buy-to-let investors, nominal house prices rose beyond their pre-crisis levels. However, regional differences are substantial. Moreover, the construction of new homes is continuing to fall well short of demand. Dutch housebuilders' slow response to market changes is a long-standing problem, which the government is trying to address. The problem will however take a long time to resolve, given the limited number of building permits. The fact that buyers are struggling to find suitable homes is taking its toll on sentiment in the housing market, which is still positive, albeit less buoyant than before.

Marginal growth in lending

Despite the decline in housing transactions in 2018, mortgage production in the Netherlands continued to increase. A large share of mortgage production was attributable to refinancing by homeowners seeking to lock into low mortgage interest rates. At the same time, many other people redeemed all or part of their mortgage to reduce debt. As a result, the total amount of outstanding mortgage debt rose only moderately, and even shrank as a percentage of GDP. Due to the sharp increase in house prices and the rise in redemptions, the number of households in negative equity declined substantially during the 2018. Lending to non-financial businesses continued to decline, albeit less rapidly than before. Instead of using banks, businesses are now increasingly relying on internal funds, equity and corporate bonds to finance their investments. The low interest rate environment is inducing investors to explore a wider realm of investment opportunities and increasingly to flock to corporate bonds. As a result, direct financing options have become more accessible, particularly for larger businesses.

Weaker growth outlook

ABN AMRO expects the recent US growth momentum to wane, mainly driven by the slowdown in investments, which have been very strong in the past two years. While US government spending is expected to pick up some of the slack, this is expected to come to an end in 2019. Although the rivalry between the US and China is likely to persist, ABN AMRO does not expect China to experience a hard landing as the government is taking offsetting measures to ensure the country's economic slowdown is of a more gradual nature. Weakened confidence and less supportive financial conditions is expected to affect activity in the eurozone. However, the European economy still has some slack. Since the upward effect of oil prices is expected to be only temporary, the rise in inflation is likely to be slow. The overall contribution of external demand is expected to become less supportive for the Netherlands, although domestic spending is expected to continue to grow robustly. Dutch GDP growth is expected to also receive a boost from the increase in public spending that was agreed in the Dutch Coalition Agreement. As

capacity constraints meant the government had to postpone some of its intended spending in 2018, some of the positive effects of this on GDP growth is expected to roll over to 2019.

Regulatory developments

Regulatory developments in Europe and the Netherlands have also had an impact on ABN AMRO's financial results and are expected to continue to affect the results of ABN AMRO in the near future. For further information on ABN AMRO's regulatory environment and a number of specific regulatory initiatives and frameworks that can have a significant impact on ABN AMRO's business, financial condition and results of operations, please see "*Issuer – 1. ABN AMRO BANK N.V. – 1.8 Regulation*".

1.3 **Explanation of key income statement items**

Operating income

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

Net interest income

Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method except for those financial instruments measured at FVTPL. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions, over the expected lives of the assets and liabilities. The effective interest rate is the rate that discounts estimated future cash flows to the net carrying amount of the asset. As a result, this method requires ABN AMRO to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Interest income and expenses on loans and advances measured at FVTPL is also included in net interest income and is recognised on an accrual basis by using the applicable contractual interest rates. Due to the significant number of products, there are no individual products that are material to the bank's results or financial position. Interest income and expenses of trading balances are included in net trading income. Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

Net fee and commission income

ABN AMRO applies IFRS 15 when recognising revenue from contracts with customers, all of which is included in net fee and commission income. After identifying contracts and their performance obligations, revenue is recognised as an amount that reflects the consideration to which the bank expects to be entitled to receive in exchange for transferring promised goods or services to customers. The transaction price is allocated to each performance obligation. Revenue is recognised when a promised good or service is transferred to the customer, either at a point in time (the fee is a reward for a service provided at one moment in time) or over time (the fee relates to services on an ongoing basis). Revenue is measured at the fair value of the consideration received, taking into account discounts and rebates. The amount of revenue recognised is discounted to the present value of consideration due, if payment extends beyond normal credit terms.

Other operating income

Other operating income comprises net trading income, results from financial transactions, share of result in equity accounted investments and other income. Withholding taxes are included in income tax if these taxes are payable by a subsidiary, associate or joint arrangement on distributions to ABN AMRO.

Net trading income

In accordance with IFRS 9, trading positions are held at fair value and net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities

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

Share of result in equity accounted investments

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

Other income

Other income includes all other banking activities such as leasing activities and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IFRS 9 for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at FVTPL, and changes in the value of derivatives related to such instruments. Dividend income from non-trading equity investments is recognised when entitlement is established.

Operating expenses

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

Personnel expenses

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

Other expenses

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

Operating result

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

Impairment charges on loans and other receiveables

Since 1 January 2018, ABN AMRO has recognised loss allowances based on the ECL model of IFRS 9, which is designed to be forward-looking. The IFRS 9 impairment requirements are applicable to financial assets measured at amortised cost or FVOCI, loan commitments and financial guarantee contracts.

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

- Individual LECL for credit-impaired (stage 3) financial instruments with exposures above EUR 3 million. For more information regarding the calculation method,

please see "*Risk, funding & capital – Risk & capital management – Credit risk management*" in the Annual Report 2018; and

- Collective 12-month ECL (stage 1) and LECL for (stage 2 and 3) financial instruments that have similar credit risk characteristics (e.g. residential mortgages, consumer loans, SME loans) are clustered in portfolios and collectively assessed for impairment losses. A collective impairment calculation approach based on individual parameters is also applied for exposures below EUR 3 million. ABN AMRO has introduced new models to quantify the Probability of Loss, Loss Given Loss and Exposure at Loss for calculating the collective 12-month ECL and LECL for these financial instruments. Whereas the credit loss allowance for these assets is collectively determined, the stage for each individual financial instrument is separately determined.

Impairment losses on property and equipment, goodwill and other intangible assets, are not included under impairment charges but recognised in the income statement as depreciation and amortisation expense. For more information regarding impairment charges, please see "*Risk, funding & capital – Risk & capital management – Credit risk management*" in the Annual Report 2018.

Operating profit/(loss) before taxation

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

Income tax expense

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

Profit/(loss) for the period

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

1.4 Results of operations for the years ended 31 December 2018 and 2017

Selected consolidated Financial Information

The table below summarizes ABN AMRO's results of operations for the years ended 31 December 2018 and 31 December 2017.

	Year ended 31 December	
	2018	**2017**
	(in millions of euros)	
Net interest income	6,593	6,456
Net fee and commission income	1,699	1,747
Other operating income	800	1,086
Operating income	9,093	9,290
Personnel expenses	2,441	2,590
Other expenses	2,910	2,991
Operating expenses	5,351	5,582
Operating result	**3,742**	**3,708**
Impairment charges on loans and other receivables	655	-63
Operating profit/(loss) before taxation	**3,086**	**3,771**
Income tax expense	762	979
Net profit/(loss) for the period	**2,325**	**2,791**
Attributable to:		
Owners of the parent company	2,207	2,721
Holders of AT1 capital securities	79	53

	Year ended 31 December	
	2018	2017
	(in millions of euros)	
Other non-controlling interests	39	18
Net interest margin (NIM) (in bps)	165	157
Cost/income ratio	58.8%	60.1%
Cost of risk (in bps)	24	-2
Return on average Equity[(1)]	11.4%	14.5%
Earnings per share (in EUR)[(2)]	2.35	2.89
Dividend per share	1.45[(3)]	1.45

	Year ended 31 December	
	2018	2017
Client Assets[(4)] (in billions)	285	307
FTEs	18,830	19,954

(1) Profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.

(2) Profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

(3) Dividend per share subject to approval of the annual general meeting in May 2019.

(4) Client Assets consist of assets including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Clients Assets also include cash and securities of clients held on accounts with ABN AMRO.

Net profit/(loss) for the period

Net profit decreased by EUR 466 million to EUR 2,325 million in 2018 (2017: EUR 2,791 million). The decrease of EUR 466 million compared with full-year 2017 was mainly attributable to the proceeds, recorded in 2017, of the Private Banking Asia divestment and the effect of model refinements driving impairment releases. Excluding the Private Banking Asia divestment and the effect of model refinements driving impairment releases, the operating result improved because of net interest income being boosted by corporate loan growth backed by resilient margins and the lower cost levels that resulted from restructuring measures.

Return on equity (ROE) for 2018 decreased to 11.4% (2017: 14.5%). The ROE for 2018 would be 13.4% if adjusted for the Private Banking Asia divestment.

Operating income

Operating income decreased by EUR 197 million to EUR 9,093 million in 2018 (2017: EUR 9,290 million). The decrease was mainly caused by the decrease of EUR 286 million in other operating operating income as compared to 2017.

Net interest income

Net interest income increased by EUR 137 million to EUR 6,593 in 2018 (2017: EUR 6,456 million) on the back of corporate loan growth and higher mortgage penalties. Interest income on residential mortgages remained stable as average volumes and margins were broadly flat despite intensifying competition. Interest income on consumer loans was down, due to a combination of lower volumes and margins.

Net fee and commission income

Net fee and commission income decreased by EUR 48 million to EUR 1,699 million in 2018 (2017: EUR 1,747 million). A third of this decrease was attributable to the Private Banking Asia divestment as the figures for 2017 included four months of fee contributions from this business. The remainder was primarily attributable to Private Banking as financial markets were more favourable in 2017. The decrease was partly offset, however, by higher fees charged for Retail Banking payment packages and by higher fees in the Clearing business following greater market volatility in 2018.

Other operating income

Other operating income decreased by EUR 286 million to EUR 800 million in 2018 (2017: EUR 1,086 million). Excluding the Private Banking Asia divestment and one-off or outside the ordinary course of business expenses recorded in both years, other operating income decreased due to lower hedge accounting-related income, including the effects of the partial sale of the Public Sector Loan portfolio (EUR 79 million versus EUR 181 million in 2017), adverse results

for CVA/DVA/FVA[11] (EUR 3 million negative versus EUR 75 million in 2017) and a less favourable equity stake revaluation in 2018 (mainly in the Commercial Banking segment). This decrease was largely offset by better results for equity participations (2018: EUR 274 million; 2017: EUR 114 million).

Personnel expenses

Personnel expenses decreased by EUR 149 million to EUR 2,441 million in 2018 (2017: EUR 2,590 million). Part of this decrease was attributable to lower restructuring provisions in 2018 (EUR 129 million versus EUR 156 million in 2017). If adjusted for restructuring provisions, personnel expenses are on a declining trend. This reflects the lower FTE levels resulting from the continued progress being achieved by cost-saving programmes. However, this progress was partly offset in 2018 by wage inflation as the new collective labour agreement provided for a 2% increase in salaries from 1 January 2018 and for a one-off payment of EUR 16 million in 2018.

Other expenses

Other expenses decreased by EUR 81 million to EUR 2,910 million in 2018 (2017: EUR 2,991 million). This decrease was largely driven by the result of cost saving programmes and a reduction in one-off or outside the ordinary course of business expenses. The effects of these cost-saving programmes were partly offset, however, by higher costs incurred for the external staff hired to increase our short-term capacity for regulatory projects. Regulatory levies increased by EUR 36 million to EUR 336 million, mainly due to a higher single resolution fund contribution.

Operating expenses

Operating expenses decreased to EUR 5,351 million in 2018 (2017: EUR 5,582 million). This was largely driven by a decrease of EUR 149 million in personnel expenses as compared to 2017.

Operating result

Operating result increased by EUR 34 million to EUR 3,742 million in 2018 (2017: EUR 3,708 million). The increase is caused mainly by an increase in net interest income and a decrease in personnel exprenses.

Impairment charges on loans and other advances

Impairment charges increased to a EUR 655 million charge in 2018 (2017: EUR 63 million release). Despite the continued favourable trend in overall credit quality and the positive macroeconomic environment, impairment charges rose in 2018 mainly in Corporate & Institutional Banking and Commercial Banking, reflecting additional impairment charges in Energy (mainly offshore), Shipping, Commodities, Diamonds and Healthcare industry. Impairment releases in 2017 benefitted from model refinements and update. The cost of risk amounted to 24 bps in 2018, which was below the through-the-cycle level of 25-30bps.

[11] CVA = credit value adjustment refers to an adjustment made on the valuation of an OTC derivative transaction in order to properly reflect the credit risk of the derivative counter party.
DVA = debt value adjustment related to how a company handles changes in fixed income securities it has issued, if the debt decreases in price on the market this can be interpreted as a decrease in liabilities and can be therefore be reported as a profit.
FVA = funding value adjustment the funding cost/benefits resulting from borrowing or lending the shortfall/excess of cash arising from day-to-day derivatives business operations.

Income tax expenses

Income tax expenses amounted to EUR 762 million in 2018 (2017: 979 million). The decrease was due to a lower operating profit.

Selected Consolidated Balance Sheet Movements

	As at 31 December	
	2018	**2017**
	(in millions of euros)	
Assets:		
Cash and balances at central banks	34,371	29,783
Financial assets held for trading	495	1,600
Derivatives	6,191	9,825
Financial investments	42,184	40,964
Securities financing[(1)]	12,375	15,686
Loans and advances – banks	8,124	10,665
Loans and advances – customers	270,886	274,906
Other[(1)]	6,668	9,743
Total assets	**381,295**	**393,171**
Liabilities:		
Financial liabilities held for trading	253	1,082
Derivatives	7,159	8,367
Securities financing[(1)]	7,407	11,412
Due to banks	13,437	16,462
Due to customers	236,123	236,699
Issued debt	80,784	76,612
Subordinated liabilities	9,805	9,720
Other[(2)]	4,968	11,488
Total liabilities	359,935	371,841
Equity:		
Equity attributable to owners of the parent company	19,349	19,303
AT1 capital securities	2,008	2,007
Equity attributable to non-controlling interests	2	20
Total equity	21,360	21,330
Total liabilities and equity	**381,295**	**393,171**
Committed credit facilities	61,166	55,295
Guarantees and other commitments	15,241	16,165

(1) Securities financing consists of securities borrowing and lending and sale and repurchase transactions.
(2) ABN AMRO classified all unsettled securities as other assets and other liabilities. Previously these were included in Securities financing. Comparative figures for 2017 have been adjusted.

Total assets

Total assets decreased by EUR 11.9 billion to EUR 381.3 billion at 31 December 2018 (31 December 2017: EUR 393.2 billion). The decline was largely driven by lower loans and advances to banks and customers, securities financing and derivatives.

Cash and balances at central banks

Cash and balances at central banks increased by EUR 4.6 billion to EUR 34.4 billion at 31 December 2018 (31 December 2017: EUR 29.8 billion).

Financial assets held for trading

Financial assets held for trading decreased by EUR 1.1 billion to EUR 0.5 billion at 31 December 2018 (31 December 2017: EUR 1.6 billion). The decrease was mainly driven by a decrease in government bonds.

Derivative assets

Derivatives decreased by EUR 3.6 billion to EUR 6.2 billion at 31 December 2018 (31 December 2017: EUR 9.8 billion) as a result of mid- to long term interest and foreign exchange rate movements impacting the valuation of derivatives and also mirrored in derivative liabilities.

Financial investments

Financial investments increased by EUR 1.2 billion to EUR 42.2 billion at 31 December 2018 (31 December 2017: EUR 41.0 billion). The increase was mainly driven by USD investments.

Securities financing

Securities financing decreased by EUR 3.3 billion to EUR 12.4 billion at 31 December 2018 (31 December 2017: EUR 15.7 billion). The decrease was mainly due to a decline in repurchase agreements and reverse repurchase agreements with several large clients.

Loans and advances – banks

Loans and advances – banks decreased by EUR 2.6 billion to EUR 8.1 billion at 31 December 2018 (31 December 2017: EUR 10.7 billion). The decrease was mainly driven by a decrease in interest-bearing deposits.

Loans and advances – customers

Loans and advances – customers decreased by EUR 4.0 billion to EUR 270.9 billion at 31 December 2018 (31 December 2017: EUR 274.9 billion). Loans to professional counterparties decreased by EUR 8.2 billion mainly in Global Markets and Clearing. Residential mortgages decreased by EUR 1.8 billion, largely due to lower origination as a result of maintaining pricing discipline in a competitive environment. Consumer loans remained broadly stable, whereas corporate loans increased by EUR 5.8 billion. The growth of EUR 1.8 billion in Commercial Banking was reflected across all sectors on the back of the strong Dutch economy. Corporate & Institutional Banking client loans increased by EUR 3.7 billion (including EUR 1.2 billion attributable to the impact of the USD appreciation), mainly in Corporates NL and Natural Resources and partly offset by the decline in Trade and Commodity Finance, including diamonds. The rate of growth slowed down in 2018 following Corporate & Institutional Banking refocus, which is expected to gradually impact volumes throughout 2020.

Other assets

Other assets decreased by EUR 3.0 billion to EUR 6.7 billion at 31 December 2018 (31 December 2017: EUR 9.7 billion). The decrease was mainly driven by a decrease in assets held for sale as a result of the sale of ABN AMRO Bank Luxembourg S.A. and its subsidiary ABN AMRO Bank Life S.A.

Loans and advances – customers

	As at 31 December	
	2018	**2017**
	(in millions of euros)	
Residential mortgages	148,791	150,562
Consumer loans	12,263	12,426
Corporate loans to clients [1]	91,265	85,455
Of which: Commercial Banking	41,753	39,150
Of which: Corporate & Institutional Banking	42,521	38,814
Total client loans [2]	252,319	248,443
Loans to professional counterparties [3]	17,642	25,224
Total loans and advances [2]	273,146	273,666
Fair value adjustments from hedge accounting	3,185	3,700
Less: loan impairment allowance	2,260	2,460
Total loans and advances – customers	**270,886**	**274,906**

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

Total liabilities

Total liabilities decreased by EUR 11.9 billion to EUR 359.9 billion at 31 December 2018 (31 December 2017: EUR 371.8 billion). The decrease was mainly due to lower securities financing liabilities, due to banks and other liabilities.

Financial liabilities held for trading

Financial liabilities held for trading decreased by EUR 0.8 billion to EUR 0.3 billion at 31 December 2018 (31 December 2017: EUR 1.1 billion). The decrease was mainly due to lower short positions in bonds.

Derivative liabilities

Derivatives decreased by EUR 1.2 billion to EUR 7.2 billion at 31 December 2018 (31 December 2017: EUR 8.4 billion). The decrease was mainly due to mid- to long term interest and foreign exchange rate movements impacting the valuation of derivatives and also mirrored in derivative liabilities.

Securities financing

Securities financing decreased by EUR 4.0 billion to EUR 7.4 billion at 31 December 2018 (31 December 2017: EUR 11.4 billion). The decrease was mainly due to a decline in repurchase agreements and reverse repurchase agreements with several large clients.

Due to banks

Due to banks decreased by EUR 3.1 billion to EUR 13.4 billion at 31 December 2018 (31 December 2017: EUR 16.5 billion). The decrease was mainly due to more active balance sheet management.

Due to customers

Due to customers decreased by EUR 0.7 billion to EUR 236.0 billion at 31 December 2018 (31 December 2017: EUR 236.7 billion). The decrease was due to better balance sheet management. The decreases in Corporate & Institutional Banking and Retail Banking were partly offset by increases in Commercial Banking and Private Banking.

Due to customers

	As at 31 December	
	2018	**2017**
	(in millions of euros)	
Retail Banking	93,482	94,320
Commercial Banking	44,958	44,190
Private Banking	66,156	65,031
Corporate & Institutional Banking	28,018	30,273
Group Functions	3,509	2,886
Total Due to customers	**236,123**	**236,699**

Issued debt

Issued debt securities increased by EUR 4.2 billion to EUR 80.8 billion at 31 December 2018 (31 December 2017: EUR 76.6 billion). The increase was mainly due to higher long term funding.

Subordinated liabilities

Subordinated liabilities decreased by EUR 0.1 billion to EUR 9.8 billion at 31 December 2018 (31 December 2017: EUR 9.7 billion).

Other liabilities

Other liabilities decreased by EUR 6.5 billion to EUR 5.0 billion at 31 December 2018 (31 December 2017: EUR 11.5 billion). The decrease was mainly due to a decline in unsettled securities transactions and lower sundry liabilities and other payables.

Total equity

Total equity increased by EUR 0.1 billion to EUR 21.4 billion at 31 December 2018 (31 December 2017: EUR 21.3 billion) mainly due to the inclusion of profit for the period which was offset by a decline in other comprehensive income.

Results of Operations by Segment for the Years Ended 31 December 2018 and 2017

The sections below summarises ABN AMRO's results of operations by segment for the years ended 31 December 2018 and 31 December 2017.

Retail Banking

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

The table below summarises the Retail Banking segment's results for the years ended 31 December 2018 and 31 December 2017.

Retail Banking: Selected Financial Information

	Year ended 31 December	
	2018	**2017**
	(in millions of euros)	
Net interest income	3,122	3,233
Net fee and commission income	365	338
Other operating income	31	150
Operating income	3,517	3,721
Personnel expenses	442	473
Other expenses	1,586	1,566
Operating expenses	2,028	2,040
Operating result	**1,489**	**1,682**
Impairment charges on loans and other receivables	-12	-101
Operating profit/(loss) before taxation	**1,501**	**1,783**
Income tax expense	375	454
Net profit/(loss) for the period	**1,126**	**1,329**

	Year ended 31 December	
	2018	**2017**
Cost/income ratio	57.7%	54.8%
Cost of risk (in bps) [(1)]	-1	-6

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

	Year ended 31 December	
	2018	**2017**
Loan-to-Deposit ratio	165%	166%
Loans and advances – customers (in billions)	154.5	156.3
Of which Client loans (in billions)	154.8	156.7
Due to customers (in billions)	93.5	94.3
Risk-weighted assets (risk exposure amount; in billions)	27.6	27.6
FTEs	4,445	5,060
Total Client Assets	103.5	106.4
Of which Cash	93.5	94.3
Of which Securities	10.1	12.1

Net profit/(loss) for the period

Retail Banking's net profit decreased by 15% to EUR 1,126 million in 2018 (2017: EUR 1,329 million). This was driven by lower impairment releases and lower operating income as compared to 2017**.**

Net interest income

Net interest income decreased by 3% to EUR 3,122 million in 2018 (2017: EUR 3,233 million). The decrease was mainly attributable to the combined impact (of approximately EUR 60 million) of the model update for non-maturing deposits and the reallocation of net interest income from

Group Functions. Interest income from residential mortgages remained stable as the lower average volume was offset by the slight improvement in margins that resulted from good pricing discipline in a highly competitive market. Interest income on consumer loans declined as a result of lower average volumes and margins. Deposit income continued to be impacted by ongoing margin pressure in the low interest rate environment

Net fee and commission income

Net fee and commission income decreased by EUR 27 million to EUR 365 million in 2018 (2017: EUR 338 million). This increase was due to the increase in payment package fees in 2018.

Other operating income

Other operating income decreased by EUR 119 million to EUR 31 million in 2018 (2017: EUR 150 million) as the figure for 2017 included a book gain of EUR 114 million following the sale of the remaining equity stake in Visa Inc.

Personnel expenses

Personnel expenses decreased by EUR 31 million in 2018 to EUR 442 million in 2018 (2017: EUR 473 million). This was mainly due to lower restructuring costs in 2018 (EUR 5 million versus EUR 24 million in 2017) and declining FTE levels. The decrease in the latter was partly offset, however, by the new collective labour agreement, which resulted in salary increases of 2% and a one-off payment of EUR 1,000 per employee. The decrease in the number of FTEs by 615 to 4,445 as at 31 December 2018 as a result of digitalisation and cost-saving programmes is also reflected in a further reduction in the number of branches.

Other expenses

Other expenses increased by EUR 20 million to EUR 1,586 million in 2018 (2017: EUR 1,566 million), mainly due to the provision of EUR 30 million recorded in ICS for additional costs to accelerate customer due diligence remediation programmes and to higher regulatory levies (EUR 169 million in 2018, compared with EUR 155 million in 2017). The increase was partly offset by lower cost allocations from Group Functions.

Operating expenses

Operating expenses decreased by EUR 12 million to EUR 2,028 million in 2018 (2017: EUR 2,040 million). The decrease in operating expenses was largely driven by a decrease in personnel expenses.

Operating result

The operating result declined by 11.4% to EUR 1,489 million in 2018 (2017: EUR 1,682 million). The decrease in operating result was largely driven by a decrease in net interest income. The cost/income ratio increased by 2.9% (57.7% in 2018 compared to 54.8% in 2017).

Impairment charges

Impairment charges decreased to a EUR 12 million release in 2018 (2017: EUR 101 million release). The impairment charges in 2017 benefited both from favourable model updates and from additional IBNI releases of EUR 60 million.

Income tax expense

Income tax expense decreased by EUR 79 million to EUR 375 million in 2018 (2017: EUR 454 million). The decrease in income tax expense was largely driven by a lower operating profit.

Loans and advances – customers

Loans and advances - customers decreased by EUR 1.8 billion to EUR 154.5 billion at 31 December 2018 (31 December 2017: EUR 156.3 billion). The decrease was driven by lower residential mortgage and consumer portfolios.

Due to customers

Total client assets decreased by EUR 0.8 billion to EUR 93.5 billion at 31 December 2018 (31 December 2017: EUR 94.3 billion).

Commercial Banking

Commercial Banking serves business clients with an annual turnover between EUR 1 million EUR 250 million, clients active in Commercial Real Estate (excluding publicly listed companies, which are served by Corporate & Institutional Banking) and small businesses. Our Asset Based Finance activities are included in Commercial Banking.

The table below summarises the Commercial Banking segment's results for the years ended 31 December 2018 and 31 December 2017.

Commercial Banking: Selected Financial Information

	Year ended 31 December	
	2018	**2017**
	(in millions of euros)	
Net interest income	1,602	1,628
Net fee and commission income	258	270
Other operating income	39	63
Operating income	1,899	1,961
Personnel expenses	335	328
Other expenses	711	664
Operating expenses	1,046	991
Operating result	**853**	**969**
Impairment charges on loans and other receivables	253	-179
Operating profit/(loss) before taxation	**600**	**1,148**
Income tax expense	153	288
Net profit/(loss) for the period	**448**	**860**

	Year ended 31 December	
	2018	**2017**
Cost/income ratio (in %)	55.1%	50.6%
Cost of risk (in bps) [(1)]	60	- 44

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

	As at 31 December	
	2018	**2017**
Loan-to-Deposit ratio (in %)	93%	91%
Loans and advances customers – customer (in billion)	41.6	40.1
Of which Client loans (in billion)	42.3	40.5
Due to customers (in billion)	45.0	44.2
Risk weighted assets (risk exposure amount; in billion)	27.3	24.9
FTEs	2,734	2,905

Net profit/(loss) for the period

Commercial Banking's net profit decreased by 48% to EUR 448 million in 2018 (2017: EUR 860 million).

The decrease was driven by higher impairments and costs.

Net interest income

Net interest income decreased by EUR 26 million to EUR 1,602 million in 2018 (2017: EUR 1,628 million) as the figure for 2017 included a release of EUR 37 million for unearned interest. Excluding this item, net interest income rose on the back of continued growth in client lending across all sectors and improved margins. This increase was partly offset by the combined impact of the model update for non-maturing deposits and the reallocation of net interest income from

Group Functions, which negatively impacted net interest income in 2018 by approximately EUR 40 million.

Net fee and commission income

Net fee and commission income decreased by EUR 12 million to EUR 258 million in 2018 (2017: EUR 270 million).

Other operating income

Other operating income decreased by EUR 24 million to EUR 39 million in 2018 (2017: EUR 63 million) as the figure for 2017 benefited from more favourable revaluation results.

Personnel expenses

Personnel expenses increased by EUR 7 million in 2018 to EUR 335 million in 2018 (2017: EUR 328 million). The increase was driven by the higher restructuring provision in 2018 of EUR 31 million (2017: EUR 12 million), the one-off payment under the collective labour agreement and salary increases, but was largely offset by the decline in FTE numbers resulting from well-executed cost-saving programmes.

Other expenses

Other expenses increased by EUR 47 million to EUR 711 million in 2018 (2017: EUR 664 million), largely due to a provision of EUR 55 million for additional costs to accelerate customer due diligence remediation programmes and to higher regulatory levies (EUR 48 million versus EUR 40 million in 2017). The increase was partly offset by lower cost allocations from Group Functions.

Operating result

The operating result went down by EUR 116 million to EUR 853 million in 2018 (2017: EUR 969 million). The decrease in operating result was largely driven by a decrease in operating income. The Cost Income ratio increased to 55.1% in 2018 (2017: 50.6%).

Impairment charges

Impairments amounted to a charge of EUR 253 million in 2018, compared with a net release of EUR 179 million in 2017, mainly reflecting impairment charges in Industial goods and services, Healthcare and Shipping. The remainder was spread across various industrial sectors. The release in 2017 was largely attributable to model refinement and update, compared with limited releases in 2018.

Income tax expense

Income tax expense decreased by EUR 135 million to EUR 153 million in 2018 (2017: EUR 288 million). The decrease in income tax expense was largely driven by a lower operating profit.

Total client loans

Total client loans increased by EUR 1.8 billion to EUR 42.3 billion at 31 December 2018 (31 December 2017:

EUR 40.5 billion). Growth in client loans was predominantly driven by the cross-sector strength of the Dutch economy.

Loans and advances – customers

Loans and advances – customers increased by EUR 1.5 billion to EUR 41.6 billion at 31 December 2018 (31 December 2017: EUR 40.1 billion). The increase was driven by the growth in client loans.

Due to customers

Due to customers increased by EUR 0.8 billion to EUR 45.0 billion at 31 December 2018 (31 December 2017: EUR 44.2 billion).

Private Banking

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

The table below summarises the Private Banking segment's results for the years ended 31 December 2018 and 31 December 2017.

Private Banking: Selected Financial Information

	Year ended 31 December	
	2018	**2017**
	(in millions of euros)	
Net interest income	719	659
Net fee and commission income	509	573
Other operating income	111	307
Operating income	1,340	1,540
Personnel expenses	390	472
Other expenses	539	624
Operating expenses	929	1,095
Operating result	**411**	**444**
Impairment charges on loans and other receivables	3	-6
Operating profit/(loss) before taxation	**408**	**450**
Income tax expense	95	64
Net profit/(loss) for the period	**312**	**386**

	Year ended 31 December	
	2018	**2017**
Cost/income ratio (in %)	69.3%	71.1%
Cost of risk (in bps)	3	-5
Gross margin on client assets (in bps)	68	77

	As at 31 December	
	2018	**2017**
Loan-to-Deposit ratio (in %)	19%	19%
Loans and advances customers – customers (in billion)	12.5	12.2
Of which Client loans (in billion)	12.6	12.4
Due to customers (in billion)	66.2	65.0
Risk weighted assets (risk exposure amount, in billion)	9.8	9.4
FTEs	2,795	3,240

Net profit/(loss) for the period

Private Banking's profit for 2018 decreased by EUR 74 million and amounted to EUR 312 million (2017: EUR 386 million). Excluding PB Asia results, profit increased by EUR 100 million because of higher income resulting from favourable incidentals (sale proceeds and provision releases from divestments) and lower costs.

Net interest income

Net interest income rose by EUR 60 million to EUR 719 million (2017: EUR 659 million). Excluding the contribution of PB Asia, net interest income rose by EUR 79 million. This increase was mainly due to margin improvements, which were partly offset by the combined impact of the non-maturing deposits model update and the reallocation of the net interest income with Group Functions that negatively impacted on net interest income by EUR 20 million. Net interest income in 2017 was negatively impacted by a EURIBOR provision of EUR 10 million.

Net fee and commission income

Net fee and commission income declined by EUR 64 million to EUR 509 million in 2018 (2017: EUR 573 million). Excluding the contribution of PB Asia, net fee and commission income decreased by EUR 49 million. Due to the volatility in the financial markets, Private Banking clients were less active in securities transactions, while more clients also opted for execution only instead of managed portfolios. In addition, the raised client threshold for advisory services resulted in lower advisory volumes.

Other operating income

Other operating income decreased by EUR 195 million to EUR 111 million in 2018 (2017: EUR 307 million). Excluding the sale proceeds of EUR 263 million (tax exempt) from the PB Asia divestments in 2017, other operating income in 2018 rose by EUR 68 million. This was mainly the result of positive incidentals of EUR 60 million relating to the sale proceeds and provision releases from divestments (the sale of PB Luxembourg and asset management activities in France).

Personnel expenses

Personnel expenses decreased by EUR 82 million to EUR 390 million in 2018 (2017: EUR 472 million). Excluding the results of PB Asia in 2017, personnel expenses decreased as a result of substantial FTE reductions, which were partly offset by salary increases. FTE numbers decreased by 445 compared with 2017, primarily due to the progress made in the restructuring programmes and the divestment of PB Luxembourg.

Other expenses

Other expenses decreased by EUR 85 million and amounted to EUR 539 million in 2018, compared with EUR 624 million in 2017. Excluding the results of PB Asia in 2017, other expenses decreased because of the goodwill impairment of EUR 36 million included in 2017.

Operating result

The operating result decreased by 7% to EUR 411 million in 2018 (2017: EUR 444 million), while the cost/income ratio improved slightly to 69.3% (2017: 71.1%).

Impairment charges

Impairment charges totalled EUR 3 million in 2018, compared with a release of EUR 6 million in 2017. This was driven by limited releases in 2018 and additions in the Netherlands.

Income tax expense

Income tax expense increased by EUR 31 million to EUR 95 million in 2018 (2017: EUR 64 million).

Loans and advances – customers

Loans and advances – customers increased by EUR 0.3 billion to EUR 12.5 billion at 31 December 2018 (31 December 2017: EUR 12.2 billion).

Due to customers

Due to customers increased by EUR 1.2 billion to EUR 66.2 billion at 31 December 2018 (31 December 2017: EUR 65.0 billion).

Client assets

Client assets decreased by EUR 18.9 billion and amounted to EUR 181.7 billion at 31 December 2018 (31 December 2017: EUR 200.6 billion). The decline was mainly driven by the negative market performance and the PB Luxembourg divestment.

Net new assets

Net new assets totalled EUR 1.8 billion at 31 December 2018 (31 December 2017: EUR 5.7 billion), mainly driven by the internal transfer of clients from Retail Banking.

Private Banking: Client assets

	Year ended 31 December	
	2018	**2017**
	(in bllions of euros)	
Opening balance as at 1 January	200.6	204.9
Net new assets (excluding sales/acquisitions)	1.8	5.7
Market performance	-11.8	6.8
Divestments/acquisitions	-9.0	-16.7
Closing Balance at 31 December	**181.7**	**200.6**
Breakdown by assets type:		
Cash	66.3	67.2
Securities	115.4	133.4
- *Of which custody*	30.9	36.7
Breakdown by geography:		
The Netherlands (in %)	58%	55%
The rest of Europe (in %)	42%	45%

Corporate & Institutional Banking

Corporate & Institutional Banking serves business clients with an annual turnover exceeding EUR 250 million. In Northwest Europe, clients with turnover exceeding EUR 100 million are served in eight selected sectors. Corporate & Institutional Banking covers loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Markets) and specialised products (Clearing and Private Equity). Corporate & Institutional Banking's business activities are organised according to sector, geography and product.

The table below summarises the Corporate & Institutional Banking segment's results for the years ended 31 December 2018 and 31 December 2017.

Corporate & Institutional Banking: Selected Financial Information

	Year ended 31 December	
	2018	**2017**
	(in millions of euros)	
Net interest income	1,166	975
Net fee and commission income	527	538
Other operating income	423	317
Operating income	2,116	1,830
Personnel expenses	480	442
Other expenses	708	827
Operating expenses	1,189	1,269
Operating result	**927**	**561**
Impairment charges on loans and other receivables	427	219
Operating profit/(loss) before taxation	**501**	**342**
Income tax expense	75	121
Net profit/(loss) for the period	**426**	**221**

	Year ended 31 December	
	2018	**2017**
Cost/income ratio (in %)	56.2%	69.3%
Cost of risk (in bps)	70	38

	As at 31 December	
	2018	**2017**
Loan-to-Deposit ratio (in %)	183%	173%
Loans and advances customers – customers (in billion)	56.8	59.7
Of which Client loans (in billion)	42.6	38.9
Due to customers (in billion)	28.0	30.3
Risk weighted assets (risk exposure amount; in billion)	35.0	37.7

	As at 31 December	
	2018	2017
FTEs	2,528	2,542

Net profit/(loss) for the period

Corporate & Institutional Banking's net profit increased by EUR 205 million to EUR 426 million in 2018 (2017: EUR 221 million). The increase was driven by income growth and cost reductions, partly offset by elevated impairments.

Net interest income

Net interest income increased by EUR 191 million to EUR 1,166 million in 2018 (2017: EUR 975 million) owing to the favourable impact of new deals and on the back of increased client lending, although growth slowed throughout 2018 as a result of the strategy refocus. Deposit income was also higher as margins improved modestly, offsetting lower deposit volumes. As well as higher results in Global Markets and Clearing, the increase included a positive amount of approximately EUR 40 million representing the combined impact of the updating of the model used for NMD and the reallocation of net interest income from Group Functions.

Net fee and commission income

Net fee and commission income decreased by EUR 11 million to EUR 527 million in 2018 (2017: EUR 538 million). The decrease was mainly in Global Markets, which is volatile by nature, and was partly offset by higher fees in Clearing as a result of greater market volatility.

Other operating income

Other operating income increased by EUR 106 million to EUR 423 million in 2018 (2017: EUR 317 million). The increase was mainly attributable to favourable Equity Participations results (EUR 274 million versus EUR 114 million in 2017) and more favourable revaluations in Clearing, and was partly offset by adverse CVA/DVA/FVA results (EUR 2 million negative versus EUR 75 million in 2017).

Personnel expenses

Personnel expenses increased by EUR 38 million to EUR 480 million in 2018 (2017: EUR 442 million). The increase was driven by restructuring provisions in 2018, mainly relating to the previously announced strategy refocus and, to a lesser extent, to salary rises.

Other expenses

Other expenses decreased by EUR 118 million to EUR 708 million in 2018 (2017: EUR 827 million), mainly due to lower provisions for project costs relating to SME derivatives-related issues (EUR 41 million versus EUR 139 million in 2017) and higher regulatory levies (EUR 86 million versus EUR 76 million in 2017). The decrease was partly offset by lower cost allocations from Group Functions.

Operating result

Operating result increased by EUR 386 million to EUR 927 million (2017: EUR 561 million). The increase was mainly driven by an increase in net interest income and a decrease in other expenses.

Impairment charges

Impairment charges increased by EUR 208 million to EUR 427 million in 2018 (2017: EUR 219 million). The higher impairments were mostly taken on existing impaired loans and primarily in Energy (mainly offshore), Diamonds, Shipping and Commodities industry.

Income tax expense

Income tax expense decreased by EUR 46 million to EUR 75 million (2017: EUR 121 million) as the figure for 2017 included an impairment of deferred tax assets following a tax reform in the United States.

Total client loans

Total client loans increased by 3.7 billion to EUR 42.6 billion at 31 December 2018 (31 December 2017: EUR 38.9 billion). Excluding the USD FX appreciation impact of EUR 1.2 billion, client loans increased by EUR 2.5 billion. The increase was mainly in Corporates NL and Natural Resources and was partly offset by a decrease in Trade and Commodity Finance, including diamonds. The rate of growth slowed down in 2018 as a result of the Corporate & Institutional Banking refocus, which is expected to gradually impact volumes throughout 2020.

Due to customers

Due to customers decreased by EUR 2.3 billion to EUR 28.0 billion at 31 December 2018 (31 December 2017: EUR 30.3 billion). The decrease was mainly reflected in Corporates NL and Financial Institutions.

Group Functions

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

The table below summarises the Group Functions results for the years ended 31 December 2018 and 31 December 2017.

Group Functions: Selected financial information

	Year ended 31 December	
	2018	**2017**
	(in millions of euros)	
Net interest income	- 16	-38
Net fee and commission income	40	28
Other operating income	196	248
Operating income	220	238
Personnel expenses	794	876
Other expenses	- 635	-689
Operating expenses	160	187
Operating result	**60**	**51**
Impairment charges on loans and other receivables	- 16	4
Operating profit/(loss) before taxation	**76**	**48**
Income tax expense	64	52
Net profit/(loss) for the period	**13**	**-4**

	As at 31 December	
	2018	**2017**
Securities financing – assets (in billions)	7.1	13.0
Loans and advances - customers (in billions)	5.5	6.6
Securities financing – liabilities (in billions)	6.9	10.9
Due to customers (in billions)	3.5	2.9
Risk weighted assets (risk exposure amount; in billions)	5.6	6.5
FTEs	6,328	6,206

Net profit/(loss) for the period

Net profit rose by EUR 17 million to EUR 13 million in 2018 (2017: EUR 4 million negative) owing to lower costs, which were partly offset by lower revenues.

Net interest income

Net interest income increased by EUR 22 million to EUR 16 million negative in 2018 (2017: EUR 38 million negative). The figure for 2018 includes a provision release relating to securities financing activities discontinued in 2009 (EUR 35 million). If adjusted for this, the decrease was mainly attributable to a decline in duration-related interest results, partly offset by the positive impact of approximately EUR 80 million resulting from the updating of the model used for non-maturing deposits and the reallocation of net interest income to the business segment, as well as higher mortgage penalty fees.

Net fee and commission income

Net fee and commission income increased by EUR 12 million to EUR 40 million in 2018 (2017: EUR 28 million), partly due to the increase in net fee and commission income from Stater (mortgage service provider).

Other operating income

Other operating income decreased by EUR 52 million to EUR 196 million in 2018 (2017: EUR 248 million). This was due to less favourable hedge accounting-related income, including the partial sale of the public sector loan portfolio (EUR 79 million versus EUR 181 million in 2017), and to the lower provision release for securities financing activities discontinued in 2009, and was partly offset by the revaluation of equensWorldline (EUR 69 million).

Personnel expenses

Personnel expenses decreased by EUR 82 million to EUR 794 million in 2018 (2017: EUR 876 million), partly as a result of lower restructuring provisions in 2018 (EUR 58 million versus EUR 112 million in 2017). If adjusted for these restructuring provisions, personnel expenses decreased on the back of the lower average number of FTEs in 2018, partly offset by salary increases and the one-off payment of EUR 1,000 per employee that was provided for in the Collective Labour Agreement.

Other expenses

Other expenses increased by EUR 54 million to EUR 635 million negative in 2018 (2017: EUR 689 million negative). This was due to lower costs being allocated to commercial business lines and was partly offset by lower expenses as the figure for 2017 included a EUR 17 million impairment charge related to the ATM network.

Operating result

Operating result increased by EUR 9 million to EUR 60 million in 2018 (2017: EUR 51 million). The increase was largely driven by an increase in net interest income and a decrease personnel expenses.

Impairment charges

Impairment charges totalled EUR 16 million in 2018, compared with a release of EUR 4 million in 2017.

Income tax expense

Income tax expense increased by EUR 12 million to EUR 64 million in 2018 (2017: EUR 52 million). The increase in income tax expense was largely driven by a higher operating profit.

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

Unless otherwise stated, results of operations are presented based on underlying results, which are derived by adjusting the results reported in accordance with IFRS for defined Incidentals, discussed below. Management believes these non-IFRS underlying results provide a better understanding of the underlying trends in financial performance as compared to results that have been prepared in accordance with IFRS. The tables below shows a reconciliation of ABN AMRO's reported and underlying results of operations for the years ended 31 December 2017

and 31 December 2016. Underlying results are non-IFRS measures and have not been audited. In the first quarter of 2017, the former business line Corporate Banking was split into two new business lines: Commercial Banking and Corporate & Institutional Banking.

Reconciliation of Reported to Underlying Results

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

Impact of Special Items

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

Selected consolidated Financial Information

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

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Net interest income	6,456	6,277
Net fee and commission income	1,747	1,810
Other operating income	1,086	501
Operating income	9,290	8,588
Personnel expenses	2,590	2,777
Other expenses	2,991	2,880
Operating expenses	5,582	5,657
Operating result	**3,708**	**2,931**
Impairment charges on loans and other receivables	-63	114
Operating profit/(loss) before taxation	**3,771**	**2,817**
Income tax expense	979	740
Underlying profit/(loss) for the period	**2,791**	**2,076**
Special items		-271
Reported profit/(loss) for the period	**2,791**	**1,806**
Attributable to:		
Owners of the parent company	2,721	1,762
Holders of AT1 capital securities	53	43
Other non-controlling interests	18	1

	Year ended 31 December	
	2017	2016
Net interest margin (NIM) (in bps) [1]	157	152
Underlying cost/income ratio	60.1%	65.9%
Underlying cost of risk (in bps) [1][2]	-2	4
Underlying return on average Equity[3]	14.5%	11.8%
Underlying earnings per share (in EUR)[4]	2.89	2.16
Dividend per share[5]	1.45	0.84

	Year ended 31 December	
	2017	2016
Client Assets[6] (in billions)	316	323
FTEs	19,954	21,664

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

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

(3) Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.

(4) Underlying profit for the period excluding reserved coupons for AT1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

(5) Dividend per share and payout ratio.

(6) Client Assets consist of assets including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Clients Assets also include cash and securities of clients held on accounts with ABN AMRO.

Underlying profit/(loss) for the period

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

Reported profit/(loss) for the period

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

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

Operating income

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

Net interest income

Net interest income increased by EUR 179 million to EUR 6,456 million (2016: EUR 6,277 million). Excluding the Private Banking Asia divestment, net interest income grew by EUR 213 million. 2017 results were impacted by positive incidentals[12]. Excluding these, positive volume developments in mortgages, improving margins on deposits (consumer and corporate) and growth of the loan book were offset by lower net interest income at Corporate & Institutional Banking and increased buffer and steering costs at Group Functions. The net interest margin (NIM), partly supported by favourable incidentals, increased to 157bps in 2017 (2016: 152bps).

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

Net fee and commission income

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

Other operating income

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

Personnel expenses

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

Other expenses

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

Operating result

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

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

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

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

Impairment charges on loans and other receivables

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

Income tax expenses

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

Selected Consolidated Balance Sheet Movements

	As at 31 December	
	2018	**2017**
	(in millions of euros)	
Assets:		
Cash and balances at central banks	29,783	21,861
Financial assets held for trading	1,600	1,607
Derivatives	9,825	14,384
Financial investments	40,964	45,497
Securities financing[(1)]	16,645	17,589
Loans and receivables – banks	10,665	13,485
Loans and receivables – customers	274,906	267,679
Other	8,783	12,380
Total assets	**393,171**	**394,482**
Liabilities:		
Financial liabilities held for trading	1,082	791
Derivatives	8,367	14,526
Securities financing[(1)]	12,875	11,625
Due to banks	16,462	13,419
Due to customers	236,699	228,758
Issued debt	76,612	81,278
Subordinated liabilities	9,720	11,171
Other	10,025	13,976
Total liabilities	**371,841**	**375,544**
Equity:		
Equity attributable to owners of the parent company	19,303	17,928
AT1 capital securities	2,007	1,004
Equity attributable to non-controlling interests	20	5
Total equity	**21,330**	**18,937**
Total liabilities and equity	**393,171**	**394,482**
Committed credit facilities[(2)]	32,772	25,288
Guarantees and other commitments	16,165	15,873

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

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

Total assets

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

Cash and balances at central banks

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

Financial assets held for trading

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

Derivative assets

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

Financial investments

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

Securities financing

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

Loans and receivables – banks

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

Loans and receivables – customers

Loans and receivables – customers increased by EUR 7.2 billion to EUR 274.9 billion at 31 December 2017 (31 December 2016: EUR 267.7 billion). Residential mortgages increased by EUR 1.3 billion as Retail Banking benefited from a combined market share on new mortgage production of 21%[14]and higher overall market volumes. Consumer loans were stable year-on-year. Corporate loans to clients increased by EUR 1.1 billion. Growth within Commercial Banking was widely driven, predominantly in asset-based finance and real estate. Corporate & Institutional Banking mainly showed growth within financial institutions, large corporates and natural resources. Growth within Corporate & Institutional Banking was impacted by further USD depreciation (approximately EUR 3.5 billion negative impact) and an increase in commodity prices (approximately EUR 1.3 billion positive impact).

Other assets

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

Loans and receivables – customers

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

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

14 Source: Calculated based on information provided by the Dutch Land Registry (Kadaster), 2017

Total liabilities

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

Financial liabilities held for trading

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

Derivative liabilities

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

Securities financing

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

Due to banks

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

Due to customers

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

Due to customers

	As at 31 December	
	2017	**2016**
	(in millions of euros)	
Retail Banking	102,785	102,750
Commercial Banking	35,724	34,939
Private Banking	65,031	61,825
Corporate & Institutional Banking	30,273	27,436
Group Functions	2,886	1,808
Total Due to customers	**236,699**	**228,758**

Issued debt

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

Subordinated liabilities

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

Total equity

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

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

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

Retail Banking

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

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

Retail Banking: Selected Financial Information

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

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

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

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

Underlying profit/(loss) for the period

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

Net interest income

Net interest income at EUR 3,439 million (2016: EUR 3,355 million) grew by 3%. Interest income on mortgages benefited from higher volumes. Margin pressure on new mortgage production due to increased competition was offset by higher margins on the re-pricing portion of the mortgage book. Lending income declined on the back of lower volumes and margins. Income from savings and deposits benefited from higher margins following the reduction of the rate paid on main retail deposits. 2017 income was negatively impacted by a EUR 42 million provision for the Euribor claim and a EUR 8 million provision for ICS (2016: EUR 47 million).

Net fee and commission income

Net fee and commission income decreased by 12% to EUR 406 million in 2017 (2016: EUR 463 million). This decrease was partly due to lower fees being charged for payment packages to small businesses (as from January 2017). In addition, there were lower securities related fees due to the migration of client assets to Private Banking.

Other operating income

Other operating income increased to EUR 150 million (2016: EUR 140 million). Other income was mostly driven by the sale of the remaining equity stake in Visa Inc. shares resulting in a pre-tax gain of EUR 114 million in 2017. 2016 included a EUR 116 million pre-tax gain on the sale of Visa Europe shares of which EUR 101 million was booked within Retail Banking.

Personnel expenses

Personnel expenses increased to EUR 486 million (2016: EUR 470 million). The increase was due to a restructuring provision for International Card Services (ICS) of EUR 24 million. Excluding this, personnel expenses decreased due to lower FTE (5,192 versus 5,266 in 2016). The FTE reduction was supported by an increase in online and mobile banking and associated branch reduction (202 branches versus 221 in 2016).

Other expenses

Other expenses at EUR 1,657 million decreased by 5%. This was due to lower costs being allocated from Group Functions highlighting the impact from existing cost saving programmes. 2017 included additional investments in the digital banking subsidiary Moneyou and higher regulatory levies (EUR 155 million in 2017 compared to EUR 136 million in 2016). 2016 included a provision for ICS handling costs of EUR 16 million.

Operating result

The operating result improved by 6%. The cost/income ratio improved by 2.3% (53.6% in 2017 compared to 55.9% in 2016) as both operating income and operating expense results improved.

Impairment charges

Impairment charges improved to a EUR 100 million release (2016: EUR 79 million charge). The results were driven by the strong performance of the Dutch economy. In addition, impairment charges benefited from favourable model updates. 2017 impairment charges also benefited from additional IBNI releases (EUR 60 million versus EUR 49 million in 2016).

Loans and receivables – customers

Loans and receivables - customers increased to EUR 157.2 billion at 31 December 2017 (31 December 2016: EUR 156.3 billion). Growth in the residential mortgage portfolio is partly offset by lower consumer loans. The residential mortgage portfolio amounted to EUR 147.5 billion, an increase of EUR 1.4 billion. The increase is driven by a combined market share of approximately 21% (2016: approximately 21%) and higher market volumes.

Due to customers

Total client assets decreased to EUR 115.1 billion at 31 December 2017 (31 December 2016: EUR 117.9 billion). This is due to lower securities and is mostly driven by internal client transfers to Private Banking.

Commercial Banking

Commercial Banking is an established business partner of the Dutch corporate sector. Operating in 15 economic sectors, Commercial Banking has a domestic franchise, combined with an asset-based finance presence in the UK, Germany, France and Belgium. It serves a total of approximately 65,000 clients. Its clients are corporates in all sectors of the economy with annual turnover between EUR 1 million and EUR 250 million. Commercial Banking offers them a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge.

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

Commercial Banking: Selected Financial Information

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	1,421	1,349
Net fee and commission income	202	202
Other operating income	63	57
Operating income	*1,687*	*1,608*
Personnel expenses	315	280
Other expenses	573	580
Operating expenses	888	860
Operating result	***798***	***748***
Impairment charges on loans and other receivables	-180	-179
Operating profit/(loss) before taxation	***978***	***927***
Income tax expense	245	233
Underlying profit/(loss) for the period	**733**	**694**
Special items	-	-8
Reported profit/(loss) for the period	**733**	**686**

	Year ended 31 December	
	2017	**2016**
Underlying cost/income ratio (in %)	52.7%	53.5%
Underlying cost of risk[(1)] (in bps)	-45	-46

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

	As at 31 December	
	2017	**2016**
Loan-to-Deposit ratio (in %)	110%	107%
Loans and receivables customers – customer (in billion)	39.2	37.3
Of which Client loans (in billion)	39.6	38.6
Due to customers (in billion)	35.7	34.9
Risk weighted assets (risk exposure amount; in billion)	23.8	20.6
FTEs	2,773	2,751

Underlying profit/(loss) for the period

Commercial Banking's underlying net profit increased by 6% driven by favourable income results.

Net interest income

Net interest income at EUR 1,421 million grew with 5% compared with 2016. The increase was partly related to favourable unearned interest releases. Excluding this, net interest income increased driven by higher asset and liability volumes partly offset by lower margins. Margin on liabilities declined driven by the low interest rate climate.

Net fee and commission income

Net fee and commission income remained flat at EUR 202 million (2016: EUR 202 million).

Other operating income

Other operating income was slightly up to EUR 63 million (2016: EUR 57 million) driven by positive revaluation results.

Personnel expenses

Personnel expenses increased to EUR 315 million (2016: EUR 280 million). The increase was driven by a restructuring provision within Asset Based Finance (EUR 12 million), wage inflation, higher pension costs and higher FTE. The increase in FTE was due to a transfer from Group Functions to facilitate the shift to a more agile (flexible) way of working.

Other expenses

Other expenses at EUR 573 million decreased by 1%. Additional costs due to investments in IT, digital investments and Duty of Care were more than offset by lower allocated costs from Group Functions as a result from the ongoing cost saving programmes and an increase in salary expenses due to a transfer of FTEs from Group Functions.

Operating result

The operating result went up by EUR 50 million. The underlying Cost Income (C/I) ratio improved to 52.7% in 2017 (2016: 53.5%).

Impairment charges

Impairment charges on loans and other receivables remained stable year-on-year. In addition to the strong economic environment, the releases in 2017 were supported by favourable model updates. 2017 included EUR 6 million in IBNI releases (EUR 137 million in 2016).

Total client loans

Total client loans increased to EUR 39.6 billion at 31 December 2017 (31 December 2016: EUR 38.6 billion). Growth was predominantly driven by asset-based finance and real estate and was impacted by a transfer of clients to Corporate & Institutional Banking.

Loans and receivables – customers

Loans and receivables – customers increased to EUR 39.2 billion at 31 December 2017 (31 December 2016: EUR 37.3 billion).

Due to customers

Due to customers increased to EUR 35.7 billion at 31 December 2017 (31 December 2016: EUR 34.9 billion).

Private Banking

Private Banking is a leading private bank in the eurozone in terms of client assets, with dedicated professionals who have in-depth knowledge of their clients. Private Banking's international expertise combined with local involvement and over 300 years of experience in private banking forms the basis of our long-standing client relationships. These strengths allow Private Banking to continuously adapt to changing client needs and market trends, and to understand the past,

present and future financial situations of our clients. Private Banking offers clients multi-channel wealth management services, enabling them to use its services whenever and wherever it suits them.

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

Private Banking: Selected Financial Information

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	659	645
Net fee and commission income	573	580
Other operating income	307	89
Operating income	*1,540*	*1,315*
Personnel expenses	472	501
Other expenses	624	544
Operating expenses	1,095	1,045
Operating result	***444***	***269***
Impairment charges on loans and other receivables	-6	20
Operating profit/(loss) before taxation	***450***	***249***
Income tax expense	64	50
Underlying profit/(loss) for the period	**386**	**199**
Special items		
Reported profit/(loss) for the period	**386**	**199**

	Year ended 31 December	
	2017	**2016**
Underlying cost/income ratio (in %)	71.1%	79.5%
Underlying cost of risk[(1)] (in bps)	-5	13
Gross margin on client assets (in bps)	77	67

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

	As at 31 December	
	2017	**2016**
Loan-to-Deposit ratio (in %)	19%	20%
Loans and receivables customers – customers (in billion)	12.2	12.1
Due to customers (in billion)	12.4	12.3
Due to customers (in billion)	65.0	61.8
Risk weighted assets (risk exposure amount, in billion)	9.4	7.7
FTEs	3,240	3,844

Underlying profit/(loss) for the period

Private Banking's underlying profit amounted to EUR 386 million. Excluding Private Banking Asia, profit increased by EUR 11 million supported by income growth and net loan impairment releases.

Net interest income

Net interest income amounted to EUR 659 million (2016: EUR 645 million). Excluding Private Banking Asia, net interest income rose by EUR 48 million. The increase was largely driven by increased income on deposits due to higher volumes and margins. 2017 was negatively impacted by a EUR 10 million provision for the Euribor claim.

Net fee and commission income

Net fee and commission income amounted to EUR 573 million. Excluding Private Banking Asia, fee and commission income increased by EUR 43 million. The increase was shown across both the domestic and international business and is mostly driven by higher asset management fees.

Fee and commission income also positively benefited from the migration of clients from Retail Banking.

Other operating income

Other operating income increased by EUR 218 million. The increase was largely driven by the sale proceeds of the Private Banking Asia divestment amounting to EUR 263 million (tax exempt). 2016 results included the proceeds of a provision release of EUR 21 million related to the sale of Private Banking Switzerland (2011).

Personnel expenses

Personnel expenses were EUR 472 million. Excluding Private Banking Asia, personnel expenses declined with 1%. This decrease was supported by lower FTEs. Compared with 2016, FTE levels decreased by 604 (largely driven by the Private Banking Asia divestment). Further FTE reduction is expected as a result of the digital transformation of the private bank.

Other expenses

Other expenses increased to EUR 624 million (2016: EUR 544 million). Excluding Private Banking Asia, other expenses increased by EUR 66 million. This was driven by a goodwill impairment of EUR 36 million within Private Banking International, investments in the new online wealth manager Prospery and higher regulatory levies. In addition, 2016 included a release following the settlement of an insurance claim of EUR 24 million.

Operating result

The operating result improved slightly year on year (+1%) excluding the sale of Private Banking Asia. The cost/income ratio improved to 71.1%, largely driven by the gain on the Private Banking Asia divestment.

Impairment charges

Impairment charges amounted to a release of EUR 6 million compared with a EUR 20 million charge in 2016. This improvement is largely driven by lower additions in the Netherlands and Luxembourg.

Loans and receivables – customers

Loans and receivables – customers increased to EUR 12.2 billion at 31 December 2017 (31 December 2016: EUR 12.1 billion).

Due to customers

Due to customers increased to EUR 65.0 billion at 31 December 2017 (31 December 2016: EUR 61.8 billion). The increase was predominantly driven by the Netherlands and is mostly related to the internal client transfer from Retail Banking to Private Banking.

Client assets

Client assets amounted to EUR 200.6 billion at 31 December 2017. Excluding the impact of the PB Asia divestment (EUR 16.7 billion), the growth in client assets was supported by better market performance (especially Q1 2017) and the inflow of new assets.

Net new assets were EUR 5.7 billion and were mostly driven by internal client transfers from Retail Banking.

Private Banking: Client assets

	As at 31 December	
	2017	**2016**
	(in billions of euros)	
Opening balance as at 1 January	*204.9*	*199.2*
Net new assets (excluding sales/acquisitions)	5.7	0.6
Market performance	6.8	5.0

	As at 31 December	
	2017	2016
	(in billions of euros)	
Divestments/acquisitions	-16.7	-
Closing Balance at 31 December	**200.6**	**204.9**
Breakdown by assets type:		
Cash	67.2	67.6
Securities	133.4	137.2
- *Of which custody*	36.7	35.4
Breakdown by geography:		
The Netherlands (in %)	55%	48%
The rest of Europe (in %)	45%	44%
The rest of the world (in %)	0%	9%

Corporate & Institutional Banking

Corporate & Institutional Banking has a total client base of approximately 3,000. In the Netherlands, it serves business clients with revenues exceeding EUR 250 million. In Northwest Europe (France, Germany, United Kingdom and Belgium), Corporate & Institutional Banking serves clients in eight selected sectors with revenues exceeding EUR 100 million. These clients are served by Client Service Teams which offer specific product or sector knowledge. Corporate & Institutional Banking is currently active in 13 countries in the Americas, Europe, the Middle East and Africa, and Asia Pacific. Its five product units cover loan products (Structured Finance and Trade & Commodity Finance), flow products (Global Markets) and specialised products (Clearing and Private Equity).

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

Corporate & Institutional Banking: Selected Financial Information

	Year ended 31 December	
	2017	2016
	(in millions of euros)	
Net interest income	975	931
Net fee and commission income	538	549
Other operating income	317	118
Operating income	1,830	1,598
Personnel expenses	442	400
Other expenses	827	735
Operating expenses	1,269	1,135
Operating result	**561**	**463**
Impairment charges on loans and other receivables	219	210
Operating profit/(loss) before taxation	**342**	**254**
Income tax expense	121	71
Underlying profit/(loss) for the period	**221**	**182**
Special items	-	-263
Reported profit/(loss) for the period	**221**	**-81**

	Year ended 31 December	
	2017	2016
Underlying cost/income ratio (in %)	69.3%	71.0%
Underlying cost of risk[(1)] (in bps)	38	41

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

	As at 31 December	
	2017	2016
Loan-to-Deposit ratio (in %)	173%	176%
Loans and receivables customers – customers (in billion)	59.7	54.2
Of which Client loans (in billion)	38.9	38.3
Due to customers (in billion)	30.3	27.4
Risk weighted assets (risk exposure amount; in billion)	37.7	34.3

	As at 31 December	
	2017	2016
FTEs	2,542	2,387

Underlying profit/(loss) for the period

Underlying net profit increased by EUR 39 million driven by net interest income and other operating income growth.

Reported net profit increased by EUR 302 million. In addition to movements in the underlying profit this was driven by the increase in the provision for SMEs with derivatives-related issues which was recorded as a special item in Q2 2016. The total gross impact was EUR 361 million, of which EUR 351 million was recorded in the net trading income at Global Markets.

Net interest income

Net interest income increased to EUR 975 million (2016: EUR 931 million). 2017 was positively impacted by favourable unearned interest releases and the recognition of TLTRO funding benefit. Excluding these, net interest income grew due to positive volume and margin developments (loans and deposits), mainly within Natural Resources, Transportation and Financial Institutions. In addition, 2017 included more interest related fees on the back of the growing number of new loan facilities. Net interest income at Global Markets decreased as favourable results from 2016, mainly within collateral management, were not replicated.

Net fee and commission income

Net fee and commission income decreased to EUR 538 million (2016: EUR 549 million). This decrease was largely driven by lower clearing fees due to less volatility in financial markets as compared with 2016.

Other operating income

Other operating income increased to EUR 317 million (2016: EUR 118 million). This was driven by higher CVA/DVA/FVA results (EUR 75 million in 2017 compared to negative EUR 2 million in 2016), positive Equity Participations results (EUR 114 million in 2017 compared to EUR 13 million in 2016) and lower provisions for SME derivative related issues (EUR 21 million compared to EUR 25 million in 2016).

Personnel expenses

Personnel expenses increased to EUR 442 million (2016: EUR 400 million). In addition to wage inflation and higher pension costs, the increase is driven by a higher number of FTEs (up 155 compared with 2016) to support the growth initiatives.

Other expenses

Other expenses increased to EUR 827 million (2016: EUR 735 million). Higher costs in 2017 include EUR 139 million project costs for SME derivatives-related issues (2016: EUR 55 million provision and EUR 34 million project costs). In addition, regulatory expenses were higher in 2017 (EUR 76 million versus EUR 63 million in 2016).

Operating result

Operating result increased to EUR 561 million (2016: EUR 463 million).This is caused mainly by the increase of Other operating income.

Impairment charges

Impairment charges were up EUR 9 million. The impairment charges included an IBNI charge of EUR 8 million (2016: EUR 1 million). The impairment charges on the trade and commodity finance portfolio were lower at EUR 186 million, a decrease of EUR 23 million compared with 2016.

Total client loans

Total client loans increased to EUR 38.9 billion at 31 December 2017 (31 December 2016: EUR 38.3 billion). Growth was mainly shown within Financial Institutions, Large Corporates and Natural Resources. Presented growth figures include the effect of an increase in commodity prices (approximately EUR 1.3 billion positive impact) and further USD depreciation (approximately EUR 3.5 billion negative impact).

Due to customers

Due to customers increased by EUR 2.9 million to EUR 30.3 billion at 31 December 2017 (31 December 2016: EUR 27.4 billion). Even though negative rates are being charged to a large portion of the clients, deposits have still grown due to excess liquidity in the market. Growth was mostly driven by Financial Institutions and Large Corporates.

Group Functions

Group Functions consists of various departments that provide essential support to the business segments. Its departments include Finance, Risk Management, Innovation & Technology, Transformation & HR, Group Audit, Corporate Office and Strategy & Sustainability. The majority of the costs of Group Functions are allocated to the respective business segments. Items not allocated to the business segments include operating results from specific (commercial) activities and specific one-off items (individually determined).

The table below summarises the Group Functions results for the years ended 31 December 2017 and 31 December 2016.

Group Functions: Selected financial information

	Year ended 31 December	
	2017	**2016**
	(in millions of euros)	
Net interest income	-38	-2
Net fee and commission income	28	15
Other operating income	248	96
Operating income	*238*	*108*
Personnel expenses	876	1,125
Other expenses	-689	-720
Operating expenses	187	405
Operating result	***51***	***-297***
Impairment charges on loans and other receivables	4	-15
Operating profit/(loss) before taxation	***48***	***-282***
Income tax expense	52	-36
Underlying profit/(loss) for the period	**-4**	**-245**
Special items	-	-
Reported profit/(loss) for the period	**-4**	**-245**

	As at 31 December	
	2017	**2016**
Securities financing – assets (in billions)	13.0	12.9
Loans and receivables - customers (in billions)	6.6	7.8
Securities financing – liabilities	10.9	10.5
Due to customers (in billions)	2.9	1.8
Risk weighted assets (risk exposure amount; in billions)	6.5	9.8
FTEs	6,206	7,416

Underlying profit/(loss) for the period

Underlying result was a loss of EUR 4 million, an improvement of 98% driven by favourable hedge accounting results, lower provisions and a declining cost base.

Net interest income

Net interest income amounted to a loss of EUR 38 million (2016: EUR 2 million loss). Higher buffer and steering costs were only partly offset by a release of penalty fees (mortgages) of EUR 49 million.

Net fee and commission income

Net fee and commission income increased to EUR 28 million (2016: EUR 15 million). The increase was driven by additional fees from Securities Financing activities and additional income from Stater (mortgage service provider). 2017 figures include a reclassification of Stater related income from other operating income to net fee and commission income (EUR 73 million, historic figures restated as well).

Other operating income

Other operating income increased to EUR 248 million (2016: EUR 96 million). The increase was largely driven by favourable hedge accounting-related results. 2016 figures included the Equens revaluation gain of EUR 52 million. In addition, both years included tax-exempt provisions related to the part of the securities financing activities that were discontinued in 2009.

Personnel expenses

Personnel expenses decreased to EUR 876 million (2016: EUR 1,125 million). The decrease was supported by lower restructuring provisions. 2016 included EUR 321 million in restructuring provisions related to the reorganisation of control and support activities and further digitalisation and process optimisation. 2017 included an additional EUR 156 million in restructuring provisions of which EUR 112 million was booked in Group Functions. Excluding these provisions, personnel expenses declined on the back of lower FTE resulting from the ongoing cost saving programmes (6,206 FTE compared with 7,416 FTE in 2016). FTE levels were also impacted by a transfer of FTE from Group Functions to the business lines to embed a more agile way of working.

Other expenses

Other expenses amounted to negative EUR 689 million (2016: negative EUR 720 million). Lower expenses resulting from the various cost saving programmes were offset as fewer costs were allocated to the commercial business lines. 2017 included a EUR 17 million impairment related to the ATM network, compared with a EUR 27 million office space-related provision in 2016.

Operating result

Operating result increased to EUR 51 million (2016: EUR 297 million loss).

1.6 Other references

Liquidity and Funding

Please see "*Risk, funding & capital management – Funding & liquidity risk management*" and "*Risk, funding & capital review – Liquidity risk & Funding*" in the Annual Report 2018, which has been incorporated by reference herein.

Please also see "*Risk, funding & capital management – Funding & liquidity risk management*" and "*Risk, funding & capital review – Liquidity risk & Funding*" in the Annual Report 2017, which has been incorporated by reference herein.

Risk Management and Review

Please see "*Risk, funding & capital management*" and "*Risk, funding & capital review*" in the Annual Report 2018, which has been incorporated by reference herein.

Please also see " *Risk, funding & capital management*" and "*Risk, funding & capital review* " in the Annual Report 2017, which has been incorporated by reference herein.

Capital Management

Please see "*Risk, funding & capital management – Capital management*" in the Annual Report 2018, which has been incorporated by reference herein.

Please see "*Risk, funding & capital management – Capital management*" in the Annual Report 2017, which has been incorporated by reference herein.

Critical Accounting Policies

Please see "*Notes to the Annual Financial Statements – 1 Accounting policies*" in the Annual Report 2018, which has been incorporated by reference herein.

Please also see "*Notes to the Annual Financial Statements – 1 Accounting policies*" in the Annual Report 2017, which has been incorporated by reference herein.

Related Party Transactions

Please see "*Notes to the Consolidated Annual Financial Statements – 36 Related parties*" in the Annual Report 2018, which has been incorporated by reference herein.

Please also see "*Notes to the Annual Financial Statements – 35 Related parties*" in the Annual Report 2017, which has been incorporated by reference herein.

1.7. TRUSTEE

The trustee under the Trust Deed (the "**Trustee**") is Stichting Trustee ABN AMRO Covered Bond Company 2, a foundation (*stichting*) incorporated under the laws of The Netherlands on 28 November 2017. It has its registered office at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands and is registered with the Commercial Register of the Chamber of Commerce under number 70177562.

The objects of the Trustee are (a) to act as agent and/or trustee in favour of holders of covered bonds to be issued by ABN AMRO Bank under the Programme and the other Secured Creditors; (b) to acquire security rights as agent and/or trustee and/or for itself; (c) to perform (legal) acts, including accepting the parallel debt of the CBC2 in order to hold the security rights referred to under (b); (d) to hold, administer and enforce the security rights mentioned under (b); (e) to borrow money and (f) to perform any and all acts which are related, incidental or which may be conducive to the above.

The sole director of the Trustee is IQ EQ Structured Finance B.V. having its registered office at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands. As at the 2019 Programme Update, the directors of IQ EQ Structured Finance B.V. are J. van der Sluis, L.L.E. Hollman and H.L. Jewitt.

1.8. APPLICATION OF PROCEEDS

Unless specified otherwise in the applicable Final Terms, the net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

1.9. DESCRIPTION OF THE DUTCH COVERED BOND LEGISLATION

The Dutch regulatory framework for the issuance of covered bonds (the "**2008 CB Regulations**") came into force in The Netherlands on 1 July 2008.

The 2008 CB Regulations implemented Article 52, paragraph 4 of Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS IV) (as such paragraph may be amended, replaced and/or supplemented from time to time, "**Article 52(4) UCITS**"), as amended by Directive 2014/91/EU and were a collection of rules forming part of two layers of secondary legislation implementing the Wft: the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation (*Uitvoeringsregeling Wft*). The 2008 CB Regulations regarded compliance of covered bonds with Article 129 CRR as an option instead of a requirement.

On 1 January 2015 a revised legislative framework for the issuance of covered bonds came into force in The Netherlands, which is incorporated in the Wft and further laid down in the Wft Prudential Rules Decree (*Besluit prudentiële regels Wft*) and the Wft Implementing Regulation relating to registered covered bonds (*Uitvoeringsregeling Wft ter zake geregistreerde gedekte obligaties*) (together the "**2015 CB Legislation**"), thereby receiving a firmer statutory basis compared to the 2008 CB Regulations.

Although the 2015 CB Legislation contains a number of additional continuing registration requirements focussing on, amongst other things, transparency, cover asset quantity and quality, investor reporting, audits and stress testing, the 2015 CB Legislation does not substantially amend the requirements under the 2008 CB Regulations relating to issuers, owners of cover assets, asset segregation, risk management, asset encumbrance safeguards and reporting to DNB (including, without limitation, informing DNB of significant changes contemplated to be made to the terms of the covered bonds and related transaction documents). Also under the 2015 CB Legislation the issuer must be a licensed bank with its statutory seat (*zetel*) in The Netherlands.

Like any other issuance of debt instruments and legal transfers of assets made in accordance with Dutch law, the issuance of a covered bond and the legal transfer of cover assets are subject to the provisions of the Dutch Civil Code and the Dutch Bankruptcy Code.

The 2015 CB Legislation implements Article 52(4) UCITS and incorporates the conditions of Article 129 CRR. Consequently covered bonds admitted to the DNB-register in accordance with the 2015 CB Legislation, as at their admission date should comply with both Article 52(4) UCITS and Article 129 CRR. In addition, the 2015 CB Legislation takes into account the best practices identified by the European Banking Authority (EBA) in its report "EBA Report on EU Covered Bond Frameworks and Capital Treatment" of 1 July 2014.

The 2015 CB Legislation also contains two mandatory asset quantity tests. Firstly, the total value of the cover assets must be at least 105 per cent. of the nominal value of the outstanding covered bonds of the relevant category. In addition to this statutory minimum overcollaterisation requirement, the total value of the cover assets, so determined in accordance with the restrictions applicable to the relevant type of assets as set out in Article 129 CRR, paragraph 1 should at least be equal to the nominal value of the outstanding covered bonds of the relevant category. Furthermore, the 2015 CB Legislation requires the owner of the cover assets to have (or generate) sufficient eligible liquid assets for the payment by it during the following six-month period of interest and (except with respect to covered bonds which have an extendable maturity date of at least six months) principal of the outstanding covered bonds, and certain equal or higher ranking amounts.

In respect of an application made for registration of a covered bond and the issuer thereof by DNB pursuant to the 2015 CB Legislation, the issuer is required amongst other things:

(i) to disclose to DNB certain key conditions applicable to the relevant category of covered bonds, which include:

(a) whether the covered bond has one of the following maturity structures: (i) its maturity date cannot be extended (hard bullet) or its maturity date can only be extended for a maximum of 24 months (soft bullet) or (ii) its maturity date can be extended with more than 24 months (including (conditional) pass through);

(b) which type or types of cover assets can unlimitedly be included in the cover pool (primary cover assets) and if more than one type is included, the ratio between them; and

(c) the jurisdiction in which the debtors of the cover assets are located or resided and the governing law of the cover assets.

Such conditions cannot be changed after the date of application for registration of the relevant category of covered bonds. An issuer has the possibility to combine hard bullet covered bonds and soft bullet covered bonds in one category of registered covered bonds (i.e., under one issuance programme), provided that the soft bullet covered bonds have a maximum maturity extension of 24 months;

(ii) to ensure that a healthy ratio exists between the total outstanding covered bonds of the relevant category and the total consolidated balance sheet of the issuer, thereby taking into account the outcome of any stress tests performed by the Issuer and relating to the credit risk, interest rate risk, currency risk, liquidity risk and any other risk deemed relevant by DNB (whereby DNB can upon registration and thereafter impose a discretionary issuance limit to safeguard such healthy ratio); and

(iii) to have reliable and effective strategies and procedures for verifying and procuring the sufficiency of eligible cover assets and liquid assets, taking into account the composition of the cover assets, the statutory overcollateralisation, other asset cover and liquidity buffer requirements.

DNB will perform certain supervision and enforcement related tasks in respect of DNB-registered covered bonds, including admitting issuers and categories of covered bonds to the relevant register and monitoring compliance with the ongoing requirements referred to above. If a covered bond no longer meets such requirements, or if the relevant issuer no longer complies with its ongoing obligations towards DNB, DNB can take several measures, which include, without limitation, cancelling the issuer's registration, imposing an issuance-stop and/or imposing fines and penalties on the issuer. However, other than under the 2008 CB Regulations, DNB cannot cancel the registration of outstanding covered bonds registered under the 2015 CB Legislation. In addition, pursuant to the 2015 CB Legislation, DNB may cancel the registered compliance with Article 129 CRR, if the relevant issuer or the owner of the cover assets would not provide the required information to DNB to monitor compliance with Article 129 CRR or if the relevant covered bonds would no longer comply with Article 129 CRR.

On 12 March 2018 the European Commission adopted a legislative proposal for an EU-framework consisting of a directive on the issue of covered bonds and covered bond public supervision and a regulation on amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds, as part of the EU Capital Markets Union project. The legislative proposal aims to foster the development of covered bonds across the European Union. The proposed directive (i) provides a common definition of covered bonds, which will represent a consistent reference for prudential regulation purposes, (ii) defines the structural features of covered bonds, (iii) defines the tasks and

responsibilities for the supervision of covered bonds and (iv) sets out the rules allowing the use of the 'European Covered Bonds' label. The legislative proposals build on the analysis and the advice of the European Banking Authority. In April 2019 the European Parliament and the Council reached a provisional agreement on the legislative proposals and the EU legislative process will need to be followed until the EU legislative process has been finalised.

On 28 December 2017, DNB admitted the Issuer and the Covered Bonds to the DNB-register and the Issuer opted for compliance with the requirements set out in Article 129 CRR. As at the 2019 Programme Update, the Covered Bonds comply with both Article 52(4) UCITS and are in the DNB-register registered as being compliant with Article 129 CRR. See also the risk factor entitled "*If at any point the Covered Bonds fail to be compliant with the 2015 CB Legislation, CRR and/or the UCITS Directive, holders of the Covered Bonds may be adversely affected*" above.

None of the Transaction Documents or the Covered Bonds prescribes the occurrence of an Issuer Event of Default or imposes an obligation on the Issuer to notify any Covered Bondholder in the event that Covered Bonds would no longer comply with Article 52(4) UCITS and/or Article 129 CRR or in the event that the Issuer does not comply with the 2015 CB Legislation in itself.

2. ASSET-BACKED GUARANTEE

2.1. GUARANTEE

The Trust Deed provides for the following guarantee:

*"The CBC2 irrevocably undertakes as its independent obligation that it shall pay the Guaranteed Amounts to the holders of the Covered Bonds when the same become Due for Payment, provided that the CBC2 shall have no such obligation until (i) the occurrence of an Issuer Event of Default, service by the Trustee on the Issuer of an Issuer Acceleration Notice and service by the Trustee on the CBC2 of a Notice to Pay or (ii) the occurrence of a CBC2 Event of Default and the service by the Trustee of a CBC2 Acceleration Notice on the Issuer and the CBC2, and in addition, if, in respect of any Series (the "**Relevant Series**") the CBC2 is obliged to pay a Guaranteed Final Redemption Amount, then:*

(a) *the obligation of the CBC2 to pay such Guaranteed Final Redemption Amount in respect of the Relevant Series shall be deferred to, and shall under the Guarantee be due on, the Extended Due for Payment Date, unless on the Extension Date or any subsequent Interest Payment Date which applies pursuant to paragraph (b) below and which falls prior to the Extended Due for Payment Date, any monies are available to the CBC2 after the CBC2 shall under the relevant Priority of Payments have paid or provided for (1) all higher and pari passu ranking amounts and (2) all Guaranteed Final Redemption Amounts pertaining to any Series with an Extended Due for Payment Date falling prior to the CBC2 Payment Period in which the Extended Due for Payment Date for the Relevant Series falls, in which case the CBC2 shall (i) give notice thereof to the holders of the Relevant Series (in accordance with Condition 13 (Notices; Provision of Information)), the Rating Agencies, the Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the Extension Date and/or such Interest Payment Date, respectively and (ii) apply such remaining available monies in payment, in whole or in part, of such Guaranteed Final Redemption Amount, if applicable pro rata with any Guaranteed Final Redemption Amount pertaining to a Series with an Extended Due for Payment Date falling in the same CBC2 Payment Period in which the Extended Due for Payment Date for the Relevant Series falls (and to such extent such Guaranteed Final Redemption Amount shall for the purpose of the relevant Priority of Payments and all other purposes be due) on the Extension Date and/or such Interest Payment Date, respectively; and*

(b) *the CBC2 shall under the Guarantee owe interest over the unpaid portion of such Guaranteed Final Redemption Amount, which shall accrue and be payable on the basis set out in the applicable Final Terms or, if not set out therein, Condition 4 (Interest), provided that for this purpose all references in Condition 4 (Interest) to the Final Maturity Date of the Relevant Series are deemed to be references to the Extended Due for Payment Date, mutatis mutandis,*

all without prejudice to the CBC2's obligation to pay any other Guaranteed Amount (i.e. other than the Guaranteed Final Redemption Amount) when Due for Payment.

As long as the Guaranteed Amounts have not been fully discharged, the CBC2 shall not exercise vis-à-vis the Issuer any right of set-off, defence or counterclaim or exercise any rights acquired by subrogation."

An Extended Due for Payment Date of each Series shall be specified in the applicable Final Terms.

All payments of Guaranteed Amounts by or on behalf of the CBC2 will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or

other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the CBC2 will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The CBC2 will not be obliged to pay any amount to the Trustee or any Covered Bondholder in respect of the amount of such withholding or deduction.

Failure by the CBC2 to pay Guaranteed Final Redemption Amounts or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Scheduled Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be a CBC2 Event of Default.

For the purposes hereof:

"**Due for Payment**" means, with respect to a Guaranteed Amount, (i) prior to the service of a CBC2 Acceleration Notice, the Scheduled Payment Date in respect of such Guaranteed Amount or, if later, the day which is two Business Days after service of an Issuer Acceleration Notice and a Notice to Pay or (ii) after the service of a CBC2 Acceleration Notice, the date on which the CBC2 Acceleration Notice is served (or, in either case, if such day is not a Business Day, the first following Business Day).

For the avoidance of doubt, "**Due for Payment**" does not refer to any earlier date upon which payment of any Guaranteed Amount may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise;

"**Guaranteed Amounts**" means, in respect of a Series:

(i) with respect to any Scheduled Payment Date falling prior to the service of a CBC2 Acceleration Notice, the sum of the Scheduled Interest and Scheduled Principal payable on such Scheduled Payment Date; or

(ii) with respect to any date after the service of a CBC2 Acceleration Notice, an amount equal to the aggregate of (i) the relevant Early Redemption Amount specified in the Conditions as being payable on that date and (ii) all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds and all amounts payable by the CBC2 under the Trust Deed, provided that any Guaranteed Amounts representing interest paid after the Final Maturity Date shall be paid on such dates and at such rates as specified in the applicable Final Terms;

"**Rating Agency**" means any rating agency (or its successor) who, at the request of the Issuer, assigns, and for as long it assigns, one or more ratings to the Covered Bonds under the Programme from time to time, which may include Moody's;

"**Scheduled Interest**" means, in respect of a Series, any amount of scheduled interest payable (i) under the Covered Bonds as specified in Condition 4 (*Interest*) (but excluding (a) any additional amounts relating to premiums, default interest or interest upon interest payable by the Issuer following an Issuer Event of Default but including such amounts following a CBC2 Acceleration Notice in circumstances where Covered Bonds had not become due and payable prior to their Extended Due for Payment Date and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*)), for this purpose disregarding any Excess Proceeds recovered by the Trustee on account of scheduled interest and on-paid to the CBC2 in accordance with the Trust Deed, or (ii) under the Guarantee as specified in Condition 3(b) (*The Guarantee*);

"**Scheduled Payment Dates**" means, in respect of a Series, each Interest Payment Date and the Final Maturity Date as specified in (i) in the case of Scheduled Interest, Condition 4 (*Interest*) or Condition 3(b) (*The Guarantee*), as the case may be, or (ii) in the case of Scheduled Principal, Condition 6(a) (*Redemption at maturity*); and

"**Scheduled Principal**" means, in respect of a Series, any amount of scheduled principal payable under the Covered Bonds as specified in Condition 6(a) (*Redemption at maturity*) (but excluding (a) any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest payable by the Issuer following an Issuer Event of Default but including such amounts (if any) together with the Early Redemption Amount and any interest accrued on the Guaranteed Amounts in accordance with Clause 3.1 of the Trust Deed following a CBC2 Event of Default) and (b) any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*)), for this purpose disregarding any Excess Proceeds recovered by the Trustee on account of scheduled principal and on-paid to the CBC2 in accordance with the Trust Deed.

2.2. SECURITY

In the Trust Deed, the CBC2 undertakes to pay to the Trustee amounts equal to and in the currency of the amounts it owes (i) to the Covered Bondholders under or pursuant to the Guarantee, the Trust Deed and the other Transaction Documents and (ii) the other Secured Creditors under or pursuant to the Transaction Documents, (the "**Principal Obligations**") (such payment undertaking and the obligations and liabilities which are the result thereof the "**Parallel Debt**"). The Principal Obligations do not include the CBC2's obligations pursuant to the Parallel Debt. In this respect the CBC2 and the Trustee acknowledge that (i) the Parallel Debt constitutes undertakings, obligations and liabilities of the CBC2 to the Trustee which are separate and independent from and without prejudice to the Principal Obligations of the CBC2 to any Secured Creditor and (ii) the Parallel Debt represents the Trustee's own claim (*vordering*) to receive payment of the Parallel Debt from the CBC2, provided that the aggregate amount that may become due under the Parallel Debt will never exceed the aggregate amount that may become due under all of the Principal Obligations to the Secured Creditors. The total amount due and payable by the CBC2 under the Parallel Debt shall be decreased to the extent that the CBC2 shall have paid any amounts to the Covered Bondholders or any other Secured Creditor to reduce the Principal Obligations and the total amount due and payable by the CBC2 under the Principal Obligations shall be decreased to the extent that the CBC2 shall have paid any amounts to the Trustee under the Parallel Debt. Pursuant to the Common Terms (set out in Schedule 2 to the Incorporated Terms Memorandum), the Secured Creditors accept that the Security created by the Security Documents is granted by the CBC2 to the Trustee to secure its obligations pursuant to the Parallel Debt.

The Parallel Debt of the CBC2 owed to the Trustee will be secured by the following security rights granted by the CBC2 to the Trustee:

(a) pursuant to a master deed of pledge of receivables (the "**Master Receivables Pledge Agreement**"), a first ranking non-disclosed right of pledge (*stil pandrecht*) over the Transferred Receivables. The right of pledge created pursuant to the Master Receivables Pledge Agreement will not be notified to the Borrowers except under the conditions of the Master Receivables Pledge Agreement;

(b) if Substitution Assets are transferred to the CBC2, pursuant to a deed of pledge of substitution assets (the "**Substitution Assets Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) over such Substitution Assets;

  (i) pursuant to a deed of pledge of accounts (the "**Accounts Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) over all current and future monetary claims of the CBC2 vis-à-vis the Account Bank in respect of the CBC2 Accounts. The right of pledge created pursuant to the Accounts Pledge will be notified to the Account Bank. The Trustee has authorised the CBC2 to collect the pledged rights, which authorisation can be revoked in the circumstances set out in the deed of pledge; and

  (ii) pursuant to a deed of pledge of CBC2 rights (the "**CBC2 Rights Pledge**"), a first ranking disclosed right of pledge (*openbaar pandrecht*) over the CBC2's present and future rights (*vorderingen*) *vis-à-vis* any debtors of the CBC2 under any Transaction Document to which the CBC2 is a party, other than the Management Agreement (CBC2). The right of pledge created pursuant to the CBC2 Rights Pledge will be notified to the relevant debtors. The Trustee has authorised the CBC2 to collect the pledged rights, which authorisation can be revoked in the circumstances set out in the deed of pledge.

If an Enforcement Event occurs, the Trustee will be entitled to enforce the Security (including selling the Transferred Assets) and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured to its satisfaction.

For the purposes hereof:

"**Enforcement Event**" means any default (*verzuim*) in the proper performance of the Secured Obligations or any part thereof provided that a CBC2 Acceleration Notice has been served;

"**Secured Creditors**" means the Trustee (in its own capacity and on behalf of the Covered Bondholders), the Originators, the Servicers, the Account Bank, the Administrator, the Swap Providers (if any), the Asset Monitor, the Managing Director, the Agents, the Participants and all other creditors designated by the Trustee as Secured Creditor from time to time in accordance with the Trust Deed;

"**Secured Property**" means all the CBC2's assets, rights and receivables including the CBC2's rights in respect of the Transferred Assets, its rights in relation to the CBC2 Accounts and its rights under the Transaction Documents over which security is created pursuant to the Security Documents;

"**Security**" means the security for the obligations of the CBC2 in favour of the Trustee for the benefit of the Secured Creditors which is created pursuant to, and on the terms set out in, the Trust Deed and the Security Documents; and

"**Security Documents**" means the Master Receivables Pledge Agreement, the Substitution Assets Pledge, the Accounts Pledge and the CBC2 Rights Pledge.

2.3. CBC2

Introduction

The issuer of the Guarantee is ABN AMRO Covered Bond Company 2 B.V. (the "**CBC2**"), incorporated on 28 November 2017 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, having its corporate seat (*statutaire zetel*) in Amsterdam, The Netherlands and its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands and registered with the Commercial Register of the Chamber of Commerce under number 70176841. The telephone number of the CBC2 is +31 20 577 1177 and the fax number of the CBC2 is +31 20 577 1188.

Principal Activities

The CBC2's articles of association have a restrictive objects clause allowing the CBC2 the following activities: (i) to obtain, to hold in possession, to alienate, to encumber and to otherwise manage goods, including claims on private persons, enterprises and authorities, whether or not embodied in value papers, as well as to exercise the rights attached to such claims, (ii) to raise funds through, among other things, borrowing under loan agreements, the use of financial derivatives or otherwise and to invest and put out funds obtained by the CBC2 in, among other things, (interests in) loans, bonds, debt instruments and other evidences of indebtedness, shares, warrants and other similar securities and also financial derivatives, (iii) issuing guarantees and granting security for the obligations and debts of the CBC2 and of third parties, including ABN AMRO Bank, (iv) to enter into agreements, including, but not limited to, financial derivatives such as interest and/or currency swap agreements, in connection with the objects mentioned under (i), (ii) and (iii) and (v) to enter into agreements including, but not limited to, bank, securities and cash administration agreements, asset management agreements and agreements for providing guarantees and creating security in connection with the objects mentioned under (i), (ii), (iii) and (iv) and (vi) to perform any and all acts which are related, incidental or which may be conducive to the objects mentioned under (i) through (v) all in the context of the Programme.

The CBC2 has not engaged since its incorporation, and will not engage whilst the Covered Bonds remain outstanding, in any material activities other than activities which are incidental or ancillary to the foregoing. The CBC2 has no subsidiaries.

The ability of the CBC2 to engage in any activities other than relating to the Programme and the transactions contemplated pursuant thereto is restricted in the CBC2's articles of association, the Trust Deed and the other relevant Transaction Documents.

The CBC2 has no employees.

Shareholders

The entire issued share capital is owned by Stichting Holding ABN AMRO Covered Bond Company 2 (the "**Holding**"), a foundation (*stichting*) established under the laws of The Netherlands. The Holding was established on 24 November 2017 and has its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands. The sole director of Holding is Intertrust Management B.V. having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

Directors of the CBC2

The CBC2 has entered into a management agreement with Intertrust Management B.V. (the "**Managing Director**") on the Programme Date (such management agreement as amended and/or supplemented and/or restated from time to time, the "**Management Agreement (CBC2)**"), pursuant to which the Managing Director has agreed to provide corporate services to the CBC2, with due

observance of the requirements of the Act on the Supervision of Trust Offices (*Wet toezicht trustkantoren*). The following table sets out the managing director (*bestuurder*) of the CBC2 and its business address and occupation.

Name	**Business Address**	**Business Occupation**
Intertrust Management B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	Corporate Services Provider There is no potential conflict of interests between any duties to the CBC2 of the Managing Director and its private interests or other duties.

Capitalisation and Indebtedness

The capitalisation of the CBC2 as at the date indicated below is as follows:

	At December 31, 2018 (in €)
Shareholders' equity…….....	
Share capital…….....	100
Total capitalisation…….....	**100**

Indebtedness

The CBC2 has no indebtedness and/or guarantees as at the 2019 Programme Update, other than those which the CBC2 has incurred or shall incur in relation to the transactions contemplated pursuant to this Programme.

In the Trust Deed the CBC2 has covenanted that it will not:

(i) save with the prior written consent of the Trustee, or as envisaged by the Transaction Documents:

(a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future;

(b) dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;

(c) have an interest in a bank account other than as set out in the Transaction Documents;

(d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;

(e) consolidate or merge with or transfer any of its property or assets to another person;

(f) issue any further shares (aandelen) in its capital;

(g) have any employees (for the avoidance of doubt, the Managing Director will not be regarded as employee), premises or subsidiaries;

(h) acquire assets other than pursuant to the Guarantee Support Agreement;

(i) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;

(j) enter into any contracts, agreements or other undertakings;

(k) compromise, compound or release any debt due to it; or

(l) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; and

(ii) incur any obligation or liability in respect of, or acquire any asset for the purpose of, or otherwise facilitate, any category of covered bonds issued by the Issuer or any other person, other than in relation to the Programme, the Covered Bonds from time to time issued thereunder and any other transactions contemplated pursuant to the Programme.

Dividend payments

The CBC2 has since its incorporation not made any dividend payments, other than an annual dividend payment of EUR 12,000.

3. GUARANTEE SUPPORT

3.1. TRANSFERS

As consideration for the CBC2 assuming the Guarantee, and so as to enable the CBC2 to meet its obligations under the Guarantee, the Originators have agreed in the guarantee support agreement dated the Programme Date between the Issuer, the Initial Originators, the CBC2 and the Trustee (such guarantee support agreement as amended and/or supplemented and/or restated from time to time, the "**Guarantee Support Agreement**") to transfer Eligible Assets to the CBC2. The transfers are effectuated as follows:

(a) in the case of Eligible Receivables, by way of undisclosed assignment (*stille cessie*). This takes place through due execution by the relevant Originator and the CBC2 of a deed of assignment in the form attached to the Guarantee Support Agreement and offering the same for registration to the Dutch tax authorities (*Belastingdienst*). Notification (*mededeling*) of the assignment to the Borrowers will only take place if a Notification Event occurs. Following receipt of notification by the Borrowers, in principle, only payment to the CBC2 will be capable of discharging a Borrower's obligations under the relevant Transferred Receivable;

(b) in the case of Eligible Collateral, subject to paragraph (c) below, by way of book-entry transfer (*girale overboeking*) to a bank or securities account, as the case may be, designated for such purpose by the CBC2; and/or

(c) in the case of Eligible Collateral comprising Substitution Assets which do not satisfy the requirement set out in paragraph (iv) of such definition (other than cash):

(i) if and to the extent possible and desirable in the opinion of the CBC2 and the Trustee and only upon Rating Agency Confirmation, in the manner as described above under (b); and

(ii) if and to the extent not so possible or desirable, in such manner as may be required by the CBC2 and the Trustee, and provided that:

(A) Rating Agency Confirmation has been obtained; and

(B) the Trustee is satisfied that pursuant to such transfer the CBC2 will receive assets of equivalent credit and security status and ranking as the other Eligible Collateral (supported by a legal opinion of internationally recognised counsel in form and substance satisfactory to the Trustee).

If, in the opinion of the Issuer, amendments are necessary to the Transaction Documents or if additional transaction documents are required in relation to such transfer of Eligible Collateral comprising Substitution Assets which do not satisfy the requirement set out in paragraph (iv) of such definition (other than cash) and Rating Agency Confirmation is obtained for, the Trustee may consent thereto without consultation of the Covered Bondholders.

On the First Transfer Date, the relevant Initial Originators have transferred to the CBC2 the respective Eligible Receivables comprising the Initial Portfolio. Thereafter, each Originator:

(i) may at any time offer to transfer further Eligible Assets to the CBC2; and

(ii) jointly and severally with all other Originators undertakes to upon request of the CBC2 offer to transfer further Eligible Assets to the CBC2. The CBC2 will only make such a request if it (or the Administrator on its behalf) determines that the Asset Cover Test or any Mandatory Asset Quantity Test, has not been met under the Asset Monitor Agreement.

The CBC2 shall accept each such offer if the relevant conditions precedent set out in the Guarantee Support Agreement have been met, including in the case of transfer of Receivables receipt of a confirmation that the Receivables Warranties are true and correct in all material respects and not misleading in any material respect as at the relevant Transfer Date.

In the Guarantee Support Agreement the CBC2 has agreed with the Issuer that if the Issuer and the CBC2 (or the Administrator on its behalf) at any time conclude (acting reasonably) that the value of (i) any Eligible Collateral (offered to be) transferred by an Originator in accordance with the terms of the Guarantee Support Agreement and/or (ii) any Authorised Investments from time to time held by the CBC2, is necessary to be included in any calculation for the purpose of compliance with article 40f and/or 40g of the Decree on Prudential Rules Wft (*Besluit prudentiële regels Wft*) (as amended, restated and/or re-enacted from time to time) the (the "**Decree**"), the CBC2 (or the Administrator on its behalf) and the Issuer shall procure that any such Transferred Collateral and/or Authorised Investments (or any substitute Authorised Investments) necessary for such purpose shall satisfy the requirements for eligible assets that may collateralise covered bonds in accordance with article 40f, paragraph 3 or, if agreed by the Issuer, the eligibility criteria for liquid assets in accordance with article 40g of the Decree.

In addition, in the Guarantee Support Agreement each Originator covenants that if (i) it makes any Further Advance under any Loan Agreement or if Quion 9 acquires the receivable originating from any Further Advance under any Loan Agreement, in each case relating to a Transferred Receivable, (ii) such Further Advance is secured by the same Related Security and (iii) such Further Advance results in an Eligible Receivable, then it will transfer such further Eligible Receivable to the CBC2 as soon as reasonably practicable and, if possible, prior to the following Calculation Date.

In the Guarantee Support Agreement, the following intercreditor arrangement is agreed between each of the Originators, the CBC2 and the Trustee:

(i) if and to the extent that any Related Security secures both a Transferred Receivable and any receivable which is owned by an Originator (and which has not been transferred to the CBC2) (a "**Residual Claim**"), the relevant Originator and the CBC2 agreed that the CBC2 shall have, and each Originator granted the CBC2, exclusive authority to perform all acts of management (*beheer*) and/or of disposal (*beschikking*) pertaining to such Related Security and in any event, without prejudice to the generality of the foregoing, to:

(a) foreclose (*uitwinnen*) on such Related Security without any involvement of the relevant Originator; and

(b) apply the foreclosure proceeds in payment of the Transferred Receivable such that only the remaining proceeds (if any) will be available for application in payment of the Residual Claim,

provided that (i) for as long as no Notification Event has occurred and no Notice to Pay or CBC2 Acceleration Notice has been served, the CBC2 agreed to delegate such authority to the relevant Originator and (ii) such authority shall not be vested in the CBC2 but in the relevant Originator if the relevant Originator can prove that such Related Security was specifically created to secure the Residual Claim and was not intended to secure the Transferred Receivable;

(ii) if paragraph (i) above is not effective to procure compliance therewith by the relevant Originator (or its liquidator in any Insolvency Proceedings), such Originator owes the CBC2 an amount equal to its share in the foreclosure proceeds of each relevant Related Security, which amount shall be immediately due and payable in case the relevant Borrower defaults (*in verzuim is*) in respect of the relevant Transferred Receivable or the Residual Claim(s) such Borrower owes to the relevant Originator, provided that the CBC2's recourse to any

Originator in relation to any Related Security is limited to such Originator's share in the foreclosure proceeds of such Related Security;

(iii) upon the occurrence of a relevant RC Pledge Trigger Event, unless an appropriate remedy to the satisfaction of the Trustee is found after having received Rating Agency Confirmation, then each of the Originators agreed to forthwith grant to the CBC2 a right of pledge on its Residual Claims as security for the payment of the relevant amount it owes to the CBC2 pursuant to paragraph (ii) above. If, after the pledge of the Residual Claims, a relevant RC Pledge Release Trigger Event occurs, the CBC2 and the Trustee will be obliged to release the rights of pledge vested on the Residual Claims. In addition, each of the CBC2 and the Trustee undertakes to release such right of pledge on any Residual Claims of a Borrower if (i) the principal amount outstanding in respect of the relevant Transferred Receivable secured by the same Related Security has been repaid in full together with all accrued interest and other secured amounts due under or in connection with the related Loan or (ii) all Transferred Receivables that are secured by the same Related Security as such Residual Claims have been retransferred to the relevant Originator in accordance with the terms of the Guarantee Support Agreement;

(iv) if the pledge pursuant to paragraph (iii) above is implemented, any foreclosure proceeds are applied in discharge of amounts due pursuant to paragraph (ii) above and the Related Security is no longer in place or no longer expected to generate any proceeds, the CBC2 will retransfer to the relevant Originator a part of (the unsatisfied part of) the relevant Transferred Receivable for a principal amount corresponding to the principal amount of the pledged Residual Claims so applied;

(v) if the CBC2 transfers a Transferred Receivable in accordance with the Guarantee Support Agreement and the Asset Monitor Agreement to any transferee other than the relevant Originator or insurer, it is entitled to transfer its corresponding rights and obligations pursuant to Clause 9.4 (*Intercreditor Arrangements*) of the Guarantee Support Agreement to such transferee and each Originator in advance irrevocably granted its co-operation to any such transfer (within the meaning of article 6:159 of the Dutch Civil Code); and

(vi) if an Originator transfers a Residual Claim to any transferee, it is entitled, and obliged, to transfer its corresponding rights and obligations pursuant to Clause 9.4 (*Intercreditor Arrangements*) of the Guarantee Support Agreement to such transferee and the CBC2 in advance irrevocably agreed to co-operate with any such transfer (within the meaning of article 6:159 of the Dutch Civil Code). Each Originator warrants and represents that it has not (nor has any originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) transferred any Residual Claim to any party (other than (a) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable and (b) in the case of a Merged Originator or Demerged Originator (as the case may be), the relevant Originator) prior to the relevant Transfer Date.

Furthermore, if a Receivable transferred by Quion 9 is originated by a third party originator (other than Quion 9) and is secured by Related Security which includes All-monies Security, in the Guarantee Support Agreement Quion 9 undertakes that it shall procure that the relevant third party originator of such Receivable shall not obtain any Residual Claim on a Borrower, other than a Further Advance which is transferred to Quion 9 and in accordance with the terms of the Guarantee Support Agreement subsequently transferred to the CBC2.

Neither the CBC2, the Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Transferred Assets. Instead, each is relying entirely on the Representations and Warranties by the relevant Originator contained in the Guarantee Support Agreement. The parties to the Guarantee Support Agreement may, subject to the prior

written consent of the Trustee and Rating Agency Confirmation, amend the Representations and Warranties. The Receivables Warranties are as follows and are given on the relevant Transfer Date by the relevant Originator in respect of the Receivables to be transferred by it to the CBC2:

(i) each Receivable is an Eligible Receivable;

(ii) the particulars of the Eligible Receivables set out in Annex 1 to the relevant deed of assignment are true, complete and accurate in all material respects and the Gross Outstanding Principal Balance in respect of each Receivable in the Initial Portfolio or in a New Portfolio as at the relevant Transfer Date and the aggregate Gross Outstanding Principal Balance of the Receivables in the Initial Portfolio or in a New Portfolio is correctly stated in Annex 1 to the relevant deed of assignment;

(iii) no Originator has created, agreed to create or permitted to subsist any limited right (*beperkt recht*) on, or right of set-off pertaining to, any of its Collection Accounts or rights or receivables pertaining thereto, other than as validly waived (*afstand van gedaan*) on or prior to the date on which it first transfers any Eligible Receivables under or pursuant to the Guarantee Support Agreement; and

(iv) prior to (but not earlier than a Reasonable Prudent Lender would deem acceptable) making the Initial Advance under each Loan Agreement, the relevant Originator complied with its obligations under the Dutch Identification Act (*Wet Identificatie bij Dienstverlening*) and the Dutch Act on the Notification of Unusual Transactions (*Wet Melding Ongebruikelijke Transacties*) (both as amended, supplemented and restated from time to time and both currently incorporated in the Dutch Prevention of Money Laundering and the Financing of Terrorism Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*)) together with any other ancillary regulatory requirements, including but not limited to any requirements of the AFM, in connection with the origination of each Receivable.

The Programme Agreement provides a mechanism for (i) at the option of the Issuer members of the Group wishing to transfer Eligible Assets to the CBC2, to accede to the relevant Transaction Documents as a New Originator subject always to Rating Agency Confirmation and (ii) Originators that have not originated any of the CBC2's Transferred Assets at such time, to withdraw from the relevant Transaction Documents as an Originator, provided that no Notification Event has occurred and no Issuer Acceleration Notice, Notice to Pay or CBC2 Acceleration Notice has been served.

In the Trust Deed, the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether such Monthly Investor Report states that a Notification Event has occurred.

For the purpose hereof:

"**First Transfer Date**" means the date on which the Initial Portfolio is transferred to the CBC2 pursuant to the Guarantee Support Agreement;

"**Further Advance**" means, in relation to a Transferred Receivable, any advance of further money under the relevant Loan Agreement, which includes a new mortgage loan, to the relevant Borrower following the making of the Initial Advance and secured by the same Mortgage;

"**Gross Outstanding Principal Balance**" in relation to a Receivable at any date, means the aggregate principal balance of such Receivable at such date (but avoiding double counting) including the following:

(i) the Initial Advance; and

(ii) any increase in the principal amount due under that Receivable due to any Further Advance,

in each case relating to such Receivable less any prepayment, repayment or payment of the foregoing made on or prior to such date;

"**Initial Advance**" means, in respect of any Loan Agreement, the original principal amount advanced by the relevant Originator to the relevant Borrower;

"**Initial Portfolio**" means the Eligible Receivables particulars of which are set out in the deed of assignment entered into on the First Transfer Date or set out in a document stored upon electronic media (including, but not limited to, a CD ROM);

"**Mandatory Asset Quantity Test**" means the requirement of the Issuer under the 2015 CB Legislation to ensure that (i) a statutory minimum level of overcollaterisation of eligible cover assets is maintained and (ii) the value of the Transferred Assets is at all times at least equal to the Principal Amount Outstanding of the Covered Bonds, in each case as calculated and determined in accordance with the 2015 CB Legislation;

"**Net Outstanding Principal Balance**" means in relation to a Transferred Receivable, at any date, the Gross Outstanding Principal Balance of such Receivable less, if it is a Participation Receivable, an amount equal to the Participation on such date;

"**New Portfolio**" means in each case the portfolio of New Receivables (other than any New Receivables which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the Eligibility Criteria as at the Transfer Date), particulars of which are set out in the relevant Deed of Assignment or will be set out in a document stored upon electronic media (including, but not limited to, a CD ROM);

"**Notification Event**" means the earliest to occur of the following:

(i) a default is made by an Originator in the payment on the due date of any amount due and payable by it under any Transaction Document to which it is a party and such failure is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Trustee to the relevant Originator;

(ii) an Originator fails duly to perform or comply with any of its obligations under any Transaction Document to which it is a party or any other party (except the Issuer or the Trustee) does not comply with any of the obligations under any Transaction Document to which it is a party and if such failure is capable of being remedied, such failure, is not remedied within ten (10) Business Days after notice thereof has been given by the Issuer or the Trustee to the relevant Originator or such other party;

(iii) an Originator takes any corporate action, or other steps are taken or legal proceedings are started or threatened against it, for (i) its dissolution (*ontbinding*), (ii) its liquidation (*vereffening*), (iii) its bankruptcy, (iv) any analogous insolvency proceedings under any applicable law or (v) the appointment of a liquidator (*curator*) or a similar officer of it or of any or all of its assets;

(iv) an Originator's assets are placed under administration (*onder bewind gesteld*);

(v) a Notice to Pay is served on the Issuer and the CBC2;

(vi) a CBC2 Event of Default occurs;

(vii) any rating of the Issuer's unsecured, unsubordinated and unguaranteed debt obligations falls below the minimum ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time, being as at the 2019 Programme Update, 'Baa1(cr)' by Moody's, or any such rating is withdrawn; or

(viii) any Originator (other than ABN AMRO Bank) ceases to be a direct or indirect subsidiary of the Issuer within the meaning of article 2:24a of the Dutch Civil Code (other than pursuant to a Merger whereby such Originator is the Merged Originator) before it withdraws as an Originator from the Transaction Documents in accordance with the Programme Agreement;

"**Receivables Warranties**" means the representations and warranties given by each of the Originators in respect of the Receivables as set out in Part 3 of Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement;

"**Representations and Warranties**" means the representations and warranties given by each of the Originators as set out in Schedule 1 (*Representations and Warranties*) to the Guarantee Support Agreement;

"**Transfer Date**" means the First Transfer Date or the date of transfer of any further Eligible Assets to the CBC2 in accordance with the Guarantee Support Agreement;

"**Transferred Assets**" means the Transferred Receivables and the Transferred Collateral;

"**Transferred Collateral**" means any Eligible Collateral transferred or purported to be transferred to the CBC2 pursuant to the Guarantee Support Agreement, to the extent not retransferred, sold or otherwise disposed, or agreed to be disposed, of by the CBC2; and

"**Transferred Receivables**" means any Eligible Receivables transferred to the CBC2 pursuant to the Guarantee Support Agreement, to the extent not (i) redeemed, (ii) retransferred, (iii) sold or refinanced pursuant to the Asset Monitor Agreement or (iv) otherwise disposed of by the CBC2.

3.2. RETRANSFERS

Pursuant to the Guarantee Support Agreement:

(a) Prior to the service of a Notice to Pay and provided that the Asset Cover Test shall not be breached upon such retransfer, the CBC2 will retransfer a Receivable or Defaulted Receivable to the relevant Originator if a material breach of the Receivables Warranties occurs as of the relevant Transfer Date in respect of such Receivable or if the Servicer identifies a Defaulted Receivable and sends a Defaulted Receivables Notice to the relevant Originator, subject to applicable grace periods.

(b) Prior to the occurrence of a Notification Event and service of a Notice to Pay or CBC2 Acceleration Notice:

(i) the Issuer may from time to time request a retransfer of any Transferred Asset from the CBC2 to the relevant Originator. The CBC2 shall comply with such a request so long as it has been notified by the Administrator or other relevant person that the Asset Cover Test shall not be breached upon such retransfer and no Notification Event has occurred and no Notice to Pay or CBC2 Acceleration Notice has been served; and

(ii) the CBC2 will retransfer a Receivable to the relevant Originator if the rate of interest in respect of a Loan falls below the Minimum Mortgage Interest Rate, provided that it has been notified by the Administrator or other relevant person that the Asset Cover Test shall not be breached upon such retransfer (taking into account any transfer of Eligible Receivables effected by way of a Deed of Assignment and Pledge executed prior to the date of the relevant Deed of Re-assignment and Release) and no Notice to Pay or CBC2 Acceleration Notice has been served.

(c) Prior to the occurrence of a Notification Event and service of a Notice to Pay and provided that the Asset Cover Test shall not be breached upon such retransfer, in respect of a Receivable transferred by Quion 9 only, the CBC2 will retransfer such Receivable to Quion 9 if:

(i) the Borrower decides to accept the interest rate offered by another lender and such lender prefers to take over the existing Loan rather than granting a new mortgage loan to such Borrower;

(ii) Quion 9 refuses to amend the terms of the Loan upon the request of a Borrower and another lender prefers to take over the existing Loan rather than granting a new mortgage loan to such Borrower; and/or

(iii) a Further Advance under the Loan is granted by another lender.

(d) If the CBC2 intends to sell Selected Receivables on terms permitted or required by the Asset Monitor Agreement, it shall first offer such Selected Receivables for sale on the same terms to the Issuer or, if the Issuer is Insolvent, to any Originator which is not insolvent, in the manner set out in the Guarantee Support Agreement.

(e) For as long as no Notification Event has occurred, the Issuer (on behalf of the relevant Originator) may request a purchase and retransfer from the CBC2 of MTA Receivables designated by the relevant Originator for the purpose of on-transfer of such MTA Receivables by the relevant Originator to a relevant insurer pursuant to a Master Transfer Agreement. The CBC2 shall comply with such request provided that (i) no Notification Event has occurred, (ii) the principal amount of (the relevant part of) the MTA Receivable in respect of which the request for purchase and retransfer has been made shall not exceed

an amount equal to the Savings received by the relevant insurer in the month immediately preceding the date on which the purchase and retransfer of such (part of the) MTA Receivable is completed, under the relevant savings insurance policy relating to the Savings Loan from which such MTA Receivable was originated and (iii) the purchase price of such (part of the) MTA Receivable shall be at least an amount equal to the Savings received by the relevant insurer in the month immediately preceding the date on which the purchase and retransfer of such (part of the) MTA Receivable is completed, under the relevant savings insurance policy relating to the Savings Loan from which such MTA Receivable was originated.

A retransfer by the CBC2 as abovementioned will be effectuated in substantially the same manner as the transfers to the CBC2 described above, *mutatis mutandis*. If the retransfer concerns Selected Receivables which are sold to an Originator further to the relevant Originator's right of pre-emption (*voorkeursrecht*), the underlying sale and purchase will be concluded through execution of a Selected Receivables Offer Notice.

For the purpose hereof:

"**Accrued Interest**" means in relation to any Receivable and as at any date (the "**Receivable Interest Determination Date**") on or after the relevant Transfer Date, interest on such Receivable (not being interest which is currently payable on such date) which has accrued from and including the scheduled interest payment date under the associated Loan Agreement immediately prior to the Receivable Interest Determination Date up to and including the Receivable Interest Determination Date;

"**Arrears of Interest**" means in relation to any Receivable and as at the Receivable Interest Determination Date, interest which is due and payable and unpaid up to and including the Receivable Interest Determination Date;

"**Current Balance**" means in relation to an Eligible Receivable at any date, the aggregate (without double counting) of the Net Outstanding Principal Balance, Accrued Interest (unless it concerns calculations for either the Asset Cover Test or the Amortisation Test Aggregate Asset Amount, in which case Accrued Interest will not be included) and Arrears of Interest as at that date;

"**Defaulted Receivable**" means any Transferred Receivable (other than a Disputed Receivable or a Written-Off Receivable) in respect of which:

(a) a declaration has been made by the Originator that such Transferred Receivable is irrecoverable;

(b) legal proceedings have been commenced for its recovery;

(c) the related Borrower is declared bankrupt (*failliet verklaard*) or has been granted a suspension of payments (*surseance van betaling*) or debt rescheduling arrangement (*schuldsaneringsregeling*) or analogous events or proceedings have occurred in relation to the relevant Borrower; or

(d) the Servicer has not been paid by the relevant Borrower (including, without limitation, payments made by third parties on behalf of the Borrower) by the end of the Calculation Period during which such Transferred Receivable becomes more than 90 days overdue for payment from its Receivable Due Date;

"**Defaulted Receivables Notice**" means the notice served by the Initial Servicer on the relevant Originator identifying Receivables in the Portfolio which are Defaulted Receivables;

"**Disputed Receivable**" means any Receivable in respect of which payment is disputed (in whole or in part, with or without justification) by the Borrower owing such Receivable;

"**Portfolio"** means the Initial Portfolio and each New Portfolio, to the extent not (i) redeemed, (ii) retransferred (iii) sold or refinanced pursuant to the Asset Monitor Agreement or (iv) otherwise disposed of by the CBC2;

"**Receivable Due Date**" in relation to any Receivable means the original date on which such Receivable is due and payable;

"**Selected Receivables**" means Transferred Receivables to be sold or refinanced by the CBC2 pursuant to the terms of the Asset Monitor Agreement; and

"**Written-Off Receivable**" means any Receivable which has been written off by the relevant Originator as irrecoverable for accounting purposes in accordance with that Originator's general accounting practices.

3.3. ELIGIBLE ASSETS

The following assets are eligible to be transferred to the CBC2 by the Originators pursuant to the Guarantee Support Agreement:

- Eligible Receivables; and
- Eligible Collateral (together with the Eligible Receivables, the "**Eligible Assets**").

The mortgage rights securing the Eligible Receivables are vested on a Property. For over a century different municipalities and other public bodies in The Netherlands have used long lease (*erfpacht*) as a system to issue land without giving away the ownership to it. There are three types of long lease: temporary (*tijdelijk*), ongoing (*voortdurend*) and perpetual (*eeuwigdurend*). A long lease is a right *in rem* (*zakelijk recht*) which entitles the leaseholder (*erfpachter*) to hold and use a real property (*onroerende zaak*) owned by another party, usually a municipality. The long lease can be transferred by the leaseholder without permission from the landowner being required, unless the lease conditions provide otherwise and it passes to the heirs of the leaseholder in case of his death. Usually a remuneration (*canon*) will be due by the leaseholder to the landowner for the long lease.

The loan products or loan parts to which the Eligible Receivables of the Initial Originators relate can be categorised as follows (regardless of the different names used by the different Initial Originators to refer to their respective loan products falling under the same category):

1. An interest-only loan (an "**Interest-Only Loan**") is a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. An Interest-Only Loan is not connected to a Mixed Insurance Policy and does not have an investment part.

2. An annuity loan (an "**Annuity Loan**") is characterised by equal periodical payments by the Borrower. These payments contain both an interest and a principal component. As with each principal payment part of the Loan is redeemed, the interest component declines after each successive payment. The principal component rises in such a way that the remaining balance of the Loan at maturity will be zero. An Annuity Loan is not connected to a Mixed Insurance Policy and does not have an investment part.

3. A linear loan (a "**Linear Loan**") is a loan on which the periodical payment consists of a constant principal component plus an interest component based on the remaining Loan balance. The balance of the Loan is thus being repaid in a straight-line fashion i.e. linear, and will be zero at maturity, while the interest payment declines after each successive payment. A Linear Loan is not connected to a Mixed Insurance Policy and does not have an investment part.

4. An investment loan (an "**Investment Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Investment Loan, the Borrower pledges a securities account it maintains with an investment firm or a bank. Under the related securities account agreement, the Borrower pays (on a regular basis) a sum which is invested in a variety of investment funds offered by the investment firm or bank. Upon maturity the investment proceeds are applied towards repayment of the Investment Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. An Investment Loan has an investment part, but is not connected to a Mixed Insurance Policy.

5. A life loan or life insurance loan (a "**Life Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one

instalment at maturity. To secure the Life Loan, the Borrower pledges a life insurance policy to the relevant Originator, which is a combined risk and capital insurance policy.

Under the life insurance policy the Borrower pays premium consisting of (apart from a cost element) a risk and a capital element. There are different types of life insurance policies, depending on the way in which the capital element is invested by the insurer (for example in certain designated investment funds) and the way in which the risk element of the premium is calculated. The insurance proceeds of the life insurance policy are due by the insurer at the earlier of the maturity of the life insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Life Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. A Life Loan is connected to a Mixed Insurance Policy.

6. A savings loan, savings growth loan, start-sure loan or any other loan with substantially the same or comparable characteristics (a "**Savings Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Savings Loan, the Borrower pledges a savings insurance policy to the relevant Originator, which is a combined risk and capital insurance policy. Certain loan products of this category (i.e. start-sure loans) are only available if an NHG Guarantee is available. Under the savings insurance policy the Borrower pays premium consisting of (apart from a cost element) a risk and a savings element. The savings element is calculated in such a manner that, on an annuity basis, the proceeds of the savings insurance policy due by the insurer are equal to the principal amount due by the Borrower at maturity of the Savings Loan. The insurance proceeds of the savings insurance policy are due at the earlier of the maturity of the savings insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Savings Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. A Savings Loan is connected to a Mixed Insurance Policy, but does not have an investment part.

7. A hybrid loan, asset growth loan or life growth loan or any other loan with substantially the same or comparable characteristics (a "**Hybrid Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Hybrid Loan, the Borrower pledges an insurance policy to the relevant Originator, which is a combined risk and capital insurance policy. For certain loan products of this category (i.e. life growth loans and, depending on the ratio the income of the Borrower bears to the principal amount of the relevant Eligible Receivable, the asset growth loans) the pledge is limited to the amount by which the relevant Eligible Receivable exceeds the foreclosure value of the relevant Property. Under the insurance policy the Borrower pays premium consisting of (apart from a cost element) a risk element and an investment part and, if applicable, a savings part. The Borrower can choose how the insurer should invest investment premiums (from a list of approved investments) and can request the insurer to switch between investments, in whole or in part. For certain loan products of this category (i.e. asset growth loans) the Borrower has the option (and is in certain events obliged) to pay a lump sum amount by way of savings premium. For other products of this category (i.e. hybrid loans and life growth loans), the Borrowers are allowed to choose whether they prefer a savings and/or investment part and, subject to certain conditions, to switch between savings and investments, in whole or in part. The insurance proceeds of the insurance policy are due at the earlier of the maturity of the insurance policy (which is generally thirty years) and the death of the Borrower, and are applied towards repayment of the Hybrid Loan. If the proceeds are insufficient, the relevant Borrower is obliged to make up any shortfall. A Hybrid Loan is connected to a Mixed Insurance Policy and has an investment part.

8. A bank savings loan (a "**Bank Savings Loan**") is, like an Interest-Only Loan, a loan on which only interest is due until maturity. The full principal amount is repayable in one instalment at maturity. To secure the Bank Savings Loan, the Borrower pledges the rights in respect of a savings account (a "**Bank Savings Account**") to the relevant Originator, which is held in the name of the Borrower with the Bank Savings Deposit Bank and which is connected to the Bank Savings Loan. The Bank Savings Account is a blocked account and the amounts standing to the credit thereto shall in principle only be released (*gedeblokkeerd*) at maturity of the Bank Savings Loan (which varies between a minimum of fifteen years and a maximum of thirty years), the death of the Borrower or, subject to the applicable general conditions, in certain other limited circumstances and shall, subject to the applicable general conditions and applicable (tax) law, in principle only be applied to repay the related Bank Savings Loan. During the life of the Bank Savings Loan, the Borrower makes a monthly fixed payment into the Bank Savings Account whereby the interest rate payable by the Bank Savings Deposit Bank in respect of amounts standing to the credit of the Bank Savings Account is linked to the interest rate payable by the Borrower under the Bank Savings Loan. The monthly fixed payment will be made through direct debits and calculated on the basis of the interest amount, the maturity of the Bank Savings Account and the aggregate required amount to repay the Bank Savings Loan in full at maturity. The monthly fixed payment will be adjusted each time that either a prepayment is made in respect of the Bank Savings Loan, an amendment is made to the maturity date of the Bank Savings Account, the Borrower makes an additional payment into the Bank Savings Account or the interest rate payable by the Borrower under the Bank Savings Loan is reset (i.e. at the end of each fixed-interest period), to ensure that the aggregate amount credited to the Bank Savings Account (consisting of such payments and accrued interest thereon and calculated in such manner on an annuity basis) at maturity of the Bank Savings Account is equal to the principal amount due by the Borrower at maturity of the Bank Savings Loan. If at (i) maturity of the Bank Savings Loan or (ii) foreclosure by the relevant Originator of the Bank Savings Loan as a result of a default of the Borrower in respect of due amounts, the amount standing to the credit of the related Bank Savings Account is insufficient to repay the Bank Savings Loan in full, the Borrower is obliged to make up the shortfall. A Bank Savings Loan has a savings part but not an investment part and is not connected to a Mixed Insurance Policy.

Insofar as interest on the Eligible Receivables is concerned, the Initial Originators offer different floating interest rate periods (1 or 3 months) and fixed interest rate periods (1, 2, 3, 5, 6, 7, 10, 12, 15, 17, 20, 22, 25 and 30 years fixed). With respect to certain of the fixed interest rate periods the last two years can consist of a so-called reconsider period (*rentebedenktijd*). During such reconsider period the Borrower may choose to reset his rate to the then existing interest rate, for a new fixed interest rate period. At an interest reset date, the Borrower may opt for a floating rate of interest.

In addition to fixed interest rates and floating interest rates as set out above, ABN AMRO Bank as Initial Originator has offered "Buffer Interest", in which case a fixed base rate and a margin and a floating interest rate are agreed in the relevant Loan Agreement. The margin equals 1% in the case of an interest rate period of 5 years, 1.8% in the case of an interest rate period of 10 years or 2% in the case of an interest rate period of 15 years. If during the term of the relevant loan the then current floating interest rate:

- exceeds or is lower than the base rate by no more than the margin, then the base rate applies; or

- exceeds or is lower than the base rate by more than the margin, then the base rate is increased or decreased with the difference between (a) the base rate plus or minus (as the case may be) the margin and (b) the then current floating interest rate.

Also, ABN AMRO Bank as Initial Originator offers 'Ideaalrente'. If Ideaalrente is applicable, the interest rate (for a certain fixed interest rate period) is reset once per year based on the average rate for mortgage loans over the previous five (5) years (for that specific fixed interest rate period). The interest is set yearly in advance.

Furthermore, ABN AMRO Hypotheken Groep, Quion 9 and Oosteroever Hypotheken as Initial Originators offered 'Margin Interest'. If Margin Interest is applicable, the interest rate on the Loan is reset annually, subject to caps and floors (relative to a base rate), which provides the Borrower with some protection against interest rate changes. The base rate itself may be reset from time to time.

For the purpose hereof:

"**AAHG Bank Savings Receivable**" means a Bank Savings Receivable originated by ABN AMRO Hypotheken Groep (which includes origination by an originator (i) which has Merged into ABN AMRO Hypotheken Groep or (ii) whose Relevant Assets and Liabilities have been acquired by ABN AMRO Hypotheken Groep pursuant to a Demerger);

"**Adverse Claim**" means any encumbrance, attachment or other right or claim in, over or on any person's assets or properties in favour of any other person;

"**Article 129 CRR**" means article 129 (*Exposures in the form of covered bonds*) of the CRR (as such article may be amended, replaced and/or supplemented from time to time);

"**Bank Savings Receivable**" means a Transferred Receivable resulting from a Bank Savings Loan;

"**Borrower**" means, in relation to an Eligible Receivable, the individual or individuals specified as such in the relevant Loan Agreement together with the individual or individuals (if any) from time to time assuming an obligation to discharge such Eligible Receivable or any part of it;

"**CRR**" means Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (as amended from time to time);

"**Demerger**" means, in respect of a legal entity (a "**Demerged Originator**"), a legal act (*rechtshandeling*) between such entity and an Originator, pursuant to which all assets and liabilities (*vermogen*) (or part thereof) (the "**Relevant Assets and Liabilities**") of such entity have been acquired by such Originator on a general legal basis (*algemene titel*) as referred to in article 2:334(a)(3) of the Dutch Civil Code;

"**Eligible Collateral**" means euro denominated cash and/or Substitution Assets; and

"**Eligible Receivable**", means a Receivable which complies with the following criteria, which are all subject to amendment from time to time, provided that Rating Agency Confirmation is obtained in respect of such amendment (as amended from time to time, the "**Eligibility Criteria**") as at the relevant Transfer Date:

A. General

1. It is existing, is denominated in euro and is owed by Borrowers established or resident in The Netherlands. If the Borrower is employed by any Originator or any of their respective subsidiaries (*dochtermaatschappijen*) or participations (*deelnemingen*), the terms and conditions of such Receivable are on arm's length terms except for the interest rate.

2. It is governed by Dutch law and the terms and conditions of such Receivable do not provide for the jurisdiction of any court or arbitration tribunal outside The Netherlands.

3. It is secured by Property located in The Netherlands which is not the subject of any residential letting and which is occupied by the relevant Borrower since origination (or shortly thereafter) and used mainly for residential purposes.

4. Its nominal amount remains a debt, which has not been paid or discharged by set-off or otherwise, and includes all loan parts (*leningdelen*) granted to the relevant Borrower under the relevant Loan Agreement.

5. The Loan from which it results was in all material respects granted in accordance with all applicable laws, legal requirements and the code of conduct on mortgage loans (*Gedragscode Hypothecaire Financieringen*) (the "**Code of Conduct**") prevailing at the time of origination and met in all material respects the relevant Originator's Lending Criteria which, where applicable, are generally based on the NHG requirements as applicable at that time and all required consents, approvals and authorisations have been obtained in respect of such Loan.

6. The relevant Originator has in all material respects performed all its obligations which have fallen due under or in connection with the relevant Loan Agreements connected to it and so far as the relevant Originator is aware, no Borrower has threatened or commenced any legal action which has not been resolved against the relevant Originator for any failure on the part of the relevant Originator to perform any such obligation.

7. It can be easily segregated and identified for ownership and Related Security purposes on any day.

8. It is not a Receivable in respect of which the CBC2 has notified the relevant Originator that the CBC2 has determined that such Receivable or class of Receivables is not reasonably acceptable to the CBC2 under the Programme and it is not due from a Borrower in respect of which the CBC2 has notified the relevant Originator that Receivables from such Borrower are not Eligible Receivables.

9. The loan files relating to it contain the relevant Borrower Files (as defined in the Incorporated Terms Memorandum) and, if they are in electronic format, contain at least the same information and details as the loan files relating to it which are kept in paper format which include authentic copies of the notarial mortgage deeds.

10. The maximum outstanding principal amount of the Loan from which it results, or the aggregate maximum outstanding amount of all Receivables secured by the same Related Security together, does not exceed € 1,500,000.

11. The outstanding principal amount of the Loan from which it results does not exceed:

    (i) if it does not have the benefit of an NHG Guarantee:

        (a) 106.25% of the market value of the related Property at the time of origination; or

        (b) in relation to no more than 5% of the aggregate Current Balance of all Transferred Receivables at any time, an amount in between 106.25% and 110.50% of the market value of the related Property at the time of origination; or

    (ii) if it does have the benefit of an NHG Guarantee, the maximum amount as may be set under the NHG requirements at the time of origination.

B. Borrowers

1. It constitutes a legal, valid and enforceable obligation of the related Borrower and is enforceable against such Borrower in accordance with the terms of the relevant Loan Agreement without any right of rescission, set-off, withholding, suspension, counterclaim or other defence other than those provided for under mandatory rules of applicable law and subject to any limitations arising from bankruptcy, insolvency or any other laws of general application relating to or affecting the rights of creditors generally.

2. So far as the relevant Originator is aware:

   (i) the related Borrower has not asserted and no circumstances exist as a result of which such Borrower would be entitled to assert any counterclaim, right of rescission or set-off, or any defence to payment of any amount due or to become due or to performance of any other obligation due under the related Loan Agreement;

   (ii) the related Borrower is not in material breach, default or violation of any obligation under such Loan Agreement;

   (iii) the related Borrower is not subject to bankruptcy or any other insolvency procedure within the meaning of any applicable insolvency law;

   (iv) no proceedings have been taken in respect of it by the relevant Originator against the related Borrower; and

   (v) no litigation, dispute or complaint is subsisting, threatened or pending which affects or might affect it or the related Borrower which may have an adverse effect on the ability of such Borrower to perform its related obligations.

C. Payments

1. Payments of interest are scheduled to be made monthly.

2. It is not in arrears in relation to any payments and at least one payment in respect of such Receivable has been made.

3. It bears a rate of interest equal to or exceeding the Minimum Mortgage Interest Rate.

4. If it relates to a Loan which bears a variable rate of interest, the variable rate is based on EURIBOR.

D. Unencumbered Transfer

1. The relevant Originator has full right and title to it and has power to transfer or encumber (*is beschikkingsbevoegd*) it and such Originator has not agreed to transfer or encumber it, whether or not in advance, in whole or in part, in any way whatsoever.

2. It is owed to the relevant Originator and is free and clear of any Adverse Claims.

3. It can be transferred by way of assignment (*cessie*) and is not subject to any contractual or legal restriction of transfer by way of assignment.

4. Its transfer will not violate any law or any agreement by which the relevant Originator may be bound and upon such transfer it will not be available to the creditors of the relevant Originator on such Originator's liquidation.

E. Security

1. It is secured by mortgage rights and rights of pledge governed by Dutch law which:

   (i) constitute valid mortgage rights (*hypotheekrechten*) and rights of pledge (*pandrechten*) respectively on the assets which are purported to be the subject of such mortgage rights and rights of pledge and, to the extent relating to mortgage rights, have been entered into the Land Registry;

   (ii) have first priority (*eerste in rang*) or first and sequentially lower priority;

   (iii) were vested for a principal amount outstanding which is at least equal to the principal amount of the related Loan when originated increased with interest, penalties, costs and/or insurance premiums together up to an amount equal to 140% of the principal amount of the related Loan when originated; and

   (iv) were created pursuant to a mortgage or pledge deed which does not contain any specific wording regarding the transfer of such right of mortgage or pledge securing it, unless an express confirmation to the effect that upon a transfer of the relevant Receivable, the Receivable will following the transfer continue to be secured by the right of mortgage or pledge.

2. The consent, licence, approval or authorisation of any person (other than the related Borrower) which was necessary to permit the creation of its Related Security were obtained including the consent of the spouse of such Borrower pursuant to Article 1:88 of the Dutch Civil Code.

3. It:

   (i) was originated by the relevant Originator (which includes origination by an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) and such Originator has not (nor has any such Merged Originator or Demerged Originator (as the case may be)) transferred any receivable (including but not limited to any Residual Claim) secured by the Related Security to any party other than (a) the CBC2 (or in the case of a Merged Originator or Demerged Originator (as the case may be), the relevant Originator) and/or (b) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable;

   (ii) is secured by Related Security which does not include All-monies Security and any and all present and future receivables which are secured by such Fixed Security forming part of the Related Security, together with any and all contractual relationships (*rechtsverhoudingen*) from which receivables have arisen or may arise which are or will be secured by such Fixed Security, have, together with all Related Security, been transferred to (i) such Originator (or an originator (i) which has Merged into the relevant Originator or (ii) whose Relevant Assets and Liabilities have been acquired by the relevant Originator pursuant to a Demerger) or (ii) an insurer pursuant to a Master Transfer Agreement in relation to an MTA Receivable; or

   (iii) was originated by a third party originator and if it is secured by Related Security which includes All-monies Security, the relevant third party originator does not have any receivable (including but not limited to any Residual Claim) secured by the Related Security unless the relevant receivable is subject to an intercreditor arrangement between the CBC2, the Trustee, the relevant Originator and the

originator that originated the relevant Receivable and such other requirements as the CBC2 and the Trustee may require in relation to the transfer of the relevant Receivable by such originator to the relevant Originator.

F. Valuation

1. The related Borrower was obliged to obtain a building insurance (*opstalverzekering*) for the full reinstatement value (*herbouwwaarde*) of the Property at the time the related Loan was advanced.

2. Each Property concerned was valued in accordance with the Valuation Procedures.

G. Long Lease

1. If it is secured by a right of mortgage on a long lease (*erfpacht*), the terms of the relevant Loan Agreement provide that the principal amount outstanding of the related Loan, including interest, will become immediately due and payable if (i) the long lease terminates as a result of a breach by the leaseholder, (ii) the leaseholder materially breaches or ceases to perform its payment obligations under the long lease (*canon*) or (iii) the leaseholder in any other manner breaches the conditions of the long lease.

H. No Bridge Loans or Residential Subsidy Rights

1. It does not arise from bridging mortgage loans (*overbruggingshypotheken*).

2. It is not related to a Loan in connection with which Residential Subsidy Rights were purportedly transferred to the relevant Originator.

I. Specific Products

1. It is related to an Interest-Only Loan, an Annuity Loan, a Linear Loan, an Investment Loan, a Life Loan, a Savings Loan, a Hybrid Loan, a Bank Savings Loan or any combination of the foregoing.

2. If it has an NHG Guarantee connected to it, (i) the NHG Guarantee (A) is granted for its full amount outstanding at origination, provided that in respect of Mortgage Loans offered as of 1 January 2014 in determining the loss incurred after foreclosure of the relevant Property, an amount of ten (10) per cent. will be deducted from such loss in accordance with the NHG Conditions and (B) constitutes legal, valid and binding obligations of WEW, enforceable in accordance with such NHG Guarantee's terms, (ii) all terms and conditions (*voorwaarden en normen*) applicable to the "Nationale Hypotheek Garantie" at the time of origination of the related Loans were complied with and (iii) the relevant Originator is not aware of any reason why any claim under any NHG Guarantee in respect of it should not be met in full and in a timely manner.

3. If it relates to a Life Loan, a Savings Loan or a Hybrid Loan, then it has the benefit of the applicable Mixed Insurance Policy and (i) the relevant Originator has either been validly appointed as beneficiary (*begunstigde*) under such Mixed Insurance Policy upon the terms of the relevant Loan Agreement and Mixed Insurance Policy (the resulting rights being the "**Beneficiary Rights**") or, if another person has been appointed as beneficiary, under an irrevocable payment instruction from such person to the relevant insurer, (ii) all receivables under such Mixed Insurance Policy have been validly pledged by the relevant Borrower to the relevant Originator for at least that part by which it exceeds 100% of the foreclosure value of the relevant Property or 90% in case of a Loan higher than EUR 1,000,000, which pledge has been notified to the relevant insurer and (iii) none of the underlying policy, beneficiary clause, payment instruction or deed of pledge, as applicable, contains any

provision restricting or prohibiting (a) said pledge to the relevant Originator, (b) a transfer of the Beneficiary Rights by the relevant Originator to the CBC2, (c) an appointment by the relevant Originator of the CBC2 as new beneficiary under such Mixed Insurance Policy or (d) a waiver of the Beneficiary Rights by the relevant Originator.

4. The general conditions applicable to it provide that its principal sum, increased with interest, reimbursements, costs and amounts paid by the relevant Originator on behalf of the related Borrower and any other amounts due by such Borrowers to such Originator will become due and payable, amongst other things, if (a) a Mixed Insurance Policy attached to it is invalid and/or the relevant insured party fails to pay premium under the Mixed Insurance Policy and (b) if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised.

5. If it is related to an Interest-Only Loan, an Annuity Loan or a Linear Loan, it does not relate to a Mixed Insurance Policy and does not relate to any savings and/or investment product.

6. If it is related to an Interest-Only Loan, it does not exceed 85% of the Original Market Value.

7. If it is related to an Investment Loan, (i) it does not relate to any Mixed Insurance Policy and (ii) the relevant securities account maintained in the name of the relevant Borrower has been validly pledged to the relevant Originator and is maintained with:

   - an investment firm (*beleggingsonderneming*) in the meaning ascribed thereto in the Wft, which is by law obliged to administer (i) the securities through a bank (see the next paragraph) or a separate depositary vehicle (*bewaarinstelling*) or (ii) only securities the transfer of which is subject to the Wge (acting as intermediary (*intermediair*)); or

   - a bank which is by law obliged to administer (i) the securities through a separate depositary vehicle or (ii) only securities the transfer of which is subject to the Wge.

8. If it is related to a Loan which falls under category 3 of the Deduction Risk description (See "*Section B.3 Guarantee Support*" above) (i) the relevant Mixed Insurance Policy and the relevant Loan are in the relevant insurer's and Originator's promotional materials not offered as one product or under one name and (ii) the relevant Borrowers are not obliged to enter into a Mixed Insurance Policy with an insurer which is a group company of the relevant Originator and are free to choose the relevant insurer (subject to prior approval of the relevant Originator).

9. If it is related to an Investment Loan and the related investment product is offered by the relevant Originator itself (and not by a third party securities institution or bank), such investment product has been offered in accordance with all applicable laws and legal requirements prevailing at the time of origination, including those on the information that is to be provided to prospective investors.

10. If it is related to a Bank Savings Loan it does not relate to a Mixed Insurance Policy or investment product and (A) the relevant Bank Savings Account maintained in the name of the relevant Borrower has been validly pledged to the relevant Originator, (B) at maturity of the Bank Savings Loan the amounts standing to the credit of the related Bank Savings Account must be applied to repay such Bank Savings Loan and (C) the general conditions applicable to it provide that the entire Loan will become due and payable, amongst other things, if (a) such Borrower is in default with its monthly payments into the related Bank Savings Account; and (b), if applicable, the associated right of the lender under the Loan Agreement to accelerate the Loan on that basis is exercised;

"**Lending Criteria**" means such criteria applicable to the granting of a Loan to a Borrower as the relevant Originator may from time to time apply and which would be acceptable to a Reasonable Prudent Lender;

"**Loan**" means any loan (including the Initial Advance and any Further Advance) or loan part (*leningdeel*) granted by the relevant Originator to a Borrower pursuant to the terms of a Loan Agreement;

"**Loan Agreement**" means a mortgage loan agreement between an Originator and a Borrower secured by a right of mortgage (*recht van hypotheek*), including the corresponding notarial deed, pledge deed and set of general terms and conditions as each Originator may from time to time introduce as would be acceptable to a Reasonable Prudent Lender;

"**Merged**" means, in respect of a legal entity (a "**Merged Originator**"), that as a result of a legal act (*rechtshandeling*) between such entity and an Originator, all assets and liabilities (*vermogen*) of such entity have transferred to such Originator on a general legal basis (*algemene titel*) as referred to in article 2:309 of the Dutch Civil Code (such transfer, a "**Merger**"), with such legal entity being the disappearing entity;

"**Mixed Insurance Policy**" means any insurance policy under which premium is paid consisting of a risk element and a capital element consisting of a savings part and/or an investment part, as the case may be;

"**Mortgage**" means a right of mortgage (*recht van hypotheek*) over a Property securing the related Receivable;

"**NHG**" or "**NHG Guarantee**" means guarantees (*borgtochten*) issued by Stichting Waarborgfonds Eigen Woningen under the terms and conditions of the National Mortgage Guarantee (*Nationale Hypotheek Garantie*), as from time to time amended;

"**Participation Receivable**" means a Category 4 Receivable, a Category 5 Receivable or a Bank Savings Receivable, as the case may be, to which a Participation applies;

"**Property**" means (i) a real property (*onroerende zaak*), (ii) an apartment right (*appartementsrecht*) or (iii) a long lease (*erfpacht*), which is subject to a Mortgage;

"**Reasonable Prudent Lender**" means the Originators and/or the Servicers, as applicable, acting in accordance with the standards of a reasonable lender of Dutch residential mortgage loans to Borrowers in The Netherlands which is acting as a reasonable creditor in protection of its own interests;

"**Receivable**" means a registered claim (*vordering op naam*) *vis-à-vis* a Borrower for repayment of a Loan and includes any Related Security;

"**Related Security**" means, with respect to any Receivable, all related accessory rights (*afhankelijke rechten*), ancillary rights (*nevenrechten*), connected rights (*kwalitatieve rechten*) and independently transferable claims (*zelfstandig overdraagbare vorderingsrechten*), including rights of mortgage (*hypotheekrechten*), rights of pledge (*pandrechten*), suretyships (*borgtochten*), guarantees, rights to receive interest and penalties and, to the extent transferable, Beneficiary Rights and interest reset rights;

"**Residential Subsidy Right**" means the right to receive annual contributions with respect to residential Properties on the basis of the Resolution Monetary Support Own Residences (*Beschikking geldelijke steun eigen woningen*) dated 1984 or the Resolution Residence Related Subsidies (*Besluit woninggebonden subsidies*) dated 1991 or any replacement or substitute legislation, resolution or regulation;

"**Standardised Approach**" means chapter 2 (*Standardised Approach*) of Title II of Part Three of the CRR (as amended, varied and/or supplemented from time to time);

"**Substitution Assets**" means the classes of assets from time to time eligible under Article 129 CRR paragraph 1(a), (b), (c) or credit quality step 2 exposures permitted by DNB under Article 129 CRR and the 2015 CB Legislation to collateralise covered bonds, provided that:

(i) such eligible assets are denominated in euro;

(ii) such exposures will have certain minimum long-term and/or short-term ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update, at least: insofar as Moody's is concerned (and to the extent it is a Rating Agency): 'A2' and 'P-1' for exposures maturing within one month, 'A1' and 'P-1' for exposures maturing within one to three months, 'Aa3' and 'P-1' for exposures maturing within three to six months and 'Aaa' and 'P-1' for exposures maturing over six months;

(iii) insofar as Moody's is concerned (and to the extent it is a Rating Agency): the maximum aggregate total exposures in general shall not exceed 20% of the aggregate Principal Amount Outstanding of the Covered Bonds;

(iv) such exposures consist of securities (a) which are either deposited with Euroclear or the transfer of which is subject to the Wge and (b) which are credited to a securities account in the relevant Originator's name administered in The Netherlands or Belgium, as the case may be; and

(v) the aggregate value of the Substitution Assets, at any time, shall not exceed in aggregate an amount equal to 20% or such other percentage as required under the 2015 CB Legislation or the Aggregate Principal Amount Outstanding of all Covered Bonds outstanding.

"**Valuation Procedures**" means the valuation procedures of the relevant Originator prevailing at the time of origination of the relevant Loan.

3.4. OVERVIEW OF DUTCH RESIDENTIAL MORTGAGE MARKET

This paragraph 3.4 is substantially derived from the Dutch Residential Mortgage Market Overview over the period until May 2019, which overview is publicly available at the website of the Dutch Securitisation Association[15]*. The information has been accurately reproduced and the Issuer believes that this source (namely the Dutch Securitisation Authorisation) is reliable and as far as the Issuer is aware and is able to ascertain from the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

Dutch residential mortgage market

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. After a brief decline between 2012 and 2015, mortgage debt reached a new peak of EUR 704 billion in Q4 2018[16]. This represents a rise of EUR 9.4 billion compared to Q4 2017.

Tax system

The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for almost full deductibility of mortgage interest payments from taxable income. This tax system has been around for a very long time, but financial innovation has resulted in a greater leverage of this tax benefit. From the 1990s onwards until 2001, this tax deductibility was unconditional. In 2001 and 2004, several conditions have been introduced to limit the usage of tax deductibility, including a restriction of tax deductibility to (mortgage interest payments for) the borrower's primary residence and a limited duration of the deductibility of 30 years.

A further reform of the tax system was enforced on 1 January 2013. Since this date, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility.

Another reform imposed in 2013 to reduce the tax deductibility is to lower the maximum deduction percentage. This used to be equal to the highest marginal tax bracket (52%), but since 2013 the maximum deduction is lowered by 0.5% per annum (2019: 49%). The new government coalition has the intention to speed up this decrease. According to their policy agenda, they will reduce the maximum deduction percentage by 3.0% per annum, starting in 2020. In 2023, the maximum deduction percentage will be 37%, which will then be equal to the second highest marginal income tax rate.

There are several housing-related taxes which are linked to the fiscal appraisal value ("**WOZ**") of the house, both imposed on national and local level. Moreover, a transfer tax (stamp duty) of 2% is applied when a house changes hands. Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

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[15] https://www.dutchsecuritisation.nl/sites/default/files/documents/Dutch%20residential%20mortgage%20market%20%28May%202019%29.pdf.

[16] Statistics Netherlands, household data.

Loan products

The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

Firstly, the "classical" Dutch mortgage product is an annuity loan. Annuity mortgage loans used to be the norm until the beginning of the 1990s, but they have returned as the most popular mortgage product in recent years. Reason for this return of annuity mortgage loans is the tax system. Since 2013, tax deductibility of interest payments on new loans is conditional on full amortisation of the loan within 30 years, for which only (full) annuity and linear mortgage loans qualify.

Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century. Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a considerable amount of interest-only loan origination.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was very popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between 5 and 15 years. Rate term fixings differ by vintage, however. More recently, there has been a bias to longer term fixings (10-20 years). Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

Underwriting criteria

Most of the Dutch underwriting standards follow from special underwriting legislation (*Tijdelijke regeling hypothecair krediet*). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 100% (including all costs such as stamp duties). The new government coalition has indicated not to lower the maximum LTV further beyond 2018. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation “NIBUD” and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending, which is the industry standard. This code, which limits the risk of over crediting, has been tightened several times in the past decade. The 2007 version of the code included a major overhaul and resulted in tighter lending standards, but deviation in this version was still

possible under the "explain" clause[17]. In 2011, another revised and stricter version of the Code of Conduct was introduced. Moreover, adherence to the "comply" option was increasingly mandated by the Financial Markets Authority (AFM). Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

Recent developments in the Dutch housing market

The Dutch housing market has shown clear signs of recovery since the second half of 2013. Important factors are among others the economic recovery, high consumer confidence and low mortgage rates.

Existing house prices (PBK-index) in Q1 2019 rose by 1.7% compared to Q4 2018. Compared to Q1 2018 this increase was 7.9%. A new peak was reached this quarter. The average house average price level was 6.8% above the previous peak of 2008. The continued increase in house prices is mostly caused by an increasing supply scarcity in the market. Indeed, existing homes sales are trending down. Compared to a year ago, sales numbers declined by 9% in Q1 2019. The twelve month total of existing home sales now stands at 213,692, which is still well above pre-crisis levels.

Forced sales

Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates18. The most important reason for default is relationship termination, although the increase in unemployment following the economic downturn in recent years is increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. Due to the implementation of a new IT system, the Land Registry did not record forced sales by auction in Q4 2018 and Q1 2019. In April 2019, 45 forced sales took place (0.26% of total number of sales).

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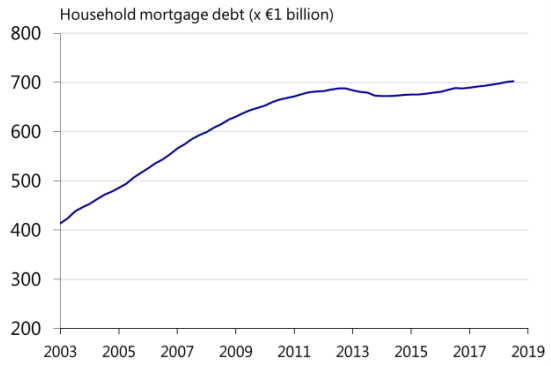
[17] Under the "explain" clause it is in exceptional cases possible to deviate from the loan-to-income and loan-to-value rules set forth in the Code of Conduct.

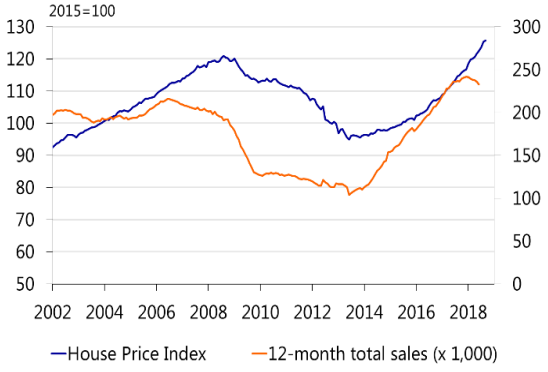
[18] Comparison of S&P RMBS index delinquency data.

Chart 1: Total mortgage debt



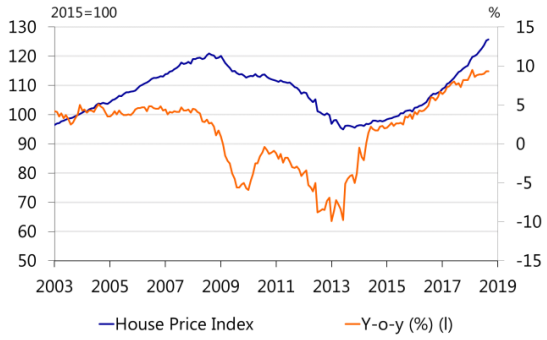
Source: Statistics Netherlands, Rabobank

Chart 2: Sales and prices



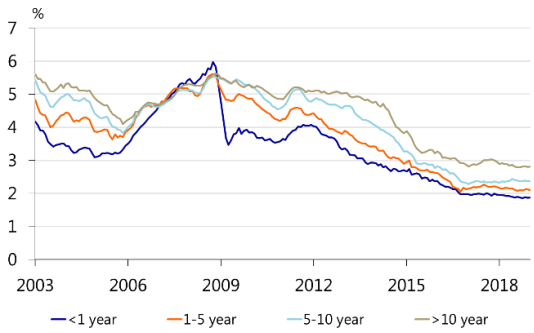
Source: Statistics Netherlands, Rabobank

Chart 3: Price index development



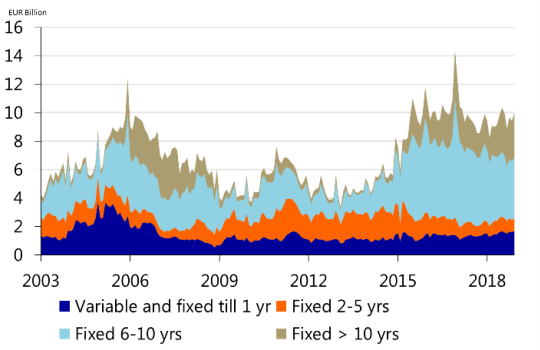
Source: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



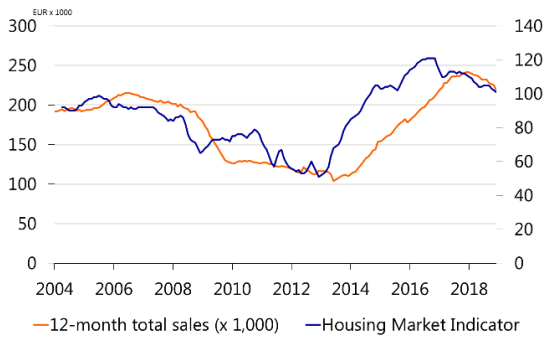
Source: Dutch Central Bank

Chart 5: New mortgage loans by interest type



Source: Dutch Central Bank

Chart 6: Confidence points to rise in sales



Source: Delft University OTB, Rabobank

3.5. NHG GUARANTEE PROGRAMME

NHG Guarantee

In 1960, the Dutch government introduced the 'municipal government participation scheme', an open ended scheme in which both the Dutch State and the municipalities guaranteed, according to a set of defined criteria, residential mortgage loans made by authorised lenders to eligible borrowers to purchase a primary family residence. The municipalities and the Dutch State shared the risk on a 50/50 basis. If a municipality was unable to meet its obligations under the municipality guarantee, the Dutch State would make an interest free loan to the municipality to cover its obligations. The aim was to promote home ownership among the lower income groups.

Since 1 January 1995 WEW, a central privatised entity, is responsible for the administration and granting of the NHG Guarantee, under a set of uniform rules. The NHG Guarantee covers the outstanding principal, accrued unpaid interest and disposal costs. Irrespective of scheduled repayments or prepayments made on the mortgage loans, the NHG Guarantee is reduced on a monthly basis by an amount which is equal to principal repayment part of the monthly instalment as if the mortgage loan were to be repaid on a thirty year annuity basis. In respect of each mortgage loan, the NHG Guarantee decreases further to take account of scheduled repayments and prepayments under such mortgage loan. Also, amounts paid as savings or investment premium under savings insurance policies or life insurance policies, respectively, are deducted from the amount outstanding on such mortgage loans for purposes of the calculation of the amount guaranteed under the NHG Guarantee (See "*Section B. Risk Factors*" above).

Financing of WEW

WEW finances itself, *inter alia*, by a one-off charge to the borrower of 0.90 per cent. (as of 1 January 2019) of the principal amount of the mortgage loan. Besides this, the scheme provides for liquidity support to WEW from the Dutch State and the participating municipalities. Should WEW not be able to meet its obligations under guarantees issued, (i) in respect of all loans issued before 1 January 2011, the Dutch State will provide subordinated interest free loans to WEW of up to 50 per cent. of the difference between WEW's own funds and a pre-determined average loss level and municipalities participating in the NHG Guarantee scheme will provide subordinated interest free loans to WEW of the other 50 per cent. of the difference, and (ii) in respect of all loans issued on or after 1 January 2011, the Dutch State will provide subordinated interest free loans to WEW of up to 100 per cent. of the difference between WEW's own funds and a pre-determined average loss level. Both the keep well agreement between the Dutch State and WEW and the keep well agreements between the municipalities and WEW contain general 'keep well' undertakings of the Dutch State and the municipalities to enable WEW at all times (including in the event of bankruptcy (*faillissement*), suspension of payments (*surseance van betaling*) or liquidation (*ontbinding*) of WEW) to meet its obligations under guarantees issued.

Terms and conditions of the NHG Guarantee

Under the NHG scheme, the lender is responsible for ensuring that the guarantee application meets the NHG conditions. If the application qualifies, various reports are produced that are used in the processing of the application, including the form that will eventually be signed by the relevant lender and forwarded to the NHG to register the mortgage and establish the guarantee. WEW has, however, no obligation to pay any loss (in whole or in part) incurred by a lender after a private or a forced sale of the mortgaged property if such lender has not complied with the NHG conditions, which were applicable at the date of origination of the mortgage loan, unless such non-payment is unreasonable towards the lender.

The specific terms and conditions for the granting of NHG Guarantees, such as eligible income, purchasing or building costs etc., are set forth in published documents by WEW.

The NHG has specific rules for the level of credit risk that will be accepted. The credit worthiness of the applicant must be verified with the *Bureau Krediet Registratie* ("**BKR**"), a central credit agency used by all financial institutions in The Netherlands. All financial commitments over the past five years that prospective borrowers have entered into with financial institutions are recorded in this register. In addition, as of 1 January 2008 the applicant itself must be verified with the Foundation for Fraud Prevention of Mortgages (*Stichting Fraudepreventie Hypotheken*, "**SFH**"). If the applicant has been recorded in the SFH system, no NHG Guarantee will be granted.

To qualify for an NHG Guarantee various conditions relating to valuation of the property must be met. In addition, the mortgage loan must be secured by a first ranking mortgage right (or a second ranking mortgage right in case of a further advance). Furthermore, the borrower is required to take out insurance in respect of the mortgaged property against risk of fire, flood and other accidental damage for the full restitution value thereof. The borrower is also required to create a right of pledge in favour of the lender on the rights of the relevant borrower against the insurance company under the relevant life insurance policy connected to the mortgage loan or to create a right of pledge in favour of the lender on the proceeds of the investment funds. The terms and conditions also require a risk insurance policy which pays out upon the death of the borrower/insured for the period that the amount of the mortgage loan exceeds 80 per cent. of the value of the property.

The mortgage conditions applicable to each mortgage loan should include certain provisions, among which the provision that any proceeds of foreclosure on the mortgage right and the right of pledge on the life insurance policy or the investment funds shall be applied firstly towards repayment of the mortgage loan guaranteed under the NHG scheme.

Claiming under the NHG Guarantees

When a borrower is in arrears with payments under the mortgage loan for a period of four months, a lender informs WEW in writing within 30 days of the outstanding payments, including the guarantee number, borrower's name and address, information about the underlying security, the date of start of late payments and the total of outstanding payments. When the borrower is in arrears WEW may approach the lender and/or the borrower to attempt to solve the problem and make the borrower aware of the consequences. If an agreement cannot be reached, WEW reviews the situation with the lender to endeavour to generate the highest possible proceeds from the property. The situation is reviewed to see whether a private sale of the property, rather than a public auction, would generate proceeds sufficient to cover the outstanding mortgage loan. Permission of WEW is required in case of a private sale unless sold for an amount higher than 95% of the market value. A forced sale of the mortgaged property is only allowed in case the borrower is in arrears with payments under the mortgage loan for a period of seven or more monthly instalments, unless WEW has agreed that the forced sale may take place for other reasons or within a period of seven months.

Within one month of the receipt of the proceeds of the private or forced sale of the property, the lender must make a formal request to WEW for payment, using standard forms, which request must include all of the necessary documents relating to the original loan and the NHG Guarantee. After receipt of the claim and all the supporting details, WEW must make payment within two months. If the payment is late, provided the request is valid, WEW must pay interest for the late payment period.

In the event that a borrower fails to meet its obligation to repay the mortgage loan and no or no full payment is made to the lender under the NHG Guarantee by WEW because of the lender's culpable negligence, the lender must act *vis-à-vis* the borrower as if WEW were still guaranteeing the repayment of the Mortgage Loan during the remainder of the term of the Mortgage Loan. In addition, the lender is not entitled to recover any amounts due under the mortgage loan from the borrower in such case. This is only different if the borrower did not act in good faith with respect to his inability to repay the mortgage loan and has failed to render his full cooperation in trying to have the mortgage loan repaid to the lender to the extent possible.

For mortgage loans originated after 1 January 2014, the mortgage lender will participate for 10 per cent. in any loss claims made under the NHG Guarantee. The lender is not entitled to recover this amount from the borrower.

Additional loans

Furthermore, on 1 July 2005 provisions were added to the NHG conditions pursuant to which a borrower who is or threatens to be in arrears with payments under the existing mortgage loan may have the right to request WEW for a second guarantee to be granted by it in respect of an additional mortgage loan to be granted by the relevant lender. The monies drawn down under the additional loan have to be placed on deposit with the relevant lender and may, up to a maximum period of two years, be used for, *inter alia*, payment of the amounts which are due and payable under the existing mortgage loan, interest due and payable under the additional mortgage loan and the costs made with respect to the granting of the additional mortgage loan. The relevant borrower needs to meet certain conditions, including, *inter alia*, the fact that the financial difficulties are caused by a divorce, unemployment, disability or death of the partner.

Main NHG underwriting criteria (*Normen*) as of 1 January 2019 (*Normen 2019-I*)

With respect to a borrower, the underwriting criteria include but are not limited to:

- The lender has to perform a BKR check. Only under certain circumstances are registrations allowed.

- As a valid source of income the following qualifies: indefinite contract of employment, temporary contract of employment if the employer states that the employee will be provided an indefinite contract of employment in case of equal performance of the employee and equal business circumstances, for workers with flexible working arrangements or during a probational period ("*proeftijd*") a three year history of income statements, for self-employed an annual report of a self-employed person ("*inkomensverklaring ondernemer*").

- The maximum loan based on the income of the borrowers is based on the "financieringslasten acceptatiecriteria" tables and an annuity style redemption (even if the actual loan is (partially) interest only). The mortgage lender shall calculate the borrowing capacity of a borrower of a mortgage loan with a fixed interest terms of less than 10 years on the basis of a percentage determined and published by the AFM, which is based on a weighted average (according to market share) of the mortgage interest rate of at least five of the six large mortgage originators. According to law, the applicable interest rate is a minimum of five per cent.

- The mortgage lender may also apply a higher notional interest rate when calculating the borrowing capacity of the borrower. The mortgage lender shall calculate the borrowing capacity for a mortgage loan with a fixed interest term of 10 years or more on the basis of the interest rate actually charged by the mortgage lender during that fixed interest term.

With respect to the mortgage loan, the underwriting criteria include but are not limited to:

- As of 1 January 2013, for new borrowers the redemption types are limited to annuity mortgage loans and linear mortgage loans with a maximum term of 30 years.

- As of 1 July 2015, the maximum amount of the mortgage loan was €245,000 (the maximum amount was €265,000 from July 2014 until July 2015, €290,000 from July 2013 until July 2014, €320,000 from July 2012 until July 2013, €350,000 from July 2009 until July 2012 and €265,000 from January 2007 until July 2009). For borrowers with an existing NHG mortgage (as of 1 July 2015) taking a further advance relating to the improvement of an

existing property, the maximum loan amount is €245,000 (or such other amount as was applicable under the relevant main NHG underwriting criteria (*Normen*) at the time of granting such further advance).

- As of 1 January 2017 the maximum amount of the mortgage loan is dependent on the average house price level in The Netherlands (based on the information available from the Land Registry) multiplied with the statutory loan to value, which is 101 per cent. if there are no energy saving improvements and 106 per cent. if there are energy saving improvements. As a consequence, there are two maximum loan amounts:
  - €247,450 for loans without energy saving improvements.
  - €259,700 for loans with energy saving improvements.
- As of 1 January 2018 the maximum amount of the mortgage loan is dependent on the average house price level in The Netherlands (based on the information available from the Land Registry) multiplied with the statutory loan to value. if there are no energy saving improvements and 106 per cent. if there are energy saving improvements. As a consequence, there will be two maximum loan amounts:
  - €265,000 for loans without energy saving improvements.
  - €280,900 for loans with energy saving improvements.
- As of 1 January 2019 the maximum amount of the mortgage loan is dependent on the average house price level in The Netherlands (based on the information available from the Land Registry) multiplied with the statutory loan to value. if there are no energy saving improvements and 106 per cent. if there are energy saving improvements. As a consequence, there are two maximum loan amounts:
  - €290,000 for loans without energy saving improvements.
  - €307,400 for loans with energy saving improvements.
- The loan amount is also limited by the amount of income and the market value of the property. With respect to the latter:
  - For the purchase of existing properties, the maximum loan amount is broadly based on the sum of (i) the lower of the purchase price and the market value based on a valuation report, (ii) the costs of improvements and (iii) a maximum of 6 per cent. of the amount under (i) plus (ii). In case an existing property can be bought without paying transfer taxes (*vrij op naam*), the purchase amount under (i) is multiplied by 97 per cent.
  - For the purchase of a property to be built, the maximum loan amount is equal to the value of the property.

3.6. ORIGINATORS

The entities that act as transferor of Eligible Assets to the CBC2 under the Guarantee Support Agreement (the "**Originators**") are:

(i) on the Programme Date: ABN AMRO Bank, ABN AMRO Hypotheken Groep (operating under its trade name Florius), Moneyou, Oosteroever Hypotheken and Quion 9 (the "**Initial Originators**"); and

(ii) after the Programme Date: any other member of the Group that will accede to, amongst others, the Programme Agreement as an Originator (the "**New Originators**").

Where the term "**Originator**" or "**Originators**" is used in, and construed for the purposes of, this Base Prospectus or any relevant Transaction Document, such term shall include in the context of the origination of a Loan and as such context so requires, a reference to the relevant third party originator (other than a Demerged Originator) which originated such Loan and transferred the relevant Receivable to the relevant Initial Originator or New Originator, as the case may be.

Introduction

The Originators under the Programme apply identical rules and procedures in underwriting mortgage loans. The distribution channels vary among the different Originators and include: branches, independent intermediaries, insurance companies, large distribution partners and internet. Acceptance criteria, limits and pricing are determined centrally by ABN AMRO Hypotheken Groep. Stater N.V., acts as a servicer in relation to all Originators, except for Quion 9 and Oosteroever Hypotheken. Quion Groep B.V. acts as servicer to Quion 9 and Oosteroever Hypotheken. Special servicing is outsourced to Intrum B.V., HypoCasso B.V. (a 100 % subsidiary of Stater Participations B.V.; Stater Participations B.V. is a 100% subsidiary of Stater N.V.) and Quion Groep B.V.

Origination

Origination channels

The Originators under the Programme use multiple mortgage origination channels:

- ABN AMRO Bank originates mortgage loans predominantly via retail branches and local intermediary channels using the ABN AMRO Bank brand name.

- ABN AMRO Hypotheken Groep originates mortgage loans primarily via independent intermediaries under its 'Florius' brand. ABN AMRO Hypotheken Groep works intensively with over 2,000 independent mortgage intermediaries, who provide clients with detailed advice on the mortgage and insurance products.

- Oosteroever Hypotheken originates private label mortgage loans through intermediaries which operate under the license of De Hypotheken Associatie, a franchise intermediary organisation registered with the AFM.

- Quion 9 originates mortgage loans via the generic funding model of Quion Groep B.V. In 1993, Quion Groep B.V. (then named Blauwtrust B.V.) was founded to meet the demand by financial institutions for an efficient way to invest directly in the Dutch mortgage market. The generic funding model uses a group of different mortgage lenders that offers identical mortgage products under standardised conditions. The mortgage lenders compete with each other on the interest rate offered to the borrower. Quion Groep B.V. matches the borrower with the mortgage lender offering the lowest interest rate, acting as a mediator. The mortgage loans are distributed through a network of 1,750 independent intermediaries and insurance companies.

- Moneyou originates loans primarily via its internet website (www.moneyou.nl). This distribution channel enables existing clients to directly request an offer on a mortgage loan and subsequently take out a mortgage loan without visiting an adviser. If required the client can ask for assistance of a mortgage adviser via telephone or computer. As of May 2014 Moneyou is also used for the intermediary channel.

Offering process and procedures

The mortgage origination policy (regarding for example, pricing, underwriting, loan limits) is centrally determined by ABN AMRO Hypotheken Groep:

- For origination via branches, locally operating mortgage advisers are authorised to handle standard mortgage applications up to the point of final approval. Overrides and other specific situations are dealt with centrally by ABN AMRO Hypotheken Groep.

- For non-branch origination channels; proposal, offering, completion and acceptance of a mortgage loan is done by ABN AMRO Hypotheken Groep.

A mid-office is centrally organised at ABN AMRO Hypotheken Groep in Amersfoort. This mid-office supports the mortgage specialists during the offering and underwriting process. The mid-office processes, updates and maintains borrower-, loan- and property information into the relevant IT systems and files. The mid-office is also responsible for sending statements and confirmations of offers and loans to clients.

After acceptance of the mortgage application, all back-office activities (such as contact with the civil law notary and collecting the mortgage deeds) are done by Stater Nederland B.V. (a 100 % subsidiary of Stater N.V.).

Underwriting

The following applies for each Initial Originator.

The main focus in underwriting is on affordability, borrower creditworthiness, property type and valuation.

Underwriting criteria

The underwriting criteria for mortgage loans for all Originators are set by ABN AMRO Hypotheken Groep and comply with the Code of Conduct and other regulations. Such underwriting criteria include among others the following:

- Credit bureau information: a credit check is performed at BKR. A-codes (negative credit score) will automatically result in a decline of the application. There is an exception for this rule for current borrowers in case certain conditions are met.

- Affordability: the percentage of gross income that indicates the maximum cost of interest and principal instalments to be spent on a mortgage loan is based on the strict criteria of the 'Nibud'-scheme (the "**Woonquote**"). The Woonquote is prescribed by the mortgage Code of Conduct.

- Maximum loan to value: since 1 August 2011, the loan to value ratio was subject to a maximum of 106% (including transfer tax of currently 2%). Since 1 January 2013 this value has decreased annually by 1% until it reached a maximum LTV of 100% (including transfer tax) in January 2018. The loan to value ratio is calculated by dividing the principal amount of the loan by the Market Value.

- Loan purpose, property type: only owner occupied properties are allowed.

- Fraud check: a check is performed via the fraud detection system of the Stichting Fraudebestrijding Hypotheken (SFH)/Externe Verwijzings Applicatie (EVA).

- Redemption type: For new mortgages originated after 1 January 2013 only linear or annuity redemption is allowed in order to benefit from full tax deductibility, except for certain specific cases.

- Additional requirements for self-employed workers (including self-employed workers without personnel (*zelfstandige zonder personeel*)): three years of accounts and tax papers or one year of accounts and tax papers and a forecast. Additionally for self-employed workers with a track record shorter than 3 years a cap (75% or 90%) on the income applies.

- Valuation: for details on the requirement regarding an independent valuation please see the separate section "property valuation process" below.

For the purposes hereof, "**Market Value**" means (i) the market value of the relevant Property based on (a) if available, the most recent valuation by an external valuer, or (b) if no valuation is available, the assessment by the Dutch tax authorities on the basis of the WOZ (*Wet Waardering Onroerende Zaken*) at the time of application by the Borrower or (ii) in respect of a Property to be constructed or in construction at the time of application by the Borrower, the construction costs of such Property plus the purchase price of the relevant building lot.

Prior to 2008 ABN AMRO Bank and its subsidiaries have been flexible in accepting exceptions to the mortgage underwriting criteria where appropriate circumstances applied. From 2008 onwards ABN AMRO Hypotheken Groep revised its policy resulting in stricter acceptation criteria and less flexibility to make exceptions to the mortgage underwriting criteria. However, overrides are still possible within the Code of Conduct as long as they are well explained. All overrides of the mortgage underwriting criteria must be approved specifically. The exception criteria are based on a policy set up by ABN AMRO Bank and ABN AMRO Hypotheken Groep.

Property Valuation Procedures

Under the current prevailing criteria, properties require a valuation prior to the final approval of the mortgage request. This means that the property concerned is valued by an independent qualified appraiser except:

(i) for mortgage loans relating to existing property, if the outstanding principal amount of the relevant mortgage loan together with the aggregate outstanding principal amount of all other mortgage loans secured on the same property does not exceed 40% of the value of the property (calculated on the assessment by the Dutch tax authorities on the basis of the WOZ);

(ii) for further advances where the lender of record is ABN AMRO, if the principal amount of the further advance together with the aggregate principal outstanding amount of all other mortgage receivables secured on the same property does not exceed 100% of the value of the property (calculated on the assessment by the Dutch tax authorities on the basis of the WOZ);

(iii) for further advances if a valuation report by an independent qualified appraiser which is not older than 2 years was available;

(iv) if a valuation report by an independent qualified appraiser which is not older than six months is available;

(v) for mortgage loans relating to existing property, if the outstanding principal amount of the relevant mortgage loan together with the aggregate outstanding principal amount of all other

mortgage loans secured on the same property does not exceed 90% of the value of the property (as determined by Calcasa); and

(vi) for newly built property by a contractor.

All appraisal reports must be validated by a certified validation institute, be less than six months old, include six recent photographs of the property and contain the following information:

(a) Market Value: since 1 January 2013 the Foreclosure Value is replaced by the Market Value in the appraisal process. The Foreclosure Value tends to be approximately 85% of the Market Value.

(b) reconstruction value: chiefly relevant for homeowner's insurance, this figure is based on the value and the type of property in the event of its destruction.

(c) costs of maintenance: if immediate maintenance work is required, the appraisal should include an estimate of the costs and indicate if the costs will exceed 10% of the Market Value.

Since 2011 a new standardised model for appraisal reports has been implemented in The Netherlands to ensure consistency across all valuations. It is used for appraisals conducted by real estate agents and valuation agencies (*Stichting Certificering voor Makelaars en Taxateurs*). Furthermore, the appraisal report should consist of both a practical appraisal (by the appraiser) and two actualised model-appraisals. The appraiser should explain the difference between the practical and model-appraisals.

Acceptance and pre-funding controls

The branches and intermediaries have read-only access to the central mortgage administration. Upon acceptance of a mortgage loan by a borrower the front/mid offices check the information against the customer file and give their final approval. The borrower then receives a draft of the mortgage deed and is able to check the mortgage conditions. The money together with the definite terms of the mortgage deed are sent to the civil law notary. The civil law notary can only deliver the money after the mortgage deed is duly signed.

Insurance

The borrower is required to take out an insurance in respect of the property against risk of fire and other accidental damage for the full restitution of the value thereof. Most well-established insurance companies in The Netherlands are accepted for this purpose.

Security

Each mortgage loan is secured in principal by a right of mortgage in the form of a notarial deed, which is duly registered with the Land Registry. When a mortgage deed is first presented for registration an entry to this effect is made to the Land Register. This entry establishes priority over any subsequent claims, encumbrances and attachments, in respect of the relevant property. All the original deeds are stored by the notary and are registered with the Land Registry.

Servicing

Stater Nederland B.V. performs the mortgage loan administration and servicing activities for all Originators, except Quion 9 and Oosteroever Hypotheken, and is responsible for the technical management of the portfolio, collection of payments, standard accounting routines and initiating procedures for arrears management.

The entire origination and servicing process for Quion 9 and Oosteroever Hypotheken is outsourced to Quion Groep B.V. Quion Groep B.V., whose registered office is in Rotterdam, is an independent mortgage servicer, focused on the total coordination of mortgages for third parties.

Quion Hypotheekbegeleiding B.V., Quion Hypotheekbemiddeling B.V. and Quion Services B.V. are wholly-owned subsidiaries of Quion Groep B.V. By means of its subsidiaries Quion Groep B.V. offers a full range of mortgage servicing activities to financial institutions. Its activities range from origination and monthly collections to arrears and foreclosure management of mortgage loan portfolios.

The procedures and processes described below are the same for both Stater Nederland B.V. and Quion Groep B.V.

Payment processing

The mortgage administration system generates customer statements and monitors monthly payments. Approximately 99% of all payments are received by direct debit, a fully automated collection from the customer's account regardless of whether it is held with ABN AMRO Bank or held at another institution. On a monthly basis the amounts due under the mortgage loans will be debited from the borrower's bank account. If there are insufficient funds credited to this bank account, the direct debit procedure will be repeated a few (2-3) times. The remaining 1% of accounts use self-payments in which the customer must initiate a formal payment request to transfer funds to the mortgage payment account. The term of payment is monthly in arrears.

Arrears management

Arrears management on the portfolio is performed via an automated process. On a daily basis, the system checks on payments received and signals missed payments. If a missed payment is detected, the delinquency process starts. The collection process for delinquent loans is divided in early arrear collection and late arrear collection. Early arrears are loans that are in arrears up to ninety (90) days. Late arrears are loans that are in arrear for more than ninety (90) days.

Early arrear collection process (0 to 90 days)

- The collection process for delinquent loans for less than ninety (90) days is handled by different entities:
- ABN AMRO F&C Credit Services (a department of ABN AMRO Bank) handles early arrear collection in relation to mortgage loans originated by ABN AMRO Bank;
- Hypocasso B.V. handles early arrear collection in relation to mortgage loans originated by ABN AMRO Hypotheken Groep and Moneyou.
- Quion Groep B.V. deals with the early arrear collections for Quion 9 and Oosteroever Hypotheken.

If a payment has not been received within a specified number of days after the due date for payment (this number differs per Originator), an automatic reminder is generated. The form of this reminder is dependent on the risk of the specific loan and one of three treatment paths is assigned (Low/Mid/High treatment intensity). If an arrangement is made with the customer it is recorded and monitored. If no arrangements are made or arrangements are not honoured, a further reminder will be sent to the client. If this is not successful, the account manager tries to contact the borrower by phone. If this is also not successful, a letter of demand will be sent and the late arrear collection process is started by the special servicer.

Late arrear collection process (90+ days)

The management of collections on loans that are delinquent for more than ninety (90) days is outsourced to Intrum B.V. or Hypocasso B.V.:

- Intrum B.V. deals with Late Arrear Collections for ABN AMRO Bank N.V.
- Hypocasso B.V. deals with the Late Arrear Collections for ABN AMRO Hypotheken Groep and Moneyou.
- Quion Groep B.V. deals with the Late Arrear Collections for Quion 9 and Oosteroever Hypotheken.

An essential right for the lender is to publicly sell the property if the borrower fails to fulfil its obligations (*recht van parate executie*). The Originator does not need to obtain an 'executorial title' (*executoriale titel)* granting permission prior to the sale. If the proceeds from selling the property do not fully cover the claims, the relevant Originator may sell any assets encumbered with the related security. However, before the relevant Originator is entitled to exercise its rights, the borrower has to be notified in writing that he or she is in default and he or she must also be given reasonable time to comply with the claims. However, in order to mitigate losses (write-offs) all 'Collections' departments actively seek to reach an agreement with defaulting customers to sell the property on the free market as opposed to by way of forced auction sale as resulting proceeds are generally (much) higher. In this way, losses for both the lender and the customer are mitigated.

As a general policy, the foreclosure has to be finalised within 12 months of the first arrears, in case of non-paying borrowers. Exceptions, however, are possible based on the local housing market (the average completion times for house sales) and specific customer issues.

Once a borrower has arrears of four consecutive months, the BKR will be notified and the arrears on the mortgage loan will be registered in the borrowers record at the BKR.

Intrum B.V.

Intrum B.V. is a joint venture between Lindorff and Interim Justitia. The legal predecessor of Intrum B.V., Solveon Incasso B.V. was a 100% subsidiary of ABN AMRO Bank. On 1 December 2012 Solveon Incasso was sold to Lindhoff Group AG and renamed Lindorff Credit Management B.V. On 30 September 2014 Lindorff Credit Management B.V. merged with Lindorff B.V. As of 2017 Lindorff B.V. and Interim Justitia joint together in Intrum B.V.

Intrum B.V. deals with the collection of unpaid debts owed to ABN AMRO Bank and processes defaulted products for ABN AMRO Bank's consumer and small business operations in The Netherlands, including the mortgage business.

The late arrears collections process of Intrum B.V. is as follows:

(i) First, Intrum B.V. makes a last effort to recover the arrear. Intrum B.V. sends letters to the borrower and might propose a revised loan contract.

(ii) If recovery is unsuccessful, the mortgage loan will be declared immediately due and payable by the borrower. The foreclosure process in respect of the relevant property will be initiated. Mitigation of the lender's loss is the key focus in the foreclosure process, and therefore the timing of any sale or auction of the property in question is carefully considered and attempts are made to minimise the loss for both the consumer and ABN AMRO Bank.

(iii) The preferred method of foreclosure and sale of the property is decided based on the valuation report produced. This can either be by way of a private sale or in an auction process. The collections department accepts a private sale if (i) revenues from such private sale are expected to cover the outstanding debt in full, or (ii) it is estimated that the proceeds

of a private sale will exceed a regular auction procedure. If the collections department accepts a private sale, the department monitors whether the property is sold. The length of time taken for a private sale depends on local market circumstances.

(iv) In the event of an auction sale, as a general rule, the property is put up for auction by a civil law notary at one of 16 regional auctions in The Netherlands, usually within one month of initiating enforcement of the mortgage security related to the loan on which the borrower has defaulted. The auction itself typically takes place between 2 and 3 months following the civil law notary commencing the auction process. Auction proceeds are usually received within 6 weeks after the sale of the property. Any provisioned deficits will be collected where possible.

Hypocasso B.V.

After confirmation by ABN AMRO Hypotheken Groep, Hypocasso B.V. is entitled to execute all relevant collections and foreclosure measures based on a power of attorney. The late collections process of Hypocasso is as follows:

(i) As soon as an arrears is judged as 'not curable' or in any event when the arrears exceed three consecutive term payments (at the end of the treatment path), the file will be handed over to the 'late collections' department (executed by HypoCasso B.V.).

(ii) If necessary and possible, legal collections measures against the borrower and assets of such borrower will be ordered by the 'late collections' department.

(iii) If abovementioned actions do not cure the arrears a certified real estate agent appraises the property.

(iv) Based on the appraisal report the best foreclosure path will be chosen (private sale or auction). The collections department accepts a private sale if (i) revenues from such private sale are expected to cover the outstanding debt in full, or (ii) it is estimated that the proceeds of a private sale will exceed a regular foreclosure auction procedure. If the collections department accepts a private sale, the department monitors whether the property is sold within six months. If the mortgage asset is not sold within such period, the price may be reset or a forced sale by way of a public auction will be pursued.

Quion Groep B.V.

Arrears and foreclosure management within Quion Groep B.V. can be divided into two activities: 'automated arrears management' and 'active arrears and foreclosure management'. The first is part of the servicing process and is fully automated, the second is performed by the arrears and foreclosure management department. After confirmation by ABN AMRO Hypotheken Groep, Quion Groep B.V. is entitled to execute all relevant collections and foreclosure measures based on a power of attorney. The late collections process of Quion Groep B.V. is as follows:

(i) As soon as an arrears is judged as 'not curable' or in any event when the arrears exceed three consecutive term payments (at the end of the treatment path), the file will be handed over to the 'active arrears and foreclosure management' department (executed by Quion Groep B.V.).

(ii) If necessary and possible, legal collections measures against the borrower and assets of such borrower will be ordered by the 'active arrears and foreclosure management' department.

(iii) If above mentioned actions do not cure the arrears a certified real estate agent appraises the property.

(iv) Based on the appraisal report the best foreclosure path will be chosen (private sale or auction). The 'active arrears and foreclosure management' department accepts a private sale if (i) revenues from such private sale are expected to cover the outstanding debt in full, or (ii) it is estimated that the proceeds of a private sale will exceed a regular foreclosure auction procedure. If the active and foreclosure management' department accepts a private sale, the department monitors whether the property is sold within six months. If the mortgage asset is not sold within such period, the price may be reset or a forced sale by way of a public auction will be pursued.

Throughout the entire process Quion Groep B.V. works on the basis set out in contracts regarding mortgage payments arrangements and service arrangements. Quion Groep B.V. furthermore works in accordance with the Code of Conduct of mortgage lenders (*Gedragscode Hypothecaire Financieringen*), the BKR, Dutch law in general and, for mortgage loans which have the benefit of an NHG Guarantee, the NHG Conditions and NHG underwriting criteria.

Arrears Management

The collections process is handled as follows:

- if payment is two (2) days overdue, a first reminder will be sent to the borrower. Further reminders will follow on a weekly basis;
- if payment is twenty-six (26) days overdue, the possibility of an attachment on salary income will be considered;
- if payment is thirty-four (34) days overdue and the borrower has shown to be unable or unwilling to live up to its obligations, the case will be forwarded to a bailiff;
- if payment is fifty-seven (57) days overdue, the arrears department will organise a field visit to the borrower;
- if payment is sixty-seven (67) days overdue, the borrower will be offered three options: payment in full, private sale of the property or sale by auction of the property;
- if payment is seventy-two (72) days overdue, a valuation of the property will be ordered;
- if payment is eighty-two (82) days overdue, the servicer will send a letter demanding payment of the full amount;
- if payment has not been received four (4) months after the due date for payment, any guarantors will be notified accordingly;
- if payment has not been received seven (7) months after the due date for payment and no suitable solution has been found, foreclosure proceedings will be commenced in respect of the mortgage right by the collection department of the servicer after having obtained approval from ABN AMRO Hypotheken Groep.

Risk Management

The risk management department of ABN AMRO Hypotheken Groep is responsible for the risk management of the ABN AMRO Bank mortgage portfolio including Quion 9 and Oosteroever Hypotheken. The department actively monitors arrears exceeding 12 months and actively challenges the debt collection process where necessary. In addition, an authorisation policy is in place requiring the approval by the risk management department of ABN AMRO Hypotheken Groep in the event of certain key handling decisions and loss decisions. The risk management department plays an active role in fraud and complex cases.

ABN AMRO Hypotheken Groep employs special fraud officers and has developed a fraud policy based on its extensive experience in the mortgage industry. ABN AMRO Hypotheken Groep's pro-active approach to delinquencies minimises losses caused by delinquencies and fraud.

3.7. SUB-PARTICIPATION

Under each master sub-participation agreement from time to time entered into between the CBC2, the relevant Participant, the relevant Originator and the Trustee (each a "**Master Sub-Participation Agreement**") in respect of a relevant Savings Receivable, Hybrid Receivable or Bank Savings Receivable, as the case may be, unless otherwise agreed therein, the CBC2 grants the relevant Participant a Participation in such Savings Receivable, Hybrid Receivable or Bank Savings Receivable, as the case may be, in return for the on-payment by the Participant of the relevant Savings and Accrued Savings Interest, as follows.

Participation

First, the Participant undertakes to pay to the CBC2 for each Participation Receivable:

(1) on the Participation Date: an amount equal to the Initial Settlement Amount for such Participation Receivable; and

(2) on each subsequent CBC2 Payment Date an amount equal to: a Further Settlement Amount for such Participation Receivable, unless as a result of such payment the Participation in respect of such Participation Receivable would exceed the Gross Outstanding Principal Balance of such Participation Receivable at such time or, if lower and if such Participation Receivable is a Bank Savings Receivable, the amount standing to the credit of the related Bank Savings Account at such time, in which case only such amount shall be paid as is necessary for such Participation (which includes Accrued Increases) to reach such Gross Outstanding Principal Balance or amount standing to the credit of the related Bank Savings Account, as the case may be.

In return, in relation to each Participation Receivable, the CBC2 undertakes to pay to the Participant on each CBC2 Payment Date, the Redemption Amount, if any, received by the CBC2 in respect of such Participation Receivable since the preceding CBC2 Payment Date.

If:

(1) a Borrower with respect to a Category 4 Receivable or Category 5 Receivable invokes any defence purporting to establish that he may deduct an amount from the Participation Receivable based on (i) any default by the Participant in the performance of any of its obligations under the relevant insurance policy or (ii) the Participant not having paid out all or part of the savings under the relevant insurance policy when due as a result of any set-off or deduction right invoked by the Participant under the relevant insurance policy for the reason that the relevant Originator is not able to return to the Participant any savings kept by the Participant in its account with that Originator;

(2) with respect to Category 4 Receivables or Category 5 Receivables originated by ABN AMRO Bank: the Participant, for the reason that the relevant Originator is subject to Insolvency Proceedings, in accordance with the terms of the relevant insurance policy invokes its right to apply any savings kept by the Participant in its account with that Originator on behalf of the relevant Borrower as full or partial repayment of the relevant Savings Loan or Hybrid Loan, as the case may be;

(3) a Borrower with respect to a Bank Savings Receivable invokes any defence purporting to establish that he may deduct an amount from the Participation Receivable based on any default by the Participant in the performance of any of its obligations in respect of the related Bank Savings Account; or

(4) a Borrower with respect to a Bank Savings Receivable invokes a right of set-off, or set-off is applied by operation of law, in respect of any amount standing to the credit of the related Bank Savings Account against the Participation Receivable,

and, in each case, as a consequence thereof, the CBC2 will not have received such amount in respect of such Participation Receivable, then such amount will be deducted from the relevant Participation.

Enforcement Notice

If a CBC2 Acceleration Notice is served by the Trustee on the CBC2, then the Trustee may and, if so directed by the Participant, shall on behalf of the Participant by notice to the CBC2:

(1) terminate the obligations of the Participant under the Master Sub-Participation Agreement; and

(2) declare the Participations to be immediately due and payable, provided that such payment obligations shall be limited to the aggregate Redemption Amount received by or on behalf of the CBC2 or the Trustee under the Participation Receivables.

Sale of Participation Receivable

Unless otherwise agreed under a Master Sub-Participation Agreement, if a Participation Receivable is sold by or on behalf of the CBC2 to the relevant Originator or a third party pursuant to the Trust Deed or the Asset Monitor Agreement, then the CBC2 will (apart from, for the avoidance of doubt, paying the Redemption Amount in respect of such Participation Receivable in accordance with the relevant Master Sub-Participation Agreement), if so requested by the Participant use reasonable endeavours to ensure that the acquirer of the Participation Receivable will (a) enter into a master sub-participation agreement with the Participant in a form similar to the relevant Master Sub-Participation Agreement or (b) by way of partial take-over of contract take over the relevant Master Sub-Participation Agreement to the extent relating to the Participation associated to the Participation Receivable (in which case the Redemption Amount will be zero). A Master Sub-Participation Agreement may also provide for termination of the Participation associated to the relevant Participation Receivable if such Participation Receivable is sold or transferred by the CBC2 or, in respect of Category 5 Receivables only, if a Policy Switch occurs under the relevant insurance policy relating to the relevant Participation Receivable.

Priorities of Payments

Unless and until:

(1) both an Issuer Acceleration Notice and a Notice to Pay are served; or

(2) a CBC2 Acceleration Notice is served,

any amount expressed to be payable by or to the CBC2 under the relevant Master Sub-Participation Agreement shall instead be payable by or to the Issuer in accordance with the Pre-Notice-to-Pay Priority of Payments.

The Post-Notice-to-Pay Priority of Payments will be funded by Available Revenue Receipts and Available Principal Receipts. When calculating the relevant Principal Receipts, certain deductions will be made by reference to the relevant Redemption Amounts, which deducted amounts will not be applied in accordance with the Post-Notice-to-Pay Priority of Payments, but will be credited to the Participation Ledger and be paid to the relevant Participants in accordance with the Administration Agreement and the relevant Master Sub-Participation Agreement. When calculating the relevant Revenue Receipts, certain deductions will be made by reference to the relevant Participation Fractions, with a view to the relevant Increases in the relevant Participations. The equivalent of such

Increases is in turn treated as a Principal Receipt, for application in accordance with the Post-Notice-to-Pay Priority of Payments.

Likewise, the Post-CBC2-Acceleration-Notice Priorities of Payments will not be funded by amounts which have been received by or on behalf of the CBC2 and which are required to be credited to the Participation Ledger and paid to Participants on account of Redemption Amounts.

In relation to a Participation:

"**Accrued Increases**" means the sum of the Increases for all months from the Participation Date;

"**Accrued Savings Interest**" means the sum of the Monthly Interest for all months from the date on which the first Savings were received;

"**Bank Savings Interest Correction**" means for any month:

(i) in the case of a Category 4 Receivable and Category 5 Receivable: one (1); and

(ii) in the case of a Bank Savings Receivable the lower of (a) one (1) and (b) the interest rate applicable to the related Bank Savings Account *divided by* the interest rate applicable to such Bank Savings Receivable for such month, both expressed as a percentage per annum;

"**Further Settlement Amount**" means an amount equal to the Savings received by the Participant in the preceding month;

"**Hybrid Receivable**" means a Transferred Receivable resulting from a Hybrid Loan;

"**Increase**" means for any month:

(the Participation Fraction x I) + FSA,

where (i) "**I**" means the amount of interest actually received by or on behalf of the CBC2 from the relevant Borrower for such month and (ii) "**FSA**" means the Further Settlement Amount for such month actually received by or on behalf of the CBC2;

"**Initial Settlement Amount**" means an amount equal to the sum of all Savings plus Accrued Savings Interest;

"**Monthly Interest**" means for any month:

MIR x (S + AI),

where (i) "**MIR**" means the monthly interest rate applicable in such month (a) in the case of a Category 4 Receivable or Category 5 Receivable, as the case may be, to the Participation Receivable or (b) in the case of a Bank Savings Receivable, to the related Bank Savings Account, (ii) "**S**" means the Savings received up to the first day of such month and (iii) "**AI**" means the Accrued Savings Interest up to the first day of such month;

"**Participation**" means, in relation to a Participation Receivable, an amount equal to the sum of (i) the Initial Settlement Amount as at the Participation Date plus (ii) Accrued Increases up to the Gross Outstanding Principal Balance or, if lower and if it concerns a Bank Savings Receivable, the amount standing to the credit of the related Bank Savings Account *minus* (iii) any Redemption Amount paid by the CBC2 to the Participant;

"**Participation Date**" means the later of (i) the Transfer Date, (ii) the date of the relevant Master Sub-Participation Agreement and (iii) in respect of Category 5 Receivables only, in case of a switch of capital premium accumulated in the investment part of the relevant insurance policy into a savings

part of the relevant insurance policy, the CBC2 Payment Date immediately succeeding the date of such switch;

"**Participation Fraction**" means, with respect to a Participation Receivable, the Bank Savings Interest Correction *times* the outcome of: the relevant Participation *divided* by the Gross Outstanding Principal Balance of such Participation Receivable;

"**Policy Switch**" means, with respect to a Category 5 Receivable, a switch of the capital premium accumulated in the savings part of the relevant insurance policy into another eligible investment under such insurance policy;

"**Redemption Amount**" means (i) if the full Gross Outstanding Principal Balance has been repaid or prepaid since the preceding CBC2 Payment Date: an amount equal to the Participation, (ii) in the case of partial (p)repayment of the Gross Outstanding Principal Balance since the preceding CBC2 Payment Date: the surplus, if any, of the amount received over the Net Outstanding Principal Balance up to the Participation or (iii) the amount up to the Participation received (a) pursuant to a sale or refinancing pursuant to Clause 6 (*Sale or Refinancing of Selected Assets*) of the Asset Monitor Agreement, unless the corresponding rights and obligations under or pursuant to the relevant Master Sub-Participation Agreement are transferred in connection therewith or (b) pursuant to a foreclosure on, or collection of, any Related Security, to the extent relating to the Gross Outstanding Principal Balance; and

"**Savings**" means with respect to (i) a Category 4 Receivable and Category 5 Receivable, the savings part of all premiums received by the Participant from the relevant Borrower under or pursuant to the relevant insurance policy, and (ii) a Bank Savings Receivable, all payments made by the relevant Borrower to the related Bank Savings Account.

4. ASSET MONITORING

4.1. ASSET COVER TEST

Under the asset monitor agreement entered into between the Issuer, the Administrator, the CBC2 and the Trustee on the Programme Date (such asset monitor agreement as amended and/or supplemented and/or restated from time to time, the "**Asset Monitor Agreement**") and the Guarantee Support Agreement, the CBC2 and the Originators, respectively, shall use reasonable endeavours to ensure that as at the end of each calendar month until the service of a Notice to Pay, Issuer Acceleration Notice or CBC2 Acceleration Notice, the Adjusted Aggregate Asset Amount is an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds at the end of such calendar month as calculated on the immediately succeeding Calculation Date (the "**Asset Cover Test**").

If on any Calculation Date it is calculated that the Asset Cover Test is not met at the end of the preceding calendar month, then (i) the CBC2 (or the Administrator on its behalf) shall immediately notify the Trustee thereof in writing and (ii) the CBC2 shall request the Originators to transfer sufficient further Eligible Assets to the CBC2 in accordance with the Guarantee Support Agreement to ensure that the Asset Cover Test is met at the end of the next succeeding calendar month, as calculated on the immediately succeeding Calculation Date, and if the Asset Cover Test is not met at the end of such calendar month as calculated on the immediately succeeding Calculation Date (such failure to remedy the Asset Cover Test by the end of such calendar month being a "**Breach of the Asset Cover Test**")) it will entitle the Trustee to serve a Notice to Pay under the Guarantee.

Save where otherwise agreed with any Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by any Rating Agency or will otherwise be in compliance with the relevant methodologies agreed with any Rating Agency from time to time with a view to maintain the rating of the highest rated Series of Covered Bonds. Any adjustment of the Asset Percentage will appear from the relevant Monthly Investor Report as the new Asset Percentage as determined in accordance with Clause 3.1 of the Asset Monitor Agreement. In the event the Asset Percentages (as computed in response to the relevant Rating Agency calculations) prior to any Calculation Date differ, the CBC2 (or the Administrator on its behalf) shall on such Calculation Date apply the lowest Asset Percentage. Prior to the date on which a relevant Rating Agency has provided the CBC2 (or the Administrator on its behalf) with a new Asset Percentage, the CBC2 (or the Administrator on its behalf) will be entitled to rely on the previously provided Asset Percentage.

In the administration agreement entered into between the CBC2, ABN AMRO Bank as administrator (the "**Administrator**") and the Trustee on the Programme Date (such administration agreement as amended and/or supplemented and/or restated from time to time, the "**Administration Agreement**"), the Administrator agrees to prepare monthly investor reports for the CBC2 including, amongst other things, the relevant calculations in respect of the Asset Cover Test, in the form set out in Schedule 3 to the Administration Agreement (each a "**Monthly Investor Report**") and to deliver the same to the CBC2 and the Trustee two Business Days prior to each relevant CBC2 Payment Date. In the Trust Deed, the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether such Monthly Investor Report states that the Asset Cover Test has been passed or failed and, if failed, whether the following Monthly Investor Report states that the Asset Cover Test has been failed again, meaning that a Breach of the Asset Cover Test shall have occurred.

For the purposes hereof:

"**Adjusted Aggregate Asset Amount**" means A + B + C + D - Y;

"**A**" means the lower of:

(a) the sum of all Adjusted Current Balances of all Transferred Receivables. The "**Adjusted Current Balance**" of a Transferred Receivable is the lower of:

(i) the Current Balance of such Transferred Receivable minus α; and

(ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Transferred Receivable, minus β; and

(b) the Asset Percentage of: the sum of the Current Balance minus α of all Transferred Receivables;

"**α**" means for each Transferred Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

(i) if it is a Category 4 Receivable: an amount calculated on the basis of a method notified to the Rating Agencies related to the Savings and Accrued Savings Interest in connection with such Transferred Receivable, provided that no amount will be deducted if and to the extent that a Master Sub-Participation Agreement is effective in relation to the relevant Transferred Receivable;

(ii) if it is a Category 5 Receivable: an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible Deduction Risk, provided that no amount will be deducted in respect of Savings and Accrued Savings Interest in connection with such Transferred Receivable if and to the extent that a Master Sub-Participation Agreement is effective in relation to the relevant Transferred Receivable;

(iii) if it was used to fund a Construction Deposit: the amount of the Construction Deposit;

(iv) if it was in breach of the Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;

(v) if it is a Defaulted Receivable: such amount as is necessary to reduce its Current Balance to zero; and/or

(vi) if it is a Bank Savings Receivable: the amount standing to the credit of the related Bank Savings Account, unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance;

"**β**" means for each Transferred Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii) α minus L. "**L**" means for each Transferred Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation provided that if the result is negative, L shall be zero and if the result exceeds α, L shall equal α;

"**Asset Percentage**" means 100% or such lower percentage figure as is determined from time to time in accordance with Clause 3.2 of the Asset Monitor Agreement as described above;

"**LTV Cut-Off Percentage**" means such percentage as is required from time to time for the Covered Bonds to comply with Article 129 CRR, currently being 80% for all Transferred Receivables;

"**B**" means the aggregate amount of all Principal Receipts on the Transferred Receivables up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the Trust Deed;

"**C**" means the aggregate amount of all Transferred Collateral in cash which has not been applied in accordance with the Trust Deed;

"**D**" means the aggregate outstanding principal balance of all Transferred Collateral in Substitution Assets and accrued interest thereon which has not been applied in accordance with the Trust Deed. Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology proposed to the Rating Agencies;

"**Y**" means, if any of the Issuer's ratings from any Rating Agency falls below any relevant minimum rating as determined to be applicable or agreed by the relevant Rating Agency from time to time, being as at the 2019 Programme Update 'P-1(cr)' (short-term) by Moody's, an additional amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible set-off risk pertaining to deposits exceeding an amount of EUR 100,000 (or such other amount which is not advanced to a Borrower in accordance with the Dutch deposit guarantee scheme (*depositogarantiestelsel*)), other than deposits relating to Bank Savings Loans, maintained by Borrowers with ABN AMRO Bank or any other Originator that engages in the business of, *inter alia*, attracting or accepting deposits (the "**Deposit Amount**"). The Deposit Amount will be adjusted as follows. If the outcome of A(a) is lower than A(b) as described above, the Deposit Amount will be reduced with an amount equal to A(b) minus A(a) provided that the Deposit Amount will always be at least zero. If the outcome of A(a) is higher than A(b) as described above, the Deposit Amount will be reduced with the amount of the Excess Credit Enhancement. "**Excess Credit Enhancement**" means the amount (if any) by which the outcome of A(b) above undercuts the outcome that would have resulted from A(b) above if an Asset Percentage as notified to the Rating Agencies had been used;

"**Index**" means the index of increases of house prices issued by the Land Registry in relation to residential properties in The Netherlands;

"**Indexed Valuation**" means at any date in relation to any Transferred Receivable secured over any Property:

(a) where the Original Market Value of that Property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or

(b) where the Original Market Value of that Property is less than the Price Indexed Valuation as at that date, the Original Market Value plus 85% (or, if a different percentage is required or sufficient from time to time for the Covered Bonds to comply with Article 129 CRR and the Issuer wishes to apply such different percentage, then such different percentage) of the difference between the Original Market Value and the Price Indexed Valuation;

"**Land Registry**" means the relevant Dutch land registry (*het Kadaster*) where the ownership of the relevant Properties together with the Mortgages and any other Adverse Claims thereon are registered;

"**Original Market Value**" in relation to any Property means the market value (*marktwaarde*) given to that Property by the most recent valuation addressed to the Originator that transferred the relevant Transferred Receivable to the CBC2; and

"**Price Indexed Valuation**" in relation to any Property at any date means the Original Market Value of that Property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

4.2. AMORTISATION TEST

Under the Asset Monitor Agreement and the Guarantee Support Agreement, the CBC2 and the Originators, respectively, shall use reasonable endeavours to procure that as at the end of each calendar month following service of a Notice to Pay (but prior to service of a CBC2 Acceleration Notice), the Amortisation Test Aggregate Asset Amount is an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds, all as calculated on the immediately succeeding Calculation Date (the "**Amortisation Test**").

If on any Calculation Date following the service of a Notice to Pay it is calculated that the Amortisation Test is not met as per the end of the immediately preceding calendar month, then that shall constitute a "**Breach of the Amortisation Test**" and the CBC2 (or the Administrator on its behalf) shall immediately notify the Trustee thereof, and the Trustee shall be entitled to serve a CBC2 Acceleration Notice under the Conditions.

For this purpose:

"**Amortisation Test Aggregate Asset Amount**" means A + B + C;

"**A**" means the sum of all Amortisation Test Current Balances of all Transferred Receivables. The "**Amortisation Test Current Balance**" of a Transferred Receivable is the lower of:

(i) the Current Balance of such Transferred Receivable minus α; and

(ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Transferred Receivable, minus β;

"**α**" means for each Transferred Receivable the lower of its Current Balance and the sum of the following elements, to the extent applicable to it:

(i) if it is a Category 4 Receivable: an amount calculated on the basis of a method notified to the Rating Agencies related to the Savings and Accrued Savings Interest in connection with such Transferred Receivable, provided that no amount will be deducted if and to the extent that a Master Sub-Participation Agreement is effective in relation to the relevant Transferred Receivable;

(ii) if it is a Category 5 Receivable: an amount calculated on the basis of a method notified to the Rating Agencies in connection with the possible Deduction Risk, provided that no amount will be deducted in respect of Savings and Accrued Savings Interest in connection with such Transferred Receivable if and to the extent that a Master Sub-Participation Agreement is effective in relation to the relevant Transferred Receivable;

(iii) if it was used to fund a Construction Deposit: the amount of the Construction Deposit;

(iv) if it was in breach of the Receivable Warranties as of the relevant Transfer Date: such amount as is necessary to reduce its Adjusted Current Balance or Current Balance, as the case may be, to zero;

(v) if it is 3 months or more in arrears, 30% of its Current Balance; and/or

(vi) if it is a Bank Savings Receivable: the amount standing to the credit of the related Bank Savings Account, unless it concerns a Participation Receivable, in which case an amount equal to the relevant Participation is already deducted as part of the definition of Net Outstanding Principal Balance;

"**β**" means for each Transferred Receivable the lower of (i) the LTV Cut-Off Percentage of its Indexed Valuation and (ii) α minus L. "**L**" means for each Transferred Receivable its Current Balance minus the LTV Cut-Off Percentage of its Indexed Valuation provided that if the result is negative, L shall be zero and if the result exceeds α, L shall equal α;

"**B**" means the amount of any cash standing to the credit of the AIC Account and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

"**C**" means the outstanding principal balance of any Substitution Assets. Substitution Assets will be valued on a monthly basis and be taken into account for their mark-to-market value at a discount based on a methodology notified to the Rating Agencies;

"**Authorised Investments**" means:

(i) euro denominated government securities, euro demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) provided that (a) in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following CBC2 Payment Date and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'P-1' (short-term) by Moody's and (b) the total exposure to such investments shall not exceed 20% of the aggregate Principal Amount Outstanding of all Covered Bonds then outstanding;

(ii) euro denominated government securities, euro demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of 364 days or less and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'P-1' by Moody's; and

(iii) euro denominated government securities, euro demand or time deposits, certificates of deposit which have a remaining maturity date of more than 364 days and the unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made have a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'Aaa' by Moody's,

unless the ratings of the Issuer are downgraded below a minimum rating as determined to be applicable or agreed by a relevant Rating Agency from time to time (being as at the 2019 Programme Update 'P-2 (short-term) by Moody's, in which case such investments must have a remaining maturity date of 30 days or less and mature on or before the next following CBC2 Payment Date.

4.3. SALE OR REFINANCING OF SELECTED ASSETS

The Asset Monitor Agreement provides that the CBC2 shall sell or refinance Selected Receivables following the service of a Notice to Pay and an Issuer Acceleration Notice, but prior to the service of a CBC2 Acceleration Notice, if on any date the Earliest Maturing Covered Bonds have an Extended Due for Payment Date which falls within twelve months of such date, or such other term as the Trustee may approve.

The proceeds from any such sale or refinancing will, in the case of each Participation Receivable, after deduction of an amount equal to the relevant Redemption Amount, be credited to the relevant AIC Account Principal Ledger and applied as set out in the Post-Notice-to-Pay Priority of Payments.

The CBC2 will be obliged to sell or refinance Selected Receivables in the Portfolio in accordance with the Asset Monitor Agreement (as described below), subject to the rights of pre-emption enjoyed by the Originators to purchase the Selected Receivables pursuant to the Guarantee Support Agreement.

If the CBC2 is required to sell or refinance Selected Receivables as abovementioned, the Asset Monitor Agreement provides that the CBC2 shall ensure that (a) Selected Receivables will be selected on a random basis as described in the Asset Monitor Agreement and (b) no more Selected Receivables will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount.

If the CBC2 is required to sell or refinance Selected Receivables as abovementioned, the CBC2 will offer the portfolio of Selected Receivables (or part of such portfolio) for sale to Purchasers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount plus, in the case of Participation Receivables, an amount equal to the aggregate Participations.

If the Selected Receivables have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount plus, in the case of each Participation Receivable, an amount equal to the relevant Participation by the date which is six months prior to the Extended Due for Payment Date of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the CBC2 will (i) offer the Selected Receivables for sale for the best price reasonably available or (ii) seek to refinance the Selected Receivables on the best terms reasonably available, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount plus, in the case of each Participation Receivable, an amount equal to the relevant Participation.

If the CBC2 is required to sell or refinance Selected Receivables as abovementioned, in addition to offering such Selected Receivables for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the CBC2 (subject to the rights of pre-emption enjoyed by the Originators pursuant to the Guarantee Support Agreement) is under the Asset Monitor Agreement permitted to sell or refinance a portfolio of Selected Receivables, in accordance with the provisions summarised above, in respect of other Series.

Under the Asset Monitor Agreement, if the CBC2 is required or permitted to sell or refinance Selected Receivables as abovementioned, the CBC2 is permitted (but not required) to sell to Purchasers part of any portfolio of Selected Receivables ("**Partial Portfolio**"). Except in circumstances where the Partial Portfolio of Selected Receivables is being sold within six months of the Extended Due for Payment Date of the Series to be repaid from such proceeds (in which case a minimum sale price as described above shall apply *mutatis mutandis*), the sale price of the Partial Portfolio shall be at least an amount equal to that part of the relevant Adjusted Required Redemption Amount (plus, for each Participation Receivable included in such Partial Portfolio, an amount equal

to the relevant Participation) which bears the same proportion to such Adjusted Required Redemption Amount (plus, for each Participation Receivable included in such Partial Portfolio, an amount equal to the relevant Participation) as the aggregate Current Balance of the Partial Portfolio (plus, for each Participation Receivable included in such Partial Portfolio, an amount equal to the relevant Participation) bears to the aggregate Current Balance of the relevant entire portfolio of Selected Receivables (plus, for each Participation Receivable included in such entire portfolio, an amount equal to the relevant Participation).

With respect to the contemplated sale or refinancing of Selected Receivables referred to above, the CBC2 will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale or refinancing of the Selected Receivables (if such terms are commercially available in the market) to advise it in relation to the sale or refinancing of the Selected Receivables to Purchasers (except where the Originators are buying the Selected Receivables in accordance with their right of pre-emption in the Guarantee Support Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Trustee.

The CBC2 will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Receivables are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Guarantee Support Agreement and the Asset Monitor Agreement.

The terms of any sale and purchase agreement with respect to the sale of Selected Receivables or the terms of any refinancing will be subject to the prior written approval of the Trustee.

If Purchasers accept the offer or offers from the CBC2, then the CBC2 will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require amongst other things a cash payment from the relevant Purchasers.

Any such sale or any refinancing will not include any representations or warranties from the CBC2 in respect of the Selected Receivables unless expressly agreed by the Trustee.

After a CBC2 Acceleration Notice has been served on the CBC2, the Trustee may institute such proceedings or take such action as it thinks fit against the Issuer and the CBC2 to enforce its rights under the Trust Deed and the Security Documents in accordance with the terms of the Trust Deed.

Sale of Substitution Assets

The Asset Monitor Agreement provides that the CBC2 (or the Administrator on its behalf) shall sell all Substitution Assets as quickly as reasonably practicable, subject to the pre-emption rights enjoyed by the Originators pursuant to the Guarantee Support Agreement, in each of the following circumstances:

(i) following service of an Issuer Acceleration Notice and a Notice to Pay; or

(ii) upon a downgrade of the Issuer's ratings below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'P-2' (short-term) by Moody's.

For the purposes hereof:

"**Adjusted Required Redemption Amount**" means an amount equal to the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the AIC Account and the principal amount of any Authorised Investments and Substitution Assets (excluding all amounts to be applied on the following CBC2 Payment Date to repay higher ranking amounts in

the Post-Notice-to-Pay Priority of Payments and those amounts that are required to repay any Series which have their Extended Due for Payment Date prior to or in the same CBC2 Payment Period as the Extended Due for Payment Date of the relevant Series);

"**Earliest Maturing Covered Bonds**" means at any time the relevant Series, that has the earliest Extended Due for Payment Date, as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a CBC2 Event of Default); and

"**Purchaser**" means any third party or any Originator to whom the CBC2 offers to sell Selected Receivables pursuant to the Asset Monitor Agreement.

4.4. ASSET MONITOR

Under the terms of an asset monitor appointment agreement entered into on the Programme Date between Ernst & Young Accountants LLP (the "**Asset Monitor**"), the CBC2, the Administrator, the Issuer and the Trustee (such asset monitor appointment agreement as amended and/or supplemented and/or restated from time to time, the "**Asset Monitor Appointment Agreement**"), the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Administrator to the Asset Monitor, to conduct tests on the arithmetic accuracy of the calculations performed by the Administrator in respect of the Asset Cover Test, the Amortisation Test, the Mandatory Asset Quantity Test and the liquidity buffer to be maintained by the CBC2 in accordance with the 2015 CB Legislation with a view to confirmation of the accuracy of such calculations.

Asset Cover Test and Amortisation Test

The Asset Monitor will within five Business Days upon receipt of the relevant information conduct such tests (i) in respect of the Asset Cover Test carried out by the Administrator on the Calculation Date immediately preceding each anniversary of the Programme Date; and (ii) in respect of the Amortisation Test carried out by the Administrator on each Calculation Date. If and for so long as the ratings of the Issuer or the Administrator fall below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'Baa3(cr)' by Moody's, the Asset Monitor will be required to conduct such tests in respect of the Asset Cover Test carried out by the Administrator on each Calculation Date unless and until the Administrator and the Issuer regain the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, following which the relevant tests will be conducted by the Asset Monitor in accordance with the first part of this paragraph.

Following a determination by the Asset Monitor of any material errors in the arithmetic accuracy of the calculations performed by the Administrator such that (a) the Asset Cover Test has been failed as at the end of a calendar month (where the Administrator had recorded it as being satisfied) or (b) the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount is misstated by an amount exceeding 1 per cent. of the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset Amount, as applicable, all as at the end of the relevant calendar month, the Asset Monitor will be required to conduct such tests for each of the four consecutive Calculation Dates thereafter.

The results of the tests conducted by the Asset Monitor in respect of the Asset Cover Test or, as applicable, the Amortisation Test will be delivered to the Administrator, the CBC2, the Issuer, the Trustee and the Rating Agencies (the "**Asset Monitor Report**") in accordance with the Asset Monitor Appointment Agreement. If the calculations performed by the Administrator have not been performed correctly, the Asset Monitor Report shall (i) set out the correct calculation of the Asset Cover Test or Amortisation Test, as applicable (ii) indicate whether the Asset Cover Test or Amortisation Test, as applicable, has been passed or failed and (iii) set out the result of such correct calculation together with the incorrect calculation and the result of such incorrect calculation as carried out by the CBC2 (or the Administrator on its behalf).

Tests pursuant to the 2015 CB Legislation

In addition, subject to the terms of the Asset Monitor Agreement, the Asset Monitor will perform mandatory annual audits (i) in respect of the calculations of the Mandatory Asset Quantity Tests and liquidity buffer and (ii) for so long as required pursuant to the 2015 CB Legislation, in respect of certain loan files relating to the Portfolio, each in accordance with the requirements of the 2015 CB Legislation. Any failure to meet a Mandatory Asset Quantity Test or such test in respect of the mandatory liquidity buffer shall in itself not entitle the Trustee to service a Notice to Pay or constitute a CBC2 Event of Default.

General

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Administrator for the purpose of conducting such tests is true and correct and is complete and not misleading, and is not required to conduct a test or otherwise take steps to verify the accuracy of any such information.

Under the terms of the Asset Monitor Appointment Agreement the CBC2 will pay to the Asset Monitor a fee per test for the tests to be performed by the Asset Monitor.

The CBC2 may, at any time, but subject to the prior written consent of the Trustee, terminate the appointment of the Asset Monitor by providing at least 30 days' prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement asset monitor has been found by the CBC2 (such replacement to be approved by the Trustee unless the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Appointment Agreement upon providing the CBC2 and the Trustee (copied to the Rating Agencies) with 60 days' prior written notice provided that such resignation may not be effected unless and until a replacement has been found by the CBC2 (such replacement to be approved by the Trustee unless the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

If a replacement asset monitor has not been found by the CBC2 within 60 days of notice of resignation by the Asset Monitor, the Asset Monitor shall immediately use its best endeavours to propose a replacement (such replacement to be approved by the Trustee unless the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Appointment Agreement.

In the Trust Deed the Trustee agrees to, upon receipt of each Monthly Investor Report, verify whether it states that the Asset Cover Test or the Amortisation Test, as the case may be, has been passed or failed.

5. SERVICING AND CUSTODY

5.1. SERVICING

Pursuant to the terms of a servicing agreement entered into on the Programme Date and between the CBC2, the Initial Originators, ABN AMRO Bank (as Issuer and in its capacity as servicer, the "**Initial Servicer**") and the Trustee (such initial servicing agreement as amended and/or supplemented and/or restated from time to time, the "**Initial Servicing Agreement**"), the Initial Servicer has agreed to service on behalf of the CBC2 the Portfolio, unless any New Originator and the Initial Servicer agree that such New Originator or a third party servicer shall act as servicer in relation to Eligible Receivables transferred by such New Originator to the CBC2 subject to fulfilling the Servicer Criteria (as described below).

If the Initial Servicer is to service the Eligible Receivables transferred by such New Originator, this will be provided for through an amendment to the Initial Servicing Agreement. If it is agreed that the New Originator or third party servicer will service, on behalf of the CBC2, the New Receivables transferred by such New Originator to the CBC2, then a servicing agreement will be entered into between such New Originator or third party servicer, as applicable, (in its capacity as servicer, the "**New Servicer**" and, together with the Initial Servicer and any other New Servicer, a "**Servicer**"), the CBC2 and the Trustee on substantially the same terms as the Initial Servicing Agreement so that each New Servicer has substantially the same rights and obligations as the Initial Servicer (each a "**New Servicing Agreement**" and, together with the Initial Servicing Agreement, a "**Servicing Agreement**").

Each Servicer will be required to:

(i) administer the relevant Transferred Receivables in accordance with the relevant Originator's Lending Criteria and the relevant Servicing Agreement;

(ii) collect as agent for the CBC2 and, following the occurrence of a CBC2 Event of Default, for the Trustee, all amounts due under each Transferred Receivable; and

(iii) use all reasonable endeavours to collect all payments due under or in connection with the Transferred Receivable and to enforce all covenants and obligations of each Borrower in accordance with the Enforcement Procedures and take such action as is not materially prejudicial to the interests of the CBC2 and in accordance with such actions that a Reasonable Prudent Lender would undertake.

Each Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the CBC2 in relation to the Receivables that it is servicing pursuant to the terms of the relevant Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Receivables.

Each Servicer has undertaken or will undertake, as the case may be, to, amongst other things, perform the services listed below (the "**Services**") in relation to those Receivables that it is servicing, and to:

- assist the Administrator in the preparation of a Monthly Investor Report in accordance with the Administration Agreement and deliver to the CBC2 and the Trustee two Business Days prior to the last CBC2 Payment Date of the relevant month all portfolio characteristics and other information relating to the Receivables reasonably required to complete the relevant Monthly Investor Report;

- keep records and books of account on behalf of the CBC2 in relation to the Transferred Receivables;

- notify relevant Borrowers of any change in their payments;
- assist the auditors of the CBC2 and provide information to them upon reasonable request;
- notify relevant Borrowers of any other matter or thing which the applicable Loan Agreement require them to be notified of in the manner and at the time so required;
- subject to the provisions of the relevant Servicing Agreement take all reasonable steps to recover all sums due to the CBC2 including without limitation by the institution of proceedings and/or the enforcement of any Transferred Receivable;
- to the extent permitted under applicable data protection and other laws provide on a timely basis to the Rating Agencies all information on the Borrowers and the Loan Agreements which is reasonably required in order for the Rating Agencies to be able to establish their credit estimates on Borrowers at all reasonable times upon reasonable notice subject to the relevant Servicer being reasonably capable of providing such information without significant additional cost;
- make all calculations and render all other services required for compliance with the Master Sub-Participation Agreements;
- take all other action and do all other things which it would be reasonable to expect a Reasonable Prudent Lender to do in administering its Loan Agreements and their Related Security;
- act as collection agent on behalf of the CBC2 in accordance with the provisions of the Servicing Agreement; and
- make all preparations and recordings and conduct ancillary activities necessary to effect any (re) transfer of Receivables to or by the CBC2.

In addition, the Servicing Agreement provides that following notification to the relevant Borrowers of the assignment of the Receivables, the Servicer, acting on behalf of the CBC2, will only offer the relevant Borrowers an interest rate of at least 0 (zero) per cent. per annum (the "**Minimum Mortgage Interest Rate**"), which rate may be amended by the CBC2 and the Issuer, subject to Rating Agency Confirmation and prior consent of the Trustee, subject to the Loan Agreement and to applicable law (including but not limited to principles of reasonableness and fairness).

The Initial Servicer will represent and warrant that it is, and covenants that it shall remain, adequately licensed under the Wft to act as consumer credit offeror or intermediary and covenants to comply with the information duties towards the Borrowers under or pursuant to the Wft. Furthermore, the Initial Servicer will covenant that it shall only engage any sub-contractor if it is and continues to be duly licensed to provide the Services and to act as consumer credit offeror or intermediary, with due observance of the applicable rules under the Wft. The Initial Servicer may only terminate the Initial Servicing Agreement if a New Servicer has been appointed prior to such termination which holds the requisite licences, including being duly licensed under the Wft to act as consumer credit offeror or intermediary.

The Initial Servicer also undertakes that with respect to Moody's (for so long as it is a Rating Agency) within 60 days, of the Initial Servicer ceasing to be assigned a rating as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update at least 'Baa3(cr)' by Moody's, it will use reasonable efforts to enter into a master servicing agreement with a third party in accordance with the terms of the Initial Servicing Agreement.

The CBC2 will pay to the Initial Servicer a servicing fee of 0.08% per annum (inclusive of VAT) of the aggregate Gross Outstanding Principal Balance of the Transferred Receivables serviced by the Initial Servicer in accordance with the Initial Servicing Agreement as of the beginning of the relevant Calculation Period. Fees payable to New Servicers and/or the Initial Servicer acting as Servicer in respect of Receivables transferred by New Originators to the CBC2 will be determined on the date that they accede to the Programme.

Furthermore, in connection with the role of the Initial Servicer to collect as agent for the CBC2 and, following the occurrence of a CBC2 Event of Default, for the Trustee, all amounts due under each Transferred Receivable, the following is relevant.

Until a Notification Event has occurred and all Borrowers owing Transferred Receivables have been notified of the assignment of the Transferred Receivables and instructed to make all payments under the Transferred Receivables directly to the AIC Account or such other account as the Trustee or the CBC2 may designate for such purpose in accordance with the Guarantee Support Agreement, all payments by the Borrowers are required to be made into a bank account held with:

(a) ABN AMRO Bank in the name of ABN AMRO Bank in respect of Loans originated by ABN AMRO;

(b) Coöperatieve Rabobank U.A. ("**Rabobank**") in the name of ABN AMRO Hypotheken Groep B.V. in respect of Loans originated by ABN AMRO Hypotheken Groep (the "**AAHG Rabobank Collection Account**"); and

(c) Rabobank in the name of Moneyou B.V. ("**Moneyou**") in respect of Loans originated by Moneyou, which is different from the AAHG Rabobank Collection Account (the "**Moneyou Rabobank Collection Account**").

Amounts credited to the AAHG Rabobank Collection Account and the Moneyou Rabobank Collection Account are on a daily basis required to be on-paid to a bank account held with ABN AMRO Bank in the name of ABN AMRO Hypotheken Groep and, where appropriate, subsequently on a daily basis on-paid from such bank account held with ABN AMRO Bank in the name of ABN AMRO Hypotheken Groep to another bank account held with ABN AMRO Bank in the name of ABN AMRO Hypotheken Groep (the "**ABN AMRO Collection Accounts**" and, together with the AAHG Rabobank Collection Account, the Moneyou Rabobank Collection Account and any other bank account in the name of a relevant Initial Originator into which payments in respect of Loans originated by such Initial Originator are to be made, including the account mentioned under (a) above, the "**Collection Accounts**"). The Collection Accounts will also be used for the collection of monies paid in respect of Loans other than Loans relating to Transferred Receivables and in respect of other monies belonging to the relevant Initial Originator.

Pursuant to the Initial Servicing Agreement, the Initial Servicer has agreed to pay (or cause to be paid) any monies collected in respect of the Transferred Receivables (a) in any calendar month, to the relevant Originator no later than the 8th Business Day of the subsequent calendar month for as long as no Notification Event has occurred and no Notice to Pay or CBC2 Acceleration Notice has been served or (b) within two Business Days of receipt (i) to the AIC Account following a Notification Event or service of a Notice to Pay (but prior to service of a CBC2 Acceleration Notice) or (ii) to an account specified by the Trustee following service of a CBC2 Acceleration Notice. See also the risk factor entitled "*In the event of a Dutch Insolvency Proceeding against an Originator, prior to the notification of the transfer of the Transferred Receivables to the debtors, the CBC2's claims to payments by such Originator under such Transferred Receivables may rank in priority behind the claims of other creditors of the Originator, in turn adversely affecting the ability of the CBC2 to collect fully and/or timely payments under the Transferred Receivables and subsequently meet its obligations fully and/or timely to Covered Bondholders*" in *Section B.3 Guarantee Support*

above in relation to the position of the CBC2 as creditor of an Originator in the event of such Originator being the subject of a Dutch Insolvency Proceeding.

"**Enforcement Procedures**" means the procedures for the enforcement of the Receivables undertaken by a Servicer from time to time in accordance with the relevant Originator's Lending Criteria; and

"**New Receivables**" means Eligible Receivables, other than the Eligible Receivables comprised in the Initial Portfolio, which an Originator may assign and transfer, to the CBC2 on a Transfer Date following the First Transfer Date pursuant to the Guarantee Support Agreement.

5.2. SERVICERS

The CBC2 and the Trustee may, upon written notice to the relevant Servicer and the Rating Agencies, terminate the relevant Servicer's rights and obligations immediately if any of the following events (a "**Servicer Event of Default**") occurs:

- the relevant Servicer defaults in the payment of any amount due to the CBC2 under the relevant Servicing Agreement and fails to remedy that default for a period of 7 days after the earlier of the relevant Servicer becoming aware of the default and receipt by the relevant Servicer of written notice from the Trustee or the CBC2 requiring the same to be remedied;

- the relevant Servicer fails to comply with any of its other obligations under the Servicing Agreement which failure in the opinion of the Trustee is materially prejudicial to Covered Bondholders and does not remedy that failure within 14 days after the earlier of the relevant Servicer becoming aware of the failure and receipt by the relevant Servicer of written notice from the Trustee or the CBC2 requiring the same to be remedied;

- the relevant Servicer is subjected to Insolvency Proceedings; or

- at any time it becomes unlawful for the relevant Servicer to perform all or a material part of its obligations under the relevant Servicing Agreement or the relevant Servicer ceases to be duly licensed to act as consumer credit offeror or intermediary pursuant to the Wft.

Subject to the fulfilment of a number of conditions, a Servicer may voluntarily resign by giving not less than 12 months' notice to the Trustee and the CBC2 **provided that** a substitute servicer who meets the Servicer Criteria has been appointed and enters into a servicing agreement with the CBC2 which meets the relevant requirements of the Applicable Data Protection Laws and is otherwise substantially on the same terms as the Initial Servicing Agreement. The resignation of a Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by a Programme Resolution.

If the appointment of a Servicer is terminated, the relevant Servicer must deliver the Borrower Files and other documentation held by it relating to the Transferred Receivables administered by it to, or at the direction of, the CBC2. The relevant Servicing Agreement will terminate at such time as the CBC2 has no further interest in any of the Transferred Receivables serviced under the relevant Servicing Agreement.

A Servicer may sub-contract the performance of its duties under the Servicing Agreement provided that it meets conditions as set out in the relevant Servicing Agreement. As at the 2019 Programme Update, the Initial Servicer has sub-contracted the performance of its duties under the Initial Servicing Agreement to Stater N.V., except in relation to Receivables transferred by Quion 9 and Oosteroever Hypotheken, in respect of which the Initial Servicer has subcontracted the performance of its duties under the Initial Servicing Agreement to Quion Groep B.V.

Each new Servicer and any assignee or transferee of an existing Servicer will have to fulfil, amongst other things, the following criteria (the "**Servicer Criteria**"):

(a) it has experience with and systems capable of administering portfolios of residential mortgage loans in The Netherlands, complies with Rating Agency servicer criteria and is approved by the CBC2 and the Trustee;

(b) it enters into an agreement substantially on the same terms as the Initial Servicing Agreement;

(c) it has all necessary consents, licences, authorities and approvals required under the laws of The Netherlands (including the Wft) which may be necessary in connection with the performance of the Services; and

(d) the then current ratings of the Covered Bonds are not adversely affected by the appointment of the new Servicer.

For the purposes of this Section:

"**Applicable Data Protection Laws**" means (i) the European General Data Protection Regulation 2016/679 and (ii) any applicable European Union or Member State law relating to data protection or the privacy of individuals.

5.3. CUSTODY

If Substitution Assets are transferred to the CBC2, the CBC2 will appoint a custodian to provide custody services in relation to such Substitution Assets. The Substitution Assets will be serviced in accordance with a custody agreement, the terms and conditions of which will be agreed with the Trustee to be entered into with an eligible custodian (the "**Custody Agreement**").

6. SWAPS

In order to hedge certain interest rate risks in respect of amounts received by the CBC2 under the Transferred Receivables, the AIC Accounts, the Authorised Investments and the Substitution Assets and/or amounts payable by the CBC2 under the Guarantee to the Covered Bondholders in respect of the Covered Bonds, the CBC2 may enter into swap transactions from time to time with one or more Swap Providers, including total return swap transactions and interest rate swap transactions.

The CBC2 is only permitted to enter into Swap Agreements and transactions thereunder with either (a) ABN AMRO Bank or (b) third party Eligible Swap Providers, as the case may be (each a "**Swap Provider**"). All such Swap Agreements will be required to be in form and substance acceptable to each of the CBC2 and the Trustee and subject to Rating Agency Confirmation. A Swap Agreement may govern the terms of one or more Total Return Swap(s) and/or one or more Interest Rate Swaps. There is no requirement for the CBC2 or the relevant Eligible Swap Provider to enter into a Swap Agreement for each Swap separately.

In the Swap Undertaking Letter ABN AMRO Bank undertakes to, or to procure an Eligible Swap Provider to, enter into one or more (as agreed between the CBC2 and such Eligible Swap Provider) Swap Agreements with the CBC2 governing one or more Total Return Swap(s) and/or one of more Interest Rate Swap(s) for any Series if so requested by the CBC2.

Pursuant to the provisions of the Trust Deed and the Swap Agreements, regardless of whether a Notification Event has occurred, unless and until (a) both an Issuer Acceleration Notice and a Notice to Pay are served or (b) a CBC2 Acceleration Notice is served, all amounts to be paid and received by the CBC2 under any Swap Agreement will be paid and received on behalf of the CBC2 by the Issuer. However, any amounts of collateral payable by a relevant Swap Provider to the CBC2 (or, returned by the CBC2 to the relevant Swap Provider, as the case may be) will be paid directly by the relevant Swap Provider to the CBC2 (or by the CBC2 to the relevant Swap Provider, as the case may be), regardless of whether an Issuer Acceleration Notice, Notice to Pay or CBC2 Acceleration Notice is served or whether a Notification Event has occurred.

Minimum Rating of Swap Provider

Unless otherwise agreed (subject to Rating Agency Confirmation), the terms of a Swap Agreement may provide that in the event that the rating(s) of the Swap Provider is below, or is downgraded by a Rating Agency below, the minimum rating(s) specified in the relevant Swap Agreement for that Swap Provider (in accordance with the requirements of the relevant Rating Agency), that Swap Provider must, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

(a) providing collateral for its obligations under the Swap Agreement;

(b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency;

(c) procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the Swap Agreement; or

(d) taking such other action or putting in place such alternative hedging as it may agree with the relevant Rating Agency (subject to Rating Agency Confirmation).

Also, the terms of a Swap Agreement may provide that a failure to take such steps within the time periods specified in the Swap Agreement will allow the CBC2 to terminate the Swap Agreement.

Other Termination Events

Unless otherwise agreed (subject to Rating Agency Confirmation), the terms of a Swap Agreement will provide that such Swap Agreement may also be terminated early in certain other circumstances, including:

(a) at the option of either party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement and any applicable grace period has expired;

(b) upon the occurrence of an insolvency of the Swap Provider, or any guarantor, or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement (except in respect of the security interests created by the CBC2 in favour of the Trustee in accordance with the Security Documents);

(c) if there is a change of law or change in application of the relevant law which results in the CBC2 or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the CBC2, or to receive net payments from the CBC2 (which is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider); and

(d) if there is a change in law which results in the illegality of the obligations to be performed by either party under the Swap Agreement.

Upon the termination of such Swap Agreement, the CBC2 or the relevant Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and made in euro.

For the purpose hereof:

"**Eligible Swap Provider**" means a financial institution which is permitted under Dutch law to enter into derivative contracts with Dutch residents and whose unsecured, unsubordinated and unguaranteed debt obligations are rated not lower than:

(a) in the case of a Total Return Swap, the ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update (if no remedial action would be taken as provided for in the relevant Swap Agreement) 'P-2(cr)' (short-term) from Moody's and 'A3(cr)' (long-term) from Moody's; and

(b) in the case of an Interest Rate Swap, the ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update (if no remedial action would be taken as provided for in the relevant Swap Agreement) 'P-2(cr)' (short-term) from Moody's and 'A3(cr)' (long-term) from Moody's;

"**Swap Agreements**" means a 1992 (Multicurrency Cross Border) or 2002 ISDA Master Agreement together with the relevant schedule and confirmation(s) from time to time entered into between a Swap Provider, the CBC2 and the Trustee, governing one or more Swaps in form and substance acceptable to each of the CBC2 and the Trustee and subject to Rating Agency Confirmation, including each Total Return Swap Agreement and each Interest Rate Swap Agreement;

"**Swap Undertaking Letter**" means a letter pursuant to which ABN AMRO Bank, the Trustee and the CBC2 agree that ABN AMRO Bank shall enter into (or procure an Eligible Swap Provider to

enter into) one or more Total Return Swap(s) and/or Interest Rate Swap(s) in form and substance acceptable to each of the CBC2 and the Trustee and subject to Rating Agency Confirmation; and

"**Swap Provider Default**" means the occurrence of an Event of Default or Termination Event (each as defined in each of the relevant Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement).

6.1. TOTAL RETURN SWAP

In order to hedge the risk of possible mismatches, on a monthly basis between:

(a) the rates of interest or revenues on the Transferred Receivables, the Authorised Investments, the Substitution Assets and the balance of the AIC Account; and

(b) the Agreed Base Reference Rate,

the CBC2 and one or more Swap Providers (each in its capacity as total return swap provider, a "**Total Return Swap Provider**") and the Trustee (in respect of certain provisions) may enter into one or more swap agreements and total return swap transactions in form and substance acceptable to each of the CBC2 and the Trustee and subject to Rating Agency Confirmation (each a "**Total Return Swap**" and together with any such swap agreement, a "**Total Return Swap Agreement**").

A Total Return Swap may be entered into by the CBC2, in respect of all or part of the Transferred Receivables, Authorised Investments and Substitution Assets acquired by the CBC2 from time to time and the balance of the AIC Account from time to time, to ensure that certain interest rate and revenue risks in respect of such Transferred Receivables, Authorised Investments, Substitution Assets and the balance of the AIC Account are hedged.

6.2. INTEREST RATE SWAPS

In order to hedge the risk (provided that there is such risk) of any possible mismatches between:

(1) the Agreed Base Reference Rate; and

(2) the rate of interest payable under any Series,

the CBC2, one or more Swap Providers (each in its capacity as interest rate swap provider, an "**Interest Rate Swap Provider**") and the Trustee (in respect of certain provisions) may enter into one or more swap agreements and interest rate swap transactions in relation to one or more Series, in form and substance acceptable to each of the CBC2 and the Trustee and subject to Rating Agency Confirmation (each an "**Interest Rate Swap**" and together with any such swap agreement, an "**Interest Rate Swap Agreement**") in relation to the relevant Series. Any Total Return Swaps and Interest Rate Swaps are together referred to as the "**Swaps**".

Unless otherwise agreed in an Interest Rate Swap Agereement, the following payments are to be made under an Interest Rate Swap entered into in respect of a Series:

(a) on or before each Interest Payment Date, the relevant Interest Rate Swap Provider must pay the CBC2 an amount equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the relevant swap rate corresponding to the interest rate payable on the relevant Series; and

(b) on each Floating Rate Payer Payment Date, the CBC2 must pay to the Interest Rate Swap Provider an amount equal to the product of (i) the aggregate Principal Amount Outstanding of such Series as at the preceding Interest Payment Date and (ii) the sum of the Agreed Base Reference Rate and the Spread (as defined in the applicable Interest Rate Swap Agreement).

Unless otherwise agreed between the CBC2 and the relevant Interest Rate Swap Provider in the relevant Interest Rate Swap, each Interest Rate Swap will terminate on the Final Maturity Date of the relevant Series of Covered Bonds, subject to the early termination provisions of the relevant Swap Agreement as outlined above.

For the purpose of this Section 6.2 "**Floating Rate Payer Payment Date**" means the floating rate payer payment date as defined in the relevant confirmation for the Interest Rate Swap, which is expected to be the CBC2 Payment Date.

7. CASHFLOWS

(A) For as long as no Notification Event has occurred and no Notice to Pay or CBC2 Acceleration Notice has been served:

(a) pursuant to the Guarantee Support Agreement any proceeds from the Transferred Assets will be received and retained by the Originators for their own benefit; and

(b) pursuant to the Trust Deed, the following will apply:

(i) all costs and expenses of the CBC2 (including for the avoidance of doubt the minimum taxable profit to be deposited in the Capital Account) will be paid on behalf of the CBC2 by the Issuer for its own account, as consideration for the CBC2 assuming the Guarantee;

(ii) all amounts to be paid and received, respectively, by the CBC2 under any Swap Agreement or, if applicable, Further Master Transfer Agreement and/or Master Sub-Participation Agreement will be paid and received, respectively, on behalf of the CBC2 by the Issuer for its own account (except that any collateral to be provided by a Swap Provider following its downgrade will be delivered to the CBC2 irrespective of whether any Notification Event has occurred or any Notice to Pay or CBC2 Acceleration Notice has been served at such time and, accordingly, any payments or deliveries to be made in respect of any such collateral arrangements shall be made directly between the CBC2 and the relevant Swap Provider); and

(iii) on each CBC2 Payment Date the CBC2 or the Administrator on its behalf will distribute all amounts (if any) then standing to the credit of the CBC2 Accounts, but excluding any amounts standing to the credit of the Swap Collateral Ledger and, to the extent amounts are required to be maintained thereon in accordance with the Administration Agreement, the Asset Monitor Agreement or the Trust Deed, the Reserve Fund Ledger, the Interest Cover Reserve Fund Ledger and the Mandatory Liquidity Revenue Ledger, to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any solvent Originator to the extent permitted by the Asset Cover Test. The CBC2 need not concern itself as to how such proceeds are allocated between the Issuer and the Originators; and

(c) pursuant to the Trust Deed, if any of the Issuer's ratings falls below the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'P-1(cr)' (short-term) by Moody's, the CBC2 will be required to:

(i) establish a reserve fund (the "**Reserve Fund**") on the AIC Account which will be credited by the Issuer with an amount equal to the Reserve Fund Required Amount and such further amounts as are necessary from time to time to ensure that an amount up to the Reserve Fund Required Amount is credited to the Reserve Fund for as long as the above rating trigger is breached; and

(ii) establish an "**Interest Cover Reserve Fund**" on the AIC Account which will be credited by the Issuer with an amount equal to the Interest Cover Reserve Funds Required Amount and such further amounts as are necessary from time to time to ensure that an amount up to the Interest

Cover Reserve Fund Required Amount is credited to the Interest Cover Reserve Fund for as long as the above rating trigger is breached,

and, in each case, the Issuer will do so as consideration for the CBC2 assuming the Guarantee.

(B) If a Notification Event occurs or a Notice to Pay or CBC2 Acceleration Notice is served on the CBC2:

(a) pursuant to the Guarantee Support Agreement, the CBC2 shall, subject to the rights of the Trustee as pledgee, be entitled to receive for its own benefit all proceeds of the Transferred Assets to the extent relating to the period following such Notification Event or service of such Notice to Pay or CBC2 Acceleration Notice;

(b) pursuant to the Trust Deed, the following will apply:

(i) if a Notification Event has occurred but no Notice to Pay or CBC2 Acceleration Notice has been served, all costs, expenses, Swaps, Further Master Transfer Agreements and Master-Sub-Participation Agreements will continue to be settled on behalf of the CBC2 by the Issuer as abovementioned and all amounts standing to the credit of the CBC2 Accounts will continue to be distributed as abovementioned;

(ii) if a Notification Event has occurred and a Notice to Pay has been served, but no Issuer Acceleration Notice or CBC2 Acceleration Notice has been served, all costs, expenses, Swaps, Further Master Transfer Agreements and Master Sub-Participation Agreements will continue to be settled on behalf of the CBC2 by the Issuer as abovementioned but no further amounts standing to the credit of the AIC Account will be distributed as mentioned under paragraph (A)(b)(iii) above;

(iii) if a Notification Event has occurred and an Issuer Acceleration Notice and a Notice to Pay have been served, but no CBC2 Acceleration Notice has been served, the Administrator will apply all (1) Available Revenue Receipts and all Available Principal Receipts on behalf of the CBC2 in accordance with the Post-Notice-to-Pay Priority of Payments and (2) other monies standing to the credit of the CBC2 Accounts in accordance with the Administration Agreement, the AIC Account Agreement, the Trust Deed and any other Transaction Document; or

(iv) if a CBC2 Acceleration Notice has been served, all monies received or recovered by the Trustee or any other Secured Creditor and all monies held by or on behalf of the CBC2 will be applied in accordance with the Post-CBC2-Acceleration-Notice Priority of Payments (other than amounts standing to the credit of the Participation Ledger or the Swap Collateral Ledger, or amounts required to be deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts, which will continue to be applied in accordance with the provisions of the Administration Agreement pertaining to the Participation Ledger and the Swap Collateral Ledger); and

(c) pursuant to the Trust Deed, after (i) the date falling three months after the occurrence of a Notification Event pursuant to which the relevant Borrowers have been notified of the transfer of the related Transferred Receivables and have been instructed to direct any payments under such Transferred Receivables to the CBC2 or (ii) the date on which the CBC2 demonstrates that the relevant Borrowers pay the

required amounts under the Transferred Receivables to the CBC2, the CBC2 will no longer be required to maintain the Reserve Fund and any amounts standing to the credit of the Reserve Fund will be added to certain other income of the CBC2 in calculating the Available Revenue Receipts and applied in accordance with the relevant Priority of Payments.

(C) Pursuant to the Trust Deed, unless a liquidity buffer is no longer required to be maintained or provided for pursuant to the 2015 CB Legislation, the CBC2 will be required to maintain a mandatory liquidity fund (the "**Mandatory Liquidity Fund**") on the AIC Account (which Mandatory Liquidity Fund is administered through the Mandatory Liquidity Revenue Ledger). In consideration for the CBC2 to assume the Guarantee, the Issuer will transfer to the CBC2 an amount equal to the Mandatory Liquidity Required Amount and such further amounts as are necessary from time to time to ensure that an amount up to the Mandatory Liquidity Required Amount. The CBC2 will credit any such amount to the Mandatory Liquidity Fund.

For the purposes hereof:

"**Available Principal Receipts**" means on a Calculation Date an amount equal to the aggregate of (without double counting):

(a) the amount of Principal Receipts received during the previous Calculation Period and required to be credited to the AIC Account Principal Ledger, *less* the equivalent of any Third Party Amounts due and payable or expected to become due and payable in the immediately following CBC2 Payment Period;

(b) any other amount standing to the credit of the AIC Account Principal Ledger; and

(c) all amounts in respect of principal (if any) to be received by the CBC2 under the Transaction Documents (other than the Master Sub-Participation Agreements) on the relevant CBC2 Payment Date (for the avoidance of doubt, other than any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts);

"**Available Revenue Receipts**" means on a Calculation Date an amount equal to the aggregate of:

(a) the amount of Revenue Receipts received during the previous Calculation Period;

(b) other net income of the CBC2 including all amounts of interest received on the CBC2 Accounts, the Substitution Assets and Authorised Investments in the preceding Calculation Period and amounts received by the CBC2 under the Total Return Swap on the relevant CBC2 Payment Date (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts);

(c) any other amount standing to the credit of the AIC Account Revenue Ledger; and

(d) following the service on the CBC2 of a Notice to Pay, amounts standing to the credit of the Reserve Fund Ledger;

"**ICRF Period**" means each period of three (3) consecutive months falling after the Interest Cover Reserve Fund Trigger Date or a Calculation Date (as the case may be) until the date falling forty eight (48) months after the Interest Cover Reserve Fund Trigger Date or such Calculation Date (as the case may be);

"**Interest Cover Reserve Fund Trigger Date**" means the date on which the ratings of the Issuer cease to be any of the minimum ratings as determined to be applicable or agreed by a relevant Rating Agency from time to time, being as at the 2019 Programme Update 'P-1(cr)' (short-term) by Moody's;

"**Interest Cover Reserve Fund Trigger Period**" means the period starting on the Interest Cover Reserve Fund Trigger Date and ending on the date on which all of the ratings of the Issuer would not cause the occurrence of an Interest Cover Reserve Fund Trigger Date;

"**Interest Cover Reserve Fund Required Amount**" means, as at the Interest Cover Reserve Fund Trigger Date or any Calculation Date during the Interest Cover Reserve Fund Trigger Period, an amount equal to the higher of:

(a) zero;

(b) the sum of the Relevant ICRF Amount and the Previous ICRF Amount (the "**ICRF Sum**"), calculated on a aggregated basis for each ICRF Period falling after the Interest Cover Reserve Fund Trigger Date or such Calculation Date (as the case may be) up to and including the sixteenth ICRF Period, whereby:

(i) "**Relevant ICRF Amount**" means an amount (positive or negative) equal to:

(1) the aggregate amount of Scheduled Interest payable during an ICRF Period for all Series outstanding; *minus*

(2) the aggregate amount of interest (to be) received under the Transferred Assets during such ICRF Period taking into account their respective contractual amortisation profile *less*, with respect to interest in respect of each Participation Receivable, an amount equal to the net amount (to be) received during such ICRF Period *multiplied* by the applicable Participation Fraction,

whereby (a) (without double counting) any amount (to be) received or (to be) paid by the CBC2 in connection with any Swap Agreement during such ICRF Period is added or deducted (as the case may be) and (ii) if, in respect of any Transferred Asset or any Series of Covered Bonds, any floating or fixed interest rate is reset during such ICRF Period, solely for the purpose of this calculation, a notional interest rate (including any spread) shall be applied in respect of such Transferred Asset or Series of Covered Bonds (as the case may be) for the remainder of such ICRF Period which is notified to the Rating Agencies; and

(ii) "**Previous ICRF Amount**" means an amount (positive or negative) equal to the aggregate Relevant ICRF Amount calculated for all preceding ICRF Periods (if any) falling after the Interest Cover Reserve Fund Trigger Date or such Calculation Date (as the case may be); and

(c) the highest ICRF Sum calculated for any ICRF Period falling after the Interest Cover Reserve Fund Trigger Date or such Calculation Date (as the case may be);

"**Mandatory Liquidity Required Amount**" means, at any time, an amount equal to the amount which is at such time required to be maintained by the CBC2 to ensure compliance with article 40g of the Decree after taking into account certain amounts (if any) standing to the credit of the AIC Account as permitted to be taken into account pursuant to article 40g of the Decree and any other amounts (whether held or generated and) permitted to be taken

into account pursuant to article 40g of the Decree (in each case all as calculated on each relevant Calculation Date for the relevant period prescribed by article 40g of the Decree);

"**Participant**" means with respect to (i) a Participation Receivable which is a Category 4 Receivable or Category 5 Receivable, as the case may be, any relevant Insurer which enters into a Master Sub-Participation Agreement with the CBC2 and the Trustee, and which is acknowledged by the relevant Originator(s) and (ii) a Bank Savings Receivable, the Bank Savings Deposit Bank;

"**Pre-Notice-to-Pay Priority of Payments**" means the arrangement set out in paragraphs (A)(b)(i) through (iii) and (B)(b)(i) and (ii) of this *Section 7 Cashflows*;

"**Principal Receipts**" means:

(a) any amount, sales proceeds, refinancing proceeds, arrears and other amount relating to principal, and any Accrued Interest and Arrears of Interest as at the Transfer Date of the relevant Transferred Receivable, received or recovered by the CBC2 in respect of the Transferred Receivables (i) other than any prepayment penalties, (ii) net of any relevant foreclosure costs and (iii) *less*, with respect to each Participation Receivable, an amount equal to the relevant Redemption Amount;

(b) any Initial Settlement Amount received from any Participant under the relevant Master Sub-Participation Agreement;

(c) an amount equal to any Increase which applies to any Participation pursuant to the relevant Master Sub-Participation Agreement; and

(d) any on-payments of savings premium received from the relevant Originator or the relevant insurer (as the case may be) as purchase price for the relevant (part of the) MTA Receivable pursuant to the Guarantee Support Agreement in connection with a Master Transfer Agreement between that relevant insurer and that relevant Originator;

"**Reserve Fund Required Amount**" means an amount equal to (i) the aggregate for all Series of (a) to the extent that no Interest Rate Swap has been entered into in relation to any Series, the aggregate Scheduled Interest for each such Series due in the next three following CBC2 Payment Periods and (b) to the extent that an Interest Rate Swap has been entered into in relation to any Series and (x) a party other than ABN AMRO Bank is the Interest Rate Swap Provider, the aggregate interest component due by the CBC2 under such Interest Rate Swap for each such Series in the next three following CBC2 Payment Periods or (y) ABN AMRO Bank is the Interest Rate Swap Provider the higher of the aggregate (A) Scheduled Interest due and (B) interest component due by the CBC2 under such Interest Rate Swap for each such Series in the next three following CBC2 Payment Periods, all as calculated on each relevant Calculation Date, plus (ii) the anticipated aggregate amount payable in the next three following CBC2 Payment Periods in respect of the items referred to in paragraphs (a) up to and including (d) of the Post-Notice-to-Pay Priority of Payments, as calculated on each relevant Calculation Date;

"**Revenue Receipts**" means:

(a) interest, fees and other amounts received or recovered by the CBC2 in respect of the Transferred Receivables (i) other than the Principal Receipts and any payment penalties, (ii) net of any relevant foreclosure costs and (iii) *less*, with respect to interest in respect of each Participation Receivable, an amount equal to the net

amount received or recovered *multiplied* by the applicable Participation Fraction; and

(b) prepayment penalties received or recovered by the CBC2 in respect of the Transferred Receivables;

"**Savings Receivable**" means a Transferred Receivable resulting from a Savings Loan;

"**Swap Collateral Excluded Amounts**" means amounts standing to the credit of the Swap Collateral Ledger;

"**Swap Interest Excluded Amounts**" means amounts standing to the credit of the Swap Interest Ledger;

"**Swap Replacement Excluded Amounts**" means amounts standing to the credit of the Swap Replacement Ledger.

7.1. LEDGERS

(A) **Credits to ledgers**

Pursuant to the Administration Agreement, the CBC2 (or the Administrator on its behalf) agreed to open, administer and maintain the following ledgers and credit amounts thereto as follows:

1. A revenue ledger of the AIC Account (the "**AIC Account Revenue Ledger**"), to which the following euro amounts shall be credited upon deposit of the same into the AIC Account:

   (a) all Revenue Receipts;

   (b) all amounts of interest paid on the AIC Account;

   (c) all amounts of interest paid in respect of any Substitution Assets and Authorised Investments;

   (d) to the extent that any Substitution Asset or Authorised Investment is redeemed or sold, the difference (if positive) between the acquisition price thereof, on the one hand, and sale or redemption price thereof, on the other; if such difference is negative, it will be debited to the AIC Account Revenue Ledger upon completion of such redemption or sale;

   (e) all euro amounts (other than Swap Collateral Excluded Amounts, Swap Interest Excluded Amounts and Swap Replacement Excluded Amounts) received by the CBC2 under the Swap Agreements;

   (f) any amount to be transferred to the AIC Account Revenue Ledger from the Mandatory Liquidity Revenue Ledger in accordance with paragraph (B)8(a) or (c) below;

   (g) any amount to be transferred to the AIC Account Revenue Ledger from the Interest Cover Reserve Fund Ledger in accordance with paragraph (B)9(b) below; and

   (h) all euro amounts otherwise required to be credited to the AIC Account Revenue Ledger in accordance with the relevant provisions of the Administration Agreement.

2. A principal ledger of the AIC Account (the "**AIC Account Principal Ledger**"), to which the following amounts shall be credited upon deposit of the same into the AIC Account:

   (a) all Principal Receipts;

   (b) any amount received (other than from redemption or sale) from any Substitution Asset or Authorised Investment which is not required to be credited to the AIC Account Revenue Ledger;

   (c) the principal amount of any Transferred Collateral in the form of cash;

   (d) 100% of the aggregate acquisition price paid by the relevant Originator for any Transferred Collateral in the form of Substitution Assets; and

   (e) any amount required to be transferred to the AIC Account in accordance with item (h) of the Post-Notice-to-Pay Priority of Payments, provided that if on a CBC2 Payment Date an amount is credited or to be credited to the AIC Account Principal Ledger pursuant to item (h) of the Post-Notice-to-Pay Priority of Payments and on

such CBC2 Payment Date or during the CBC2 Payment Period starting on such CBC2 Payment Date there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC2 an amount (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) of interest under any Interest Rate Swap, then an amount equal to the lower of (i) the amount so credited or to be credited to the AIC Account Principal Ledger and (ii) the amount by which the available proceeds in respect of such Series standing to the credit of the Swap Interest Ledger falls short of the corresponding Scheduled Interest that is Due for Payment in such CBC2 Payment Period under the Guarantee, shall on such CBC2 Payment Date or during such CBC2 Payment Period be credited to the Swap Interest Ledger.

3. A ledger of the AIC Account (the "**Swap Collateral Ledger**") to which shall be credited any collateral provided by a Swap Provider not or no longer having the minimum ratings required for an Eligible Swap Provider.

4. A ledger of the AIC Account (the "**Swap Replacement Ledger**") to which shall be credited (i) premiums received from any replacement Swap Provider upon entry by the CBC2 into a replacement Swap Agreement or (ii) termination payments received from any Swap Provider in respect of a Swap Agreement which has terminated.

5. A ledger of the AIC Account (the "**Reserve Fund Ledger**") to which shall be credited all amounts received from the Issuer for the purpose of the Reserve Fund.

6. A ledger of the AIC Account (the "**Participation Ledger**") to which shall be credited all Redemption Amounts deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts.

7. A ledger of the AIC Account (the "**Swap Interest Ledger**") to which shall be credited (i) all amounts (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) in respect of interest received by the CBC2 under any Interest Rate Swap, whether by way of netting or otherwise, and (ii) any amount that may be credited to the Swap Interest Ledger pursuant to paragraph (A)2(e) above or (B)2 below.

8. A ledger of the AIC Account (the "**Mandatory Liquidity Revenue Ledger**") to which shall be credited all amounts received from the Issuer for the purpose of the Mandatory Liquidity Fund, to the extent such amounts are required to ensure compliance with article 40g(1)(a) and 40g(1)(c) of the Decree.

9. A ledger of the AIC Account (the "**Interest Cover Reserve Fund Ledger**") to which shall be credited all amounts received by the Issuer for the purpose of the Interest Cover Reserve Fund.

(B) **Debits to ledgers**

Pursuant to the Administration Agreement, the CBC2 (or the Administrator on its behalf) agreed not to debit any amounts to any ledger, except as follows, subject to the Post-CBC2-Acceleration Notice Priority of Payments:

1. The AIC Account Revenue Ledger: in accordance with the relevant Priority of Payments.

2. The AIC Account Principal Ledger: in accordance with the relevant Priority of Payments provided that if on a CBC2 Payment Date an amount is credited or to be credited to the AIC Account Principal Ledger pursuant to item (h) of the Post-Notice-to-Pay Priority of Payments and on such CBC2 Payment Date or during the CBC2 Payment Period starting on

such CBC2 Payment Date there is an unexpected default by a Swap Provider in the performance of its obligation to pay to the CBC2 an amount (for the avoidance of doubt excluding any Swap Collateral Excluded Amounts and Swap Replacement Excluded Amounts) of interest under any Interest Rate Swap, then an amount equal to the lower of (i) the amount so credited or to be credited to the AIC Account Principal Ledger and (ii) the amount by which the available proceeds in respect of such Series standing to the credit of the Swap Interest Ledger falls short of the corresponding Scheduled Interest that is Due for Payment in such CBC2 Payment Period under the Guarantee, shall on such CBC2 Payment Date or during such CBC2 Payment Period be credited to the Swap Interest Ledger.

3. The Swap Collateral Ledger: amounts may only be withdrawn (i) to return collateral to the relevant Swap Provider in accordance with the terms of the applicable Swap Agreement and collateral arrangements and (ii) following termination of the applicable Swap Agreement to the extent not required to satisfy any termination payment due to the relevant Swap Provider, (a) if a replacement Swap Agreement is to be entered into, for credit to the Swap Replacement Ledger or (b) if no relevant Swap Agreement is to be entered into, for credit to the AIC Account Revenue Ledger.

4. The Swap Replacement Ledger: amounts credited to the Swap Replacement Ledger will only be available to pay (i) any termination amount due to a Swap Provider in respect of a Swap Agreement which has terminated, (ii) any premium due to a replacement Swap Provider upon entry into a replacement Swap Agreement and (iii) to the extent in excess of amounts owed to Swap Providers in respect of (a) Swap Agreements which have terminated or (b) any premium payable to a replacement Swap Provider upon entry into a replacement Swap Agreement, for credit to the AIC Account Revenue Ledger.

5. The Reserve Fund Ledger: in accordance with the relevant Priority of Payments or, if the rating trigger requiring the CBC2 to establish a Reserve Fund is no longer breached, to repay amounts to the Issuer.

6. The Participation Ledger: Redemption Amounts standing to the credit of the Participation Ledger will only be available to be on-paid to the relevant Participant under the relevant Participation on a CBC2 Payment Date.

7. The Swap Interest Ledger: amounts that are credited to the Swap Interest Ledger in a CBC2 Payment Period in respect of a particular Series will only be available (i) to be on-paid to the Trustee or (if so directed by the Trustee) the Principal Paying Agent on behalf of the Covered Bondholders of such Series as Scheduled Interest that is Due for Payment in such CBC2 Payment Period under the Guarantee in respect of such Series and (ii) to the extent in excess of Scheduled Interest that is Due for Payment in such CBC2 Payment Period under the Guarantee in respect of such Series, for credit to the AIC Account Revenue Ledger.

8. The Mandatory Liquidity Revenue Ledger: if amounts are standing to the credit of the Mandatory Liquidity Revenue Ledger and:

   (a) such amounts are necessary to be applied to pay the amounts referred to in article 40g(1)(a) and (c) of the Decree, then any such amounts standing to the credit of the Mandatory Liquidity Revenue Ledger so necessary shall be transferred to the AIC Account Revenue Ledger;

   (b) no Notice to Pay, Issuer Acceleration Notice or CBC2 Acceleration Notice has been served and there are no Series of Covered Bonds and/or other amounts outstanding for which, in each case, amounts are required to be maintained to ensure compliance with article 40g(1)(a) and (c) of the Decree, then any amounts

standing to the credit of the Mandatory Liquidity Revenue Ledger which are no longer required to be so maintained shall be repaid to the Issuer; or

(c) a liquidity buffer for amounts referred to in article 40g(1)(a) and (c) of the Decree is no longer required to be maintained or provided for pursuant to the 2015 CB Legislation, then any amounts standing to the credit of the Mandatory Liquidity Revenue Ledger shall be transferred to the AIC Account Revenue Ledger.

9. The Interest Cover Reserve Fund Ledger: if amounts are standing to the credit of the Interest Cover Reserve Fund Ledger and:

(a) no Notice to Pay, Issuer Acceleration Notice or CBC2 Acceleration Notice has been served and the Interest Cover Reserve Fund is no longer required to be maintained, then any amounts standing to the credit of the Interest Cover Reserve Fund Ledger shall be repaid to the Issuer;

(b) a Notice to Pay, Issuer Acceleration Notice but no CBC2 Acceleration Notice has been served, the Interest Cover Reserve Fund Ledger will be debited for an amount equal to the lower of:

(i) the amount (in respect of interest) then due and payable under the Covered Bonds of any Series minus any amounts otherwise available to the CBC2 for such purpose in accordance with the Transaction Documents; and

(ii) funds standing to the credit of the Interest Cover Reserve Fund Ledger.

The funds so debited shall be transferred to the AIC Account Revenue Ledger; or

(c) there are no Series of Covered Bonds outstanding then any amounts standing to the credit of the Interest Cover Reserve Fund shall be repaid to the Issuer.

7.2. POST-NOTICE-TO-PAY PRIORITY OF PAYMENTS

On each CBC2 Payment Date following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay, but prior to the service of a CBC2 Acceleration Notice, the Administrator will apply (1) all monies standing to the credit of the CBC2 Accounts other than, if applicable, Available Revenue Receipts and Available Principal Receipts in accordance with the Administration Agreement, the AIC Account Agreement, the Trust Deed and any other Transaction Document and (2) all Available Revenue Receipts and all Available Principal Receipts on behalf of the CBC2 to make the following payments and provisions in the following order of priority (the "**Post-Notice-to-Pay Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

(a) first, to the payment of all amounts due and payable or to become due and payable to the Trustee in the immediately following CBC2 Payment Period under the provisions of the Trust Deed (other than under the Parallel Debt), together with interest and plus any applicable VAT (or similar taxes) thereon as provided therein;

(b) second, to the payment of (i) amounts equal to the minimum profit stated in the Dutch tax agreement obtained on behalf of the CBC2 to be deposited in the Capital Account from time to time and of (ii) taxes owing by the CBC2 to any tax authority accrued and unpaid (other than any Dutch corporate income tax in relation to the amounts equal to the minimum profit referred to under (i) above);

(c) third, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any remuneration then due and payable to the Agents and any Registrar under or pursuant to the Agency Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein; and

  (ii) any amounts then due and payable by the CBC2 to third parties and incurred without breach by the CBC2 of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the CBC2 in the immediately following CBC2 Payment Period and to pay or discharge any liability of the CBC2 for taxes;

(d) fourth, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers in the immediately following CBC2 Payment Period under the provisions of the Servicing Agreements;

  (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately following CBC2 Payment Period under the provisions of the Administration Agreement;

  (iii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the AIC Account Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein;

(iv) any amounts (including costs and expenses) due and payable to the Managing Director and the Trustee's Director pursuant to the Management Agreements, plus any applicable VAT (or similar taxes) thereon as provided therein; and

(v) any amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (j) below) pursuant to the terms of the Asset Monitor Appointment Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein;

(e) fifth, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto in or towards satisfaction of any amounts due and payable to the Total Return Swap Providers in respect of each Total Return Swap (including any termination payment due and payable by the CBC2 on such CBC2 Payment Date or in the CBC2 Payment Period starting on such CBC2 Payment Date in accordance with the terms of the relevant Swap Agreement, provided that any such termination payment shall not exceed an amount equal to the Capped TRS Termination Amount, but excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

(f) sixth, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto to the extent not paid or expected to be paid from the Swap Collateral Ledger, the Swap Interest Ledger or the Swap Replacement Ledger:

(i) to each Interest Rate Swap Provider, all amounts in respect of each Interest Rate Swap (including any termination payment due and payable by the CBC2 under the relevant Swap Agreement (or, in the case of a Swap Agreement which also governs a Total Return Swap, the remaining portion thereof that is attributable to such Interest Rate Swap), but excluding any Excluded Swap Termination Amount), due and payable on such CBC2 Payment Date or in the CBC2 Payment Period starting on such CBC2 Payment Date in accordance with the terms of the relevant Swap Agreement; and

(ii) to the Trustee or (if so directed by the Trustee) the Principal Paying Agent, any Scheduled Interest that is Due for Payment under the Guarantee in respect of each Series on such CBC2 Payment Date or in the CBC2 Payment Period starting on such CBC2 Payment Date;

(g) seventh, to pay *pro rata* and *pari passu* according to the respective amounts owing thereto to the extent not paid or expected to be paid from the Swap Collateral Ledger and the Swap Replacement Ledger to the Trustee or (if so directed by the Trustee) the Principal Paying Agent, any Scheduled Principal that is Due for Payment under the Guarantee in respect of each Series on such CBC2 Payment Date or in the CBC2 Payment Period starting on such CBC2 Payment Date;

(h) eighth, to deposit the remaining monies in the AIC Account for application on the next following CBC2 Payment Date in accordance with the priority of payments described in paragraphs (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series);

(i) ninth, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable on such CBC2 Payment Date or in the CBC2 Payment Period starting on such CBC2 Payment Date by the CBC2 to the relevant Swap Provider under the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

(j) tenth, towards payment of any indemnity amount due to the Originators pursuant to the Guarantee Support Agreement and certain costs, expenses and indemnity amounts due by the CBC2 to the Asset Monitor pursuant to the Asset Monitor Appointment Agreement; and

(k) eleventh, thereafter any remaining monies will be paid to the Issuer or, if the Issuer is subject to a Dutch Insolvency Proceeding, any Originator which is not subject to an Insolvency Proceeding, provided that the CBC2 may assume that the Issuer and any Originator are not subject to an Insolvency Proceeding unless it has received at least five Business Days' prior written notice to the contrary from any Originator (and the CBC2 need not concern itself as to how such proceeds are allocated between the Originators).

For the purposes hereof:

"**Capped TRS Termination Amount**" means an amount equal to any amount that would have been determined as payable by the CBC2 (i) in respect of an Early Termination Date (as defined in the relevant Swap Agreement) under "Section 6(e) (*Payments on Early Termination*)" of the relevant Swap Agreement if it is in the form of a 1992 (Multicurrency - Cross Border) ISDA Master Agreement or (ii) as Early Termination Amount under the relevant Swap Agreement if it is in the form of a 2002 ISDA Master Agreement, in each case before the application of any set-off, as if the Total Return Swap had been the sole Swap entered into under such Swap Agreement;

"**CBC2 Payment Period**" means each period from (and including) a CBC2 Payment Date to (but excluding) the next CBC2 Payment Date;

"**Excluded Swap Termination Amount**" means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable to the relevant Swap Provider as a result of a Swap Provider Default or Swap Provider Downgrade Event with respect to such Swap Provider;

"**Hedged Series Amount**" means an amount listed in paragraph (f)(ii), of the Post-Notice-to-Pay Priority of Payments and relating to any outstanding Series which is the subject of an Interest Rate Swap, and which is as of the relevant CBC2 Payment Date expected to be paid from the Swap Interest Ledger;

"**Swap Provider Downgrade Event**" means the occurrence of any Additional Termination Event pursuant to any Swap Agreement which is triggered as a result of a downgrade or withdrawal of the relevant Swap Provider's relevant ratings assigned to its unsecured, unsubordinated and unguaranteed debt obligations (and no remedial action is taken as provided for in such Swap Agreement); and

"**Third Party Amounts**" means any amounts due and payable by the CBC2 to third parties that are not provided for payment elsewhere in the relevant Priority of Payments and incurred by the CBC2 in the ordinary course of its business which amounts may be paid daily from monies on deposit in the AIC Account.

7.3. POST-CBC2-ACCELERATION-NOTICE PRIORITY OF PAYMENTS

Under the terms of the Trust Deed, each of the Secured Creditors agrees that all monies received or recovered by the Trustee or any other Secured Creditor (whether in the administration, liquidation of the CBC2 or otherwise) following the occurrence of a CBC2 Event of Default and service of a CBC2 Acceleration Notice (other than, if applicable, amounts standing to the credit of the Participation Ledger or the Swap Collateral Ledger, or required to be deducted pursuant to paragraph (a)(iii) of the definition of Principal Receipts, which will continue to be applied in accordance with the provisions of the Administration Agreement pertaining to the Participation Ledger and the Swap Collateral Ledger) will be applied following the enforcement of the Security in the following order of priority (the "**Post-CBC2-Acceleration-Notice Priority of Payments**"), in each case only if and to the extent that payments or provisions of a higher priority have been made in full:

(a) first, in or towards satisfaction of all amounts due and payable or to become due and payable to the Trustee under the provisions of the Trust Deed (other than under the Parallel Debt) together with interest and any applicable VAT (or similar taxes) thereon;

(b) second, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any remuneration then due and payable to the Agents and any Registrar under or pursuant to the Agency Agreement plus any applicable VAT (or similar taxes) thereon as provided therein;

(c) third, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of:

  (i) any remuneration then due and payable to the Servicers and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicers under the provisions of the Servicing Agreements;

  (ii) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement;

  (iii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the AIC Account Agreement, plus any applicable VAT (or similar taxes) thereon as provided therein; and

  (iv) amounts (including costs and expenses) due to the Managing Director and the Trustee's Director pursuant to the terms of the Management Agreements, plus any applicable VAT (or similar taxes) thereon as provided therein;

(d) fourth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the Total Return Swap Providers in respect of each Total Return Swap (including any termination payment due and payable by the CBC2 under the relevant Swap Agreement provided that any such termination payment shall not exceed an amount equal to the Capped TRS Termination Amount, but excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

(e) fifth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the Interest Rate Swap Providers in respect of each Interest Rate Swap under the Swap Agreements (including any termination payment due and payable by the CBC2 under such Swap Agreement (or, in the case of a Swap Agreement which also governs the Total Return Swap, the remaining portion thereof that is

attributable to such Interest Rate Swap), but excluding any Excluded Swap Termination Amounts) pursuant to the respective terms of the relevant Swap Agreements to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger;

(f) sixth, in or towards satisfaction, of any amounts due and payable to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger to the Trustee or (if so directed by the Trustee) the Principal Paying Agent for payment to the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series in accordance with the Guarantee;

(g) seventh, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the CBC2 to the relevant Swap Provider under the relevant Swap Agreement to the extent not paid from the Swap Replacement Ledger or the Swap Collateral Ledger; and

(h) eighth, thereafter any remaining monies will be paid to the Issuer or, if the Issuer is subject to an Insolvency Proceeding, any Originator which is not subject to an Insolvency Proceeding, provided that the CBC2 may assume that the Issuer and any Originator are not subject to an Insolvency Proceeding unless it has received at least five Business Days' prior written notice to the contrary from any Originator (and the CBC2 need not concern itself as to how such proceeds are allocated between the Originators).

7.4. CBC2 ACCOUNTS

AIC Account

Pursuant to the terms of an AIC account agreement dated the Programme Date between the CBC2, ABN AMRO Bank as account bank (in such capacity, the "**Account Bank**"), and the Trustee (such AIC account agreement as amended and/or supplemented and/or restated from time to time, the "**AIC Account Agreement**"), the CBC2 will maintain, with the Account Bank, the AIC Account:

(a) into which are paid all amounts received by the CBC2 in respect of Transferred Assets; and

(b) monies standing to the credit of which will on each CBC2 Payment Date be applied by the Administrator in accordance with the relevant Priority of Payments.

If the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are not rated at least the Minimum Account Bank Ratings then within the relevant time period determined to be applicable or agreed to by a relevant Rating Agency from time to time:

(a) the AIC Account will need to be closed and new accounts will need to be opened under the terms of a new AIC Account Agreement substantially on the same terms as the AIC Account Agreement opened with a financial institution (i) whose unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Minimum Account Bank Ratings and (ii) having the regulatory capacity for offering such services as a matter of Dutch law;

(b) the Account Bank will need to obtain a guarantee of its obligations under the AIC Account Agreement on terms acceptable to the Trustee, acting reasonably, from a financial institution whose unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Minimum Account Bank Ratings; or

(c) any other action will need to be taken,

(in each case, provided that Rating Agency Confirmation has been obtained) unless each Rating Agency confirms that its then current rating of the Covered Bonds will not be adversely affected as a result of the ratings of the Account Bank falling below the Minimum Account Bank Ratings (or the reason for this having occurred) within the applicable time period specified in the AIC Account Agreement, of such downgrade. If the Rating Agency Confirmations are given as above, for this purpose only, reference to the "**Minimum Account Bank Ratings**" shall be deemed to be instead the relevant rating of the Account Bank at the time of such confirmations, but the original rating shall be reinstated if the relevant rating of the Account Bank is subsequently upgraded to the original level.

Pursuant to the AIC Account Agreement, the Account Bank has agreed to pay interest on the monies standing to the credit of the AIC Account at specified rates determined in accordance with the AIC Account Agreement.

Capital Account

The CBC2 also opened an account with ABN AMRO Bank into which its paid-up share capital (*gestort aandelenkapitaal*) has been deposited (the "**Capital Account**"). The minimum taxable profit will be deposited in such Capital Account. No security rights are granted over the amounts standing to the credit of such Capital Account.

For the purposes hereof:

"**AIC Account**" means the account designated as the "AIC Account" in the name of the CBC2 held with the Account Bank and maintained subject to the terms of the AIC Account Agreement and the

Accounts Pledge or such additional or replacement account as may be for the time being be in place with the prior consent of the Trustee;

"**AIC Margin**" means 0.18% per annum or such other margin as may be agreed from time to time between the CBC2, the Account Bank and the Trustee;

"**AIC Rate**" means the rate of interest accruing on the balance standing to the credit of the AIC Account equal to the rate of the Agreed Base Reference Rate, being as at the 2019 Programme Update, EURIBOR for one-month euro deposits less the AIC Margin, and if such rate is below zero, such rate will be deemed to be zero, or such other rate as may be agreed from time to time between the CBC2, the Account Bank and the Trustee;

"**CBC2 Accounts**" means the AIC Account and any additional or replacement accounts opened in the name of the CBC2, excluding the Capital Account;

"**Minimum Account Bank Ratings**" means the minimum ratings as determined to be applicable or agreed by each relevant Rating Agency from time to time in respect of the Account Bank or other relevant financial institution or institutions, being as at the 2019 Programme Update in respect of the Account Bank, 'P-1' (a short-term bank deposit rating) by Moody's; and

"**Priority of Payments**" means the Pre-Notice-to-Pay Priority of Payments, the Post-Notice-to-Pay Priority of Payments or the Post CBC2-Acceleration-Notice Priority of Payments, as the case may be.

8. GENERAL INFORMATION

Authorisation

The Programme and the issue of Covered Bonds under the Programme have been duly authorised by resolutions of the Board of Managing Directors of the Issuer dated 31 July 2017 and by resolutions of the Supervisory Board of the Issuer dated 8 August 2017. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of The Netherlands have been given for the issue of Covered Bonds and for the Issuer to undertake and perform its obligations under the Programme Agreement, the Agency Agreement and the Covered Bonds.

The giving of the Guarantee has been duly authorised by resolutions of the Board of Managing Directors of the CBC2 dated 21 December 2017. The amendments to the relevant Transaction Documents (to which the CBC2 is a party) forming part of the 2019 Programme Update have been duly authorised by resolutions of the Board of Managing Directors of the CBC2 dated 3 July 2019.

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 Commercial Register of the Chamber of Commerce under number 34334259.

Shareholder and change of control

On 29 June 2019 the Group Legal Merger between ABN AMRO Bank and ABN AMRO Group became effective. As a result, all shares in ABN AMRO Group have become shares in ABN AMRO Bank and each depositary receipt subsequently represents one share in ABN AMRO Bank.

On the date of this Base Prospectus, NLFI holds a stake of 56.3% in ABN AMRO Bank N.V., of which 49.9% is directly held via ordinary shares and 6.4% is indirectly held via depository receipts issued by STAK AAB. As such NLFI holds a total voting interest of 56.3% in ABN AMRO Bank N.V. NLFI has waived, in its capacity of holder of depository receipts issued by STAK AAB only, for as long as NLFI holds the depository receipts, any meeting and voting rights attached to the depository receipts other than the right to vote on the underlying shares of the depository receipts held by NLFI in the shareholders meeting of ABN AMRO Bank N.V. in accordance with the general terms of administration (*administratievoorwaarden*) of STAK AAB. Only STAK AAB's depositary receipts are issued with the cooperation of ABN AMRO Bank N.V. and traded on Euronext Amsterdam. See "*1.6 ABN AMRO Bank N.V. — 2.2. Control*".

Listing of Covered Bonds

Application has been made to Euronext Amsterdam, for the Covered Bonds to be issued under the Programme to be admitted to listing, during the period of 12 months from the 2019 Programme Update. ABN AMRO Bank has been appointed as the principal paying agent in The Netherlands.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will 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 and from the specified office of the Listing Agent and the Principal Paying Agent:

(i) an English translation of the most recent articles of association (statuten) of the Issuer, the Trustee and the CBC2;

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

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

(iv) a copy of this Base Prospectus;

(v) any future base prospectuses, information memoranda and supplements including Final Terms (including a Final Terms relating to an unlisted Covered Bond) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

(vi) each of the following documents listed below:

- Administration Agreement;
- Agency Agreement;
- AIC Account Agreement;
- Asset Monitor Agreement;
- Asset Monitor Appointment Agreement;
- each Beneficiary Waiver Agreement;
- each Deed of Assignment and Pledge (as defined in the Incorporated Terms Memorandum);
- each Deed of Re-Assignment and Release (as defined in the Incorporated Terms Memorandum);
- Guarantee Support Agreement;
- Incorporated Terms Memorandum;
- Initial Servicing Agreement;
- each Management Agreement (as defined in the Incorporated Terms Memorandum);
- each Master Sub-Participation Agreement;
- Programme Agreement (including a form of subscription agreement (a "**Subscription Agreement**"));
- each Security Document;
- each Swap Agreement;
- Swap Undertaking Letter;
- Trust Deed (which contains the forms of the Temporary Global Covered Bonds and Permanent Global Covered Bonds, the Definitive Covered Bonds, the Receipts, the Coupons, the Talons and the Registered Covered Bonds); and

- Issuer-ICSD Agreement.

The documents set out above are, together with each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement), in this Base Prospectus collectively referred to as: the "**Transaction Documents**". "**Transaction Party**" means any person who is a party to a Transaction Document and "**Transaction Parties**" means some or all of them.

Information Sourced from a third party

All information presented in this Base Prospectus sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the information inaccurate or misleading.

Issuer ratings

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

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

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

Clearing Systems

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, Euroclear Netherlands and/or any other agreed clearing system, as the case may be. The appropriate Common Code and ISIN Code for each Tranche of Bearer Covered Bonds allocated by Euroclear, Clearstream, Luxembourg and for Bearer Covered Bonds deposited with Euroclear Netherlands by Euronext Amsterdam or Clearnet S.A. Amsterdam Branch Stock Clearing or any other relevant security code will be specified in the applicable Final Terms. If the Bearer Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

Material Adverse or Significant 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 2018.

There has been no (i) material adverse change in the prospects of or (ii) significant change in the financial or trading position of, in each case, the CBC2 since 31 December 2018.

Litigation

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 "*1.6 ABN AMRO Bank N.V. — 1.9 Legal and arbitration proceedings*". However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that, save as set out above, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past,

significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

The CBC2 is not and has not been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the CBC2 is aware), which may have, or have had during the 12 months prior to the 2019 Programme Update, a significant effect on the financial position or profitability of the CBC2.

Auditors

The consolidated annual financial statements of ABN AMRO Group N.V. and the Issuer for the financial years ended 31 December 2018, incorporated by reference in this Base Prospectus, have been audited, without qualification, in accordance with Dutch law, by Ernst & Young Accountants LLP ("**EY**"), independent auditors, as stated in their reports appearing herein. The individual auditors of EY are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*). EY has given, and has not withdrawn, its consent to the inclusion of its reports in this Base Prospectus in the form and context in which it is included.

Ernst & Young Accountants LLP have audited the CBC2's accounts, without qualification, in accordance with Dutch law for the financial year ended 31 December 2018. The auditor of the CBC2 does not have any material interest in the CBC2. The individual auditors of Ernst & Young Accountants LLP are members of the Royal Netherlands Institute of Chartered Accountants (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*). EY has given, and has not withdrawn, its consent to the inclusion of its reports in this Base Prospectus in the form and context in which it is included.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issue of Covered Bonds.

Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is BFXS5XCH7N0Y05NIXW11.

Reports

The Trust Deed provides that the Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

US Taxes

The Covered Bonds in bearer form for U.S. federal income tax purposes will bear a legend to the following effect: 'any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Section 165(j) and 1287(a) of the Internal Revenue Code'.

The sections referred to in such legend provide that a United States person who holds a Covered Bond will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Covered Bond and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Non-Petition

For so long as any Covered Bonds are outstanding, each Originator has agreed that it will not terminate or purport to terminate the CBC2 or institute any winding-up, administration, Insolvency Proceedings or other similar proceedings against the CBC2. Furthermore, the Originators have

agreed amongst other things not to demand or receive payment of any amounts payable by the CBC2 (or the Administrator on its behalf) or the Trustee unless all amounts then due and payable by the CBC2 to all other creditors ranking higher in the relevant Priority of Payments have been paid in full.

Limited Recourse

Each Transaction Party (as defined in the Incorporated Terms Memorandum) has agreed with the CBC2 that, notwithstanding any other provision of any Transaction Document, all obligations of the CBC2 to such Transaction Party are limited in recourse as set out in the limited recourse provisions of the Incorporated Terms Memorandum.

Governing Law

All Transaction Documents other than the Swap Agreements are governed by Dutch law. The Swap Agreements will be governed by English law.

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Base Prospectus and the CBC2 accepts responsibility for the information contained in this Base Prospectus relating to the CBC2, and each declares that, having taken all reasonable care to ensure that such is the case, the information (in the case of the CBC2, as such information relates to it) contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

INDEX OF DEFINED TERMS

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

THE CBC2
ABN AMRO Covered Bond Company 2 B.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

TRUSTEE
Stichting Trustee ABN AMRO Covered Bond Company 2
Hoogoorddreef 15
1101 BA Amsterdam
The Netherlands

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

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

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To the Issuer, the CBC2 and ABN AMRO Bank N.V. as Originator

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