ABN·AMRO

Annual Report 2013

ABN AMRO Group N.V.

Notes to the reader

Introduction

This is the Annual Report for the year 2013 of ABN AMRO, which consists of ABN AMRO Group N.V. and its consolidated subsidiaries. The Annual Report consists of the Managing Board report, Supervisory Board report, the Pillar 3 report, and the Annual Financial Statements. It also complies with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable.

Presentation of information

The financial information contained in this Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Some chapters in the Risk & Capital management section of this report contain audited information and are part of the Annual Financial Statements. These are: Risk management, Capital management, Liquidity & funding and Securitisation. Audited information in these sections is labelled as 'audited' in the respective headings.

The Risk & Capital management section also constitutes the Pillar 3 report & Enhanced Disclosure Task Force (EDTF) requirements. The Pillar 3 report is prepared in accordance with the Capital Requirements Directive (CRD). The CRD is legally enforced by Dutch law by the Financial Supervision Act *(Wet op het financieel toezicht – Wft)*. The EDTF is established by the Financial Stability Board (FSB) and aims to improve risk disclosures. ABN AMRO embraces the EDTF principles and recommendations and uses these requirements to further enhance risk disclosures.

This Annual Report is presented in euros (EUR), which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise stated). All year-end averages in the Annual Report are based on month-end figures. Management does not believe that these month-end averages present trends materially different from those that would be presented by daily averages.

Certain figures in this document may not tally exactly due to rounding. In addition, certain percentages in this document have been calculated using rounded figures.

This report can be downloaded from abnamro.com/ir

For more information, please visit us at abnamro.com/ir or contact us at investorrelations@nl.abnamro.com

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ABN AMRO at a glance

Our profile

ABN AMRO is a full-service bank in the Netherlands that offers a broad range of products and services to retail, private, commercial and merchant banking clients. We strive to put our clients' interests first and to create long-term, sustainable value for all of our stakeholders, including clients, shareholders, employees and society at large. We are committed to maintaining a moderate risk profile. We have a healthy and strong balance sheet, limited trading and investment banking activities, low exposure to highly indebted countries and a good capital and liquidity position. We have a strong position in the Netherlands in all our business activities and are active internationally in private banking and a number of global specialist activities.

Our mission, vision, core values and Business Principles

Our mission

Our mission is:

- to be successful through the success of our clients;
- to strongly commit ourselves to and be positively recognised for our position on sustainability and transparency;
- to be an organisation that has the best talent and where people grow both professionally and personally.

What we have done for our stakeholders

Our clients
- We further optimised our products and services, resulting in 82%[1] of our Retail clients being satisfied or very satisfied;
- We provided a total of EUR 11 billion of mortgages in 2013;
- We further implemented our sector-based approach for all our C&MB clients to improve client services.

Our shareholder and investors
- We expect to pay our shareholder a total of EUR 350 million of dividends over 2013;
- We paid approximately EUR 1.5 billion of interest to our debt and subordinated note holders.

Our people
- Employee engagement rose to 74%, up from 55%;
- We welcomed 1,192 new employees in 2013;
- We attracted 83 young professionals for our trainee programme.

Our society
- Our employees volunteered 11,707 times in social projects;
- Our Foundation has undertaken 358 volunteer projects in 2013.

Our environment
- We have reduced our energy consumption by 16%;
- We have saved approximately 4 million sheets of paper by digitising products and processes.

1 Source: TNS-NIPO, percentage of customers rating ABN AMRO 7 or higher (on a 10pt scale).

Our vision

Our vision is to be a professional, full-service bank with a leadership role in the Dutch market. Internationally, we will be a capability-led bank in selected businesses and geographies. Our ambition is to be a top class employer.

Our core values

Our identity is reflected in our core values, which are embedded in our culture:

- trusted;
- professional;
- ambitious.

We want to be trusted by our stakeholders and be professional in everything we do, and we have the ambition to continuously improve.

Our Business Principles

To translate our core values into our day-to-day actions, we have defined six Business Principles:

- I aim to provide my clients with **the best solutions**
- I take **responsibility**
- I only take **risks** I understand
- I am committed to **sustainable** business practices
- I am a **passionate** professional
- I build relationships through **collaboration**

Our history

1720
R. Mees & Zoonen established
Hope & Co. in 1762; Nederlandsche Handel-Maatschappij in 1824; Twentsche Bank in 1861; Rotterdamsche Bank in 1863; Amsterdamsche Bank in 1871; Pierson, Heldring & Pierson in 1875

1964
Algemene Bank Nederland (ABN) created from the merger between Nederlandsche Handel-Maatschappij and Twentsche Bank

Amsterdam – Rotterdam Bank (AMRO) created from the merger between Rotterdamsche and Amsterdamsche Bank

1990
AMEV and Verenigde Spaarbank merge to create AMEV/VSB, and are later joined by Belgium-based AG Group to create Fortis

1991
ABN and Amro merge to form ABN AMRO

1998
Fortis acquires Generale Bank, including Generale Bank Nederland

2000
Generale Bank Nederland and VSB change their names upon merger: **Fortis Bank**

2007
Fortis, Banco Santander and RBS acquire ABN AMRO Holding

2008
Dutch government acquires the Dutch activities of the Fortis Group

2009
Dutch Ministry of Finance reaches agreement with Deutsche bank to sell activities related to the EC remedy

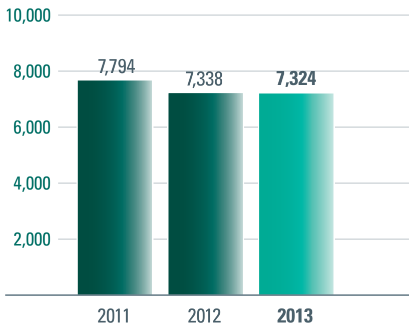
2010
Legal merger between ABN AMRO and Fortis Bank Nederland becomes effective, creating the current ABN AMRO Group

2012
Integration of ABN AMRO and Fortis Bank Nederland completed. ABN AMRO announces its new strategy up to 2017

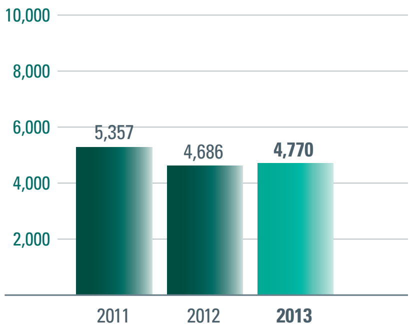
2013
Dutch Minister of Finance announces intention to privatise ABN AMRO in due course, possibly through an IPO

Figures at a glance

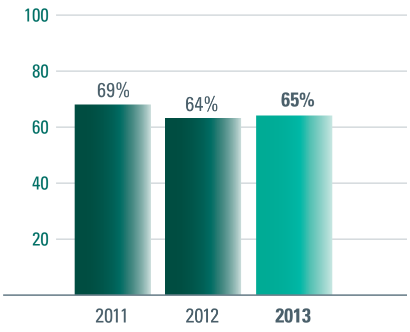
Operating income
(in millions)



Operating expenses
(in millions)



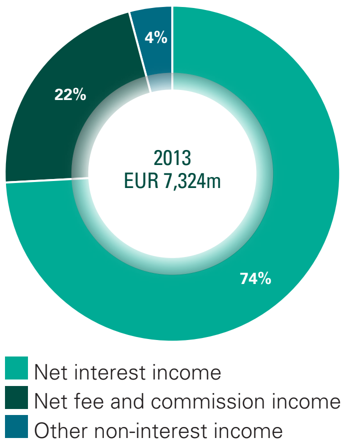
Cost/income ratio
(in %)



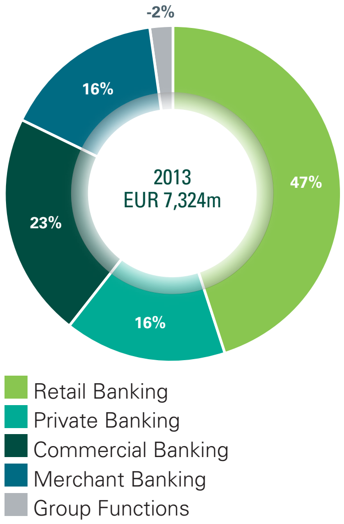
Capital, funding and liquidity

	2013	2012	2011
Core Tier 1 ratio (Basel II)	14.4%	12.1%	10.7%
Tier 1 ratio (Basel II)	15.3%	12.9%	13.0%
Total Capital ratio (Basel II)	20.2%	18.4%	16.8%
Risk-weighted Assets (in billions)	109.0	121.5	118.3
Phase-in 2014 CET1 ratio (Basel III)	13.9%	10.2%	9.7%
Fully-loaded CET1 (Basel III)	12.2%	10.0%	8.4%
Phase-in 2014 leverage ratio (Basel III)	4.1%	3.9%	
Fully-loaded leverage ratio (Basel III)	3.5%		
Loan-to-deposit ratio	121%	125%	130%
Liquidity buffer (in billions)	75.9	68.0	58.5
Liquidity coverage ratio (LCR)	100%	89%	57%
Net stable funding ratio (NSFR)	105%	108%	100%

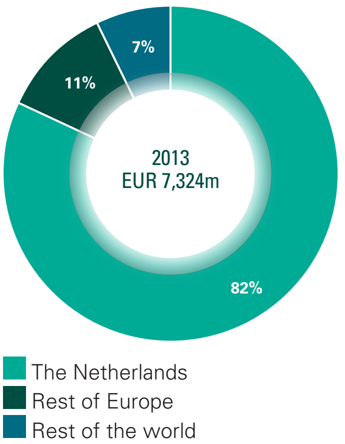
Operating income by type of income



Operating income by business segments

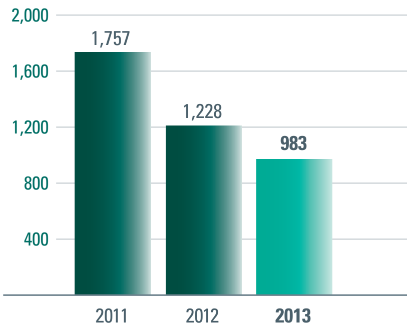


Operating income by geography



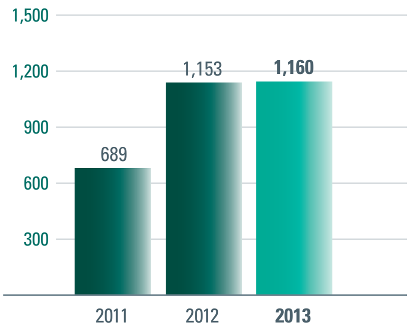
Loan impairments[1]

(in millions)

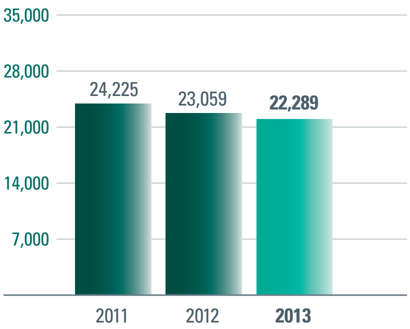


Profit for the year

(in millions)



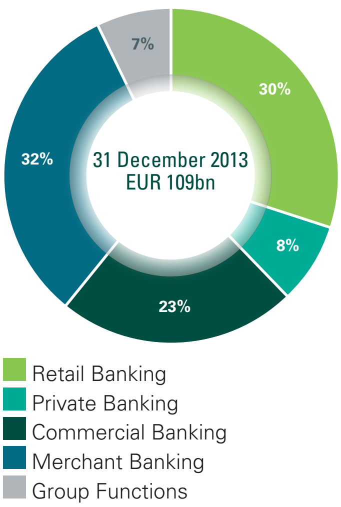
FTEs



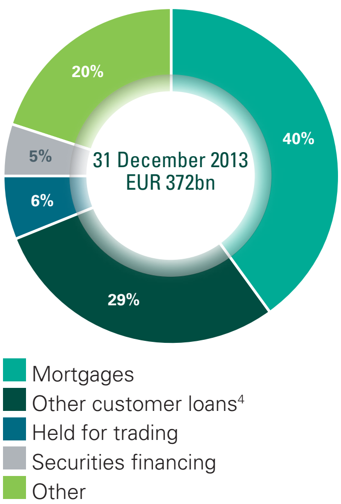
Performance indicators

	2013	2012	2011
Net interest margin[2] (in bps)	134	120	125
Cost of risk[3] (in bps)	84	98	156
ROE (based on IFRS equity)	8.5%	8.5%	7.8%
Return on average RWA (bps)	99	92	85
Assets under Management (in billions)	168.3	163.1	146.6
Past due ratio (up to and including 90+ days)	2.4%	2.6%	1.3%
Impaired ratio	1.9%	2.0%	1.9%
Coverage ratio (on-balance sheet)	55.3%	58.5%	60.5%

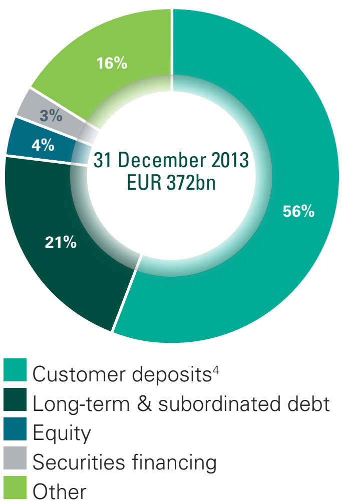
Risk-weighted assets by business segment



Breakdown of assets



Breakdown of liabilities and equity



1 2013 includes a release of EUR 432 million following the sale of the remaining Greek government-guaranteed corporate exposures (Greek exposures). Additionally, 2013 includes a release of EUR 253 million following the sale of collateral related to the Madoff files. 2012 includes a release of EUR 125 million following the sale of part of the Greek exposures and a release of EUR 78 million of releases related to the Madoff files. 2011 includes EUR 880 million of impairment charges for Greek exposures.
2 Net interest income/average total assets.
3 Loan impairments/average risk-weighted assets.
4 Excluding securities financing.

Chairman's message 1

Banking in a challenging environment

The year 2013 was an eventful year that presented us with challenges on several fronts. The most formidable hurdle we faced was the adverse economic climate. The economic environment in which we are primarily active – the Netherlands – was in a recession in 2012 and 2013, hitting our businesses hard. Gross domestic product (GDP) declined by 1.2% in 2012 and by 0.8% in 2013. Domestic demand decreased by 2.9% in 2012 and by 0.5% in 2013. With an economy that contracted for the second consecutive year, the Netherlands lagged behind its neighbours Germany, Belgium and France. The weak housing market had a negative impact on construction and related sectors, while ever-declining purchasing power, rising unemployment and low consumer confidence also put a damper on domestic spending. At the same time, low interest rates have put pressure on the country's pension system, a problem most other countries did not experience. In the Netherlands, pension premiums were on the rise and benefits on the decline. It is against this adverse economic backdrop that we operated in 2013.

Fortunately, the Dutch economy has begun to pick up and it looks as if the worst is behind us. Exports are set to benefit from growing global trade and the housing market in the Netherlands is expected to bottom out in 2014. Additionally, a number of economic barometers improved strongly in 2013, and the economy is expected to grow in the coming year.

Adding value for all our stakeholders

We have various stakeholders – not only a shareholder, but also clients, employees, local communities and society at large. We are constantly balancing the interests of, and working to add value for, all of our stakeholders. First of all, we want to be a trusted partner for our clients, both in personal finance and in business. The banking industry has suffered a loss of trust in recent years. Clients will only give us their trust if we put their interests first and provide full transparency on our business. We are committed to making this happen – and we have already made great strides in this area. In shaping the current bank, we have deliberately focused on 'traditional' banking – savings and lending – reflecting our commitment to a moderate risk profile and transparency. In this spirit, the recent introduction of the paid advice service model for private investments assures clients of full transparency regarding fees as well as objective advice at all times.

During the recession, we stood by our clients as well as we could and continued to grant loans to stable and promising businesses. The number of loan applications from small and medium-sized companies declined in 2013, while loan applications were relatively stable among larger companies in the Netherlands. On-balance, the size of our corporate loan book declined. Our Mortgage Care Team has been actively approaching clients who face financial difficulties and have a mortgage with ABN AMRO. More details of this effective approach can be found in the Risk management section.

At the heart of our bank are our people – our most valuable resource in serving clients and creating stakeholder value – so we promote a healthy, professional and dynamic workforce that reflects the diversity of the communities and cultures in which we operate. To this end, we offer employees a variety of tools and arrangements that empower them to work more flexibly and conveniently, helping them to preserve a healthy work/life balance. We also continued to live up to our commitment to diversity: by the end of 2013 over 18% of senior management positions and over 22% of upper middle-management positions were held by women, putting us well on our way to meeting our respective targets of 20% and 25% by the end of 2014. Our pool of bi-cultural trainees grew too, and we aim to further increase their number in the coming year.

Many of our employees give back to local communities through the ABN AMRO Foundation, which runs a variety of volunteer programmes across the Netherlands. The Foundation promotes education, welfare and social well-being among people from all walks of life, focusing its efforts on three areas: entrepreneurship, education and sport. Our employees volunteered 11,707 times on behalf of the Foundation in 2013. Outside the Netherlands, Private Banking International set up a bank for street children in Mumbai, India, helping young people to handle money responsibly and, since 2013, providing microcredits.

Our operations also have an impact on the wider world. With this in mind, we continued our drive to reduce our environmental footprint in 2013. Our target is to decrease energy consumption in 2017 by 20% compared with 2012. We took steps to reduce office space and improve energy efficiency in our buildings in 2013, helping us to lower energy consumption by 16% compared with 2012. By optimising processes and products, we saved around four million sheets of paper in 2013 compared with a year ago.

And finally, we have enhanced the transparency of our financial reporting. Our efforts in this area have been successful: we were awarded the Henri Sijthoff prize in the category 'Non-listed companies' for our 2012 Annual Report, the highest recognition of financial reporting excellence in the Netherlands.

The burdens and benefits of increasing regulation

The financial industry has been subject to increasingly strict supervision in recent years, and the list of regulatory requirements and requests continues to grow. The need for change is clear: we need greater transparency in the industry in order to restore trust, to weed out unhealthy banking activities from the market and to create a more robust financial system in the Netherlands, Europe and worldwide. In preparation for the European Banking Union, ABN AMRO is one of the banks that will be subject to a thorough assessment by the European Central Bank. A comprehensive assessment of the quality of our assets, including an Asset Quality Review, will start during 2014. We acknowledge the benefits of stronger demands on the solidity and client centricity of banks. The level of detail in regulations, however, is putting a very real strain on our operations and involves a great deal of additional administrative work. We believe that an endless stream of rules and regulations will never make the system fully airtight. An ultimately more effective way of ensuring compliance is to create a values-based culture of integrity across the organisation, in which employees consistently live up to ethical standards. And that is exactly what we are working to achieve every day, by promoting our core values and Business Principles, fostering pride and engagement, and embedding accountability in our day-to-day work.

Financial results for 2013

Net profit over 2013 amounted to EUR 1,160 million. This result was positively impacted by sizeable releases on impairments we took earlier on our Madoff and former Greek loan files. Adjusting for these and other special items, net profit came to EUR 752 million, yielding a return on equity of 5.5%. The decline compared with 2012 (8.5%) was mainly a result of high impairment charges and higher pension costs.

All in all, it has been a difficult year which has led to a modest result for ABN AMRO. We ended 2013 with a loss-making fourth quarter as significant impairment charges were taken and the bank tax (EUR 106 million) was paid. We are predominantly exposed to the Dutch economy, where domestic spending has declined since 2008. In particular, SMEs with a domestic focus have felt the effects of lower domestic spending, and the number of businesses in our portfolio that are suffering from financial difficulties was at elevated levels. Our levels of loan loss allowances and RWA levels for commercial real estate were reviewed by the De Nederlandsche Bank and confirmed to be adequate.

In terms of the individual business segments, Retail Banking performed well and Private Banking performed as expected. Commercial Banking posted a small loss over 2013 due to high loan impairments, although this business has made good progress on improving efficiency over the past two years. Within Merchant Banking, the Markets division posted a loss. We are currently conducting a strategic review of this division with a view to improving results.

We expect that 2013 was the bottom of the economic cycle. Looking ahead, we see signs of an improving housing market, with prices stabilising and mortgage applications on the rise. Sentiment improved over the course of 2013, with the Purchasing Managers' Index rising and consumer confidence moving towards the long-term average. GDP declined last year, although Q4 showed clear positive growth. In line with this development we expect GDP to grow again in 2014. However, even if the economy does turn the corner, impairments are expected to remain elevated in 2014.

Update on the strategic roadmap

One year ago we announced our long-term strategy up to 2017, which consists of the following five strategic priorities:

- Enhance client centricity;
- Invest in our future;
- Strongly commit to a moderate risk profile;
- Pursue selective international growth;
- Improve profitability.

Enhance client centricity

We took several initiatives in 2013 to enhance client centricity. The ban on retrocession fees, which took effect on 1 January 2014, prohibits advisors and portfolio managers from making or receiving payments or other monetary benefits from third parties. In anticipation of this new law, we rolled out an investment proposition in 2013 which includes a transparent fee structure. Clients know exactly where they stand and are assured of objective advice, free of potential conflicts of interest.

We continued to invest in our mobile and online services, and new services were launched to support clients in handling their financial affairs, such as the mobile application for independent freelancers. Our Standard Business Reporting service enables clients to deliver financial data digitally and uniformly to banks, the tax authorities and other official agencies.

We moved to a sector-based approach for our Corporate and Business Banking clients in 2013. Relationship managers will be dedicated to a sector and will be based in regional ABN AMRO Houses, offices where knowledge and expertise in various areas are pooled and shared. Business Banking is currently concentrating its 78 local branches into 24 ABN AMRO Houses.

Invest in our future

We are investing in the future by pursuing our ambition to be a top class employer. An example of our efforts in this area is the sustainable employability budget we introduced in 2013, which gives staff access to tools that help enhance their employability. We also give our people the resources to work flexibly and remotely, helping them to achieve a healthier work/life balance. These and other measures are designed to increase our attractiveness as an employer. Our employee engagement survey shows that we are on the right track: 76% of all employees filled out the survey and engagement rose from 55% in 2012 to 74% in 2013.

We launched a programme in 2013 to re-engineer and upgrade the IT landscape in the coming years, with a five-year strategic outlook up to 2017. The preparations in 2013 involved tightening up the systems, selecting an effective IT architecture and mapping out plans to migrate to this architecture. We will start executing our plans this year, and the brunt of the EUR 0.7 billion in costs related to the project will be booked during the next four years. On a related note, we opened the Innovation Centre at our head office this past year, where we partner with employees and clients to develop sustainable and pioneering forms of innovation and financing, such as crowdfunding.

We worked to embed sustainability firmly in our operations in each business in 2013. Commercial & Merchant Banking's Energy, Commodities & Transportation unit (ECT), for instance, has fully integrated sustainability into its day-to-day business operations, both in the Netherlands and abroad. This past year, ECT entered into dialogue with other Dutch banks active in shipping finance. Our goal is to leverage our combined influence to bring about improvements in existing ship demolition practices. Private Banking, meanwhile, established the Social Impact Investment Fund in 2013. With an initial capital of EUR 10 million, the fund is set to invest in around 15 socially-oriented businesses, each enterprise receiving between EUR 0.5 and 1.5 million. These are just two of the activities we undertook in this area in 2013, more of which you can read about in our Sustainability Report.

Moderate risk profile

As part of our commitment to keep our balance sheet healthy and strong, we discontinued non-client-related activities in our dealing room (equity derivatives arbitrage) and increased the share of asset-based finance. Keeping a firm grip on risks is not only beneficial to the bank, but it is good for our clients too, as it helps instil trust. So we are working hard to strengthen risk awareness and knowledge bank-wide. This past year, we offered relationship managers in-depth courses on credit risk management and several programmes highlighting anticipated regulatory changes. The use of e-learning tools and various communication channels helped to raise awareness and familiarise staff across the organisation with risk-adjusted return concepts such as RARORAC (risk-adjusted return on risk-adjusted capital). And our Risk Management employees are participating in intensive courses on integrated risk management to promote understanding and monitoring of the entire range of risk types.

International growth

We aim to have our international operations generate 20-25% of total revenues in 2017. After a six-year absence, we opened our doors in Brazil: Banco ABN AMRO S.A. finances commodities trading, energy operations and transportation projects. And we opened an office in Moscow to strengthen our product and service offering to ECT clients and to improve our risk management.

As part of our international growth strategy, our aspiration is to be a leading European private bank with growth ambitions in Asia. To this end, we agreed to acquire the domestic private banking activities of Credit Suisse in Germany, giving us a top 3 position in Germany. To sharpen our focus, we discontinued our private banking operations in Curaçao and our International Diamond & Jewelry Group activities in Botswana.

Improve profitability

ABN AMRO aims to achieve a cost/income ratio between 56% and 60% in 2017. We took various steps to streamline the efficiency of our business in 2013. We continued to roll out Customer Excellence (CE) across the organisation, combining customer focus with operational excellence, and we will apply CE processes to entire product chains in 2014. Our efforts to standardise and simplify our product portfolio and IT landscape are also designed to boost the profitability of our business, although the benefits yielded by upgrading our IT landscape will only emerge as from 2015 onwards.

Given the progress we made on various fronts in 2013, I believe we are steadily moving in the right direction. As the Dutch economy recovers, this progress will be increasingly reflected in the bottom-line figures. However, our profit in 2014 will be affected by a one-off levy of approximately EUR 200 million. This levy is part of the total financing package of the nationalisation of SNS REAAL on 1 February 2013.

The Dutch Finance Minister has asked us to start preparations for an IPO, which is also our preferred scenario. We have our sights set on the future and are working tirelessly every day to pursue our long-term strategy. As we move forward, we will continue to dedicate ourselves to the interests of all of our stakeholders.
I would like to thank our employees for their hard work and consistent reliability in yet another challenging year and our clients not only for their business, but especially for their trust in these demanding times.

Gerrit Zalm
Chairman of the Managing Board

corporate governance

Supervisory Board letter 2

The difficult economic environment and the impact on ABN AMRO in realising its ambitions were continuous points of attention for the Supervisory Board in 2013. Regaining the trust of society and meeting increasing national and international regulatory requirements also continued to be big challenges for ABN AMRO, as they are for the entire financial industry.

ABN AMRO once again operated in a difficult economic climate in 2013. The Supervisory Board kept closely abreast of the bank's financial results, among other things, and paid particular attention to the level of loan impairments and measures taken to prevent loan impairments.

The Supervisory Board closely monitored implementation of ABN AMRO's long-term strategy targets in 2013, following the refinement of the strategy in 2012, and supports the Managing Board in its efforts to put clients' interests first, maintain a moderate risk profile and implement the long-term strategy. The Managing Board updates the Supervisory Board at regular intervals. The Supervisory Board believes that the roll-out of these strategic targets, combined with the steps taken with respect to culture and behaviour, prepare ABN AMRO to meet the expectations of its stakeholders and the challenges it faces, now and in the future. Monitoring of implementation of the long-term strategy focuses on the five strategic priorities defined in ABN AMRO's long-term strategy: to enhance client centricity in rendering the banks' services; to invest in the future by being a Top Class Employer, by embedding sustainability across the organisation and by optimising the processes and IT landscape in order to deliver value to the bank's clients, businesses and employees; to maintain a strong balance sheet and a moderate risk profile; to pursue selective international growth in order to spread dependencies on markets and certain sectors; and, last but not least, to improve profitability by striking a balance between risk and return. The Supervisory Board acknowledges that the bank's core values and Business Principles, which underlie the strategic goals, are the foundation to create a culture that promotes client centricity and customer excellence.

2013 was also the year in which the members of the Supervisory Board, together with the Managing Board, signed the Bankers' Oath. We believe that the oath is a confirmation of ABN AMRO's existing policy and that it is fully in line with ABN AMRO's Business Principles and core values.

The Supervisory Board is concerned about the growing number of key resources involved in complying with the increasing number of regulatory rules and requirements that ABN AMRO is facing. The Supervisory Board paid particular attention to developments relating to the transition to a Single Supervisory Mechanism for the banking industry in the eurozone. Prior to assuming its supervisory role, the European Central Bank will conduct an Asset Quality Review, a comprehensive assessment of the quality of banks' assets. The Supervisory Board is pleased that a robust project structure was set up in 2013 and that ABN AMRO made good progress on preparing for timely delivery of the requested information. Another significant focus area for us was the effectiveness of the bank's risk and control systems in the rapidly changing regulatory environment in which the bank operates.

The Supervisory Board supported the Managing Board in its decision to acquire the domestic private banking activities of Credit Suisse in Germany. The transaction is expected to close in 2014. We consider this an important step to achieve the bank's international growth ambitions as defined in the long-term strategy. Bethmann Bank (ABN AMRO's private bank in Germany) will be positioned as the third largest private bank in Germany and, together with our presence in France, strengthens our private banking activities in Europe.

The Dutch Minister of Finance announced on 23 August 2013 that he prefers ABN AMRO to be privatised, following the advice of NLFI, the organisation holding the shares of ABN AMRO. The Supervisory Board takes notice of the Finance Minister's plans to privatise ABN AMRO in the future and an IPO is also the Supervisory Board's first-choice scenario. The Supervisory Board is monitoring the IPO preparatory activities, and will closely observe the bank's readiness for the IPO.

Succession planning as well as the financial and non-financial targets of the Managing Board and senior management were other important subjects addressed by the Supervisory Board. The Supervisory Board also extensively discussed the variable remuneration of senior management in light of current and future legislation.

Following the internal announcement of the upcoming retirement of Mr van Rutte as Chief Financial Officer on 1 June 2013, the process of appointing a new Chief Financial Officer began. After a diligent process, Mr van Dijkhuizen was selected. Following the nomination by the Supervisory Board, the General Meeting of Shareholders appointed Mr van Dijkhuizen as a member of the Managing Board as from 1 May 2013 for a term of four years. Mr van Dijkhuizen succeeded Mr van Rutte as Chief Financial Officer as from 1 June 2013. Mr van Hall succeeded Mr van Rutte as Vice-Chairman of the Managing Board as from the same date. On behalf of the Supervisory Board, I would like to take this opportunity to thank Mr van Rutte for all of the work he has done at ABN AMRO over the past years.

The terms of the other members of the Managing Board expire in 2014. The Supervisory Board will propose to the General Meeting of Shareholders in 2014 the reappointment of the other members of the Managing Board for another period of four years.

The terms of the current members of the Supervisory Board expire on the occasion of the General Meeting of Shareholders in 2014, with the exception of Mr van Slingelandt, whose term will expire in 2015. Having successfully finalised the integration and the realisation of a solid and robust bank for its clients and other stakeholders, the bank is now entering a new phase in which it is significantly increasing its efforts to further modernise its IT infrastructure. Now that the Ministry of Finance has announced its intention to reduce its shareholding in the bank, I have decided that the time is right for me to retire from the Supervisory Board. The Supervisory Board will propose to the General Meeting of Shareholders in 2014 to appoint Mr van Slingelandt as Chairman of the Supervisory Board for a period of two years and as a result to reappoint him as member of the Supervisory Board for the same period, in deviation from his current appointment period. More information on the nomination of Mr van Slingelandt and the reappointment process of members of the Supervisory Board is provided in the Supervisory Board report.

More information on the activities and focus areas of the Supervisory Board, including its performance review, is provided in the Supervisory Board report.

I would like to express my thanks to all employees across the organisation for their continued dedication and efforts to serve the interests of our clients and other stakeholders, while meeting increasingly challenging regulatory requirements. I would also like to thank the Managing Board and my colleagues from the Supervisory Board for their commitment and open dialogue.

On behalf of the Supervisory Board
Hessel Lindenbergh

corporate governance 3

Good corporate governance is critical for us to realise our strategic ambition of being a trusted and professional partner for all our stakeholders, including clients, our shareholder, investors, employees and society at large. The Managing Board and Supervisory Board appreciate the importance of good corporate governance and want the bank to be viewed as a frontrunner in corporate governance.

Corporate governance gives meaning to who we are, what we stand for, what we aim for and how we connect with each other and the world around us. Based on this vision, we launched a number of initiatives to further strengthen our corporate governance in 2013. All members of the Managing Boards and Supervisory Boards of ABN AMRO Group and its regulated subsidiaries took the Bankers' Oath in 2013. Other initiatives taken in this respect include the establishment of the renewed employee participation framework within ABN AMRO. Under the new framework, there are fewer members of the Works Council and an active pool of strongly committed employees, enhancing employee participation. More information is provided in the Works Council section.

Corporate structure

ABN AMRO Group is a public company with limited liability incorporated on 18 December 2009 under Dutch law. The company has a two-tier board consisting of a Managing Board and a Supervisory Board. The composition of the Supervisory Boards of ABN AMRO Group and ABN AMRO Bank are the same, as are the composition of the Managing Boards of ABN AMRO Group and ABN AMRO Bank and the committees of these boards.

Pursuant to article 2:153 of the Dutch Civil Code, a declaration has been filed with the Trade Register stating that ABN AMRO Group complies with the criteria for a full structure regime *(volledig structuurregime)* with effect from 8 April 2011. As set out in its Articles of Association, ABN AMRO Group voluntarily applies the mitigated structure regime *(gemitigeerd structuurregime)*.

From left to right: Gerrit Zalm, Chris Vogelzang, Caroline Princen, Joop Wijn, Kees van Dijkhuizen, Johan van Hall and Wietze Reehoorn

Managing Board

Composition

The Supervisory Board determines the number of members of the Managing Board, the minimum being two people. The composition of the Managing Board matches the Managing Board profile in terms of combined experience and expertise, and mixture of age and gender. The members of the Managing Board have sound knowledge of the financial sector in general and the banking sector in particular, and they collectively have experience in the fields of governance, organisation and communication, products, services and markets within ABN AMRO's scope of activities. They also have knowledge of sound and controlled operational policies and processes, enabling them to make balanced and consistent decisions.

An overview of the current composition of the Managing Board including key information on the backgrounds and terms of office of each Board member is provided in the Composition of the Managing Board section of this report and on abnamro.com.

Mr van Dijkhuizen was appointed to the Managing Board as from 1 May 2013. Mr van Dijkhuizen succeeded Mr van Rutte as CFO on 1 June 2013, who retired on the same date.

Managing Board members are appointed for a maximum period of four years. Reappointments are also made for a maximum period of four years. In respect of best practice provision II.1.1 of the Dutch Corporate Governance Code, all members of the Managing Board, except for Mr van Dijkhuizen, are deemed to have been appointed immediately following the legal transfer of ABN AMRO Bank to ABN AMRO Group on 1 April 2010. The formal dates of appointment may relate to the incorporation ofABN AMRO Group and, as such, may differ slightly. Accordingly, the current tenures of the members of the Managing Board (except for Mr van Dijkhuizen) will terminate in 2014.

The procedure with respect to the appointment and reappointment of the Managing Board members is pending in accordance with the Articles of Association of ABN AMRO Group and is described below under 'Appointment, suspension and dismissal'. All members of ABN AMRO's Managing Board, except Mr van Dijkhuizen, have been nominated for reappointment by the Supervisory Board. The annual General Meeting of Shareholders in 2014 will decide on the reappointment of the respective Managing Board members. More information on the reappointment process is provided for in the Supervisory Board report of this Annual Report.

ABN AMRO aims to have a balanced, diversified composition of the Managing Board, while striving to meet the gender target set by Dutch law on 1 January 2013. More information on diversity is provided in the Human resources section.

Responsibilities

The members of the Managing Board collectively manage ABN AMRO and are responsible for its strategy, structure and performance. In carrying out their duties, the members of the Managing Board are guided by the interests and continuity of ABN AMRO and its businesses, taking into due consideration the interests of all of ABN AMRO's stakeholders, such as its clients and employees, its shareholder, investors and society at large. The Managing Board is accountable for the performance of its duties to the Supervisory Board and to the General Meeting of Shareholders.

Appointment, suspension and dismissal

Managing Board members are appointed by the General Meeting of Shareholders from candidates nominated by the Supervisory Board. The Chairman of the Managing Board is appointed by the Supervisory Board from among the members of the Managing Board.

Only candidates who pass the fit and proper test of De Nederlandsche Bank under the Dutch Financial Supervision Act *(Wet op het financieel toezicht)* are eligible for appointment.

The Supervisory Board and the General Meeting of Shareholders have the authority to suspend members of the Managing Board. Members of the Managing Board can only be dismissed by the General Meeting of Shareholders.

Managing Board committees

The Managing Board has established a number of committees that are responsible for decision-making on certain subjects and for advising the Managing Board on certain matters. These committees include three risk-related committees: the Group Risk Committee, the Asset & Liability Committee and the Central Credit Committee. More information on the delegated authority of these risk-related committees is provided in the Risk management section of this report. In addition, the Managing Board has installed a Group Disclosure Committee, responsible for advising on financial disclosures of the bank and the Transition Management Committee, which is responsible for coordinating a number of bank-wide projects with an IT component as well as a bank-wide impact.

From left to right: Rik van Slingelandt, Hessel Lindenbergh, Hans de Haan, Bert Meerstadt, Marjan Oudeman, Steven ten Have, Annemieke Roobeek and Peter Wakkie

Supervisory Board

Composition

The General Meeting of Shareholders determines the minimum number of members of the Supervisory Board, which must in any case be three people. The composition of the Supervisory Board matches the Supervisory Board profile in terms of combined experience and expertise, independence and variety of ages and genders.
The full profile of the Supervisory Board is available on abnamro.com, as an annex to the Rules of Procedure of the Supervisory Board. An overview of the current composition of the Supervisory Board, including key information on the backgrounds and the terms of office of each Board member, is provided in the Composition of the Supervisory Board section of this report and on abnamro.com.

The Supervisory Board evaluates on an annual basis its own functioning and is of the opinion that its composition is still in accordance with its profile. In terms of experience and expertise, all areas specified in the profile of the Supervisory Board are covered. This includes expertise relating to management and organisation, cost management, accountancy and business economics, the Dutch and international banking sectors, risk management, remuneration and HRM, sustainability and corporate social responsibility, international issues, legal matters, the development of products and services, and the markets in which the bank is active. The Supervisory Board has at least three financial experts.
The Supervisory Board confirms that all members of the Supervisory Board are independent within the meaning of provision III.2.2 of the Dutch Corporate Governance Code.

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 4-year terms. The current tenures of the members of the Supervisory Board, excluding Mr van Slingelandt who was appointed on 27 October 2010, will terminate at the annual General Meeting of Shareholders of ABN AMRO Group in 2014. The members of the Supervisory Board are eligible for immediate reappointment. Mr Lindenbergh decided not to apply for reappointment at the General Meeting of Shareholders in 2014. The Supervisory Board will propose to the General Meeting of Shareholders in 2014 to appoint Mr van Slingelandt as Chairman of the Supervisory Board for a period of two years and as a result to reappoint him as Supervisory Board member for the same period, in deviation from his current appointment period. The procedure with respect to the reappointment of the Supervisory Board members is described below under 'Appointment, suspension and dismissal'. The procedure takes into account the diversity target mentioned in the Dutch One-Tier Board Act. More information on diversity can be found in the Human resources section of this Annual Report. More information on the pending reappointment process of members of the Supervisory Board is provided in the Supervisory Board report of this Annual Report.

The Supervisory Board has prepared a retirement and reappointment schedule, which is available in the Supervisory Board's Rules of Procedure published on abnamro.com. There were no retirements from the Supervisory Board in 2013. Ahead of the forthcoming reappointments of members of the Supervisory Board, a renewed reappointment schedule is being prepared which will provide for more diversity in the expiry dates of the appointments. An amended reappointment schedule will be published on abnamro.com following the pending reappointments in the General Meeting of Shareholders in 2014.

Responsibilities

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

The Rules of Procedure of the Supervisory Board are available on abnamro.com

Appointment, suspension and dismissal

Members of the Supervisory Board are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. A nomination may be rejected by the General Meeting of Shareholders by a special majority. The General Meeting of Shareholders and the Central Works Council have the right to recommend candidates for nomination. With respect to one-third of the members of the Supervisory Board, the Supervisory Board puts forward a candidate for nomination recommended by the Central Works Council, unless it objects to the recommendation. If the Supervisory Board's objection to the recommendation is well founded, the Central Works Council will recommend a new candidate. Only candidates who have passed the fit and proper test of DNB under the Dutch Financial Services Act *(Wet op het financieel toezicht)* are eligible for appointment.

Members of the Supervisory Board can be suspended by the Supervisory Board. The General Meeting of Shareholders has the authority to dismiss the entire Supervisory Board. In accordance with Dutch law, individual members of the Supervisory Board can only be dismissed by court order following a suspension by the Supervisory Board.

Supervisory Board committees

Composition

The Supervisory Board has established three committees to prepare its decision-making and to advise the Supervisory Board on certain matters: the Audit Committee, the Remuneration, Selection & Nomination Committee and the Risk & Capital Committee. The Rules of Procedure of the Supervisory Board include the terms of reference of the committees of the Supervisory Board and are available on abnamro.com

Composition of Supervisory Board committees

	Audit Committee	Risk & Capital Committee	Remuneration, Selection & Nomination Committee
Hessel Lindenbergh (Chairman)	Member	Member	Member
Hans de Haan	Chairman	Member	
Steven ten Have			Member
Bert Meerstadt	Member		
Marjan Oudeman			Member
Annemieke Roobeek		Member	
Rik van Slingelandt	Member	Chairman	Member
Peter Wakkie		Member	Chairman

Audit Committee
The Audit Committee is tasked, among other things, with the direct supervision of all matters relating to financial strategy and performance, including the selection of and relationship with the external auditor, the effectiveness of the accounting systems, financial disclosures and related aspects of internal risk management and internal control.

Risk & Capital Committee
The Risk & Capital Committee advises the Supervisory Board on subjects relating to risk management and risk control and prepares the Supervisory Board's decision-making in these areas. The committee is in charge of the annual approval of the bank's risk appetite; periodic assessment of the bank's strategy; regular review of the risk profile; assessment of the risk management functions and testing of the bank's risk framework. The committee is also tasked with supervision of the bank's capital and liquidity position and its funding. The committee also periodically discusses legal and compliance-related matters.

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

Introduction programme and lifelong learning programme

Introduction programme
Upon their appointment, all members of the Supervisory Board follow an introductory programme designed to ensure that they have the relevant knowledge to fulfil their duties, including thorough knowledge of ABN AMRO. The programme provides the information needed for participation in the lifelong learning programme. As the knowledge, background and experience of newly appointed members of the Supervisory Board differ, the curriculum of the introductory programme is tailor-made.

Lifelong learning programme
A lifelong learning programme for the Supervisory Board and the Managing Board has been put in place at ABN AMRO and is designed to keep the members' expertise up to date and to broaden and deepen their knowledge where necessary. In most cases, members of the Supervisory Board and Managing Board participate in the same courses to foster knowledge-sharing between the Boards.

The curriculum is continuously being developed to ensure a balanced programme which covers all relevant aspects of the bank's performance and takes into account current developments in the financial industry.

Topics covered in 2013 include the changing accounting rules under IFRS9, Clearing, Internal Audit and Coherence of risk indicators in Enterprise Risk Management. The first of a series of three workshops on Financial Derivatives was started in 2013 and will continue in 2014. Other workshops covered developments in the US market and regulatory field and changes and dynamics in the Dutch mortgage market. The Supervisory and Managing Boards also visited the Financial Restructuring & Recovery department and the bank's subsidiary Bethmann Bank in Germany.

Corporate governance codes and regulations

Dutch Corporate Governance Code

We believe that corporate governance that meets high international standards significantly boosts confidence in companies. As such, compliance with the applicable corporate governance codes by financial institutions contributes significantly to restoring trust in the financial sector as a whole. Although ABN AMRO – as a non-listed company – is not required to adhere to the Dutch Corporate Governance Code, we continue to attach importance to a transparent governance structure and therefore aim to comply with the Dutch Corporate Governance Code.

We hold the view that, given ABN AMRO Group's specific corporate structure and non-listed nature, several parts of the Dutch Corporate Governance Code either do not apply or need to be adapted to fit ABN AMRO's structure. This is explained on abnamro.com. Accordingly, we are pleased to confirm that ABN AMRO observed throughout 2013 the applicable principles and best practice provisions of the Dutch Corporate Governance Code.

Dutch Banking Code

The Dutch Banking Code sets out principles that banks with a banking licence issued by DNB should observe in terms of corporate governance, risk management, audit and remuneration. Although ABN AMRO Group does not have a banking licence itself, the Dutch Banking Code does apply to ABN AMRO Bank as the main entity within the Group that holds a banking licence. The Dutch Banking Association (of which ABN AMRO Group is a member) is currently working on the renewal of the Dutch Banking Code, as advised by the Dutch Banking Code Monitoring Committee in March 2013, and the introduction of a Social Charter *(Maatschappelijk Statuut)*. These measures, along with the Bankers' Oath and disciplinary rules to be applicable to all employees of financial institutions in the Netherlands, emphasise the social role of banks and their commitment to meeting the expectations of society at large.

We are committed to complying with the Dutch Banking Code and devote a great deal of effort to ensuring that the spirit of the code is reflected in the behaviour of employees and in the culture of the bank. As such, we are pleased to confirm that ABN AMRO Bank complies with the principles of the Dutch Banking Code. A principle-by-principle overview of the manner in which ABN AMRO Bank complies with the Dutch Banking Code is published on abnamro.com. Throughout 2013 we continued to improve the manner in which we apply the principles of the Dutch Banking Code across the entire Group.

All members of the Supervisory Board and Managing Board of ABN AMRO Group took the Bankers' Oath on 4 July 2013. Since 1 January 2013, all supervisory directors and managing directors of financial institutions have been required by law to take this oath. The oath is a confirmation of ABN AMRO's existing policy, which is fully in line with the Business Principles and core values of ABN AMRO.

In addition, we maintained a strong focus on client centricity throughout 2013. Important factors in this respect remain the close involvement of senior management and a consistent focus on client centricity in our training, communication and product development efforts. Retail & Private Banking actively seeks client input through dedicated client communities and client panels to improve services, products and communication, and asks clients for feedback on their contact with employees. In addition, Commercial & Merchant Banking strongly embedded client centricity in its Product Approval & Review Process. For more information, we refer to the client centricity section described in the Business, operating and financial review of Commercial & Merchant Banking. Quarterly updates relating to all client centricity activities are also discussed in the Managing Board. Retail & Private Banking makes use of an internal dashboard to monitor all activities relating to client centricity, which is then regularly discussed in the Managing Board. In addition to making client-centric behaviour an important element in employee performance management, the involvement of senior management helps demonstrate to staff that the principle of putting clients first is at the core of our business. More information on the efforts we have undertaken to further improve client focus and the duty of care towards clients is provided in the Business, operating and financial review section of this report.

We further embedded the three lines of defence principle in the organisation and optimised it in 2013. This has most notably resulted in increased attention for risk and control monitoring. This heightened attention is evidenced in recurring internal communication on this topic, structural discussion and decision-making on the risk profile and in performance evaluation. We further heightened risk awareness by continuing our extensive training for staff. A mandatory comprehensive Integrated Risk Management course was launched in 2013 for all Risk Management staff and is scheduled to be completed in 2014. This Integrated Risk Management course extends employees' knowledge of all risk types and the interrelationship between risk types in order to improve risk awareness and further embed a more holistic approach to risk management. The bank's risk appetite was further embedded in the business lines as well as in the significant countries in which ABN AMRO is active, i.e. Belgium, Germany, France, the UK, the US, Singapore and Hong Kong. More business lines and countries have now been provided with risk and control reports which enable management to monitor risks and controls against the risk appetite and steer the risk profile within the risk appetite boundaries. The Risk management section of this report discusses in greater detail the measures taken to strengthen the risk management and governance frameworks.

Subsidiaries of ABN AMRO Bank and the Dutch Banking Code

On 31 December 2013, ABN AMRO Bank had five direct and indirect Dutch subsidiaries with a banking licence: ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V., Direktbank N.V. and International Card Services B.V. ABN AMRO applies the principles of the Dutch Banking Code to all of these Dutch bank subsidiaries on a consolidated basis.
An explanation of the manner in which the Dutch bank subsidiaries comply with the Dutch Banking Code is published on abnamro.com.

Subsidiaries and international governance

ABN AMRO has designed group-wide policies and standards to ensure that all relevant parts of the organisation adhere to governance principles and requirements. Considering the varying business activities, local regulatory requirements, organisations and risk frameworks of subsidiaries and branches, actual implementation of the group-wide policies and standards may differ between the subsidiaries and branches. All entities in the international network adhere to ABN AMRO's principles of risk governance and moderate risk profile.

International governance is in place to meet the requirements of our international organisation and both the home and host regulators. An annual review is performed to ensure alignment with the international growth plans and changes in the regulatory environment. An overview of ABN AMRO's main subsidiaries and a description of their activities is provided in the Legal structure paragraph of this section.

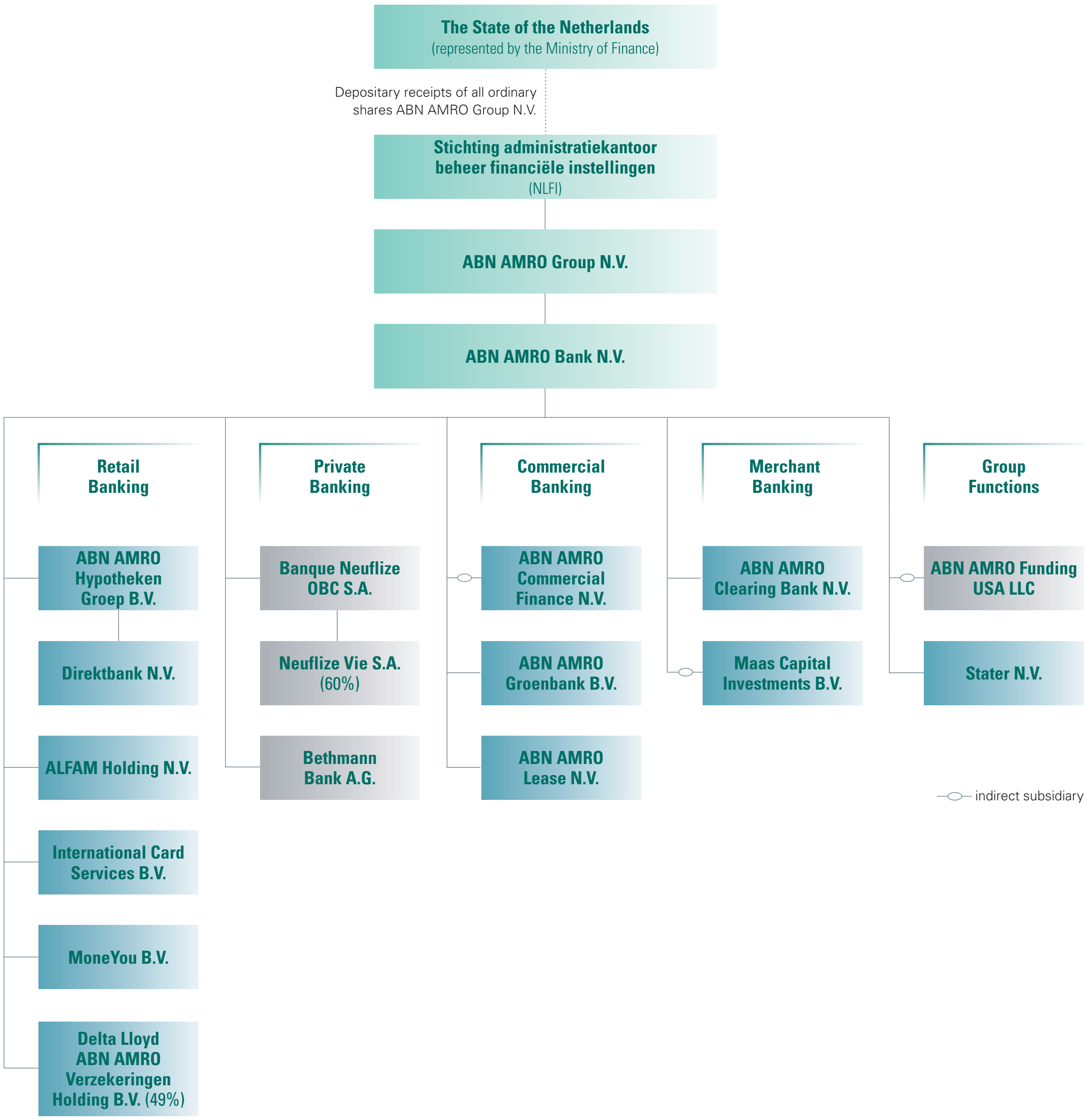
General Meeting of Shareholders

At least one General Meeting of Shareholders is normally held each year within six months of the close of the financial year. The agenda for the annual General Meeting of Shareholders must contain certain matters as specified in ABN AMRO's Articles of Association and under Dutch law, including, among other things, the adoption of the Annual Financial Statements. The General Meeting of Shareholders is also entitled to approve important decisions regarding the identity or the character of ABN AMRO, including major acquisitions and divestments. Until 31 December 2013 the General Meeting of Shareholders was also entitled to annually adopt the 3-year strategic plan and to approve the risk appetite statement and the capital and funding plan. As a result of an amendment to its Articles of Association which aims to seek alignment with best practices at Dutch listed companies, ABN AMRO Group is no longer required to submit these items to the General Meeting of Shareholders for approval as of 31 December 2013.

The annual General Meeting of Shareholders of ABN AMRO Group was held on 28 March 2013. Agenda items included adoption of the 2012 Annual Financial Statements, the dividend for the year 2012 and approval of the 2013 capital and funding plan. In addition, an update was given on the actions the bank has taken with regard to client centricity. An extraordinary General Meeting of Shareholders was held on 13 December 2013. Agenda items included ABN AMRO's strategy and approval of ABN AMRO's risk appetite and the 2014 capital and funding plan. In addition, the shareholder was informed on the actions the bank has taken to prepare for the Asset Quality Review (more details on AQR are provided in the Regulatory environment section of this report) and an update with respect to the bank's remuneration policy was given. The General Meeting of Shareholders passed five resolutions outside a meeting, relating to the appointment of Mr van Dijkhuizen as member of the Managing Board, the repurchase and cancellation of the class A non-cumulative preference shares and several partial amendments to the Articles of Association of the company.

Legal Structure

Global structure of ABN AMRO at 31 December 2013



The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Shareholder structure

All shares in the capital of ABN AMRO Group are held by NLFI, including all voting interests. NLFI has issued exchangeable depositary receipts for each share of ABN AMRO. As the sole holder of all issued exchangeable depositary receipts, the Dutch State holds an equal indirect financial interest in ABN AMRO. NLFI is responsible for managing the shares and exercising all rights associated with these shares under Dutch law, including voting rights. However, material or principal decisions require the prior approval of the Dutch Minister of Finance, who will also be able to provide binding voting instructions with respect to such decisions. NLFI's objectives exclude disposing of or encumbering the shares, except pursuant to an authorisation from and on behalf of the Dutch Minister of Finance. The Minister of Finance announced his intention in August 2013, based on NLFI's advice, that over time an IPO would be the most favourable scenario for ABN AMRO. The authorised and issued share capital of ABN AMRO Group N.V. as at 31 December 2013 are reported in the Annual Financial Statements included in this report. On 11 March 2013, ABN AMRO repurchased its issued class A non-cumulative preference shares from ABN AMRO Preferred Investments B.V. These non-cumulative preference shares were cancelled on 16 May 2013.

Main subsidiaries

Other information on ABN AMRO's main operating companies is provided below. A more comprehensive overview of ABN AMRO's subsidiaries is provided in the Other information section of the Annual Financial Statements.

Retail Banking

ABN AMRO Hypotheken Groep

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

Direktbank

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

MoneYou

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

Alfam

ALFAM Holding N.V. (Alfam) is ABN AMRO's competence centre for consumer finance. Alfam provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans

International Card Services

International Card Services B.V. (ICS) is ABN AMRO's credit card company. ICS issues more than 25 different credit cards in partnership with companies. ICS promotes, manages and processes credit card transactions and offers other financial services, such as revolving credit facilities. ICS is active in the Netherlands and Germany.

ABN AMRO Verzekeringen

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

Private Banking

Banque Neuflize OBC

Banque Neuflize OBC S.A. (Banque Neuflize) is 99.9%-owned by ABN AMRO Bank. Banque Neuflize offers a unique private banking model based on an integrated approach to private and commercial wealth articulated around dedicated advisory and product offers. Banque Neuflize and its subsidiaries cover a range of activities including traditional banking services, asset management and discretionary portfolio services (through Neuflize OBS Investissements and Neuflize Private Assets, its leading assets managers), life insurance (with Neuflize Vie) and advisory services, estate planning, financial engineering, corporate finance, art advisory and real estate.

Neuflize Vie

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

Bethmann

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

Commercial Banking

ABN AMRO Commercial Finance

With reference to the capital (liquidity and solvency) requirement, ABN AMRO Commercial Finance B.V. (ACF) provides working capital funding on debtors and inventory. ACF provides finance loans to companies up to 90% of debtors', 50% of raw materials and 70% of finished products. Its present client portfolio comprises a wide range of clients. ACF is active in the Netherlands, France, Germany and the United Kingdom.

ABN AMRO Groenbank

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

ABN AMRO Lease

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

Merchant Banking

ABN AMRO Clearing

ABN AMRO Clearing Bank N.V. (ABN AMRO Clearing) is recognised as a global leader in derivatives and equity clearing and is one of the few players currently able to offer global market access and clearing services on more than 85 of world's leading exchanges. ABN AMRO Clearing operates from several locations across the globe and offers integrated packages of direct market access clearing and custody services covering options, equity, futures, commodities, energy and fixed income.

Maas Capital Investments

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

Group Functions

ABN AMRO Funding USA

ABN AMRO Funding USA LLC (ABN AMRO Funding USA) is the entity active in the US market in issuing ABN AMRO's US Dollar Commercial Paper funding for clients operating in the US and for clients with US dollars loans.

Stater

Stater N.V. (Stater) offers administrative services related to mortgage loans. Stater works for ABN AMRO, AAHG, Direktbank and other parties supplying mortgage loans.

Supervisory Board report 4

The Supervisory Board is pleased to present the Supervisory Board report for 2013. In this report, the Supervisory Board provides an overview of the most important activities and focus areas in 2013, including those of its committees.

A description of the duties and responsibilities of the Supervisory Board including the procedures for appointment, suspension and dismissal is provided in the Corporate Governance section of this report. The current composition of the Supervisory Board, including information on the background and terms of office of each Board member, is provided in the Composition of the Supervisory Board section of this report.

Supervisory Board meetings

The Supervisory Board had 15 meetings in 2013. Six of these were scheduled plenary meetings. Two extra meetings and one teleconference meeting were convened at short notice to discuss urgent matters. All scheduled plenary meetings were held in the presence of the members of the Managing Board and the Company Secretary. Other members of senior management were regularly invited to present specific topics. The Supervisory Board participated in a two-day session held at the bank's subsidiary Bethmann Bank in Germany, allowing the Supervisory Board to gain a better understanding of the local business activities and how these relate and contribute to ABN AMRO's international strategy. Nine resolutions of the Supervisory Board were adopted outside a meeting.

The Supervisory Board also held three scheduled plenary meetings with only the members of the Supervisory Board and the Company Secretary being present ('executive meetings'). The Chairman of the Managing Board attended some parts of these meetings. These executive meetings were used to independently discuss matters relating to, among other things, the functioning of the Managing Board and its individual members and to allow for more informal discussion between the Supervisory Board members. Three extra executive meetings were convened in 2013 in anticipation of the expiration of the current mandates of members of the Managing Board and of the Supervisory Board in 2014. The Supervisory Board also visited the ABN AMRO Financial Restructuring & Recovery department, where it was briefed extensively on the bank's recovery and restructuring activities, which are of continuing importance in this challenging economic environment.

All Supervisory Board members were present at the scheduled plenary meetings held in 2013, with the exception of two members who both missed out on one meeting. At the executive meetings held in 2013, all Supervisory Board members were present with the exception of one member who missed out on two meetings. This attendance rate underlines that the members of the Supervisory Board are engaged in ABN AMRO and have sufficient time available to devote the required attention to the bank's affairs. Members of the Supervisory Board and the Managing Board were also in contact on a regular basis outside of the Supervisory Board meetings. The Chairman of the Managing Board and the Chairman of the Supervisory Board met on a regular basis. The Chairman of the Supervisory Board and the Company Secretary prepared the agenda for the meetings of the Supervisory Board in 2013.

Activities and focus areas in 2013

Implementation of the long-term strategy was discussed throughout 2013 on the basis of a quarterly report submitted by the Managing Board. The Supervisory Board supports the Managing Board in its efforts to implement the long-term strategy, including putting clients' interests first and maintaining a moderate risk profile.

The Supervisory Board focused actively on the rise of the level of loan impairments and discussed credit risk mitigation measures. The measures taken to mitigate the level of loan impairments and to increase risk awareness within ABN AMRO were categorised into four areas: governance, strategy, internal procedures and internal education, with an emphasis on the latter. The Supervisory Board received regular reports on, extensively discussed and actively monitored the level of loan impairments and the mitigating measures taken.

The Supervisory Board also devoted special attention to the funding of the bank and the funding strategy. The Supervisory Board was advised on these subjects by the Risk & Capital Committee.

In accordance with its formal duties and responsibilities, the Supervisory Board reviewed matters relating to all aspects of ABN AMRO's activities, performance, strategy and management. Each member of the Supervisory Board took the Bankers' Oath in 2013.

The Supervisory Board recognises the impact that culture and behaviour have on the bank, its clients, its employees and other stakeholders. The Supervisory Board acknowledges that good behaviour and transparency are important drivers within ABN AMRO for employee satisfaction and should start at the top. The Supervisory Board received regular updates from the Managing Board on the various means of communicating the bank's culture and strategy to the organisation, such as town hall meetings with members of the Managing Board, customer and employee arenas, weblogs by members of the Managing Board, staff magazines, presentations and video messages. The Supervisory Board acknowledges that the Managing Board is aware of the importance of transparent communication to the bank's stakeholders. This was also confirmed by the positive employee satisfaction scores on this topic in the annual Employee Engagement Survey.

The Supervisory Board considered the principles, objectives and formation of the European Banking Union, which will place ABN AMRO under the overarching supervision of the European Central Bank. As part of the transition to a single supervisory mechanism, the European Central Bank will perform extensive reviews, known as Asset Quality Reviews (AQR), of the quality of all banks' loan portfolios and client data files. The Supervisory Board furthermore closely monitored preparations for the AQR.

The Supervisory Board monitored the IPO preparatory activities following the announcement on 23 August 2013 of the Dutch Minister of Finance that he prefers ABN AMRO to be privatised.

Mr van Rutte retired as a member of the Managing Board and Chief Financial Officer as from 1 June 2013. Following the nomination by the Supervisory Board, the General Meeting of Shareholders appointed Mr van Dijkhuizen as a member of the Managing Board as from 1 May 2013. Mr van Dijkhuizen succeeded Mr van Rutte as Chief Financial Officer as from 1 June 2013. Mr van Hall succeeded Mr van Rutte as Vice-Chairman of the Managing Board as from the same date.

The term of the other members of the Managing Board expires in 2014. It is the intention to propose reappointment of the other members of the Managing Board with a view to the bank's long-term strategy and a possible IPO. It is also based on the profile of the Managing Board and on the positive evaluation of the Managing Board's performance over the past four years. The Supervisory Board will propose to the General Meeting of Shareholders in 2014 the reappointment of these members of the

Managing Board for another period of four years. The Works Council rendered a positive advice regarding this proposal. The Supervisory Board shared its intention with NLFI and the Dutch central bank.

The terms of the current members of the Supervisory Board expire on the occasion of the General Meeting of Shareholders in 2014, with the exception of the term of Mr van Slingelandt, whose term will expire in 2015. Mr Lindenbergh, the Chairman of the Supervisory Board will retire at the General Meeting of Shareholders in 2014. The Supervisory Board will propose to the General Meeting of Shareholders to appoint Mr van Slingelandt as Chairman of the Supervisory Board and to reappoint him also as Supervisory Board member. Mr van Slingelandt is currently the Vice-Chairman of the Supervisory Board and has extensive experience in the financial sector. The Supervisory Board is of the opinion that with his background he is able to ensure continuity in fulfilling the duties and responsibilities of the Supervisory Board desired for achieving the strategic goals of ABN AMRO in the coming period. The appointment of Mr van Slingelandt by the General Meeting of Shareholders is subject to the approval of the Dutch central bank.

The Supervisory Board decided to nominate the other members of the Supervisory Board for reappointment by the General Meeting of Shareholders following an evaluation of its own functioning, the functioning of its individual members and its composition in terms of, among other things, experience and expertise as described in the collective profile of the Supervisory Board. The nominations are subject to the powers of the Works Council regarding reappointments of members of the Supervisory Board, including its recommendation rights. An amended reappointment schedule will be made public following the appointments in the General Meeting of Shareholders in 2014. The reappointments are subject to approval by the Dutch central bank.

The Supervisory Board's focus areas in 2013 are discussed in greater detail below.

Corporate strategy and inherent business risks

Due to the challenging economic environment, the Supervisory Board devoted particular attention in 2013 to the substantial level of loan impairments and measures to avoid these impairments. The Supervisory Board also approved the adjusted risk appetite for 2013, which was amended as a result of new insights. The Supervisory Board furthermore approved the risk appetite for 2014 and assured itself that the current risk appetite framework is suitable for its purposes. ABN AMRO's risk appetite is reviewed yearly in light of the continuously changing market environment, based on internal insights, best practices and new regulations.

Throughout 2013 the Supervisory Board discussed with the Managing Board the implementation of the bank's long-term strategic goals and performance targets. Based on the five strategic pillars, the strategy aims to prepare ABN AMRO for the challenges of the future. During the meetings, the Managing Board informed the Supervisory Board about important issues relating to ABN AMRO's long-term strategy, such as the risk profile, ABN AMRO's ambition to be a top class employer and international growth. Implementation of the long-term strategy is discussed below.

Monitoring of implementation of the strategy

To ensure effective execution of the long-term strategy, a special tool is used by the Managing Board to facilitate discussion, monitoring and supervision of implementation of the strategy. This Quarterly Execution Monitoring tool enables the Managing Board to regularly review the guiding principles, strategic objectives and progress of the long-term strategy and to discuss the results with the Supervisory Board. The expected long-term financial and non-financial performance is also assessed in this respect. The Managing Board regularly presented to the Supervisory Board initiatives developed based on the five strategic pillars and their implementation in the organisation. These initiatives were based on 'deep dives' on important topics performed organisation-wide by the Managing Board, such as sustainability, simplification of the organisation, Customer Excellence, financial targets and international growth.

An important strategic pillar is to enhance client centricity in everything ABN AMRO does. The Supervisory Board recognises the importance of putting clients' interests and needs first and improving client satisfaction.
The Supervisory Board was pleased with the outcome of the AFM review performed in 2013 on the bank's client centricity dashboard, which showed that ABN AMRO is a front-runner in meeting clients' needs. The Supervisory Board received regular updates from the Managing Board on client centricity initiatives. The Carefree Living and Responsible Lending project was discussed and an educational session also touched upon this topic. Due to changes in market conditions, the bank's clients have a greater need for prevention and maintenance advice, and ABN AMRO works together with clients to create tailored solutions. This project has a proactive and multi-channel approach and aims to reduce the risk of the overall mortgage portfolio, while keeping clients' interests centre stage.

Design and effectiveness of risk management and control systems

The Supervisory Board reviewed the Enterprise Risk Management Reports on four occasions in 2013.
In these reports the actual and forecasted risk profile is benchmarked against the risk appetite. Five members of the Supervisory Board attended an educational session devoted to this topic in order to gain more in-depth knowledge. In addition, updates regarding capital, liquidity risk, credit risk and other risks were presented to and discussed by the Supervisory Board. The Risk & Capital Committee reported its deliberations and findings on the Group's risk management functions and framework to the full Supervisory Board for further discussion.

The Supervisory Board kept closely abreast of ABN AMRO's capital structure and funding strategy and was advised on these subjects by the Risk & Capital Committee. The Supervisory Board reviewed, discussed and approved the Capital and Funding Plan for 2013 and 2014. Throughout 2013, it extensively discussed the implementation of capital adequacy targets and liquidity requirements under the Basel Committee regulations and other regulations.

On four occasions, the Supervisory Board discussed the main findings of Group Audit on the control processes following feedback from the Audit Committee. An educational session attended by five members of the Supervisory Board provided more insight into the challenges that Group Audit is facing due to increasing regulatory rules and requirements. The Supervisory Board devoted special attention to the required improvements and streamlining of regulatory reporting process, and the data quality required for this process, and closely monitored the steps taken in this respect. The Supervisory Board was advised on the matter by an independent IT specialist reporting to the Audit Committee. Moreover, the Supervisory Board strengthened its supervision on the subjects indicated by the regulator in the area of the regulatory reporting process. The Supervisory Board also closely monitored the strengthening of the regulatory framework, the market framework and the control framework in respect of the Markets business.
The Supervisory Board devoted attention to the promotion of behavioural and cultural aspects within ABN AMRO.

The findings of Group Audit, the follow-up of reported items, management's focus on the key risks impacting ABN AMRO and the discussions with management on management control issues gave the Supervisory Board sufficient assurance regarding the information provided by the Managing Board in the annual Management Control Statement.

Financial reporting

The Supervisory Board reviewed the Annual Report 2013, the Annual Financial Statements 2013 and all annexed information, the Interim Financial Report 2013 and the quarterly press releases (trading updates) of ABN AMRO Group. The Supervisory Board evaluated and discussed these documents with the Managing Board, Group Audit and KPMG (the independent external auditor) and took note of the independent auditor's report that KPMG issued on the Annual Financial Statements 2013.
The Annual Financial Statements 2013 were authorised for issue by the Supervisory Board on 7 March 2014.

The Supervisory Board was updated on a quarterly basis on the main findings of the audit conducted by the independent external auditor, with the assistance of the Audit Committee. This included follow-up by management of thefindings reported in the management letter that KPMG issued. Particular attention was devoted to the need to further strengthen certain areas of internal control, financial reporting and regulatory reporting. Furthermore, the Supervisory Board focused on the procedures to establish the level of loan impairments.

An interim dividend in 2013 has been declared to the shareholder following approval by the Supervisory Board. The Supervisory Board furthermore approved the proposal for the final dividend over 2013 to the annual General Meeting of Shareholders.

Compliance with primary and secondary legislation and claims handling

The Supervisory Board received updates on the material compliance matters and effectiveness of the compliance procedures on four occasions in 2013. Furthermore, the main legal files and proceedings were discussed on four occasions. The Supervisory Board also reviewed and discussed the correspondence with the Dutch central bank, the Netherlands Authority for the Financial Markets and other regulators and was regularly updated on the communication with these authorities by Group Audit and the Compliance department.

The Supervisory Board considered the increasing number of regulatory rules and requirements that ABN AMRO is facing. The Supervisory Board also considered all material new legislation and other regulations to be observed by ABN AMRO, such as the Basel Committee regulations, EBA guidelines, IFRS regulations and Dodd-Frank regulations. Two members of the Supervisory Board attended a separate educational session that was devoted to the US markets and its regulation as well as an educational session devoted to IFRS 9 regulation. The Supervisory Board is concerned about the growing number of key resources involved and increasing costs in compliance with these regulations.

The transition to a Single Supervisory Mechanism is drawing near, which means that European banks will be brought under the supervision of a single European supervisor, the European Central Bank. The European Central Bank has announced it will conduct an AQR of all European banks before they are brought under its supervision. The Supervisory Board was updated by the Managing Board on ABN AMRO's approach to the AQR. The Supervisory Board concluded that a robust project structure has been set up and that ABN AMRO is prepared for the AQR. The Supervisory Board discussed extensively with the Managing Board the time and attention this requires. The Supervisory Board closely monitors the progress and the deployment of scarce resources in the organisation, and will be consulted by the Managing Board when trade-offs with other large projects have to be made.

In addition, the Supervisory Board was advised on the requirements regarding ABN AMRO's Recovery Plan and Resolution Plan. Moreover, the Supervisory Board discussed the preliminary contribution of ABN AMRO to the Resolution Plan, which was delivered to the Dutch central bank on 21 May 2013. This process is ongoing. The Resolution Plan will eventually be composed by the Dutch central bank.

Three members of the Supervisory Board participated in the second Recovery Plan dry run, which yielded valuable information for the Supervisory Board. The Supervisory Board also monitored the implementation of Basel II in 2013, paying special attention to credit risk, operational risk and market risk and development of the Basel III capital requirements within ABN AMRO. In the area of market risk, the Supervisory Board supported the Managing Board in becoming IMA compliant in order to provide ABN AMRO's Markets business with a solid basis for growth.

The Supervisory Board welcomed the heightened focus on compliance within the bank. Key issues are the 'softer' side of control mechanisms such as behavioural and cultural aspects in an international perspective. The Supervisory Board supported the Compliance department's programme, which aims to bring compliance within the bank to the next level of maturity.

Relationships with the shareholder and other stakeholders

In addition to the annual General Meeting of Shareholders, one extraordinary General Meeting of Shareholders was convened in 2013. Apart from these two General Meetings of Shareholders, the Chairman of the Supervisory Board regularly met with the Board of Directors of NLFI, the sole shareholder. Five shareholders' resolutions were adopted outside a meeting, relating to the appointment of Mr van Dijkhuizen as a member of the Managing Board, the repurchase and cancellation of the class A non-cumulative preference shares of ABN AMRO Group and several partial amendments to the Articles of Association of the company.

The Supervisory Board and its individual members maintained regular contact with the Works Councils throughout 2013. A meeting between the Supervisory Board, the Managing Board and the Central Works was attended by six members of the Supervisory Board. The meeting was fully dedicated to the analysis of ABN AMRO's long-term strategy from a macroeconomic perspective.

The Supervisory Board recognises the importance of direct contact with all key stakeholders and actively monitors material correspondence with the main regulatory authorities. A delegation from the Supervisory Board met with representatives from the Dutch central bank on several occasions in 2013 to discuss, among other things, an integrated programme designed to further strengthen the risk management organisation and the strategy of ABN AMRO.

The Supervisory Board considers employee motivation to be an important condition for giving clients excellent service. As such, it discussed the outcome of the annual Employee Engagement Survey. The Supervisory Board was also regularly informed by the Remuneration, Selection & Nomination Committee of the approach and the progress of negotiations with regard to the collective labour agreement for 2014, on variable remuneration and succession planning for senior management and the financial and non-financial targets of the Managing Board and senior staff.

Activities and focus of Supervisory Board Committees

Audit Committee

The Audit Committee met on four occasions in 2013. All members of the Audit Committee were present at each of these meetings. In addition, the meetings were attended by the Chairman of the Managing Board, the CFO, the CRO, the head of Group Audit, the independent external auditor and the Company Secretary. Other members of the Managing Board and senior management were also present for relevant items on the agenda. The Audit Committee held two executive meetings, without members of the Managing Board or the external auditor being present, which took place immediately prior to the regular meeting of the Audit Committee. During these executive meetings the Audit Committee discussed, among other things, the evaluation of the external auditor's performance prepared by Group Audit, the results of the self-evaluation of the Audit Committee, the desired audit-related courses within the lifelong learning programme, the quality of reports and information provided to the Audit Committee and the composition of the Audit Committee. In addition to the meetings of the Audit Committee, the Chairman of the Audit Committee regularly held individual discussions with the independent external auditor, the head of Group Audit, the Chairman of the Managing Board and the CFO. All relevant issues discussed in the Audit Committee were reported to the Supervisory Board.

One of the focus areas in 2013 was the progress of the steps taken to strengthen regulatory reporting and other information required by the supervisory authorities. During each quarterly meeting the Audit Committee was updated on this matter. The Audit Committee has retained an independent IT specialist to advise on the matter. Another focus area was the level of loan impairments and the procedures for the establishment of loan impairments. Furthermore, during two of its meetings the Audit Committee was informed on a programme aiming to further improve the control framework and culture of ABN AMRO Clearing Bank.

With regard to financial reporting, the Audit Committee reviewed and discussed the Annual Report 2013 of ABN AMRO Group N.V. and the Annual Financial Statements 2013 and all annexed information. The Audit Committee also discussed the Interim Financial Report 2013, quarterly press releases and the findings in the independent auditor's report on the financial statements with members of the Managing Board and the independent external auditor. The financial results and the development of these results, including the special items, were extensively discussed during each meeting. In addition, the Audit Committee discussed certain financial reports issued to the supervisory authorities and the Management Control Statement. The Audit Committee also discussed the interim-dividend proposal and the dividend proposal for 2013.

The Audit Committee also discussed the audit reports of Group Audit, which present opinions about, among other things, internal control, governance, risk and compliance processes on a quarterly basis. The Audit Committee was regularly updated on the main findings of the independent external auditor, including the findings reported in the independent external auditor's management letter on, among other things, financial reporting, the loan portfolio and internal control. Particular attention was devoted to the follow-up by management on the findings of the independent external auditor regarding the valuation of financial instruments, the application of hedge accounting and the steps taken to improve to IT systems, processes and controls. In addition, the main findings from the audit on 'soft controls' conducted by the independent external auditor were discussed, as well as a report on complaints by clients. Furthermore, the Audit Committee kept closely abreast of the correspondence and communication with the Dutch central bank and other regulators, as far as audit-related issues were concerned. The Audit Committee was also updated on the bank's fiscal position.

The performance and independence of the external auditor (KPMG) was evaluated and discussed, and the Audit Plan 2013 of the external auditor was discussed. Furthermore, the Audit Committee approved the Auditor Independence Policy, which was amended in response to new regulations regarding non-audit related services by the external auditor. The Audit Committee also approved the Audit Charter (which was amended slightly), adopted the audit plan for Group Audit and discussed the progress of the audit plan. Furthermore, the external evaluation of the functioning of Group Audit was discussed.

Remuneration, Selection & Nomination Committee

The Remuneration, Selection & Nomination Committee met on five occasions in 2013. All members of the committee were present at all meetings held in 2013, except that one member missed out on one meeting. In addition, the meetings were attended by the Chairman of the Managing Board, the member of the Managing Board responsible for People, Regulations & Identity and representatives of HR and the Company Secretary.

In 2013, the Remuneration, Selection & Nomination Committee devoted attention to succession planning for senior management. The Committee discussed specific remuneration issues in an international context. Other main focus areas were variable remuneration for senior staff members in connection with expected legislation in the Netherlands, the approval of the list of Identified Staff members in line with the bank's policies and the financial and non-financial targets for the Managing Board and senior staff members. The Managing Board informed the Committee on the adjusted gatekeeper procedure for Identified Staff. The Committee also was regularly updated on the negotiations on a new collective labour agreement, challenged the Managing Board on its approach and kept close track of the progress of these negotiations. In this respect the Committee was also updated on the intention to adopt a defined contribution pension scheme instead of a defined benefit pension scheme and the consequences thereof.

Risk & Capital Committee

The Risk & Capital Committee met on four occasions in 2013. All members of the Risk & Capital Committee were present at each of these meetings. In addition, these meetings were attended by the Chairman of the Managing Board, the CFO and the CRO. The heads of Group Audit, ALM/Treasury, Central Risk Management, Compliance and Legal were also present at meetings. In addition to the meetings of the Risk & Capital Committee, the Chairman of the Risk & Capital Committee regularly held individual discussions with the Chief Risk Officer. All relevant issues discussed during the Risk & Capital

Committee meetings were reported to the full Supervisory Board in subsequent meetings of the Supervisory Board.

In 2013 the Risk & Capital Committee devoted special attention to the review of commercial real estate performed by the Dutch central bank and the AQR performed by the European Central Bank in anticipation of the single supervisory mechanism. The Committee extensively discussed the bank's preparations to perform these reviews and the potential impact of the reviews. Another focus area was the level of loan impairments. During each meeting, the Committee extensively discussed the company's Enterprise Risk Management Report, paying special attention to credit risks in view of the substantial amount of loan impairments. The Committee was updated twice on the measures taken to prevent loan impairments and discussed the background of potential losses. During one of its meetings a full credit portfolio review per sector was discussed. Furthermore, the Committee discussed the impact of increasing national and international laws, regulations and regulatory expectations.

The Committee provided recommendations to the Supervisory Board on approval of the adjusted risk appetite for 2013 and the risk appetite for 2014. The Committee reviewed the company's capital and funding plan and was updated at each meeting on the bank's capital structure and was pleased with the progress made. Implementation of Basel II and Basel III was also closely monitored. In this respect, the committee was updated separately on developments of risk models within Markets. Furthermore, during one of its meetings, the committee was updated on relevant fiscal matters by the Head of Tax. The Risk & Capital Committee performed an in-depth review of the bank's response to cybercrime, strengthening the Committee's understanding of the associated risks and mitigating measures. The Committee kept closely abreast of the correspondence and communication with the Dutch central bank, the AFM and other regulators, as far as issues within the mandate of the Committee were concerned. The Committee was updated twice on an integrated programme designed to further develop the risk management organisation. The Committee was also updated on a programme which aims to take the Compliance department to the next level of maturity.

Other recurring agenda items included reports on all material compliance issues and reports on legal files.

More information on the risk, capital, liquidity and funding related topics discussed in the Risk & Capital Committee is provided in the Risk & Capital Management section.

Performance evaluation

The Supervisory Board reviews its performance and that of the Supervisory Board committees on an ongoing basis. The Supervisory Board is currently carrying out a review of its own performance over full-year 2013, supported by a well-known independent corporate advisory firm. This includes an evaluation of the introductory and lifelong learning programmes.

Other important topics covered in the evaluation are the Supervisory Board's role with respect to strategy, risk management and internal control, the Supervisory Board dynamics, the composition and expertise of the Supervisory Board and the functioning of the Committees of the Supervisory Board.

The Dutch Banking Code requires a three-yearly full-scope review of the Supervisory Board's own performance carried out by an independent external supervisor. The Supervisory Board recognises the importance and added value of this review.

remuneration report 5

This section briefly sets out the remuneration philosophy for all employees. The remuneration policy and practices for the Managing Board, Supervisory Board and Identified Staff are discussed in greater detail in subsequent sections.

Remuneration philosophy

ABN AMRO's strategy is based on five pillars (see Strategy section). These strategic pillars are embedded in ABN AMRO's remuneration philosophy as follows:

Remuneration philosophy

Strategic priorities...	...reflected in remuneration philosophy
Enhance client-centricity	1. Reflected in type of KPIs that are being used (what type of performance is being rewarded?)
Invest in our future	2. Being able to attract and retain the best people by being a Top Class Employer
Moderate risk profile	3. Adhere to all applicable rules and regulations on compensation
International ambition	4. Remuneration policies should be in line with local market practice and ABN AMRO's international strategy
Improve profitability	5. Reward performance against defined objectives while at the same time encouraging cost-conscious objectives

Client centricity: we put our clients' interests centre stage in our performance management cycle

As described in the HR chapter of this Annual Report, ABN AMRO has developed a set of core values and Business Principles that support us in pursuing our goal of being a bank that creates sustainable value and puts clients' interests centre stage. In our performance management cycle, we set Key Performance Indicators (KPIs) that reflect these core values and Business Principles. We use both financial and non-financial targets, which are always aligned with our strategy. Whereas the integration was a major focus point in recent years, the focus is shifting increasingly towards targets that support client centricity.

We use one appraisal philosophy based on a uniform model and process for all employees. In the annual mid-year and year-end meetings that are held with each employee, we assess whether the employee's performance has contributed to reaching our strategic goals. In 2013, the bank continued implementing further guidelines for performance management to mitigate risks of improper incentives such as excessive risk-taking or behaviour that is not in the interests of our clients.

Investing in our future: we attract and retain the best people

We realise that an organisation is only as good as its employees are. This is reflected in the fact that one of the key elements of ABN AMRO's long-term corporate strategy is our ambition to become a Top Class Employer. We acknowledge that the composition of the labour market is changing and that, if we want to attract and retain the best people over the coming years, we need to adapt our HR and Reward strategy accordingly. Being a Top Class Employer involves further strengthening accountability for performance (which links up with our performance management approach) and promote initiatives such as 'personalise your work environment' and 'personalise your benefits'. We conduct benchmarking in order to make sure that our employee value proposition qualifies as sufficiently competitive in all markets that we are active in.

Moderate risk profile: we adhere to applicable rules and regulations and use appropriate risk adjustments

ABN AMRO adheres to the relevant external regulations and guidelines that regulate remuneration in the financial sector. In the Netherlands, these include:

- The Dutch Banking Code;
- The Dutch Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 *(Regeling Beheerst Beloningsbeleid Wft 2011 – RBB)*;
- The Dutch act on limitation of liability DNB and AFM and bonus prohibition for state-supported enterprises (*Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen*, or Bonus Prohibition Act);
- CRD IV.

In addition to the above, we adhere to the rules and guidelines in other locations where and when applicable, while always aiming to strike a good balance between local market practice and the bank's international strategy.

We also make sure that we use appropriate risk adjustments in our remuneration process, in part by:

- safeguarding an adequate focus on performance via our remuneration schemes;
- striking the right balance between financial and non-financial KPIs;
- including a risk/reward target in KPIs;
- following strict governance processes and setting a cap on maximum remuneration.

International ambition: we provide for local flexibility, while remaining in control

One of our strategic pillars is the ambition to expand internationally. This implies that we need to be able to attract, motivate, develop and retain high performing, engaged staff in markets that differ from the Netherlands in terms of scarcity of the labour market, economic growth and applicable rules and regulations. These differences do not always provide for a level playing field, but we are fully aware of the relevant differences and our remuneration policies ensure a sufficient level of flexibility in order to be able to operate in each local market, while at the same time making sure that our remuneration policies qualify as constrained and sound. Our reward programs aim to be aligned across organisational and country boundaries, while we respect the need for deviation in order to respect local differences.

Improving profitability: we are cost conscious

Our annual performance management cycle supports us in our drive to continuously improve our business profitability. It also ensures there is a clear link between performance (realistic, sustainable results) and reward.

We position pay packages in principle at the median of the relevant labour market. We focus strongly on keeping labour costs under control. Where relevant, we take account of remuneration benchmarks. These benchmarks are, however, only used to support decisions, not to determine them.

Remuneration policy Pillar 3

ABN AMRO's Global Reward Policy

The bank's remuneration pillars as described above are embedded in ABN AMRO's Global Reward Policy. This policy is designed to support ABN AMRO's business strategy, objectives, values and long-term interests. It provides a framework for us to effectively manage reward and performance across the bank, both in the Netherlands and abroad.

The Supervisory Board approves the general remuneration principles laid down in the Global Reward Policy and assesses the general principles and exceptions that relate to the applicable governance and/or international structures.

As a result of the many amendments to the applicable guidelines and regulations within the financial sector, the Global Reward Policy needs to be kept aligned with all relevant developments. The Supervisory Board therefore reviews the policy regularly, considering the company's strategy, risk awareness, targets and corporate values as well as relevant market practice. External requirements with respect to governance, the international context and relevant market data are also taken into account. Whenever relevant, the Supervisory Board receives input from Control Functions such as Risk, Compliance, HR and Audit.

With effect from 2011 and in accordance with the bank's risk profile, risk appetite and strategy, ABN AMRO has adhered to all relevant remuneration restrictions within its related and/or associated companies, branch offices, and direct and indirect subsidiaries, including those established in off-shore financial centres and has made the relevant adjustments to the Reward Policy. The rules apply not only to the Managing Board, but also to those staff whose professional activities could have a material impact on the bank's risk profile. Within ABN AMRO this group is indicated as Identified Staff, consisting of members of the Managing Board, all members of the Management Group[1], staff responsible for independent control functions, other risk takers and other employees whose total remuneration takes them into the same remuneration bracket as senior managers and risk takers. The definition of the group of Other risk takers follows from credit, market and liquidity risk analyses as undertaken annually by the Group Risk Management Team on the basis of RWA thresholds, membership of certain Risk Committees, the level of P&L budget and responsibilities.

Changes in 2013

After implementation of the Dutch Regulation on Sound Remuneration Policies during 2011 and 2012, there was an increased focus on optimisation of processes related to this regulation in 2013. Furthermore, the importance of non-financial performance measures was further elaborated in 2013.

Expected changes

Implementation of the remuneration principles under CRD IV in ABN AMRO's remuneration policies and associated employment agreements took effect as from 1 January 2014. ABN AMRO has undertaken measures to comply with these European capital requirements. Furthermore, during the course of 2014, it is expected that several

[1] The Management Group is a group of senior managers positioned in management layers below the Managing Board level. The majority of this group is employed on a Dutch employment contract and are based in the Netherlands, whereas a smaller part is positioned abroad and may be employed under a non-Dutch contract.

European regulatory technical standards will be adopted which will, among other things, impact the selection procedure of Identified Staff and set further standards and definitions with respect to fixed and variable remuneration.

In the Netherlands, additional legislation in the form of the a new Act, the *Wet Beloningsbeleid Financiële Sector,* is expected to be finalised in 2014 with an expected implementation date of 1 January 2015. This is very likely to further impact remuneration policies and practices within ABN AMRO. The Supervisory Board will take all such measures into account in keeping ABN AMRO's remuneration policies aligned with relevant and applicable terms and conditions. This also applies to the new Dutch Clawback Act that foresees in extended clawback provisions and became effective as of 1 January 2014. Measures to apply the expected widened scope of this act with applicability to all employees of Dutch financial institutions through the *Wet Beloningsbeleid Financiële Sector* will be taken in time before the expected implementation date of 1 January 2015.

A new collective labour agreement for ABN AMRO employees in the Netherlands for 2014 and beyond is currently being negotiated. Changes in the pension scheme that follow from new Dutch legislation as per 2014 such as decrease accrual and higher pensionable age are being implemented in 2014.

Remuneration principles for Managing Board and Identified Staff Pillar 3

The following sections provide details of the remuneration principles for the Managing Board and for employees that qualify as Identified Staff.

Managing Board

In addition to setting policy, the Supervisory Board executes the remuneration policy for the Managing Board members. The policy as proposed by the Supervisory Board has been approved by the shareholder(s).

ABN AMRO has always aimed for a level of total compensation slightly below the median of the relevant markets. A peer group of companies has been defined against which remuneration proposals for the Managing Board were assessed. These companies are comparable in terms of scope and compete with ABN AMRO in attracting and retaining talent and competent managers. The basic reference group for financial institutions consists of 14 companies within the Netherlands, Belgium, Germany, France and the United Kingdom. In addition, a cross-industry market analysis has been performed against companies listed on the Dutch AEX, i.e. both financial and non-financial companies.

As mentioned in the 2012 Remuneration report and pursuant to the Bonus Prohibition Act that became effective with retrospective effect to 2011, restrictions for the members of the Managing Board have become applicable. As a result, the Supervisory Board decided that as from 2011, Managing Board Members may not participate in ABN AMRO's RBB-compliant variable compensation plan during the period of state support.

After careful consideration and with due observance of the one-off transition arrangement included in the Bonus Prohibition Act, the Supervisory Board decided to award the members of the Managing Board a temporary fixed allowance. This allowance of EUR 100,000 (gross), which represents 16.67% of the 2011 annual salary, applies effectively as from 1 January 2012 for as long as the Bonus Prohibition Act is applicable to ABN AMRO. The Chairman of the Managing Board is not entitled to this allowance. All six Managing Board Members have waived their entitlement to this allowance for the calendar year 2013.

Management Group and other Identified Staff

ABN AMRO strives to position the level of total direct compensation for Management Group members just below market median levels. A relevant peer group of companies in both financial and non-financial sectors has been composed to make this assessment. In principle, variable compensation for the Management Group is capped at 100% of base salary.

ABN AMRO's collective labour agreement governs remuneration packages for Identified Staff based in the Netherlands who are not Management Group members. For Identified Staff based in markets outside the Netherlands, ABN AMRO takes account of the relevant business dynamics (e.g. market conditions, local labour and tax legislation) when deciding on the composition of the reward package.

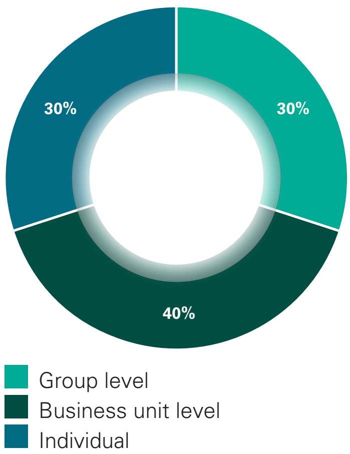
Composition of remuneration package for Identified Staff

The remuneration packages for Identified Staff have been structured in accordance with the regulations for the financial sector described above. Where applicable, a typical remuneration package for Identified Staff consistsof the following components:

- annual base salary;
- annual variable remuneration (with deferred payout);
- benefits and other entitlements.

Performance is measured during a one-year performance period. Performance is measured at various levels such as group, business unit and individual level and by means of (partly) risk-adjusted financial and non-financial performance indicators:

Composition of remuneration package Identified Staff



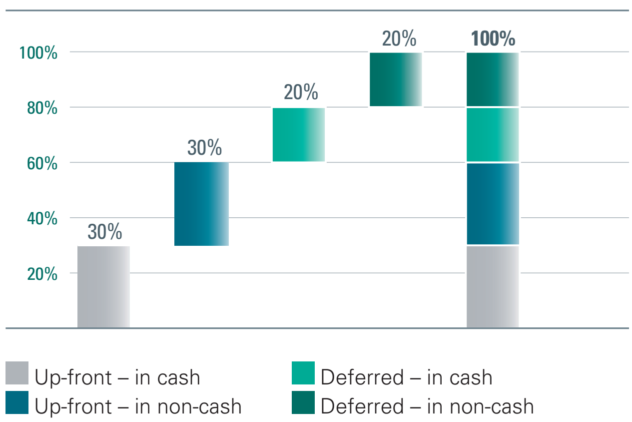
Example of key performance indicators[1] for Identified Staff

	Weight Managing Board	Weight Management Group	Weight non-Management Group
Financial: RARORAC, C/I ratio, Loan-to-Deposit ratio, Core Tier 1 ratio, Cost ceiling	40%	30% - 45%	40% - 50%
Non-financial: Enhance Client Centricity, Client satisfaction, Employee engagement, Sustainability, Diversity	40%	30% - 45%	40% - 50%
Personal financial: Cost ceiling business line	10%		-
Personal: Leadership, behaviour	10%	30%	10% - 20%

[1] Minimum weight per KPI equals 10%.

In accordance with the Variable Compensation Plan, any variable remuneration elements for Identified Staff are awarded over time in equal up-front (60%) and deferred (40%) parts in line with the following scheme:

Payout scheme



The following applies to deferred remuneration:

- The deferred part vests in equal instalments in the three years following the first payment;
- The deferred part will only vest after an explicit ex post risk assessment: the 'malus assessment'. This assessment is conducted by the Control Functions Risk, Compliance, HR, Finance and Group Audit. The Managing Board and Supervisory Board decide whether any malus is to be applied. During this malus assessment, it is determined whether any new information is available which should prevent the vesting of deferred parts, e.g. relating to:
  - Evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct or other internal rules, especially concerning risks);
  - The institution and/or the business unit subsequently suffers a significant downturn in its financial performance (specific indicators are to be used);
  - The institution and/or the business unit in which the staff member works suffers a significant failure of risk management;
  - Significant changes in the institution's economic or regulatory capital base.
- The non-cash instrument fluctuates in line with the net asset value of ABN AMRO;
- A two-year retention period is applied to the non-cash instrument, so that any unconditional instrument will need to be retained for an additional two years;
- For a specific group of Identified Staff, the settlement in cash of the non-cash instruments is capped at 50% of the applicable maximum amount of variable compensation.

Outcome of malus assessment for performance years 2011 and 2012

The Supervisory Board decided that on the basis of the reassessment as performed by the Control Functions there was no reason to apply a collective or individual malus for:

- the second deferred variable compensation tranche with respect to the 2011 performance period; and
- the first deferred variable compensation tranche with respect to the 2012 performance period.

This means that one-third of each of the deferred variable compensation awards with respect to the 2011 and 2012 performance years will now vest for the relevant Identified Staff.

The Supervisory Board has discretionary power to adjust any variable compensation downwards to a suitable amount if, in its opinion, payment of the compensation would be unacceptable under the principle of reasonableness and fairness. The Supervisory Board is also authorised to reclaim any variable remuneration over any performance period if the award, calculation or payment has been based on incorrect data or if the performance conditions were not achieved in hindsight ('clawback'). The recipient will then be obliged to repay said amount to the bank.

Personal hedging or insurance linked to remuneration and liability in order to circumvent the risk control effects that have been embedded in the variable compensation plan are not permitted.

Details on remuneration of Managing Board in 2013 Pillar 3

Further details on remuneration

Annual base salary

The annual base salary in 2013 was equal to 2012. Salary adjustments for the Managing Board follow the developments in the collective labour agreement for the banking industry (Algemene Bank CAO) which did not result in any increase for 2013. The annual base salary for the members of the Managing Board amounted to EUR 607,500. The Chairman's salary during 2013 was EUR 759,375.

Variable remuneration

Although the remuneration package for the members of the Managing Board provides for a variable compensation component, the Bonus Prohibition Act does not allow such compensation opportunity for board members of financial institutions that fall under the scope of this Act.

The members of the Managing Board will therefore not be entitled to receive variable compensation with respect to the 2013 performance year.

Benefits

In 2013, the Chairman and the members of the Managing Board participated in the ABN AMRO pension scheme. The pensionable salary of the Managing Board members is 100% of the annual base salary minus the defined reduction (known in Dutch as franchise). The standard retirement age of Managing Board members in 2013 was 65 based on an average income accrual (2.15% per year). Early retirement is an option. The ABN AMRO Pension Fund manages the pension plan. As per 1 January 2014 the standard retirement age for Managing Board members will shift to 67 years whereas the average income accrual will be lowered from 2.15 to 2.05%. These changes are in line with the new Dutch pension legislation. Managing Board members are also eligible to receive additional benefits, such as the use of a company car and a designated driver.

Severance

In the event of redundancy, a severance payment equal to one gross annual salary will apply.

Appointment Period

Managing Board members are appointed for a period of four years. Further information on the composition and profiles of the members of the Managing Board is provided in the Corporate governance section.

Details of the remuneration of the individual members of the Managing Board in 2013 are provided in note 42 to the Annual Financial Statements.

Managing Board performance in 2013

ABN AMRO's performance management framework supports the performance of the Managing Board. Collective financial and non-financial targets are set for all Managing Board members in order to measure performance at Group level. Individual performance measures are also set for each individual Managing Board member.

The performance of the Managing Board members was assessed by the Supervisory Board. The Managing Board members delivered on-target performances in 2013. As a consequence of the Bonus Prohibition Act, the members of the Managing Board are, however, not eligible to receive the corresponding percentage of variable remuneration with respect to the 2013 performance year.

Disclosure further to Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 *(Regeling Beheerst Beloningsbeleid Wft 2011)* Pillar 3

The tables below provides information on aggregated pay for Identified Staff, broken down into:

- Business segment;
- Fixed and variable;
- Cash and non-cash instrument (so called 'performance certificates').

Aggregated total compensation over 2013 per business segment as at 31 December 2013

(in thousands)	Number of FTEs (Identified Staff)	Aggregated figure
Retail Banking	14	4,024
Private Banking	34	16,460
Commercial Banking	19	6,087
Merchant Banking	66	19,048
Group Functions[1]	88	26,171
Total	221	71,790

[1] All Managing Board members are reported under Group Functions.

Details of aggregated total compensation over 2013

	Number of FTE's		
(in thousands)	Management Group	Non-Management Group Identified Staff	Aggregated figure
Fixed compensation over 2013	121	100	47,302
Variable compensation over 2013	101	92	24,488
of which in cash			12,244
of which in performance certicates			12,244
of which unconditional (up-front payment)			14,693
of which conditional (deferred payment)			9,795
Sign on bonus over 2013[1]	1		-
Severance pay over 2013	9		4,885
Highest severance pay over 2013			868

[1] Not disclosed for confidentiality reasons.

Remuneration of Supervisory Board members Pillar 3

The remuneration of members of the Supervisory Board is set by the General Meeting of Shareholders based on a proposal of the Supervisory Board. The remuneration of Supervisory Board members is independent of ABN AMRO's financial results. ABN AMRO does not grant shares or options to Supervisory Board members in lieu of remuneration. The remuneration did not change over 2013.

Details on the remuneration of members of the Supervisory Board in 2013 are provided in note 42 to the Annual Financial Statements.

central works council 6

Central works council

The Central Works Council and individual Works Councils were elected into office in April 2011 for a period of three years. The final year of the Central Works Council was 2013. Together with the European Staff Council, the Central Works Council and individual Works Councils form the bank's employee representation bodies. The bank considers these bodies to be stakeholders. Important decisions can be implemented more successfully if they are taken with the involvement of the employee representation bodies. These bodies have the legal authority to advise on, give their consent to and introduce proposals relating to the bank's employees and the continuity of the bank.

Renewed employee representation: less is more

A work group consisting of members of most of the bank's Works Councils conducted a study in 2012 and 2013 on new forms of employee representation. The Works Councils and Managing Board provided feedback on various models submitted by the work group, which ultimately presented a renewed employee representation model for the coming term referred to as the participation model. The employee representation bodies held elections on 21 November 2013 for most of the bank's Works Councils, and the new councils took up office on 1 December 2013.

A noteworthy feature of the new structure is that employee representation is strengthened by a smaller number of Works Council members and an active pool of colleagues known as 'participants'. The council seats are broken down as follows:

- Works Council members comprise 50% of the legal number of seats;
- participants comprise the other 50%.

As part of a pilot, the councils will investigate whether the new model increases employee involvement in the bank's operations. During the pilot, the employee representation bodies will serve a term of two years.

Subjects discussed in 2013

The Central Works Council discussed the Managing Board's proposals in the following areas:

- Binding Corporate Rules, the ABN AMRO policy that sets out rights and obligations regarding privacy in relation to the bank's stakeholders;
- the planned appointment of Kees van Dijkhuizen as a member of the Managing Board and CFO of ABN AMRO;
- various changes to the execution of social regulations, such as the Dependants Benefits Act (ANW) shortfall, Sickness Benefits Act and Resumption of Work Regulation (WGA).

From the first quarter of 2013, the Managing Board involved the Central Works Council in formulating a standpoint on privatisation and the options for doing so that are open to the Minister of Finance. In the summer of 2013, the Central Works Council presented to the Managing Board its vision on possible anti-takeover mechanisms to protect the bank from ending up in the position it was in during the spring of 2007.

The Central Works Council's vision included a suggestion to explore the possibility of introducing sustainable shareholdership for employees. NLFI appended the Central Works Council's standpoint to the advice submitted to the Minister of Finance.

Consultation with the Managing Board in 2013

The discussions between the representative Managing Board member and the Central Works Council were held in an open and constructive atmosphere. The two parties met in consultative meetings and on various other occasions throughout the year. The Central Works Council officially met with the Chairman of the Managing Board on two occasions in 2013. Central Works Council delegations discussed ongoing matters with the Managing Board members on several occasions, including general affairs, progress made on implementation of the strategy, the annual and interim financial results and the bank's prospects. This dialogue was also conducted in an open and constructive manner.

The Central Works Council also held consultative meetings with the other members of the Managing Board, concentrating on the bank-wide consequences of changes made to the businesses for which each Managing Board member is responsible. In these meetings, the Central Works Council reviewed the experiences of employees it represents regarding cooperation with the businesses for which each Managing Board member is responsible.

Contact with the Supervisory Board and the shareholder

The Central Works Council, Managing Board and Supervisory Board made arrangements in 2011 on further strengthening their relationship, including the right to address the meeting and put forth views during shareholders' meetings. This was put into practice during the annual shareholders' meeting on 28 March 2013.

The Central Works Council chairman held meetings periodically with the Chairman of the Supervisory Board. Delegations from the Central Works Council, Managing Board and Supervisory Board maintained regular contact, and the Central Works Council met with the Supervisory Directors appointed through nomination by the Central Works Council.

All of these meetings were held in an open manner, all participants were treated as equal members and all worked in earnest to help further develop a healthy, stable business with roots in the Netherlands.

Tripartite consultation

The Central Works Council, Managing Board and Supervisory Board meet once a year in a tripartite consultative meeting. In October 2013, Paul Schnabel, former Director of the Social and Cultural Planning Office, and Han de Jong, Director of ABN AMRO Group Economics, opened this meeting with an interactive session, exploring the bank's long-term strategy from a macroeconomic perspective. This was the prelude to a lively debate in the meeting.

responsibility statement 7

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Managing Board state that to the best of their knowledge:

- The Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of ABN AMRO Group N.V. and the companies included in the consolidation;
- The Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2013 of ABN AMRO Group N.V. and of its affiliated companies, of which data is included in its Annual Financial Statements;
- The Annual Report describes the material risks with which ABN AMRO Group N.V. is faced.

Amsterdam, 7 March 2014

The Managing Board

Gerrit Zalm, Chairman
Johan van Hall, Vice-Chairman
Kees van Dijkhuizen, Member
Caroline Princen, Member
Wietze Reehoorn, Member
Chris Vogelzang, Member
Joop Wijn, Member

Managing Board report

business & strategy

economic environment 8

The global economy recovered in 2013, but the remaining traces of the crises of recent years ruled out strong growth. The modest revival witnessed so far in 2014 appears to be gaining momentum. The Netherlands seems to be catching up with the global recovery.

A turn for the better

As is often the case, emerging economies produced the highest growth figures. The United States saw a slight rise in gross domestic product (GDP); the eurozone economy, however contracted, with the Netherlands once again lagging behind. The world's biggest economy, the United States, contended with significant tax hikes, federal cutbacks and the government shutdown. The US central bank, the Fed, hinted in the spring that it would scale back its support measures for the financial markets sooner than expected. This had a negative impact on the financial climate. There were, however, a number of favourable developments in the US: the housing and labour markets perked up, businesses posted record profits, many households strengthened their finances and the era of sizeable spending cuts came to an end. The Fed began to reverse its reflationary policy in early 2014. It is doing so at a controlled pace, though, in order to avoid disturbing the economic recovery. Most economic indicators are pointing to an improvement. All of these developments indicate that growth will be higher in 2014 than it was in 2013.

Despite the relatively high growth figures, 2013 was a difficult year for emerging economies, which suffered from meagre growth in industrial countries. Many emerging markets also depend on capital inflows, making them particularly vulnerable to international investor sentiment. Lack of clarity about US monetary policy depressed this sentiment. Structural problems and large external deficits made emerging economies even more vulnerable, and the end of the commodities boom hit a number of them hard. Yet we also saw significant growth. Thanks to domestic dynamics and the growth of global trade they will presumably be able to maintain high growth figures. However, less favourable scenarios are also quite possible.

Eurozone turnaround

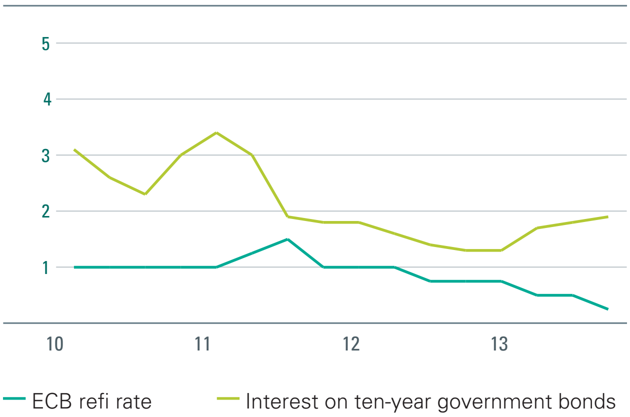
Although the euro crisis had already lost its sting in 2012, the 'domestic' eurozone economy struggled to break free of the crisis in 2013. This is illustrated by the decline in bank lending caused by stricter credit conditions and lower credit demand. The appreciation of the euro against the dollar hindered European exporters. The persistent recession came to an end in the second quarter of 2013, when a period of low-level growth began aided by stronger global trade and the disappearance of an acute threat of crisis. A number of countries lowered the pace of government cutbacks, and some peripheral countries began to feel the benefits of restructuring programmes and lower wage costs per product unit. As a result, their competitive positions strengthened considerably. Against this background, we expect the eurozone to post positive growth figures in 2014, as opposed to 2012 and 2013.

Central banks keep interest rates down

At 1.5%, inflation in the US was moderate in 2013. The eurozone saw its inflation decline, from 2.5% in 2012 to 0.8% in December 2013, clearly below the ECB's target of below but close to 2%. This was caused by falling energy prices, a weak labour market and idle production capacity. The ECB lowered its refinancing rate in two steps, from 0.75% to 0.25%. At the same time, the bank announced that it would probably not raise its rates for a long time. The US economy has more growth potential in 2014 than that of the eurozone. That is why the US central bank has started to reverse the extremely loose monetary policy of recent years. Long-term interest rates in the US and eurozone increased in 2013. The movements were influenced by signs that the US was starting to tighten its monetary policy. These interest rates could rise slightly in the US and the eurozone in 2014, if both economies gain strength and as the Fed continues its very careful and gradual tightening. As the US will probably post more robust GDP growth than the eurozone, long-term interest rates are set to rise more quickly in the US.

Eurozone interest rates

%



Source: Thomson Reuters Datastream

Fluctuating financial markets

Compared with previous years, 2013 was a relatively quiet year for the financial markets. The markets were calmed by the ECB's liquidity-providing operations in 2011 and 2012 and its promise to acquire government bonds if necessary. The market's calm response to the Cyprus bail-in demonstrated that the acute crisis is over. Yet there are still traces of the credit and euro crises. The risk premiums that banks have paid since 2012 may have declined, but they are still higher than they were before the crisis.

Banks are contending with new regulations aimed at restoring trust in the industry. The new rules are bearing fruit: the capital ratios of eurozone banks have been on the rise for years. However, there is a danger that changes to regulations have become so far-reaching and complex that banks are no longer capable of implementing them thoroughly.

Bank lending contracted in 2013 due to a combination of tighter conditions and lower credit demand. Developments in the eurozone reflected the sluggish economy and changes introduced by lenders, either on their own initiative or in response to new regulations. The share of problem loans in total lending rose steadily between 2007 and the first half of 2013. ECB data shows that the banking industry in the eurozone has been shrinking since the start of the credit crisis according to different standards. The number of lending institutions has declined, as have total assets of these banks.

The market became increasingly fragmented, as witnessed by significantly lower lending and savings volumes in the peripheral countries. The wide interest rate gap between business loans in the peripheral countries and in other euro countries reflected this fragmentation, too.

Although there was clearly no longer an acute crisis in 2013, the markets were dominated by bankruptcies, a contraction of lending, implementation of new regulations and fragmentation. The price-to-book ratios for banks' equities were lower in the eurozone than in the US, demonstrating once again that the eurozone is an unfinished 'project'. Banks and national governments are too dependent on each other. This is an unviable situation because, due to the single currency, national governments do not have enough instruments to counter imbalances.

We therefore believe that the creation of the European banking union in 2014 is a logical step. A banking union can put an end to the stranglehold that banks and governments have on each other and can help end fragmentation and spur on prosperous financial integration. It implies, among other things, the creation of a Single Supervisory Mechanism, for which the ECB will assume responsibility. The establishment of a banking union requires a thorough admission procedure. After all, the plan will only succeed if it helps restore confidence in the European banking industry. A comprehensive balance sheet review, known as an Asset Quality Review, is therefore being held among around 130 major banks in 2014, including ABN AMRO. We expect this review to dominate the financial news in 2014. Some banks will implement changes to their balance sheets during the review, and market parties will take into account the expected results and credibility of reviews when taking decisions. Yet although the road to the banking union will be a bumpy one, this does not outweigh the assurance provided by a stable and trusted European banking market.

Lagging Dutch economy

Netherlands and neighbouring countries	Average GDP growth 2010-2013
Netherlands	0.1
Belgium	1.0
France	1.0
Germany	2.2
UK	1.2

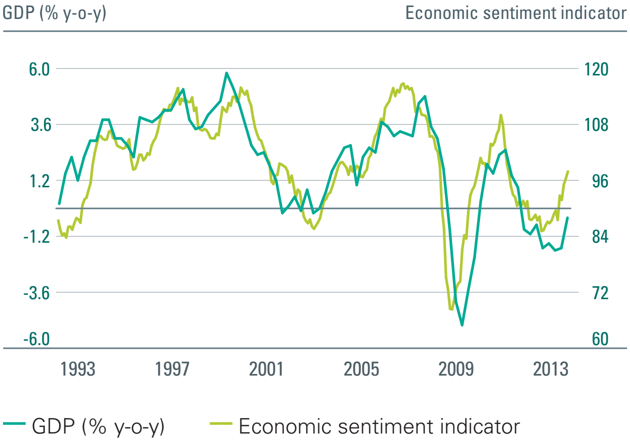
Source: Thomson Reuters Datastream

The Netherlands once again in 2013 suffered from a weak economy, which contracted for the second year in a row. In this respect, the Netherlands has underperformed its neighbours – Germany, Belgium, France and the UK – since 2010. The government cut back on spending, and consumers were cautious as purchasing power fell for the fourth successive year in 2013. Companies with defined benefit pension schemes were faced with increased pension costs. The Dutch banking market was affected by a high level of bankruptcies, in particular in the SME segment. In addition, the sector was faced by developments that adversely impacted trust. On the other hand, the Dutch housing market stabilised during the second half of 2013.

Pension premiums and benefits came under upward and downward pressure, respectively, mainly due to higher life expectancy and low interest rates. The latter factor caused the cash value of pension fund obligations to rise. Note 30 to the Annual Financial Statements provides an overview of how ABN AMRO's pension schemes were impacted. Other countries, most of which do not have a comparable pension system, do not have this 'luxury problem'. Additionally, unemployment continued to rise in the first seven months of the year. Private consumption therefore shrank again in 2013, continuing a development started in 2009. Exports, on the other hand, have done much better, showing growth since 2010.

After having grown slightly in the second and third quarters, the economy began to grew faster in the fourth quarter of 2013, thanks mainly to an increase in car sales. It appears as if the recovery will continue into 2014. We assume that exports will benefit from a pick-up in global trade; plus the housing market is nearing a turnaround. As the graph shows, economic indicators improved sharply in 2013, pointing to a return of year-on-year economic growth in 2014.

Sentiment and growth of Dutch economy



Source: Thomson Reuters Datastream

Difficult year for Dutch banking market

The financial markets in the eurozone underwent various ups and downs in 2013, which had an effect on the Dutch banking industry. The year was coloured by problems with individual institutions, economic adversity and changes designed to ensure compliance with new regulations.

The volume of outstanding residential mortgages virtually stagnated, while corporate lending contracted slightly, with small and medium-sized businesses hit particularly hard. Factors relating to both supply and demand were at play here. Surveys conducted by DNB show that stricter conditions were applied to lending to SMEs and mortgages. Rising costs of capital for banks played a role, but gloomy risk perceptions were the main factor. The changing risk perceptions were caused by the aftereffects of the euro crisis. Due to the recession, there were fewer creditworthy companies and a growing number of problem loans for Dutch banks, especially loans to SMEs. At the same time, the surveys show that, according to banks, credit demand of SMEs came down for the fourth consecutive year. Demand developed similarly among larger companies, although the movements were more nuanced here than for SMEs. The cautious banking sector went hand in hand with cautious consumers. The Business, operating and financial review of Commercial &Merchant Banking discusses the impact on our results and the measures we have taken.

Dutch banks also pay risk premiums when financing on professional markets, although these premiums have been falling since 2012. The Dutch banking industry is very dependent on these markets. Savings by families generate only a limited inflow of funds for banks. A large part of household savings are 'forced savings' through pension funds.

The number of bankruptcies in the Netherlands rose again in 2013. Bankruptcies have a negative influence on credit risks and on loan loss impairments.

The Dutch bank SNS Reaal was nationalised in February 2013, as the bank was facing bankruptcy due to the valuation of its real estate portfolio. Later in the year, Rabobank reached agreement with supervisory authorities in relation to the Libor scandal. The effects of both of these events were felt industry-wide. Since the credit crisis began, banks have been working to restore trust, and several important steps have been taken. But the way ahead is long and complex, and the above events complicate the recovery of trust.

Stabilisation of Dutch housing market

The Dutch housing market entered calmer waters in the course of 2013. The number of house sales rose again in the second half of the year, and recent price movements indicate an impending reversal on the price front as well. An increase in the Market Indicator of the Homeowners' Association underscored an improvement in household sentiment related to the housing market.

Consumer confidence in housing market

Neutral mood value: 100

Source: Dutch Homeowners' Association (Vereniging Eigen Huis)

Sentiment improved for various reasons. First, the ongoing discussion about the mortgage interest tax relief subsided after reforms were implemented in 2013. Buyers are no longer afraid to make a move, now that they have more certainty about the tax treatment of their mortgages. Second, owner-occupied homes have become more affordable. Home prices have declined by 20% since the crisis began and the average mortgage interest rate including cost supplements has fallen by almost 2 percentage points. Third, the alternative to buying – renting – is less attractive. Rental increases have meant that costs for renters are rising more quickly than in the past. And fourth, there is an increasing shortage of housing, as the number of households is growing faster than the rate of construction of new homes. The impact on our mortgage portfolio composition and development is described in the Risk Management section.

Looking ahead to 2014

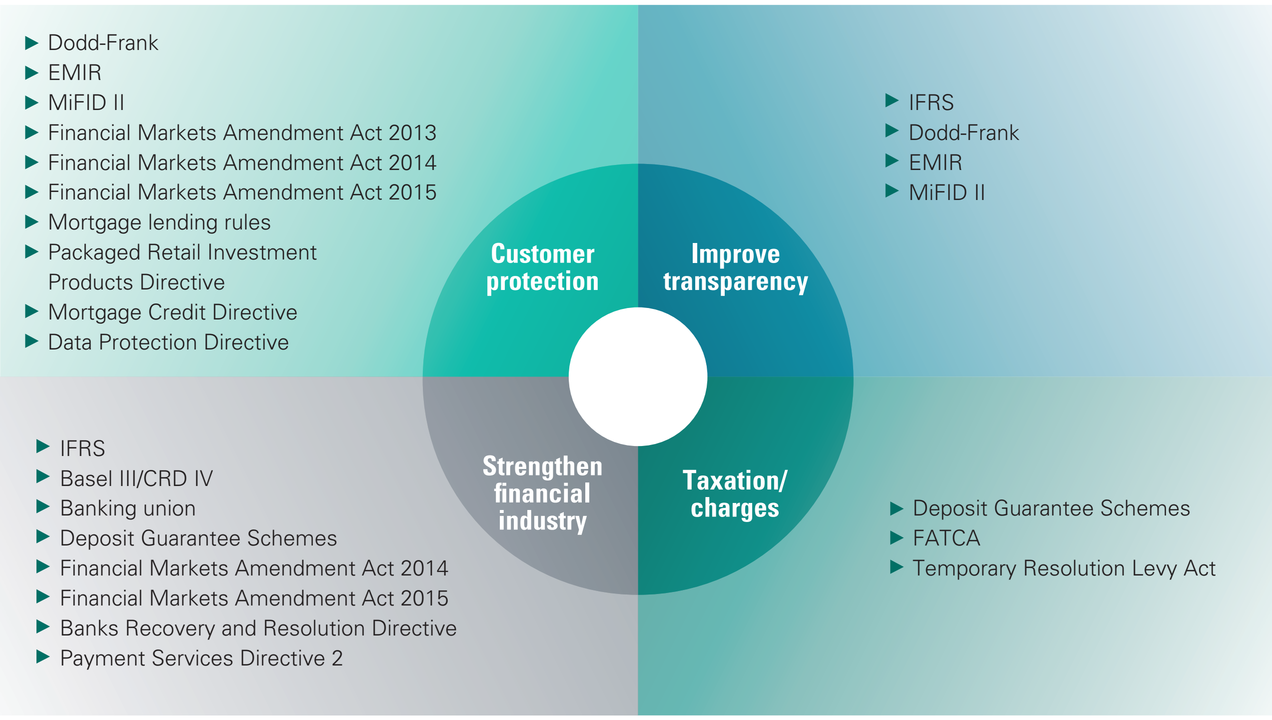
The global economy recovered in 2013, but growth was modest. We expect the recovery to gain momentum in 2014. The Netherlands struggled to work its way out of the recession and to keep pace with neighbouring countries. Compared with other countries, the Dutch economy was held back by ups and downs on the housing market and in pension funds, problems which other countries were spared.

We do not believe these typically Dutch problems are structural. The housing market is moving in the right direction, and the Dutch pension system offers a competitive advantage over other countries in times of population ageing, because it is to a large extent fully funded. The Netherlands is an open economy with robust import and export industries and sizeable incoming and outgoing direct investments. International ties offer consistent support. Dutch exports have made nearly a 50% contribution to economic growth in the past two decades. The Netherlands is often placed among the top ten international competitors in various rankings. The country's controlled development of wage costs results in cost advantages. Plus the Netherlands offers a sound business climate, an excellent infrastructure, an innovative business community and a reputable education system.

regulatory environment 9

The growing number of rules and regulations has made banking in today's world increasingly challenging. A wide range of new legislation has become effective and more new proposals will come into effect over the coming years. These regulations and proposals will affect the financial world and how banks operate.

New proposals are continuously being introduced at global, European and national level. ABN AMRO is continuously monitoring developments and preparing for the upcoming changes. 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. We will need to allocate a significant amount of resources to prepare for these changes. Given the volume of new laws and regulations that are relevant for us, we focus on the main regulatory changes that are expected to impact the bank.



Global regulation

The two main global regulatory developments are the introduction of Basel III and changes to accounting standards, mainly IFRS 9 and IAS 19.

Basel III

One of the most significant new regulatory developments is Basel III, which was introduced by the Basel Committee on Banking Supervision. Basel III proposes new capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. These proposals will be implemented in the European Union (EU) through a new Capital Requirements Directive and Capital Requirements Regulation known as CRD IV and CRR.

The introduction of capital standards and new capital buffers under Basel III means that ABN AMRO must hold more and higher-quality capital than under the Basel II rules. Basel III also introduces new liquidity and leverage ratios. The new liquidity ratios ensure that adequate funding is maintained in the event of a crisis. Implementation of the leverage ratio requirement has begun with bank-level reporting to supervisors of the leverage ratio and its components as from 1 January 2013, and will continue with public disclosure starting 1 January 2015. Any final adjustments to the definition and calibration of the leverage ratio will be made by 2017, with a view to determining the final leverage ratio on 1 January 2018. More detailed information is provided in the Risk & Capital Management section of this report.

IFRS

In addition to specific regulatory changes targeted at banks, ABN AMRO also faces changes in accounting standards and interpretations. One of the main changes expected in the coming years is the replacement of IAS 39 Financial Instruments: recognition and measurement by IFRS 9. IFRS 9 is expected to have a significant impact on impairment methodologies. In addition, the presentation of financial instruments on the statement of financial position and hedge accounting will be more in line with risk management policies. ABN AMRO is currently assessing the impact of IFRS 9. No effective date has been communicated yet. The main changes implemented as of 2014 relate to IFRS 10 Consolidation and IAS 32 Offsetting criteria. These changes are further explained in note 1 to the Annual Financial Statements – Changes in accounting policies and New accounting standards and interpretations.

The revised IAS 19 standard on employee benefits came into effect on 1 January 2013. The most significant change compared to the prior standard is the elimination of the so-called 'corridor' method. This elimination leads to the direct recognition of actuarial gains and losses in other comprehensive income. As a result of this amended standard, the equity position of ABN AMRO will be more volatile. More quantitative information is provided in note 30 to the Annual Financial Statements.

EU regulations

In addition to global regulations, the EU is working on a broad range of measures aimed at bringing more stability and transparency to the European financial sector. Major developments include the creation of a banking union, EMIR, MiFID II, a renewed Deposit Guarantee Scheme Directive, the PRIPS Directive, the Mortgage Credit Directive, PSD2 and the Data Protection Directive.

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 European Central Bank (ECB) will become the single supervisor for the prudential supervision of credit institutions that qualify as a significant bank. In the European Economic Area, some 130 banks 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 and liquidity requirements as well as governance. The SSM entered into force on 4 November 2013; however, the ECB cannot take binding decisions until the operational commencement of its supervision on 4 November 2014.

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

Single resolution mechanism

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

Single rule book

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

- **CRD IV & CRR**
  The Capital Requirements Directives (CRD IV) and the Capital Requirements Regulation (CRR) transpose the Basel III standards into the EU legal framework. CRD IV and CRR will apply from 1 January 2014 and set 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 any losses they may incur in doing business. Furthermore, these new rules will strengthen the requirements regarding banks' corporate governance arrangements and processes, for example regarding diversity within management and rules on bonuses. We expect the European Banking Association to introduce a large number of technical standards, guidelines and recommendations in the course of 2014, further defining EU banks' obligations;
- **EU Deposit Guarantee Scheme Directive**
  The European Parliament and the Council reached agreement on the new EU Deposit Guarantee Scheme (DGS) on 18 December 2013. The DGS continues to guarantee repayment of certain client deposits up to EUR 100,000 held at European banks in the event of bankruptcy or resolution. The new Directive will require banks to provide better information to depositors to ensure that they are aware of how their deposits are protected by the guarantee schemes. DGS funds will have to be established on a national level to be funded by ex ante, risk-based contributions from relevant banks. In the event of insufficient ex ante funds, DGS will collect immediate ex post contributions from the banking sector, and, as a last resort, they will have access to alternative funding arrangements such as loans from public or private third parties. Furthermore, access to the guaranteed amount will be faster and easier. The EU DGS is similar to the current Dutch system (see below under Dutch Deposit Guarantee Scheme), although certain elements differ, for example inclusion of corporate deposits in the EU proposal. It is currently unclear what extra demands the EU proposals will place on Dutch banks on top of those in the Dutch DGS;
- **Banks Recovery and Resolution Directive**
  The European Parliament and the Council reached agreement on the Bank Recovery and Resolution Directive (BRRD) on 11 December 2013, subject to technical finalisation and formal approval by both institutions. This Directive is scheduled to enter into force on 1 January 2015. Authorities are provided with the means to intervene decisively both before problems occur (for instance, by ensuring that all banks have recovery and resolution plans in place) and

early on in the process if they do (for instance, the power to appoint a temporary administrator in a bank for a limited period to deal with problems). Furthermore, the new law ensures through a bail-in mechanism that shareholders and creditors of the banks have to contribute to the loss absorption and recapitalisation of the bank should its financial situation be beyond repair despite the preventive measures. It also provides for a national, prefunded resolution fund that each Member State will have to establish and build up. All banks will have to pay into these funds, and contributions will be higher for banks that take more risks. The BRRD sets the stage for completing work on the Single Resolution Mechanism.

EMIR

The European Market Infrastructure Regulation (EMIR) on over-the-counter (OTC) derivatives, central counterparties and trade repositories entered into force on 16 August 2012. Regulations supplementing EMIR entered into force on 15 March and 15 August 2013. 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 CCPs and trade repositories. The main obligations relevant for ABN AMRO under EMIR are (i) central clearing for certain classes of OTC derivatives, (ii) the application of risk mitigation techniques for non-centrally cleared OTC derivatives and (iii) reporting of both listed and OTC derivatives transactions. EMIR will apply directly to any entity (financial as well as non-financial) established in the EU that has entered into a derivatives contract, and applies indirectly to non-EU counterparties trading with EU parties.

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

MiFID II and MiFIR

On 14 January 2014, an agreement in principle was reached by the European Parliament and the Council on updated rules for markets in financial instruments (MiFID II and MiFIR). The update covers topics such as market infrastructure, more robust investor protection and strengthened supervisory powers.

MiFID II increases equity market transparency and, for the first time, establishes a principle of transparency for non-equity instruments such as bonds and derivatives. Investment firms operating an internal matching system which executes client orders in shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments on a multilateral basis have to be authorised as a Multilateral Trading Facility (MTF). It also introduces a new multilateral trading venue, the Organised Trading Facility (OTF). To meet the G20 commitments, MiFID II provides for strengthened supervisory powers and 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 will introduce trading controls for algorithmic trading activities. Stronger investor protection is achieved by introducing better organisational requirements, such as client asset protection or product governance. The agreement strengthens the existing regime to ensure effective and harmonised administrative sanctions. A harmonised regime for granting access to EU markets for firms from third countries is based on an equivalence assessment of third country jurisdictions by the European Commission.

Packaged Retail Investment Products Directive

Packaged Retail Investment Products (PRIPS) are investment products offered to retail clients in 'packaged' form, which are exposed to investment risk irrespective of whether the products in question are securities, insurance or banking-based. Investors do not invest directly in the 'packaged' investment products; instead, the provider of the investment product combines, includes or groups together different assets in the packaged product. A complex patchwork of regulation has developed to address these risks, and inconsistencies and gaps in the patchwork have raised concerns as to the overall effectiveness of the regulatory regime, both in relation to its capacity to protect investors and its ability to ensure the markets work efficiently. These concerns have been further heightened by the impact of the financial crisis. Under the draft regulation, a standard key information document (KID), providing all relevant product information, will in future be provided by investment product manufacturers for PRIPs. The fact that the information document must be used for all product types will facilitate product comparison. The key information document will therefore enhance protection for small investors and create a level competitive playing field for investment product providers.

The European Council and the Council made proposals on 3 July 2013 and 23 June 2013; however, the European Parliament is still discussing what products should fall under the directive.

Mortgage Credit Directive

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

Payment Services Directive 2 and Multilateral Interchange Fees Regulation

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

The main objectives of the legislative package (PSD2) are (i) to make cross-border payments in the European Union as easy, efficient and secure as domestic payments, (ii) improve the level playing field (including new players) and (iii) facilitate the emergence of common technical standards and interoperability. The main objective of the Interchange Fees Regulation is to create a level playing field by removing barriers between national payment markets and allowing new entrants to enter the market, driving down the fees that retailers pay their banks and ultimately allowing consumers to benefit from lower retail prices.

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

Data Protection Directive

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

Dutch regulations

In response to the global economic downturn of recent years, and the direct effects on the Dutch economy, the Dutch government has introduced various measures aimed at protecting deposit holders and mortgage owners and at stabilising the Dutch banking sector.

Dutch Deposit Guarantee Scheme

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

Financial Markets Amendment Act 2013

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

Financial Markets Amendment Act 2014

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

Financial Markets Amendment Act 2015

A consultation document for the Financial Markets Amendment Act 2015 was published on 14 August 2013. The Amendment Act 2015 will probably enter into force on 1 January 2015. Two of the important changes contained in the Amendment Act 2015 are extension of the scope of the suitability and integrity test for daily policymakers (such as executive board members) and internal supervisors (such as supervisory board members) oflicensed financial undertakings, and the extension of the scope of the so-called Bankers' Oath to a broader group of people active in the financial sector. In addition, the consultation document addresses the abolition of government contribution to funding of supervision of the financial markets, modernisation of the right of collection of premium contribution by insurance brokers and new rules on registered covered bonds. Furthermore, supervision of accounting firms (including disciplinary rules for accountants) and the Money Laundering and Terrorist Financing Prevention Act are also part of the Amendment Act 2015.

Mortgage lending rules

A number of rules and regulations applying to the Dutch mortgage market entered into force in January 2013. These include fiscal measures that only allow tax deduction of interest payments for new borrowers of annuity or linear mortgages. This will probably lead to a gradual decrease over the coming years of the amount of interest-only mortgages in ABN AMRO's portfolio.

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

Temporary Resolution Levy Act

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

US regulations

A number of US regulatory measures have been introduced and have or will come into force in the coming years and which are expected to have a material impact on the banking industry. ABN AMRO has limited activities in the US, but the scope of these acts could potentially have an impact. Furthermore, the US government has introduced FATCA.

Dodd-Frank Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was passed into US law on 21 July 2010. The Dodd-Frank Act has been hailed as the most sweeping financial services regulatory reform legislation in the US since 1933. The legislation covers a broad spectrum of issues ranging from systematic supervision, changes to the regulation of investment advisors and regulation of OTC derivatives, to measures aimed at improving consumer protection.

Most of the impact on ABN AMRO's businesses is expected to result from the rules on OTC derivatives that are provided through the Markets business and also used in the hedging of ABN AMRO's global portfolio. For example, various provisions, such as mandatory clearing of swaps, trade execution though swap execution facilities and reporting of OTC derivatives, will apply to ABN AMRO when transacting with US persons. Other provisions will apply if ABN AMRO is required to register as a swap entity with the applicable US regulator. The US regulators for the derivatives markets are the US Commodity Futures Exchange Commission (CFTC) and the Securities and Exchange Commission (SEC). Their respective jurisdictions depend on the type of derivative. The CFTC has issued almost all of its final rules and regulations, while the SEC has not.

The CFTC finalised its cross-border application of the rules on OTC derivatives in 2013. ABN AMRO has not registered as a swap dealer with the CFTC.

The SEC has not published final registration rules and as of year-end 2013 there was no registered swap entity for those derivatives under its jurisdiction. However, unless the SEC clarifies or makes changes to the contrary, it is expected that ABN AMRO Bank N.V. will be required to register with the SEC as a security-based swap dealer. The finalisation date of the SEC rules is unknown at this point.

FATCA

The Foreign Account Tax Compliance Act (FATCA) was enacted by US authorities in March 2010. The objective ofFATCA is to increase the ability to detect US persons evading tax by holding accounts with so-called Foreign Financial Institutions (FFIs). FATCA imposes a maximum of 30% withholding tax on all US source payments to an FFI unless the FFI complies with client due diligence and certain reporting and withholding requirements. An FFI can be compliant by conducting an FFI Agreement directly with the US tax authorities or by way of operating in a wso-called Intergovernmental Agreement (IGA) jurisdiction. In an IGA jurisdiction, a local government has entered into an agreement with the United States to implement FATCA and the FATCA obligations are incorporated into local law.

The first major milestone for FATCA compliance is scheduled for 1 January 2014. We expect that most of the jurisdictions in which we operate will conclude IGAs, which will relieve possible legal impediments to the implementation of FATCA. We intend to become FATCA compliant, and we expect FATCA to have an impact on client on-boarding processes, client administration and reporting systems. In addition, we cannot rule out the possibility of clients being requested to provide additional or updated information and documentation.

Regulation or legislation	Current status	Implementation date
Basel III/ CRD IV	Implemented	2013 - 2018
IFRS	Various	Various
Single Supervisory Mechanism	Implemented	November 2013
Single Resolution Mechanism	Proposal	January 2015
DGS (EU)	Proposals	Unclear
Banks Recovery and Resolution Directive	Final proposals	January 2015
EMIR	Implemented	2012-2013
MiFID II	Proposals	Expected 2017
Packaged Retail Investment Products Directive	Proposals	Unclear
Mortgage Credit Directive	Final proposals	Expected 2016
Payment Services Directive 2	Proposals	Unclear
Data Protection Directive	Proposals	Expected 2016-2017
DGS (Dutch)	Final proposals	Expected 2015
Financial Markets Amendment Act 2013	Implemented	2013
Financial Markets Amendment Act 2014	Implemented	2014
Financial Markets Amendment Act 2015	Proposals	January 2015
Mortgage Lending Rules	Implemented	January 2013
Temporary Resolution Levy Act	Implemented	January 2014
Dodd-Frank	Further implementing measures pending	July 2010
FATCA	Further implementing measures pending	July 2014

strategy 10

We operate in a challenging economic and regulatory environment and expect the challenges to continue in the years ahead. Against this background, we pursue a strategy that addresses the opportunities and threats presented by our environment. In this section, we highlight our strategic priorities and provide an update on our achievements so far.

Strategic context

In the years leading up to 2013, our top priority was to successfully integrate ABN AMRO and Fortis Bank Nederland. During this time, we focused on stabilising our organisation and position and on rebuilding and strengthening our key capabilities. We restored a selective international network and product capabilities and now have a good capital position and a strong funding profile, with a growing deposit base and continued access to the wholesale funding market. In this context, we published our long-term strategy in March 2013 with a horizon up to 2017 and beyond.

During the course of 2013, we concentrated on implementing and executing our long-term strategy and pursuing our financial ambitions. By initiating bank-wide initiatives, aligning business plans and refining our multi-year budget, we have established a structure that will help us as we pursue our long-term goals.

In line with our long-term strategy, we made several changes to our international footprint. In December 2013, we agreed to acquire the German domestic private banking activities of Credit Suisse (subject to certain closing conditions). We also completed the acquisition of Banco CR2 S.A. in Brazil in 2013.

In 2013, the Minister of Finance announced his plans to privatise ABN AMRO in the future and gave us the green light to start preparations for an initial public offering (IPO). The Minister of Finance will evaluate the situation in the second half of 2014 and will have to give his final approval before we may proceed with any IPO-related transaction.

Important strategic trends

Below we describe a selection of trends that we believe will significantly affect our strategy and business model going forward.

Changing client behaviour and expectations

In the past decade, consumers and businesses have been confronted with a rapidly growing range of choices and complexity in the financial sector.

As a result of the financial crisis and other factors, society expects greater transparency in pricing, simplicity and better value. Clients are increasingly seeking products and services that fit their unique situation and expect a wide range of digital solutions and direct channels. We are also seeing growing demand for more environmentally friendly and socially responsible solutions.

In this light, establishing and retaining client intimacy and working in the best interests of all of our clients will be of increasing importance.

Economic and monetary environment

Western economies have been struggling under sluggish economic conditions in recent years. The Dutch economy in particular has been underperforming neighbouring countries due to low consumer and business confidence, a stagnating housing market and rising unemployment. Fortunately, house prices stabilised towards the end of 2013.

Although we expect that the second half of 2013 was the bottom of the economic cycle, the economic outlook remains uncertain. Economic improvements in Western economies are increasingly supported by monetary policy, a situation which may become less sustainable in the long run. Meanwhile, some emerging markets are showing signs of cooling down.

As a result, the economic and monetary environment, which by definition has a severe impact on the financial industry, has yet to stabilise. Banks must be aware of the risks and interdependencies within this environment.

Increasing regulation and supervision

The banking landscape will continue to be dominated by stricter capital and liquidity requirements, ongoing changes to accounting and regulatory rules and uncertainty about a financial transaction tax. Additionally, many initiatives to integrate European markets will continue to be implemented (such as SEPA and PSD2), while US regulations will significantly affect international banks with US operations (e.g. FATCA).

The move towards establishing a European banking union dominated the regulatory agenda in 2013. A notable development involved preparations for the comprehensive assessment of European banks in advance of the transfer of banking supervision to the European Central Bank (ECB) in 2014. In addition, the leverage ratio has become an increasingly important issue for regulators and market participants.

These developments may continue to impact profitability and the business models of many banks. Furthermore, the sheer number and intensity of regulatory and supervisory requirements places an increasing burden on banks’ operations, the IT landscape and management time and focus.

Stakeholder interaction

The financial crisis had a crippling effect on the banking sectors in many countries, with a number of banks failing and others requiring bailout from national governments. These and more recent events have affected the general public's trust in the financial industry in general and in banks in particular. This has been reflected in regulation, government policies and media coverage. Additionally, the changing needs and preferences of both clients and employees have to be addressed in innovative and transparent ways. As a result, a broad range of stakeholders will influence the shape of the banking landscape. We will increasingly see the move from a shareholder to a stakeholder world in which banks must alter their role and purpose in society and adapt how they interact with their stakeholders.

Technology

The rise of new business models driven by technological enhancements is reshaping the value chain.
The emergence of smart technology provides the basis for transforming banking operations and client interaction. We expect the pace of technological change to continue to intensify and radical innovation within our value chain to be a real possibility in the medium term.

Technology also enables the commoditisation of lower market segments, resulting in fiercer competition and pressure on margins (especially combined with European market integration initiatives such as SEPA).

SWOT

Given the context of the above dynamics, we have a clear idea of our own capabilities and possibilities, a summary of which is provided in the SWOT analysis below.

Strengths

- A top full-service bank in the Netherlands
- Robust balance sheet in line with moderate risk profile
- Strong retail franchise in the Netherlands and leading Western European private bank
- Strong position in Commercial Banking domestically and in asset-based finance in selected markets in Western Europe. Attractive niche presence in Merchant Banking
- Strong, global clearing capabilities
- Experienced Management Team
- Strong brand equity both domestically and internationally
- Diversified mix of activities that fits our moderate risk profile

Weaknesses

- Profitability for some businesses is below target
- Large exposure to Dutch economy
- Solid but complex and dated IT landscape following the integration
- Relatively high cost/income ratio in certain businesses
- Relatively high cost of risk due to economic cycle
- Funding gap due to structure of Dutch market, causing reliance on wholesale funding (relatively high, but improving LtD ratio)
- Acquisition ban and price leadership restrictions resulting from the EC state aid decision
- Alignment and scale of international businesses suboptimal in certain countries

Opportunities

- Anticipating on changing client behaviour and regulatory requirements with new solutions and products could provide a competitive advantage
- Attract and retain talent by anticipating and accommodating changing employee behaviour, priorities and expectations
- Technology enables new products and solutions and targeting of more distinguished client segments
- Continuous growth of world trade and clearing volumes
- Increasing demand for transparency and sustainable solutions and products
- Emergence of European banking union
- Mainly operating in a relatively stable, well rated economy

Threats

- Chance of prolonged challenges in the economic environment in the Netherlands and eurozone, which could hurt SME clients and the commercial and residential real estate market in particular
- Mature market with limited GDP growth in the Netherlands
- War for talent and talent mismatch may intensify, resulting in the risk of becoming unattractive for talent domestically and abroad (especially when economic conditions improve)
- Increasing and accumulating regulatory burden on earnings model, costs and consumption of management focus
- Increased competition due to attractive mortgage margins
- New entrants in (parts of) the value chain

Strategic priorities

The following section briefly describes each of our strategic priorities and a selection of achievements made during the year.

Enhance client centricity

We aim to stand out from other banks based on the quality and relevance of our advice and services. We intend to further distinguish ourselves by enhancing our need-based client segmentation and providing solutions that are most applicable to our clients' unique situations.

For instance, in 2013 we offered clients the opportunity to make penalty-free repayments on their mortgage loans up to the assessed market value of their property. We introduced this option to support clients who have residual debt (i.e. loan amount higher than property value) due to the sharp deterioration of the Dutch housing market in recent years.

Furthermore, to meet the demand for greater transparency and in anticipation of the ban on retrocession fees in 2014, we rolled out new investment propositions that include transparent fee structures. We facilitated each individual Private Banking client transfer to one of the options withinthis new service concept in 2013.

To offer our Business Banking clients tailor-made advice, all client portfolios will be structured according to a uniform sector-based model. Preparations were made to implement this new model in 2013. All relationship managers will be dedicated to a sector and based in regional ABN AMRO offices where knowledge is pooled and specialised services are available on-site. Business Banking will concentrate its 78 local branches into 24 of these offices. The sector-based approach is now being used within each business line of our commercial and merchant bank, enabling us to add value for our clients and to understand and anticipate specific risks within each sector.

We continued to invest in our mobile and online services, for both consumers and businesses. For instance, we launched ABN AMRO Insights, our online content platform which provides content such as macroeconomic and sector reports to clients. We also introduced digital tools to support clients in handling their financial affairs. New features were added to our well-acclaimed mobile application for individuals, and we began preparations for a significant overhaul of our online banking website in early 2014.

Invest in our future

Top class employer

A key element of our long-term corporate strategy is the ambition to be a top class employer. In an uncertain economic climate and a rapidly changing world, we cannot afford to miss out on talent. We want to be an employer for whom the best people from different backgrounds are eager to work. To this end, we drew up a roadmap based on three aims:

- Defining our corporate identity;
- Developing a culture of excellence;
- Creating the best place to work.

We launched several initiatives in 2013, including leadership development activities and a talent website that helps employees manage their talents and options. Our Employee Engagement Survey shows that we are on the right track: 76% of all employees filled out the survey and engagement rose from 55% in 2012 to 74% in 2013.

Re-engineering the IT landscape and optimising processes

We launched a programme in 2013 to re-engineer our IT landscape, with a strategic outlook up to 2017 and beyond. This programme (TOPS 2020), which is designed to both upgrade and simplify our IT landscape, is based on three aspirations:

- Easiest to do business with;
- Create value through innovation;
- Provide best-in-class productivity.

The preparations in 2013 involved cleaning up the legacy issues remaining due to various factors in recent years, deciding on the most effective architecture for the bank in the future and mapping out plans to migrate to this architecture.

We also opened the Innovation Centre in September 2013 in order to strengthen the bank's innovative capabilities. Staff at the Innovation Centre work intensively with colleagues and external parties, including clients, in a broad range of areas, focusing mainly on developing innovative and sustainable business models. The Innovation Centre initiates and facilitates 'business as un-usual', such as alternatives to financing like Social Impact Bonds and crowdfunding. We respond to new, often IT-driven trends such as the improved use of vast quantities of information ('big data'). Many of the activities are explorative or experimental, with the purpose of learning and responding rapidly to the latest trends.

Recognised position in sustainability and transparency

In recognition of our role in society and in meeting our stakeholders' expectations, addressing risks and seizing opportunities, we will focus on a number of priority areas to help us deliver balanced and sustainable value to our stakeholders:

- We are committed to sustainable business operations;
- We put our clients' interests centre stage and build sustainable relationships;
- We use our financial expertise for the benefit of society;
- We finance and invest for clients in a sustainable manner.

For example, we intensified procedures to prevent investments in companies that are on our Exclusion List. As a result, more companies were added to the list, excluding them from our investment universe and corporate loans. Furthermore, we initiated dialogues on sustainability with all of our external asset managers. ABN AMRO is also one of the founding partners of Social Enterprise NL, a platform that represents, connects and supports organisations in the social enterprise sector.

We continued to improve transparency in all of our interactions and communications with clients and other stakeholders. The abovementioned investment solutions with transparent fees is one example of this. By the end of the year, over 85% of all written communications within our commercial bank had been rewritten in plain language, a process we started in 2011. We also actively requested and received feedback from over 200 corporate clients on these changes, helping us to further improve our client communication.

As an organisation, we aim to maintain a moderate tax risk profile, acting at all times in accordance with the letter and spirit of all applicable laws and regulations and the guidance of relevant international standards. We do not use secrecy jurisdictions or tax havens for tax avoidance purposes, nor do we set up or help set up tax structures that are intended for tax avoidance purposes, have no commercial substance and do not meet the spirit of the law. Products we offer that include tax advantages for clients are only acceptable if these products fully meet the regulations in force, are transparent and do not contravene the intended purpose of these regulations. More details are provided in our 2013 Sustainability Report.

Strongly commit to a moderate risk profile

We are committed to maintaining and optimising a healthy and strong balance sheet with limited exposure to high-risk sovereigns and restricted investment banking activities. To further optimise the balance sheet, we intend to increase the share of asset-based finance, lower the loan-to-deposit ratio further to reduce dependence on funding markets. Internationally, we focus on capabilities and geographies where we have a proven track record and a right to win.

During 2013, we intensified our focus on managing our lending portfolio in all of our businesses. We continued to re-price our commercial asset portfolio to reflect the current economic environment. Going forward, we will continue to focus on stringent risk-reward pricing. In our retail operations, we continued to write new mortgages; however, in line with our diversification targets, our total mortgage book has not grown. On the whole, our LtD ratio improved over the year.

We also further improved our capital position and capital ratios, both in terms of risk-weighted capital (fully loaded CET1) and non-risk-weighted capital (leverage ratio). We did so based partly on retained earnings, a lower volume of lending and RWA model refinements (for risk-weighted capital).

In addition, we further specified economic capital concentration limits per sector. Furthermore, the abovementioned uniform sector approach within our Commercial & Merchant Banking business will increase our in-depth sector knowledge, thereby helping us to understand and anticipate specific risks within each sector.

Relationship managers were offered extensive courses on credit risk management as well as several programmes highlighting anticipated regulatory changes. We use e-learning tools and various communication channels to familiarise staff across the organisation with risk-adjusted return concepts such as RARORAC and regulatory profit. Furthermore, most employees of our Risk Management department have already participated, or will participate, in intensive courses on integrated risk management to further the understanding and monitoring of all relevant risk types and their interaction.

By introducing technical solutions and educating clients and staff, we reduced operational losses caused by various types of cybercrime, such as phishing, malware and ATM gas attacks. We will continue our efforts to reduce the occurrence and impact of these crimes on our clients, staff and organisation.

Pursue selective international growth

Our ambition is to increase revenues generated by our international business from 18% in 2012 to 20-25% of total revenue in 2017. Our guiding principles for international growth are:

- We will expand only those businesses that have strong and proven capabilities (capability-led growth);
- We will further grow our international private banking activities and our global specialist businesses, including ECT and Clearing;
- In addition to our global businesses, we will focus on our asset-based financing businesses (Commercial Finance and Lease) in Western Europe;
- Our international growth is based on a moderate risk profile. We aim to match our local assets and liabilities over a period of time (asset and liability-matched model);
- We build on the ABN AMRO brand awareness.

As part of our international growth strategy, we acquired the private banking assets of Credit Suisse in Germany in 2013, giving Private Banking a top 3 position in Germany[1] and further strengthening our position in the eurozone (along with our number one and three positions in the Netherlands and France respectively). Additionally, in focusing our activities on those geographies were we have a strong presence and a right to win we decided to close a small office in Botswana (part of our International Diamond & Jewelry Group) and shut down our Private Banking operations in Curaçao.

We also completed the acquisition of Banco CR2 S.A in 2013 (renamed Banco ABN AMRO S.A.). This acquisition allows us to offer on-shore products authorised under Brazilian banking regulations to existing clients for financing commodities trading and energy operations and transportation-related projects. To strengthen the product and service offering to Energy, Commodities & Transportation clients, we opened a representative office in Moscow.

Our decision to close down our non-client-related equity derivatives arbitrage activities resulted in small reorganisations in our international Merchant Banking operations.

[1] Based on internal research of publicly available AuM figures.

Improve profitability & Financial targets

ABN AMRO has a cost/income target between 56% and 60% in 2017. We continued to roll out Customer Excellence (CE), combining customer focus with operational excellence, and started to apply CE processes to entire product chains throughout the year. CE requires little or no up-front investment, while delivering a large number of small efficiency improvements.

As described, the groundwork for the TOPS 2020 programme was laid in 2013, resulting in a detailed schedule for the coming years. The brunt of the EUR 0.7 billion in project-related costs will be incurred over the next four years. The first structural cost benefits are expected to emerge in 2015, and by 2017 cost benefits are expected to contribute to a 2-3 percentage point reduction of the Group cost/income ratio. We will continue to invest in re-engineering and optimising processes after 2017, leading to a further decrease of the bank's structural cost base until 2020.

Efficiency improvements are the main driver for improving our return on equity. Our reported ROE for 2013 stood at 8.5%. Adjusting for special items, the ROE would be 5.5% over the year. We are targeting an ROE of between 9% and 12% for 2017. We expect normalisation of loan impairment levels to improve the ROE materially.

Private Banking is currently operating within an acceptable profitability range. Despite the weak Dutch housing market, Retail Banking's profitability is well above the target level set for the bank. House prices stabilised during the third quarter of 2013 and mortgage applications are on the rise, which seem to point to a bottoming out of house prices. Additionally, we continued to address the shift towards digital channels and to reduce our Retail Banking footprint, while client satisfaction continued to rise.

Commercial Banking made significant steps towards improving efficiency with the abovementioned move to regional ABN AMRO offices and the re-pricing of our Commercial Banking loans. We furthermore raised commitment fees in response to increased regulatory costs. The full benefits of these measures will only start to emerge in 2014. The cost/income ratio for Commercial Banking over 2013 improved to 53% (68% in 2011), clearly reflecting the efficiency improvements. High loan impairments, however, especially for Dutch SMEs which have been hit hard by the economic downturn, have a negative effect on profitability. Consumer confidence is moving toward the long term average and the industrial Purchasing Managers' Index is rising. Once the Dutch economy starts to pick up, profitability for Commercial Banking is also expected to gradually start improving.

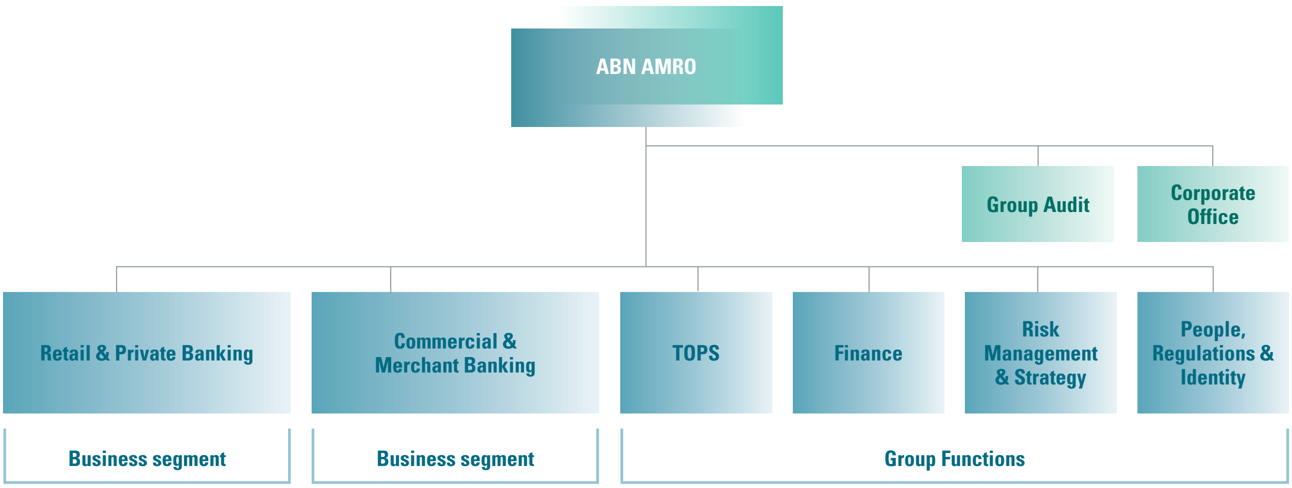
Merchant Banking saw its cost/income ratio deteriorate partly due to non-recurring items. We will announce a roadmap in 2014 on how to improve the results within Markets.

With the third profitable year in a row, we further improved our capital buffer. ABN AMRO had a fully loaded CET1 ratio of 12.2% at year-end 2013, currently in our target range of 11.5-12.5%. We aim to move to a defined contribution pension plan which, if an agreement is reached, will lead to a lower CET1 ratio especially during the Basle III phase-in period. The impact is muted for the fully loaded capital ratios.

business, operating and financial review 11

This business, operating and financial review includes a discussion and analysis of the results of operations, financial condition and business review of ABN AMRO Group and its different segments for the years ended 2013 and 2012.

ABN AMRO is organised into Retail & Private Banking (R&PB), Commercial & Merchant Banking (C&MB) and Group Functions. Each member of the Managing Board is responsible for either a business segment or a support unit within Group Functions. The Chairman of the Managing Board oversees the general management of ABN AMRO and is responsible for Group Audit and the Corporate Office, as shown in the diagram below.



For financial reporting purposes, the Managing Board has adopted the following segment reporting:

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

ABN AMRO's performance is reported in accordance with International Financial Reporting Standards as adopted by the European Union. This section should be read in conjunction with the Annual Financial Statements 2013.

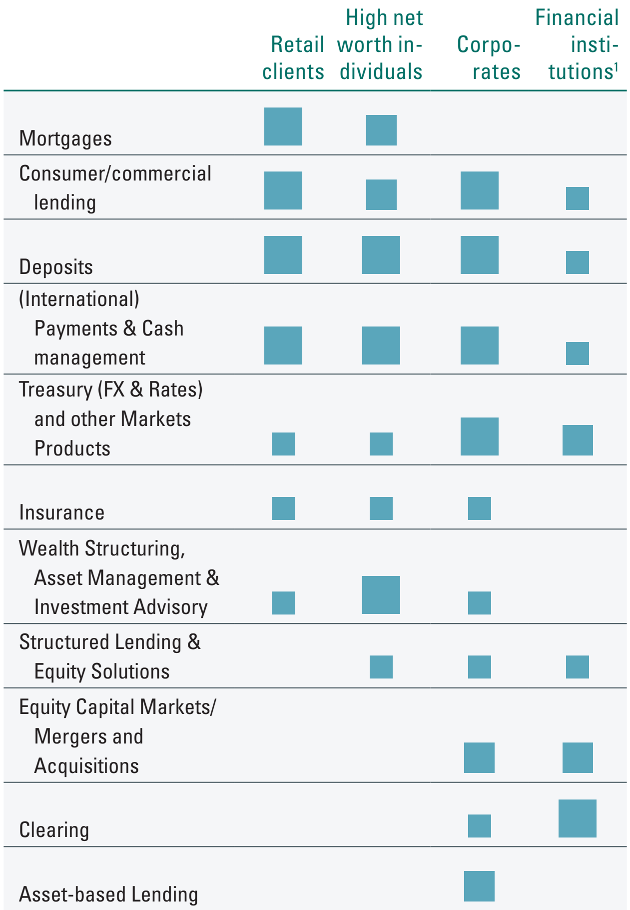
The majority of the costs of Group Functions are allocated to business segments. Items that are not allocated to the businesses include, among other things, the operating result from ALM/Treasury and general restructuring charges.

The analysis presented in this section is based on the results both for the Group and the business segments. Furthermore, ABN AMRO identifies certain special items such as the releases on impairments related to Greek government-guaranteed corporate exposures in 2013, which distort the trends displayed in the reported results. Where relevant, these are discussed in the text throughout the chapter. A more detailed overview of these special items is provided under 'Special items' at the end of this section.

Overview of activities

Product offering

ABN AMRO's product suite of loan and savings products, payment services, advisory services and markets products is broadly leveraged across the different business lines of the bank. In the graph below, ABN AMRO's main client types and available product/service offering are matched. The size of the marker indicates the relative importance of a product or service in the context of the relationship ABN AMRO has with its different clients.



[1] Includes financial markets participants.

Service delivery in client-facing commercial organisation

- Full suite of products and a Markets organisation that only serves ABN AMRO clients;
- Earnings model based on client-driven income sources (mainly net interest income and net fees & Commission Income);
- Majority of Functions costs are allocated to the businesses;
- Flexible distribution model which takes into account clients demands and external trends.

Geographic presence

ABN AMRO is present in 23 countries and territories covering several time zones. In the Netherlands, our home market, ABN AMRO offers significant and full client coverage. We have an extensive presence both in terms of bricks and mortar and through a leading online banking service offering. The international presence is for selected businesses only such as Energy, Commodities & Transportation (ECT), Clearing and Private Banking where ABN AMRO enjoys specific expertise and leading positions. In these businesses:

- ABN AMRO has critical size and the right to win;
- Risk-taking is well understood and modest;
- Significant value-creating opportunities exist.

In addition, the international network serves Dutch clients outside of the Netherlands, as part of the strategy to maintain sustainable relationships with Dutch clients, both as their primary bank in the Netherlands and for their businesses abroad. Partner agreements are in place with selected banks to ensure coverage for clients where ABN AMRO is not physically present.

Operating results

In 2012, ABN AMRO finalised the integration of ABN AMRO Bank and Fortis Bank Nederland. As of the first quarter of 2013, ABN AMRO presents its results on a reported basis. The integration costs of 2012 are part of the special items as defined in the Special items table at the end of this chapter. Furthermore, ABN AMRO adopted the amended pension accounting standard IAS 19 as from 1 January 2013. As a result, all 2012 disclosed figures have been adjusted accordingly for comparison purposes. The impact of the amendment of IAS 19 on the 2012 figures was EUR 273 million lower pension costs, leading to EUR 205 million higher profit.

Operating results

(in millions)	2013	2012	Change
Net interest income	5,380	5,028	7%
Net fee and commission income	1,643	1,556	6%
Other non-interest income	301	754	-60%
Operating income	**7,324**	**7,338**	**-0%**
Personnel expenses	2,357	2,151	10%
Other expenses	2,413	2,535	-5%
Operating expenses	**4,770**	**4,686**	**2%**
Operating result	**2,554**	**2,652**	**-4%**
Impairment charges on loans and other receivables	983	1,228	-20%
Operating profit before taxes	**1,571**	**1,424**	**10%**
Income tax expenses	411	271	52%
Profit for the period	**1,160**	**1,153**	**1%**

Other indicators

	2013	2012
Cost/income ratio	65%	64%
Return on average Equity (IFRS-EU)	8.5%	8.5%
Return on average RWA (in bps)	99	92
NII/average Total assets (in bps)	134	120
Cost of risk (in bps)	84	98

	31 December 2013	31 December 2012	Change
Risk-weighted assets (in billions)	109.0	121.5	-10%
RWA/Total assets	29%	31%	-5%
Assets under Management (in billions)	168.3	163.1	3%
FTEs	22,289	23,059	-3%

ABN AMRO's net profit over 2013 amounted to EUR 1,160 million, virtually unchanged compared with the previous year. A number of sizeable releases had a significant impact on these results. The releases were related to the remaining Greek government-guaranteed corporate exposures and the sale of collateral related to the Madoff files. The results for 2012 were also impacted by a number of special items, though to a lesser extent. Excluding special items for both years, the net profit for 2013 would have amounted EUR 752 million, a decline of 32%. The main factors that led to this decline were higher pensions costs, a considerable rise in loan impairments within Commercial Banking and Retail Banking, and lower results for Markets activities. The return on equity excluding special items was 5.5% in 2013.

Operating income

Operating income amounted to EUR 7,324 million, virtually unchanged compared with last year. Excluding special items, operating income would have risen 5%. Eighty-two per cent of total operating income was generated in the Netherlands.

Net interest income amounted to EUR 5,380 million, up 7% compared with last year. The improved results were predominantly driven by higher margins on the loan portfolio.

Net fee and commission income rose by 6% to EUR 1,643 million due to higher management fees within Private Banking from increased client activity and a growth of assets under management. ECT and corporate finance also showed higher fee income.

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

Operating expenses

Operating expenses rose by 2% to EUR 4,770 million. Excluding special items, expenses went up by 12% (to EUR 4,733 million). Of this rise, 8% was due to the increase in pension costs of EUR 353 million largely on the back of a sharply lower discount rate used in 2013. In addition, higher costs were booked for change projects, and expenses last year included compensation from a service level agreement related to the EC Remedy which was terminated in 2012.

Operating results

There was a 4% decrease in the operating result to EUR 2,554 million, leading to a cost/income ratio of 65% over 2013. Excluding special items, the operating result would have come down by 6% to EUR 2,713 million as a result of higher pension costs, partly offset by higher revenues. The cost/income ratio excluding special items was 64%.

Impairment charges on loans and other receivables

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

Domestically-focused SMEs were hit particularly hard by the decline in domestic spending. For SMEs, both the inflow into the Financial Restructuring & Recovery department as well as the proportion of files which ultimately need to be liquidated increased compared with the previous year. We expect the inflow to remain elevated in 2014.

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

Assets under Management

Assets under Management (AuM) within Private Banking grew by EUR 5.2 billion to EUR 168.3 billion as a result of market performance. Net new assets in the Netherlands were more than offset by a decrease in Jersey.

A final dividend of EUR 200 million will be proposed, bringing the total dividend over 2013 to EUR 350 million.

Condensed statement of financial position

(in millions)	31 December 2013	31 December 2012
Cash and balances at central banks	9,523	9,796
Financial assets held for trading	23,867	24,343
Financial investments	28,111	21,730
Loans and receivables - banks	31,210	46,461
Of which securities financing activities	7,267	14,306
Loans and receivables - customers	268,147	276,967
Of which securities financing activities	11,119	14,515
Other	11,164	14,461
Total assets	**372,022**	**393,758**
Financial liabilities held for trading	14,248	20,098
Due to banks	15,833	21,304
Of which securities financing activities	4,207	4,369
Due to customers	215,643	216,757
Of which securities financing activities	8,059	15,152
Issued debt	88,682	95,048
Subordinated liabilities	7,917	9,736
Other	16,131	17,932
Total liabilities	**358,454**	**380,875**
Equity attributable to the owners of the parent company	13,555	12,864
Equity attributable to non-controlling interests	13	19
Total equity	**13,568**	**12,883**
Total liabilities and equity	**372,022**	**393,758**

Main developments in assets

Total assets declined by EUR 21.7 billion to EUR 372.0 billion at 31 December 2013.

Financial assets held for trading

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

Financial investments

Financial investments increased by EUR 6.4 billion as a result of enlargement of the liquidity buffer.

Loans and receivables – banks

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

Loans and receivables – customers

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

The total mortgage portfolio was EUR 150.5 billion at 31 December 2013.

(in millions)	31 December 2013	31 December 2012
Loans and receivables - customers other (incl. impairments)	**257,028**	**262,452**
Retail Banking	157,755	161,985
Private Banking	16,920	17,344
Commercial Banking	40,153	42,595
Merchant Banking	38,520	35,148
Group Functions	3,680	5,380
Securities financing activities	**11,119**	**14,515**
Total loans and receivables - customers	**268,147**	**276,967**

Main developments in liabilities

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

Due to customers

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

(in millions)	31 December 2013	31 December 2012
Total Deposits	**207,237**	**201,262**
Retail Banking	87,515	82,176
Private Banking	59,751	59,061
Commercial Banking	37,871	34,574
Merchant Banking	19,051	21,590
Group Functions	3,049	3,861
Other (including securities financing activities)	**8,406**	**15,495**
Total Due to customers	**215,643**	**216,757**

Issued debt

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

Subordinated liabilities

Subordinated liabilities declined by EUR 1.8 billion as several lower Tier 2 instruments were called that were not Basel III compliant.

Total equity

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

Retail & Private Banking

"Focus on continuous improvement"

Chris Vogelzang

"2013 was another year in which challenging market conditions impacted many of our clients. Despite these circumstances, Retail & Private Banking delivered satisfactory net results and saw continued growth of assets under management. We believe this is a reflection of our efforts to help clients address the challenges they face. Putting our clients' interests first and the ability to address their needs, together with full compliance with increasing regulatory demands, constitute our licence to operate now and in the future.

Retail Banking continued to carry out a recession management programme to support clients with (potential) arrears. We intensified the use of dedicated care teams and financial coaches, supported by online tools and individually tailored recovery plans. Internet and mobile banking continued to grow, and the shift in client demand is reflected in a reduction of the number of branches. To support this development, we renewed our online banking platform and launched it in January 2014, allowing clients to have more personal contact with the bank. The new platform offers a solid basis for future innovation.

In anticipation of the ban on retrocession fees as from 2014, Retail & Private Banking in the Netherlands introduced new investment propositions, including a fully transparent fee structure. We have discussed the investment offering with each Private Banking client individually to ensure a seamless match with their personal needs. Retail Banking developed an advice portfolio management system to support both advisors and clients in taking investment decisions.

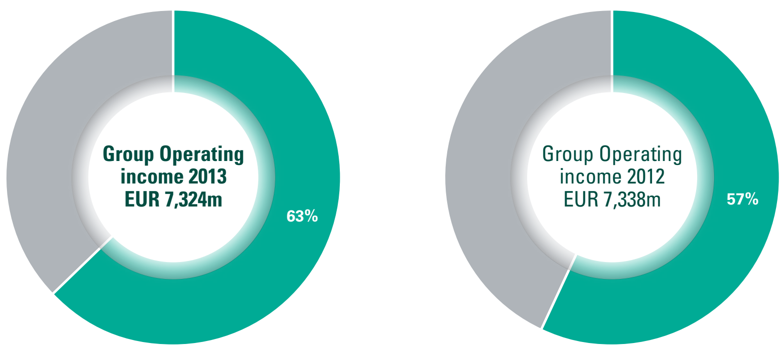
As part of our strategy to concentrate on key geographical markets where Private Banking has a recognised footprint, we acquired a domestic private banking portfolio in Germany, giving us a top 3 position in private banking locally[1] 2013, and shut down our operations in Curaçao.

Looking ahead, we will continue our drive to continuously improve products and services to our clients, an increasing number of which will be accessible through direct channels. Our ambition is to take our product capabilities for the affluent and Private Banking segments to the next level."

Chris Vogelzang
Member of the Managing Board

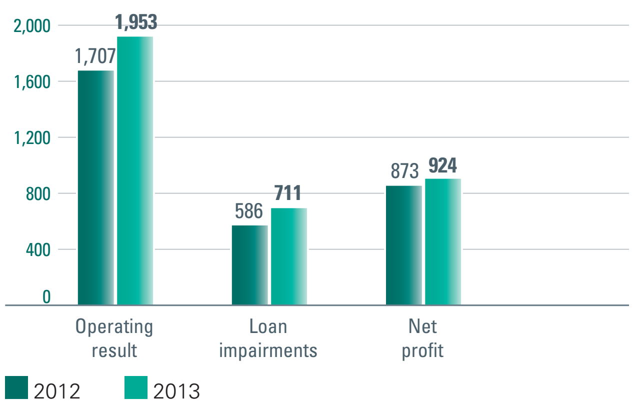
[1] Source: company research and Scorpio Private Banking Benchmark 2013.

Retail & Private Banking contribution to operating income



Financial performance

(in millions)



Retail Banking

We want to make our clients feel truly appreciated. We believe we will only be successful if we build sincere and lasting relationships with our clients. All our efforts are aimed at putting our clients' interests first.

Key achievements in 2013

- Continued increase in client satisfaction: 82% of Retail Banking clients are satisfied or very satisfied with the products and services we provide[1];
- Introduction of new investment propositions with a transparent fee structure in anticipation of new legislation;
- Growing market position among main rivals in the competitive Dutch savings market;
- Intensification of dedicated care teams and financial coaches to support clients with potential arrears and to improve financial awareness;
- Extension of modern and innovative advisory services at Advice & Service Centres; personal and professional advice by video chat;
- Preparation of new internet banking platform (launched in January 2014).

Interesting facts

- Solid and recognised market position in the Netherlands (no. 2 position in savings, no. 3 position in new mortgage production[2]) and primary bank for 21% of the Dutch population[3];
- Serving 5 million mass retail and mass affluent households with investable assets up to EUR 1m;
- Strong brand image and 99% awareness with 92% top-of-mind awareness[4];
- Fully integrated multi-channel distribution with a broad physical and digital presence: 354 branches (year-end 2013), 4 Advice & Service Centres and 24/7 online banking, telephone and webcare service;
- Sustained growth of online banking: more than 3.5 million regular internet banking users and more than 1 million mobile banking logins every day;
- Awarded for online services: Best Online Banking Service in the Netherlands (rated 9.2 on a scale of 1-10) and Best Website in Banking Sector (7.2 on a scale of 1-10)[5].

1 Source: TNS-NIPO, percentage of customers rating ABN AMRO 7 or higher (on a 10pt scale).

2 Source: CBS (Dutch Statistical Office), Kadaster (Dutch Land Registry) and DNB (Dutch central bank).

3 Source: GfK (research company) online tracker.

4 Source: TNS-NIPO, awareness when respondents are asked which banks are on their mind.

5 Source: Dutch Consumers' Association, WUA Web Performance.

Business description

Retail Banking has a stable base of 5 million households, including 500,000 mass affluent households who are served through the unique Preferred Banking concept. A broad range of financial specialists offer clients clear service and advice at every stage of their life and dedicated treatment for specific client segments (medical specialists, self-employed professionals, international clients).

Retail Banking provides a full range of straightforward and transparent retail banking and insurance products and high-quality service under the ABN AMRO brand and through other brand labels (e.g. MoneYou, Florius, GreenLoans). We offer clients basic services and personal advice through an extensive branch network and through digital channels (internet, mobile, video chat, social media). Seamless navigation and easy accessibility are provided in every channel based on three principles: a warm welcome, state-of-the-art service characterised by convenience, simplicity and speed, and personal, professional advice.

Retail Banking aims to be a best-in-class advisory retail bank focusing on quality and relevance of advice for clients with more complex needs. This business is a steady reliable and strong contributor to the bank's performance and contributes significantly to ABN AMRO's brand awareness.

Business developments

Putting clients' interest first

Retail Banking wants all of its clients to experience a warm welcome whenever they do business with ABN AMRO. Clients are welcome at the bank through any channel, whether offline (at a branch) or online. Retail Banking brings advisory services close to its clients, offering access to broadly skilled financial advisors and specialists in 354 branches nationwide. Advisory services are also provided by telephone and video chat by Advice & Service Centres and via specialised advisory desks handling matters such as financial planning, inheritance and succession, and divorce.

Retail Banking has a demonstrated client-centric approach and we aim to preserve the continuity of our relationships with clients by offering high-quality service and professional advice. Clients clearly appreciate this approach, as reflected in client satisfaction scores. ABN AMRO was rated 4.7 on a scale of 1 to 5 on quality of advice.[1] The AFM (Dutch Authority for the Financial Markets) regularly investigates the performance of financial institutions on issues pertaining to client-centricity and Retail Banking aims to be ranked among the top performers.

Client-centricity is embedded in the bank's culture and is reinforced in procedures such as the yearly performance management cycle. Client satisfaction/experience scores are a leading KPI for all staff. Employees consider that Retail Banking has a strong focus on client-centricity: 82% of employees responded positively to questions about this subject.[2]

Retail Banking has a broad range of client-centric initiatives in place to facilitate a dialogue with clients and a swift response to changing client behaviour. In addition to conducting research, we run a client community consisting of 300 active clients, an online client survey panel (with more than 10,000 clients) and a high-tech usability lab. An example of what these efforts have yielded is our new mobile banking app feature known as 'split the bill', which enables clients to send payment requests by email. Retail Banking continues to invest in financial education on various topics, targeting everybody from young people (e.g. how to deal with money) to older people (e.g. how to donate). We received the Golden Bull award[3] as the best educational investment institution in 2013 for our investment training for beginners in the ABN AMRO Investment Academy (online education platform).

1 Source: Advieskeuze.nl, an independent consumer platform on financial advice.
2 Source: Internal Employee Engagement Survey ABN AMRO.
3 Source: Belegger.nl, an independent investment news platform.

Enhanced client-centricity through effective Customer Excellence

Customer Excellence is way of working that combines customer focus and operational excellence, based on lean management principles. Customer Excellence is about everyday improvements for the client, that help raise client and employee satisfaction.

Retail Banking adopted this way of working three years ago and business-wide roll-out is nearing completion. More than 4,500 managers and staff have been trained in continuous improvement techniques. This has resulted in many successes that have a direct impact on the client experience, for example:

- a reduction of waiting times at branches;
- a reduction of handling/processing time as work is no longer handed over to other departments;
- more effective first-time fix;
- more proactive client contact by minimising non-client-related activities;
- quality improvement thanks to introduction of standard operating procedures and quality checks;
- an increase in employee engagement resulting from daily involvement in making improvements.

In 2013 Retail Banking introduced, in anticipation of the ban on retrocession fees as from 2014, a new investment proposition including a transparent fee structure.
In addition, Retail developed advice portfolio manager, a sophisticated advice-supporting tool which allows advisors to give clients professional investment advice highly efficiently.

Clients are rapidly switching over to online banking channels. In response to this trend, Retail Banking prepared the roll-out of a renewed version of its internet banking platform (launched in January 2014), further improving the online banking experience. This platform has a new look and feel, improved navigation and features, and a similar user experience to the mobile banking app. The new platform makes it easier to transfer money and check account balances, to personalise online banking (e.g. name accounts, link photos, create a personal task list), and to have personal contact with the bank (via a secure email environment). Retail Banking wants to be at the forefront of technological developments, and this new platform offers a solid basis for future innovation and developments.

Operational efficiency

Retail Banking has a proven track record when it comes to efficiency thanks to strict cost control, FTE reductions and channel efficiency initiatives. Given the shift in customer behaviour and a resulting further decrease of branch visits, we were able to continue optimisation of our branch network. This resulted in closure of 54 retail branches in 2013, with virtually no impact on the level of service to clients. Another way we boosted efficiency is by streamlining our processes, allowing us to serve clients more efficiently and effectively. We also raised the use of straight-through processing.

Sustainability

An important element of our sustainability approach is our belief that it clients should reable to make well-informed decisions and to understand the impact of buying a financial product. We are therefore committed to providing clear, straightforward information. That is why promoting financial education and raising awareness are key elements of the bank's approach to sustainability. We embrace transparency and public scrutiny because we want to excel in cost fairness, clarity of communication, client knowledge and duty of care. Above all, we aim to stand out in our core business of providing products that contribute to the long-term well-being of clients. As part of our pursuit to promote transparency, we continued to write product brochures, client letters and terms and conditions in plain language to ensure that 95% of all Dutch citizens will be able to understand the bank's information. Sustainability will continue to be an important theme in the future, as reflected not only in the development of new, dedicated products but also in our day-to-day business.

Subsidiaries

Approximately 2,000 employees work for ABN AMRO's retail subsidiaries.

- International Card Services (ICS) is a leading credit card issuer in the Netherlands, with more than 3 million credit cards issued to date. ABN AMRO's portfolio of around 60,000 corporate credit cards was transferred to ICS in 2013;
- MoneYou is an online bank that focuses on growth in savings and mortgages. MoneYou achieved a more than 30% growth in savings in 2013, mainly in Germany and Belgium;
- In a shrinking market, Alfam further increased its consumer credit loan book in 2013 both in outstandings, with over EUR 1.2 billion of credit provided to clients, and in market share[1];
- ABN AMRO Hypotheken Groep offers mortgages under various brands (mainly ABN AMRO, Florius and MoneYou), ensuring flexibility and free choice for clients, and maintained its solid market position in 2013;
- ABN AMRO Verzekeringen, a joint venture with Delta Lloyd through which ABN AMRO offers a complete package of insurance products to clients, continued to improve its market share in 2013 in terms of fee-income. This is the result of among other things, a high client satisfaction rate for insurances, thus leading to one of the lowest churn rates in the market[2];
- ABN AMRO Pensions, a joint venture with APG, is a Premium Pension Institution (PPI) in a start-up phase and offers innovative, internet-based defined contribution schemes to employers.

[1] Source: DNB (Dutch Central Bank)
[2] Source: Dutch Association of Insurers, MarketResponse, GfK TOF (Tracker)

Carefree living

Our Carefree Living *(Zorgeloos Wonen)* programme supports clients with potential arrears through intense use of dedicated care teams and certified financial coaches. This proactive, multi-channel approach helps clients get a handle on their financial situation.

Activities range from creating awareness of a client's individual financial situation (e.g. online self-diagnosis) to personal advice and coaching to prevent payment arrears (e.g. individual recovery plans). Some 200 dedicated financial advisors and coaches approached more than 50,000 clients this year. More than 25,000 sessions were held where coaches helped clients organise their financial affairs in order to head off potential problems. Where necessary, customised solutions were devised and implemented. While based primarily on clients' interests, these initiatives are expected to reduce the risk of the overall mortgage and consumer loan portfolios.

Strategic ambitions

Retail Banking – while offering all clients good service – has opted for a more aspirational positioning and intends to heighten its focus on the mass affluent segment. As such, it launched a broad range of initiatives such as advisory campaigns, an online platform 'Answering tomorrow's questions today' (covering key lifecycle moments such as donations, inheritance and succession, business cessation and divorce), offline and online information seminars, an increase in quality of advice through coaching and education, and a periodical review of advice and duty of care.

Retail Banking offers a competitive value proposition combining a personal aspect (highly qualified advisors), state-of-the-art technology (online banking) and broad accessibility of advice. The primary goal is to increase share of wallet of existing mass affluent clients. In addition, Retail Banking will seek to grow its market share in selective client segments in which it already excels, such as medical specialists, self-employed professionals and international clients.

Retail Banking further optimised its multi-channel offering and distribution. The branch network is continuously evolving and in the coming years will gradually become high-tech advice centres offering high availability advisory services, basic service centres and full-service Financial Advisory Centres with nationwide coverage. At the same time, Retail Banking continued to invest in online and mobile services and encouraged clients to make use of these new self-service channels, ultimately lowering costs. In addition, we will continue our cost efficiency focus. We will further optimise operations (maximum use of straight-through processing), steadily reduce the number of traditional branches and gradually align our service level with client profitability.

Financial performance of Retail Banking

Operating results

(in millions)	2013	2012	Change
Net interest income	2,941	2,604	13%
Net fee and commission income	465	465	0%
Other non-interest income	29	36	-19%
Operating income	**3,435**	**3,105**	**11%**
Personnel expenses	494	393	26%
Other expenses	1,278	1,231	4%
Operating expenses	**1,772**	**1,624**	**9%**
Operating result	**1,663**	**1,481**	**12%**
Impairment charges on loans and other receivables	598	383	56%
Operating profit before taxes	**1,065**	**1,098**	**-3%**
Income tax expenses	277	276	0%
Profit for the period	**788**	**822**	**-4%**

Other indicators

	2013	2012
Cost/income ratio	52%	52%
Return on average RWA (in bps)	254	267
Cost of risk (in bps)	193	125

	31 December 2013	31 December 2012	Change
Loan-to-Deposit ratio	174%	190%	
Loans and receivables - customers (in billions)	157.8	162.0	-3%
Of which mortgages (in billions)	147.3	150.7	-2%
Due to customers (in billions)	87.5	82.2	6%
Risk-weighted assets (in billions)	32.6	30.1	8%
FTEs	6,227	6,335	-2%

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

Operating income

Operating income increased by EUR 330 million to EUR 3,435 million.

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

Net fee and commission income remained unchanged at EUR 465 million.

Operating expenses

Operating expenses showed a marked increase due to higher pension costs.

Personnel expenses grew by EUR 101 million mainly due to the impact of higher pension costs. Other expenses increased due to the abovementioned change made to booking of staff benefits on mortgages.

Operating result

The operating result improved by EUR 182 million and the cost/income ratio amounted to 52%, unchanged from 2012 notwithstanding the increase in pension costs.

Impairment charges on loans and other receivables

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

Loans and receivables – customers

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

Due to customers

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

FTEs

The number of FTEs decreased by 108 to 6,227.

Private Banking

We want to be a trusted advisor to our clients: Professional, independent, committed and transparent. Our aim is to be a leading private bank, setting the industry standard for service delivery and valued by clients as their trusted advisor. Faithful to our centuries-old heritage, with services that are relevant and modern.

Key achievements in 2013

- Client satisfaction stable at a high level with 82% of clients in the Netherlands giving scores of 7 or higher out of 10[1];
- Introduction of investment propositions including a new transparent fee structure in the Netherlands;
- Customer Excellence implemented across franchises, increasing proactive client contact and efficiency;
- Agreement to acquire the domestic private banking business of Credit Suisse in Germany;
- Winner of several awards in 2013: No. 1 Private Bank in the Netherlands (Euromoney), Best Private Bank in the Netherlands Highly Commended Best Private Bank in France and Germany (The Banker/PWM), Most Financially Stable and Reputable Private Bank in Asia, Best Global Private Bank in Asia, Best Global Private Bank in Hong Kong and Singapore (all by Asiamoney), No. 1 private banking website, No. 3 mobile banking app worldwide (MyPrivateBankingResearch).

Interesting facts

- EUR 169 billion Assets under Management;
- Serving over 100,000 clients worldwide;
- Present in 10 countries with more than 50 branches;
- Client service supported by online and mobile channels;
- Market leader in the Netherlands;
- Ranked in the eurozone, 7th in Europe with a strong position in Asia[2].

1 Source: TNS Nipo.
2 Source: Scorpio Private Banking Benchmark 2013 and company research.

Business description

Private Banking provides independent, personal holistic financial advice and solutions to clients through its deeply-rooted local presence embedded in an international network and with a broad array of products and services. Putting our clients' interests and needs first is the foundation on which we build long-term relationships and the leading concept in defining our ambition to be regarded by our clients as their trusted advisor.

Private Banking has been managing clients' wealth generation after generation and is proud of its entrepreneurial heritage and strong roots. Private Banking has a unique brand strategy with multiple strong local private banking brands, backed by the solidity and network of the ABN AMRO Group. Private Banking offers private banking services under the brand name ABN AMRO MeesPierson in the Netherlands and internationally under ABN AMRO Private Banking and well recognised local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany. Its network of domestic private banking offices is one of the strongest in Continental Western Europe. In addition, Private Banking offers international banking in Luxembourg, Jersey and Guernsey and has access to high growth markets in Asia through offices in Hong Kong, Singapore and Dubai.

Private Banking offers a comprehensive set of tailored services to suit the particular needs of specific client segments such as family money, entrepreneurs and their enterprises, professionals and executives, institutions and charities, World Citizen Services and non-residents Southeast Asians (World South Asian Services). Furthermore, ABN AMRO Private Banking has a service offering for Ultra High Net Worth Individuals with AuM in excess of EUR 25 million (Private Wealth Management).

Our range of services includes investment propositions (discretionary portfolio management, advisory and execution only), wealth structuring, estate planning, lending and other specialised services such as informal investment services, art services and philanthropy advice. In the investment arena, our open architecture approach makes our state-of-the-art array of products and solutions available to clients, addressing their investment needs.

The International Diamond & Jewelry Group (ID&JG) is the world's oldest dedicated banking partner to the diamond industry. For around a century, ID&JG has been an acknowledged authority in the sector, supporting leading companies in the industry. ID&JG builds and nurtures long-term partnerships with clients by providing optimum service for their specific needs. ID&JG combines in-depth sector expertise with intimate knowledge of its clients worldwide. The long-term strategy initiated by ID&JG in 2013 focuses on the de-risking of its portfolio and on optimising its operating model within the key global business centres of ABN AMRO. As part of this strategy, we announced in 2013 the closing of our ID&JG offices in Japan and Botswana.

Enhanced client-centricity through matching clients' investment needs

An important element in putting our clients' needs centre stage is transparency. In a drive toincrease transparency and optimise our investment services we have introduced new investment concepts with a clear pricing structure.

These concepts have been discussed with every client in person to match of clients' investment needs with the bank's new investment propositions. All clients have consequently reviewed their investment goals and preferences and have chosen a suitable investment concept. As from 1 January 2014, clients in the Netherlands pay a fee for investment advisory services. Any retrocession fee paid for funds held by clients in 2014 will be paid onwards to clients in preparation for the ban on these fees. In addition, we facilitated the transition to investment funds without a retrocession fee by offering clients a free switch to the new funds.

The new propositions are supported by alerting tools, which actively alert clients to changes in the markets and allow for adequate follow-up in adapting client portfolios.

A client satisfaction survey showed that clients rate transparency higher, with a price transparency increasing by 10%. The change to the fee-based advisory model has had a positive impact on client satisfaction levels. Proactive contact is valued highly by our clients.

Business developments

Putting clients' interests first

We have embedded client-centricity as the essence of our identity and our business model. It is the cornerstone of our long-term strategy, in our policies and in the way we conduct our daily business.

Private Banking's strong client focus is supported by a clear segmentation that enables us to add value to specific client groups. Leveraging our size allows us to tailor our broad and in-depth expertise to our clients' needs.

Private Banking aims to provide maximum transparency and clarity in client communication, including product descriptions, performance levels and cost structures. We apply strict approval procedures to check the adequacy and sustainability of all existing and new products offered to our clients.

In our efforts to best match our services to client needs and further increase transparency, we introduced new investment advisory propositions in 2013, in anticipation of impending retrocession legislation in the Netherlands. Under this legislation banks are no longer allowed to receive retrocession fees from investment funds for client assets held in these funds. Instead of these indirect costs, clients will pay the bank directly for advisory services. The investment advisory propositions offer a new and fully transparent fee structure and have been successfully implemented in the Netherlands. We also started to offer these propositions in France, Germany, Luxembourg and Belgium. To increase the transparency of product costs, we moved our Dutch clients' fund investments into retrocession-free funds.

In our drive to support the client relationship with the best tools, we have implemented a goal-based risk profiling solution -- already being used in the Netherlands -- in France, Germany, Belgium and Luxembourg. This tool supports the proactive advice of our bankers by calculating the probability that clients will actually reach their investment goals.

Private Banking also enhanced its online and mobile banking services in 2013. Online and mobile channels became available for investment alerting, portfolio reporting and investment proposals. Our Online Wealth System enables clients and our advisors to check the performance of their wealth portfolio online. In Asia we have implemented an iPad mobile office tool that allows our advisors to engage with clients while on the road. We also offer clients a high-quality Research App. A demo version is offered to prospects to acquaint them with our research capabilities.

ABN AMRO MeesPierson's website was named Best Private Banking Website in 2013 by MyPrivateBanking, in clear recognition of our client focus. The site was praised for its transparency on costs and fees in particular and on performance data for products and services.

Employees

Private Banking's people are the key differentiating factor for clients. We have the capabilities to attract top professionals and continually invest in their development and expertise. Private Banking has embarked on a journey to become a Top Class Employer in line with the overall strategy of the group. The initial focus areas are continuous learning, diversity and mobility. Consequently, we have continued the international management traineeship programme launched in 2012 to attract new talent.

The international INSEAD Private Banking Certification Programme was successfully concluded, with 528 graduates since the programme's inception in January 2011.

Creating a leading private bank in Germany

On 4 December 2013, Bethmann Bank signed an agreement to acquire the domestic private banking activities of Credit Suisse in Germany through an asset and liability transaction.

Credit Suisse manages more than EUR 10 billion in assets in Germany for domestic clients with investable assets exceeding EUR 1 million. The closure of this transaction is expected in the course of 2014.

This agreement significantly strengthens ABN AMRO's position in the German private banking market, Bethmann Bank is now the third largest private bank in Germany, directly following the private banking activities of Deutsche Bank and Commerzbank (pure private banking without asset management and investment banking activities)[1].
The agreement is in line with ABN AMRO's long-term ambitions and is a perfect fit between Bethmann Bank and Credit Suisse, with both focusing on the same client groups and having complementary service offerings. By combining the branch networks of both banks, Bethmann Bank will achieve an outstanding regional market position in the major economic centres of Germany, such as Munich, Frankfurt, Cologne and Hamburg. Our local footprint in Germany will be further broadened as two branches – in Bremen and Hannover – will complement our existing branch network. Additionally, in various service areas, such as Discretionary Portfolio Management, Investment Consultancy, Private Equity and Independent Asset Managers, Bethmann Bank will be able to add further specialists to its already skilled workforce, which will expand and enhance our local service offering.

[1] Source: McKinsey analysis and Investors Marketing analysis.

Operational efficiency

We continued to implement Customer Excellence across our locations in 2013, including in France, Belgium and Luxembourg, in order to improve proactivity towards clients and efficiency by streamlining and simplifying business processes. Continued attention was given to cost efficiency and adapting to changing market circumstances. Private Banking set up extensive programmes to equip front-office staff to ensure risk awareness and risk management and devoted attention to processes designed to support our control framework. The business processes have been reviewed and adapted to adequately respond to a series of new regulatory requirements.

In order to align operations more closely with the ABN AMRO international growth strategy and in response to the challenging business environment, Private Banking invested in IT capabilities and process enhancements, while Guernsey, Jersey and Luxembourg conducted local resourcing reorganisations. These changes have not affected our service offering, but enable these units to make their operations more efficient and effective for the benefit of clients. In addition, Private Banking continued to optimise and rationalise its IT systems. After the sale of the Private Banking business in Switzerland in 2011, the decision was taken to transfer all Private Banking applications hosted there to our data centre in the Netherlands. This operation was successfully completed in October 2013, yielding significant cost savings and efficiencies.

Private Banking embarked on the partnership with Morningstar for investment research information on global large-cap stocks announced in 2012. The partnership was well received, resulting in a broader coverage of companies and extended fact sheets with more content. This cooperation not only allows us to provide our clients with more extensive research, but also enables our in-house equity research team to focus on providing independent research on Benelux stocks and on thematic and strategic issues.

Sustainability

Private Banking continued to work on the ABN AMRO sustainability strategy: a better bank contributing to a better world.

Our investment offering is compliant with specific sustainability standards. Consequently we do not invest for our clients in specific industries and companies. An example of these standards is ABN AMRO's Controversial Weapons List which has been implemented across all the countries in which ABN AMRO Private Banking is present. We significantly strengthened our governance for sustainability initiatives. Throughout our network, we note that investor interest in sustainable investments continues to grow. Bethmann Bank in Germany saw a considerable increase in its sustainable mandates. The functioning and added value of the Sustainable Advisory Board in Germany is a best practice in our organisation. Private Banking offers an increasing number of sustainable products and services, including Socially Responsible Investing (SRI), Philanthropy Advice and Impact Investing. Our ABN AMRO Social Impact Fund made its first investment in 2013.

We also continued our Next Generation programme, which is geared to the next generation of clients and focuses on impact investing.

The unit dedicated to Philantropy Advice in the Netherlands provided advice to a steadily growing number of clients on assessing the possibilities of efficiently and adequately allocating part of their wealth to charitable goals.

Neuflize OBC in France, which has been carbon-neutral for four years, is steadily progressing in sustainability. It introduced a forest offering to clients in 2013, a holistic service that enables clients to invest in forests, maintain their forests better and to use forests as a way to compensate for carbon emissions. In addition to its continuing participation in BabyLoans, Neuflize OBC signed a new partnership agreement with Credit Cooperative enabling clients in the Charities segment to offer microfinance solutions.

Strategic ambitions

Private Banking's ambition is to continue its disciplined growth in selected markets in Western Europe and in Asia. We have a focused strategy, concentrating on those markets where we already have a recognised footprint. The acquisition in 2013 of the domestic private banking operations of Credit Suisse in Germany are a point in case. Also in line with this strategy, Private Banking decided to discontinue its operations in Curacao in 2013. Our right to win in Asia continued being recognised by peers and clients in 2013 through the awards received locally as well as through the on-going growth of Net New Assets.

Another major ambition is to continue being a trusted advisor to our clients. Our efforts focus on the development of tailor-made advice based on an in-depth analysis of the personal needs of each client, resulting in holistic financial advice covering the full range of our clients' financial needs. Our clear segmentation model also allows us to effectively address the needs of specific client groups. It enables us to provide different solutions for these groups and to strengthen our value propositions according to their needs. As an example, Neuflize OBC continues being the reference bank for entrepreneurs with a unique integrated service model to support entrepreneurs in both their private and business finances. Or our World South Asian Services teams in Singapore, Hong Kong, Dubai and Jersey specialized in servicing the unique financial needs of families and entrepreneurs with their roots in the South Asian region.

Implementation of Customer Excellence principles across Private Banking will take us to the next stage of continuous improvement. Strong cost control and a focus on growth will continue to be our main drivers for improving profitability and achieving sustainable efficiency.

Both online and mobile banking are playing a rapidly increasing role in how clients interact with the bank. As such, we will make further investments in multi-channel access to all Private Banking's services.

The most important factor in being recognised as a trusted advisor is our staff. Private Banking will therefore further invest in its people's knowledge and capabilities. The aim is to maintain and improve a high-performance culture in an open and agile work environment. We will focus in 2014 on training bankers to implement the new holistic financial advice process.

Financial performance of Private Banking

Operating results

(in millions)	2013	2012	Change
Net interest income	586	537	9%
Net fee and commission income	539	508	6%
Other non-interest income	58	69	-16%
Operating income	**1,183**	**1,114**	**6%**
Personnel expenses	453	417	9%
Other expenses	440	471	-7%
Operating expenses	**893**	**888**	**1%**
Operating result	**290**	**226**	**28%**
Impairment charges on loans and other receivables	113	203	-44%
Operating profit before taxes	**177**	**23**	
Income tax expenses	41	- 28	
Profit for the period	**136**	**51**	

Other indicators

	2013	2012
Cost/income ratio	75%	80%
Return on average RWA (in bps)	138	37
Cost of risk (in bps)	115	148

	31 December 2013	31 December 2012	Change
Loan-to-Deposit ratio	28%	28%	0%
Loans and receivables - customers (in billions)	16.9	17.4	-2%
Of which mortgages (in billions)	3.2	3.4	-5%
Due to customers (in billions)	59.8	59.1	1%
Risk-weighted assets (in billions)	9.3	10.7	-13%
FTEs	3,523	3,648	-3%

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

Operating income

Operating income amounted to EUR 1,183 million, an increase of 6%.

Net interest income rose by EUR 49 million to EUR 586 million. Excluding the abovementioned change in the liquidity compensation, net interest income would have shown a limited decline. Net fee and commission income benefited from higher client activity as well as higher assets under management, increasing by 6% to EUR 539 million. Other non-interest income declined by EUR 11 million, although this was mainly the result of a release on divested activities booked in 2012.

Operating expenses

Operating expenses were virtually flat, at EUR 893 million. Higher pension costs were offset by lower project costs.

The operating result

The operating result increased by EUR 64 million to EUR 290 million, while the cost/income ratio improved to 75% from 80%.

Impairment charges on loans and other receivables

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

Loans and receivables – customers

Loans and receivables – customers showed a 2% decline. Like in the Dutch retail business, mortgages and consumer loans decreased somewhat.

Due to customers

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

FTEs

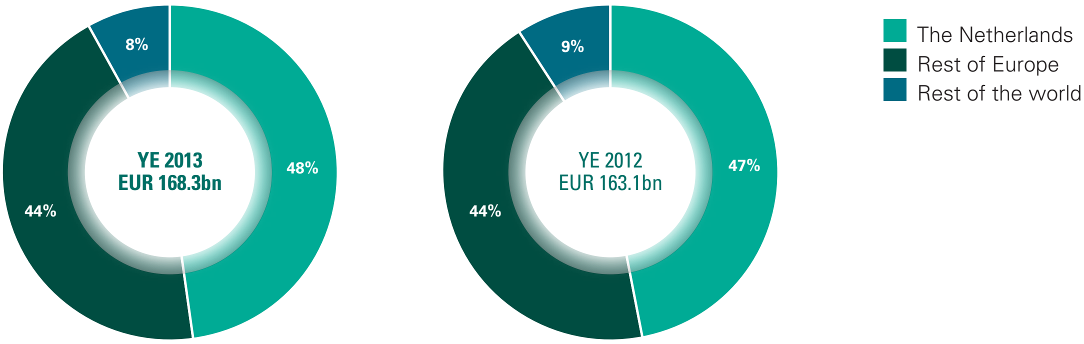
The number of FTEs decreased by 125 to 3,523.

Assets under Management

Assets under Management (AuM) increased by EUR 5.2 billion to EUR 168.3 billion due to market performance. Net new assets in the Netherlands were more than offset by a decrease in Jersey.

	31 December 2013	31 December 2012
Opening balance AuM as at 1 January	**163.1**	**146.6**
Net new assets (excl. sales/acquisitions)	-2.0	3.1
Market performance	7.1	13.4
Divestments / acquisitions	0.0	0.0
Other (incl. sales/acquisitions)	0.1	0.0
Closing balance AuM	**168.3**	**163.1**

Assets under Management by geography



Commercial & Merchant Banking

"Our clients' success is our success."
Joop Wijn

"Commercial & Merchant Banking (C&MB) is a mirror of the Dutch economy in terms of sector range and client base. We serve a broad range of companies – from small businesses up to large corporates – in all sectors of the Dutch economy. Outside of the Netherlands, we want to be where our clients do most of their business, and our international network is consistent with our clients' financial needs abroad.

Internationally C&MB is active in a number of selective markets: Energy, Commodities & Transportation (ECT), Clearing, Lease and Commercial Finance. The Financial Institutions segment has an important role in the development of the C&MB strategy. We offer a broad range of standard and tailor-made products and services combined with in-depth sector knowledge provided by dedicated professionals.

The results were significantly impacted by loan impairments, especially in Commercial Banking. In line with previous years, C&MB has made further changes to strengthen the credit policy. This policy is executed with discipline and there is a minimum of overdrafts and revision backlogs, and imperfections are within the norms. Despite the economic environment, Commercial Banking slightly increased its operating income compared with last year as a result of a heightened focus on portfolio management.

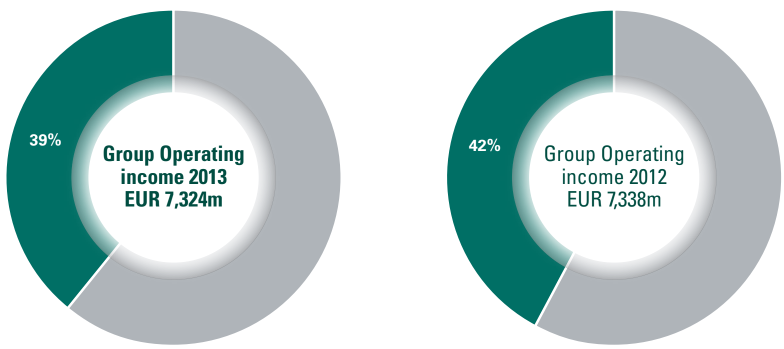
Merchant Banking saw its results impacted by loan impairments and revaluations of the Private Equity portfolio. Our specialist activities in ECT, Lease, Commercial Finance and Clearing further improved their strong positions in selected international markets in 2013. The Markets organisation had a difficult year as a result of tighter regulations limiting activities and increasing costs, and lower volumes. In response to these results, we have begun an internal recalibration of the Markets strategy, which will be finalised in the second quarter of 2014.

Cost reduction programmes within C&MB are on schedule. Several reorganisations have taken place, and Business Banking reduced the number of locations from 78 to 24. Client satisfaction slightly increased in most client segments and employee engagement continued to improve.

Going forward, we will continue to focus on achieving a well-balanced risk/reward ratio and we will continue to focus on our clients' interests and being a strategic partner. We are implementing a uniform sector-based service model across all segments of Commercial & Merchant Banking. Clients will benefit from a better understanding of their sectors and activities."

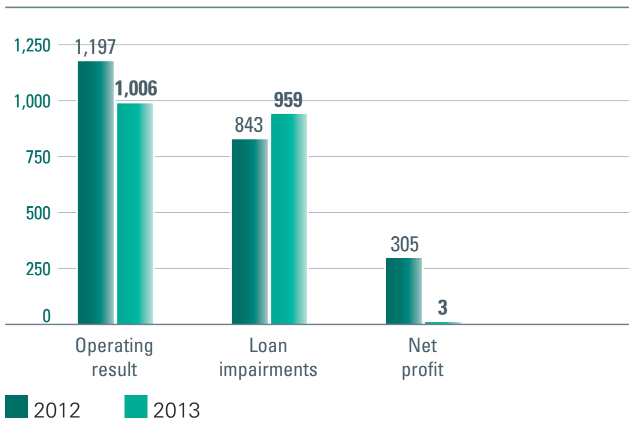
Joop Wijn
Member of the Managing Board

Commercial & Merchant Banking contribution to operating income



Financial performance

(in millions)



Commercial Banking

We strive to be the best commercial bank for SMEs and corporates based on our continuous client focus.

Key achievements in 2013

- Finalised and presented implementation plans of the reorganisation of the entire Business Banking organisation. All plans were approved by the Member Council. Partial implementation started at the end of 2013. This reorganisation included a reduction of the premises from 78 to 24. The first new premise (called ABN AMRO House) was opened in Q4 in the city of Dordrecht;
- The Relationship Management organisation of Business Banking has been prepared to make the shift towards a service offering that combines proximity with the client and sector expertise. An example is the introduction of the online Insights sector platform and the Insights App;
- Business Banking increased its revenues thanks mainly to a heightened focus on profitability. Margins were increased, fees were applied instead of denied by Relationship Managers and unused credit lines were decreased;
- Corporate Clients re-established its no. 1 primary bank position in the Netherlands (TNS NIPO);
- Corporate Clients Relationship Managers contributed to a strong Net Promoter Score compared with the rest of the Dutch financial sector (TNS NIPO).

Interesting facts

- ABN AMRO Commercial Finance (no. 1, Factoring & Asset-based Financing Association Netherlands) and ABN AMRO Lease (no. 2, Leaseurope annual survey 2012) maintained their strong market positions in the Netherlands;
- Increase of over 20% in sales and service through online channels;
- *Incompany* named ABN AMRO Lease Best Financial Service Provider in the Dutch financial services industry;
- *Business Moneyfacts* named ABN AMRO Commercial Finance Best Factoring & Invoice Discounting Provider in the UK;
- C&MB Trade Sales was named Best Trade Finance Bank in the Netherlands by *Global Finance*.

Business description

Commercial Banking serves commercial clients with an annual turnover up to EUR 500 million and clients in the public sector. The Commercial Banking earnings model is primarily based on lending and cash management, including trade finance and asset-based solutions such as provided by ABN AMRO Lease and ABN AMRO Commercial Finance. Commercial Banking also supports clients in their businesses abroad in selected key markets in Western Europe, the United States, Hong Kong and Singapore. Commercial Banking has set up agreements with premium partner banks to offer banking services to clients in countries where ABN AMRO is not present.

Commercial Banking consists of two business lines: Business Banking and Corporate Clients. The two subsidiaries, ABN AMRO Lease and ABN AMRO Commercial Finance, are also part of Commercial Banking and offer a full range of asset-based solutions to ABN AMRO's clients in Western Europe.

Business Banking

Business Banking offers a broad range of standard and customised products to small and medium-sized businesses through the service models YourBusiness Banking and Relationship Management. YourBusiness Banking allows small businesses (< EUR 1 million annual turnover) to conduct their banking affairs primarily online and by telephone. A team of YourBusiness Banking specialists provides in-depth advice to clients.

Medium-sized businesses (EUR 1-30 million annual turnover) are assigned a dedicated Relationship Manager who advises on financial matters based on in-depth knowledge of the client's business and market. Relationship managers are supported by specialists who offer advice on cash management, acquisition finance, formulas and franchises, and third-party banking.

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

Clients' interests served by using European Investment Fund

Business Banking serves an innovative company that designs and produces press tools and moulds.

This company was considering taking over another company (facing a setback due to economic conditions) and contacted ABN AMRO. A deal team consisting of the Growth & Innovation desk, a Relationship Manager, Risk Management and Acquisition Finance was set up and realised a construction for the acquisition. ABN AMRO helped the client to expand its current products and services and guaranteed continuity for the acquired entity.

The transaction was guaranteed (50%) by the European Investment Fund. This guarantee, which is available for fast-growing and innovative companies, enabled ABN AMRO to provide a credit with a longer duration and lower costs for the client.

Corporate Clients

Corporate Clients serves clients with annual turnover between EUR 30 and 500 million as well as clients in the public sector. Clients are served from five regional units in the Netherlands to ensure proximity, each providing a full range of products and services and offering in-depth expertise in selected key sectors of the Dutch economy.

Each client is assigned a dedicated client team consisting of a Relationship Manager and specialists in various banking capabilities such as cash management, trade and credits. Clients also have access to a dedicated and professional support unit for their day-to-day banking affairs.

Corporate Clients' clients have access to Merchant Banking products and services, such as M&A and capital structure advisory, to help them achieve their strategic ambitions.

To address the international business needs of its clients, the Commercial Banking International network offers a broad range of products and services through local presence in selected areas and global coverage through partner bank agreements.

Asset-based solutions

ABN AMRO Lease (AAL) and ABN AMRO Commercial Finance (ACF) provide asset-based solutions to clients in all C&MB business lines. AAL's and ACF's approach allows clients to leverage their assets (AAL), debtors and stocks (ACF) to provide additional liquidity, for example to sustain their growth ambitions. The subsidiaries are part of the Corporate Clients business line and are active in core markets in Western Europe (the Netherlands, Germany, France and the United Kingdom). AAL is also active in Belgium.

Business developments

Putting clients' interests first

Commercial Banking aims to strengthen its client relationships by combining client-centricity, sector knowledge and operational effectiveness. We highly value our clients' opinions on the quality of our service and employees, so we continuously measure the Net Promoter Score. We have defined multiple initiatives in pursuit of an enhanced level of client coverage and service. The initiatives are key to helping our clients achieve their ambitions. For example, several Customer Excellence 'waves' were carried out at YourBusiness Banking, Corporate Clients, ABN AMRO Commercial Finance and ABN AMRO Lease. Customer Excellence is helping us to improve the efficiency of client processes, shorten lead times and enhance client centricity. We also expanded the product portfolio by launching a top-class cash pool engine to support clients with more complex and often international cash management requirements.

Online sales and services increased by more than 20% in 2013, illustrating the growing preference of clients for online banking services. These developments in clients' needs have led to a strategic reorientation in the Business Banking service model. For example, a dedicated online sales team was introduced and adjustment of the capacity of YourBusiness Banking specialists is planned. A new concept was designed for the regional banking offices, combining former smaller offices to improve cooperation, knowledge sharing and client experience.

Commercial Banking has implemented a sector-based approach in line with Merchant Banking, which has helped to enhance alignment of our commercial capabilities across C&MB and focus in the key sectors of the Dutch economy. Throughout the year relationship managers prepared for the transition to this service offering, which combines proximity to the client and sector expertise.

Professionals

Continuing on the work of previous years, Commercial Banking invested in the quality and professionalism of its Relationship Management in 2013. This investment will help us further enhance our credit risk management skills. It will also heighten our awareness of, and help us to implement, regulatory changes in our client coverage and service offering. These efforts will also enable us to support clients preparing for high-impact regulatory changes, such as the Single Euro Payments Area (SEPA).

Strategic ambitions

Commercial Banking's strategic focus in 2014 will be on adherence to the regulatory requirements imposed by the ECB and other supervisory authorities. Furthermore, Commercial Banking will continue to roll out the Customer Excellence programme and will embed the uniform sector approach. Commercial Banking is enhancing its sustainable business model by focusing on its clients' needs while increasing profitability, professionalising staff and creating a more inspiring work environment where cooperation, knowledge sharing and performance management are key.

Business Banking

Business Banking continued to re-price the legacy portfolio in lending. Realisation of the re-pricing potential is key. Business Banking has prepared itself to fully benefit from the opportunities of a reviving Dutch economy by focusing on client acquisition. This will be supported by the recently started restructuring of its 78 local branches into 24 'ABN AMRO Houses', workplaces where knowledge is pooled and several areas of expertise are available. These offices will house sector teams that offer clients in-depth knowledge and extensive networks. The reduction in premises not only enhances employee satisfaction, but also reduces costs significantly.

Business Banking, in cooperation with Retail Banking, will continue to invest in online and mobile solutions for all types of clients within the range of Commercial Banking. Furthermore, Business Banking will continue to implement Customer Excellence (CE), a programme that led to significant cost reductions in 2013. Future CE waves are expected to have a similar effect.

Corporate Clients

Corporate Clients will continue to pursue its strategic ambitions across its domestic and international asset-based activities and the Dutch network. ABN AMRO Lease plans to expand its international activities by opening branches in Germany and the United Kingdom. ABN AMRO Commercial Finance will pursue ongoing growth combined with enhanced operational efficiency resulting from, among other things, Customer Excellence initiatives. In addition, and based on its recent performance in the Dutch network, Corporate Clients is confident about its ability to realise sustained growth and improve performance, both by means of targeted acquisitions and enhanced risk-reward management. Corporate Clients will invest in developing a forward-looking, sustainable and client-focused coverage and earnings model to anticipate ongoing technological and regulatory changes in the banking industry.

ABN AMRO Lease dedicated to putting clients' interest first

ABN AMRO Lease started implementing the Customer Excellence programme in its effort to achieve above-average customer satisfaction and a leading market position in the Netherlands.

Clients have indicated that speed is one of the most elementary satisfiers. Based on Customer Excellence principles, staff and managers have implemented various improvements. The introduction of capacity management in the Credit department, simplifications in the end-to-end process and a continuous dialogue about possible enhancements are examples of significant improvements. This produced a decrease in the average duration of a lease application by 60%, despite a 27% increase in the number of lease contracts processed in 2013.

C&MB on credit policy, credit management and the economy

Bank lending to businesses is a hot topic. Many companies are struggling to keep their heads above water. The number of bankruptcies remains high and the weak economy is reflected also in our results. C&MB made various changes to further strengthen its credit policy in 2013. For example, we tightened acceptance criteria for real estate finance and only accept credit applications with a low credit rating in exceptional cases.

We will continue implementing the policy rigorously and with great discipline and focusing on credit management. Internal risk reports show that execution of the policy is well within the norms. We will continue our efforts in this area to guarantee the quality of internal credit management and because clients expect us to be accurate in this matter. Plus, carefully pursuing our policy ensures that we do not miss out on any commercial opportunities.

The main cause of the high level of impairments, the adverse economic climate, is beyond our control. We are also seeing fewer financing applications due to the weak economic environment.

Going forward, lending will remain an important issue in society and in our discussions with clients. We want to help clients make the most of their commercial opportunities, and we will always look for ways to meet their financing needs.

Financial performance of Commercial Banking

Operating results

(in millions)	2013	2012	Change
Net interest income	1,385	1,264	10%
Net fee and commission income	273	302	-10%
Other non-interest income	27	19	42%
Operating income	**1,685**	**1,585**	**6%**
Personnel expenses	292	255	15%
Other expenses	606	680	-11%
Operating expenses	**898**	**935**	**-4%**
Operating result	**787**	**650**	**21%**
Impairment charges on loans and other receivables	796	587	36%
Operating profit before taxes	**-9**	**63**	
Income tax expenses	-1	22	
Profit for the period	**-8**	**41**	

Other indicators

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

	31 December 2013	31 December 2012	Change
Loan-to-Deposit ratio	106%	122%	
Loans and receivables - customers (in billions)	40.2	42.6	-6%
Due to customers (in billions)	37.9	34.6	10%
Risk-weighted assets (in billions)	24.7	28.8	-14%
FTEs	3,048	3,249	-6%

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

Operating income

Operating income amounted to EUR 1,685 million, an increase of EUR 100 million despite the divestment of some insurance activities in 2012.

Net interest income rose by 10% to EUR 1,385 million as a limited decline in outstanding commercial loans was more than offset by higher margins. In addition, increasing commitment fees are being charged on current accounts. Net fee and commission income declined by 10%, due chiefly to the divestment of part of the insurance activities partly offset by higher transaction fees. Fee income also declined due to a reclassification of interbank payment fees from other costs to negative fee income.

Operating expenses

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

Operating result

The operating result showed a strong increase of 21% to EUR 787 million. The cost/income ratio improved by 6 percentage points to 53% from 59% last year.

Impairment charges on loans and other receivables

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

Loans and receivables – customers

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

Due to customers

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

FTEs

The number of FTEs decreased by 201 to 3,048.

Merchant Banking

Key achievements in 2013

- Opening of Banco ABN AMRO S.A. in Brazil and a representative office in Moscow;
- Expansion of the joint venture CASE Corporate Finance in Belgium;
- Best financial advisor in the Benelux countries – The Financial Times and Mergermarket European M&A Awards 2013;
- Best Commodity Trade Finance Bank in Asia-Pacific 2013 – Euromoney's Trade Finance Magazine;
- Shipping Financier of the Year 2013, Greece – Lloyds List.

Interesting facts

- Strong results in client satisfaction research among Energy, Commodities & Transportation (ECT) clients: 68% of respondents strongly recommend ECT, while benchmark is 50% – Deep-Insights;
- No. 2 in terms of market penetration with Large Corporates in the Netherlands – Greenwich Survey 2013;
- No. 1 in Cash Management, Corporate Finance, CreditManagement & Factoring and Risk Management – Magazine Management Team;
- No. 3 Mandated Lead Arranger in Energy Offshore – Dealogic;
- Top tier ranking M&A advisory in Dutch linked M&A – Mergermarket and leading ECM house in Dutch follow-on offerings and no. 1 ECM house in Dutch IPOs – Dealogic;
- Extel client survey 2013:
  - 3rd place Best Broker of the Benelux;
  - 2nd place Sales and Corporate access Benelux;
  - 3rd place Research, Trading and Execution Benelux.

Business description

Merchant Banking serves Netherlands-based corporates, foreign subsidiaries of Netherlands-based corporates, financial institutions and real estate investors and developers as well as international companies active in Energy, Commodities & Transportation (ECT) sectors. Merchant Banking consists of two business lines: Large Corporates & Merchant Banking (LC&MB) and Markets.

Large Corporates & Merchant Banking

Large Corporates & Merchant Banking offers a full range of financial services to Netherlands-based corporates, financial institutions and real estate investors and developers as well as international companies active in ECT. LC&MB's services are available to C&MB clients and include:

- Debt Solutions: origination and sales of syndicated bank loans, acquisition & leveraged finance, project finance, structured debt, export finance, institutional solutions, debt capital markets products and capital structuring & advisory;
- Centre of excellence for disintermediation;
- Cash management and working capital services;
- M&A advice and equity capital market solutions;
- Private equity financing: majority and substantial minority shareholder stakes.

LC&MB's primary source of income is interest income from assets on the books. Net fee and commission income also comprise a significant and stable part of LC&MB's total income driven by cash management, interest-related fees and event-driven transactions (acquisitions, capital expenditure, refinances, etc.).

Large Corporates & Sector Origination

The Large Corporates & Sector Origination team offers corporates based in the Netherlands with turnover exceeding EUR 500 million strategic relationship management through sector coverage teams supported by product teams and credit specialists.

Financial Institutions

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

Real Estate

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

Energy, Commodities & Transportation (ECT)

ECT clients are international mid-sized to large corporates active in energy (oil and gas industry and offshore services), commodities (trading companies active in energy, agricultural and metals commodities) and transportation (shipping and intermodal). ECT has an established presence in 12 locations in the three main time zones – Asia, Europe and the Americas – and holds a worldwide top position in these sectors. ECT provides tailor-made and integrated financial solutions, leveraging our strong sector knowledge and structuring capabilities.

Markets

Markets is divided into two business lines: Sales/Trading and Clearing. Markets serves a broad client base, ranging from large corporates and financial institutions to retail and private banking clients. Markets tailors its offering to clients' needs where possible, while keeping products and services as standardised as possible and always ensuring transparency of its products and prices. Clients are offered solutions in Foreign Exchange, Interest Rates, Commodities, Equities, Equity Derivatives and Securities Financing products. Markets also offers clients online services via ABN AMRO I-Markets and other e-commerce channels. Markets has five regional treasury desks in the Netherlands, with specialised sales teams and trading activities based in Amsterdam. Outside the Netherlands, the main sales and trading activities are based in Frankfurt, Hong Kong, London and New York. Markets has a global presence through securities financing and clearing.

Securities Financing

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

The Securities Financing team offers tailor-made solutions to financial institutions such as pension funds, asset managers, insurance companies, banks, custodians and clearing institutions.

Clearing

Clearing, a subsidiary operating through ABN AMRO Clearing Bank N.V., is recognised as a global leader in derivatives and equity clearing and is one of the key players currently offering global market access and clearing services on 160 different trading platforms (incl. exchanges and brokers) around the world. Clearing operates from 11 different locations across the globe and has a presence in every major financial hub.

Clearing offers an integrated package of direct market access, clearing, settlement, custody, financing and securities lending services covering a broad range of futures, options, equity and fixed income products.

Clearing works closely with other businesses within the bank, such as ECT for the hedging and clearing of ECT clients' physical assets (agriculture, metals and energy). Its operating model is self-supporting where possible, as speed and responsiveness are critical in this business and regulators and clients expect clearing activities to be separated from general banking activities.

Business developments

Putting clients' interests first

Merchant Banking strives to retain and expand the strong principal bank relationship with clients by offering superior creativity and sector knowledge. Dedicated sector teams of highly professional, ambitious and passionate people with in-depth sector and product knowledge are at the heart of this business's client-centric service model. Merchant Banking took on numerous highly-quality roles in important transactions in 2013 for clients who consider this business to be their trusted advisor. The Greenwich Large Corporate Banking survey noted that ABN AMRO has made significant progress in strengthening its position in the Dutch Corporate Banking market, increasing the number of lead relationships and the quality of its service offering in nearly all areas. ABN AMRO currently ranks second in market penetration according to Greenwich. Corporates increasingly used the bank for international network banking in Europe in particular. Clients in the Energy, Commodities & Transportation sectors strongly recommend ABN AMRO, according to the Deep-Insights survey. The bank won several awards for its M&A, Commodities, Shipping and Real Estate activities in 2013. In terms of ranking, ABN AMRO is well positioned in M&A, Equity Capital Markets (ECM) and Energy Offshore. Merchant Banking saw its results impacted by loan impairments and revaluations of the Private Equity portfolio.

Merchant Banking shut down its Equity Derivatives arbitrage activities in 2013. Merchant Banking works together closely and creatively with clients requiring tailored products and services to gain a genuine understanding of their needs, and offers swift and flawless execution. For example, Merchant Banking launched a new version of the online Dealstation platform in 2013, where clients can look up their current portfolio valuation data. New regulations are set to affect this business in the coming years. Although the impact of many of the new rules is still uncertain, the fundamental business model for sales and trading will need to change. ABN AMRO therefore started a strategic review of the Markets division in the fourth quarter of 2013.

Clearing's client satisfaction improved in 2013 and many clients acted as a promoter of our service offering. Clearing also successfully completed a transaction with its subsidiary European Multilateral Clearing Facility (EMCF), a leading equity clearing central counterparty. This transaction, under which EMCF was merged with its former competitor EuroCCP, brought together some of the leading equity players in Europe to support further growth of this firm, developed by Clearing.

International footprint

Following the acquisition of a small privately-owned Brazilian bank in 2012, ABN AMRO re-opened its doors in Brazil in November. Banco ABN AMRO S.A. finances commodities trading, energy operations and transportation-related projects. We have also started preparations for establishing a presence for Clearing in Brazil based on two reasons: this country is the largest financial market without a Clearing presence and there is clear client demand for on-shore access to the Brazilian market. To strengthen the product and service offering to ECT clients, ABN AMRO opened an office in Moscow in 2013. Under the name of CASE Corporate Finance, ABN AMRO has an exclusive cooperation with three independent M&A boutiques in France and Germany. ABN AMRO successfully expanded the joint venture CASE Corporate Finance in Belgium in 2013.

Strategic ambitions

Merchant Banking plans to continue to bring creative ideas to clients and to deepen relationships in 2014. Merchant Banking continuously strives to understand clients better and to encourage staff to improve their performance. Basel III imposes stricter requirements on capital buffers and liquidity ratios of banks and institutional parties, who are looking for investments that yield more than high-grade government bonds. Clients want to be less reliant on bank loans and are exploring other ways to raise finance. Merchant Banking will play an active role in this disintermediation trend by supporting clients in their debt diversification, consequently enhancing liquidity by offering non-traditional liquidity sources such as non-public debt, equity and funds. Merchant Banking will pursue this approach based on its strategic relationship with clients, in-depth knowledge of sectors and relationships with investors.

Solar energy at Wieckse (HEINEKEN); delivering fully-financed renewable power

ABN AMRO established a joint venture with an operational partner, an engineering, procurement and construction firm.

The joint venture partner has the technical and operational know-how and ABN AMRO has the structuring skills and relationship with the client, which purchases the power produced by the generator. In this case, Wieckse, a Dutch beer brand owned by Heineken, installed 3,632 solar panels on the roof of its brewery in Den Bosch. The generated power of around 855,000 kWh a year is used for brewing. As the financial partner in the joint venture, ABN AMRO owns a stake in the power plant, which sells the entire power output to the client (HEINEKEN / Wieckse). This transaction structure is distinctive insofar as it does not rely on any government subsidies or support, and it greatly reduces Wieckse's carbon footprint without requiring a significant investment. And, of course, it contributes to a sustainable world!

As part of its commitment to sustainable growth, Merchant Banking will maintain a moderate risk profile and a strictly risk-managed, client-led business. ABN AMRO has clearly defined its risk appetite and return targets for growth areas. Merchant Banking plays an important role in improving the bank's sustainable footprint. ABN AMRO is a long-time supporter of the Green Award scheme. The bank has extended incentives to Green Award-certified sea-going and inland navigation vessels to 2014. ABN AMRO is a partner in the Sustainable Shipping Initiative (SSI), a coalition that is working to achieve a shipping industry that is both profitable and sustainable by 2040.

Merchant Banking is experiencing increasing regulatory pressure on capital planning, risk modelling and collateral valuations. In response to the changing landscape and new regulations, Markets will redefine its strategic choices. In order to provide swap services, ABN AMRO plans to become a Registered Swap Dealer in 2014, compliant with both European and US regulations (EMIR and Dodd-Frank respectively).

Merchant Banking will pursue further international growth in 2014. The ECT business will expand its global platform, and Clearing plans to establish a presence in Sao Paulo in 2014. The scope of Securities Financing activities will be broadened to Germany, Switzerland, the United Kingdom, the Scandinavian countries and France. The Asian and US client base will be expanded with asset managers and insurance companies.

Clearing has launched a global programme to further grow and diversify its revenue base in alternative asset management. Clearing will also continue to closely monitor and manage its cost base in line with the long-term strategy, for example through the current outsourcing programme designed to reduce staff costs.

Financial performance of Merchant Banking

Operating results

(in millions)	2013	2012	Change
Net interest income	673	652	3%
Net fee and commission income	370	376	-2%
Other non-interest income	114	433	-74%
Operating income	**1,157**	**1,461**	**-21%**
Personnel expenses	326	277	18%
Other expenses	612	637	-4%
Operating expenses	**938**	**914**	**3%**
Operating result	**219**	**547**	**-60%**
Impairment charges on loans and other receivables	163	256	-36%
Operating profit before taxes	**56**	**291**	**-81%**
Income tax expenses	45	27	67%
Profit for the period	**11**	**264**	**-96%**

Other indicators

	2013	2012
Cost/income ratio	81%	63%
Return on average RWA (in bps)	3	60
Cost of risk (in bps)	40	58

	31 December 2013	31 December 2012	Change
Loan-to-Deposit ratio	184%	155%	
Loans and receivables - customers (in billions)	49.4	49.7	-0%
Of which mortgages	0.0	0.0	-29%
Of which securities financing	10.9	14.5	-25%
Due to customers (in billions)	27.5	37.1	-26%
Of which securities financing	8.1	15.2	-47%
Risk-weighted assets (in billions)	34.7	45.5	-24%
FTEs	2,204	2,142	3%

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

Operating income

Operating income declined by EUR 304 million compared with last year.

Net interest income rose by 3% to EUR 673 million. Interest income from ECT, Real Estate, and Large Corporates increased. This was partly offset by lower results at securities financing as the 2012 results benefited from higher margins following the European sovereign debt crisis. Net fee and commission income decreased by 2% to EUR 370 million. Other non-interest income, excluding special items, declined by 45% to EUR 236 million. Within Markets, trading income was lower across the board, although this was due in part to the strategic decision to terminate the non-client-related part of the business, bringing down income compared with 2012. Private Equity also contributed to the decline as favourable revaluations in 2012 were followed by negative revaluations in 2013.

Operating expenses

Operating expenses increased by 3% to EUR 938 million. Personnel expenses rose 18% to EUR 326 million mainly as a result of higher pension costs. Other expenses were down 4% to EUR 612 million.

Operating result

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

Impairment charges on loans and other receivables

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

Loans and receivables – customers

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

Due to customers

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

FTEs

The number of FTEs increased by 62 to 2,204.

Group Functions

While clients mainly have contact with our front-office staff, much of the work we do takes place behind the scenes. Our support departments, unified in Group Functions, work together across the organisation to enable the businesses to serve clients efficiently and effectively.

Group Functions

Group Functions supports the bank's businesses by delivering services in the areas of Finance, Risk Management & Strategy (RM&S), People, Regulations & Identity (PR&I) and Technology, Operations & Property Services (TOPS) through a global shared services organisation. Activities performed by TOPS, Finance, RM&S and PR&I are described in this section. Group Audit and the Corporate Office are also part of Group Functions. Group Audit reports to the Chairman of the Managing Board, and the head of Group Audit has direct access to the Chairman of the Audit Committee. Group Audit also acts as the third line of defence (see the Risk management section). The Company Secretary, appointed by the Managing and Supervisory Boards, heads the Corporate Office and holds an independent position under the direct supervision of the Chairman of both the Managing and Supervisory Boards. Operating expenses recorded in Group Functions are allocated to the business divisions according to service consumption, with the exception of some specific items (e.g. integration expenses).

Technology, Operations & Property Services (TOPS)

Technology, Operations & Property Services (TOPS) supports the businesses by providing services in the areas of IT (software and hardware), operations, facility management and office space, information security, procurement and programme/project management.

Finance

Finance is the primary supplier of management and reporting information to our businesses and to external stakeholders. Finance plays an independent role in delivering management information and challenging business decisions. It provides a strong financial control environment and ensures compliance with accounting standards and requirements set by the regulatory authorities. Finance includes ALM/Treasury (ALM/T), which also has a reporting line to RM&S. ALM/T is responsible for managing the level of capital, interest rate risk (banking book) and liquidity available to the bank and runs the Treasury function. More information on liquidity, funding and capital is provided in the sections on Liquidity & funding and Capital management.

Risk Management & Strategy (RM&S)

A healthy bank relies on sound risk management and a risk culture in which every member of staff takes accountability for their actions. ABN AMRO therefore works according to the three lines of defence risk management model. This model is generally accepted as the best practice standard for risk management in the financial industry and makes risk management the responsibility of every employee of the bank. It enhances risk awareness and promotes the bank's risk culture. Risk Management, Group Economics and Strategy (including Corporate Development and Investor Relations) have been combined into one organisation, Risk Management & Strategy (RM&S). The IPO Programme is part of the RM&S organisation and is responsible for the preparations and execution of a potential IPO of ABN AMRO. ALM/T is also closely aligned to RM&S to ensure that ABN AMRO's risk appetite is in line with the bank's corporate strategy and capital position, taking into consideration the economic outlook. More information on the risk management process is provided in the Risk management section.

People, Regulations & Identity (PR&I)

The primary responsibility of People, Regulations & Identity (PR&I) is to help the bank's businesses put its clients centre stage. PR&I consists of five departments: Human Resources, Compliance & Conduct, Legal, Security & Intelligence Management and Communications & Sustainability. ABN AMRO faces the challenge of transforming the bank in line with the long-term strategy. ABN AMRO's focus this past year and for the years ahead is on creating a new corporate culture, in part by promoting the core values of Trusted, Professional and Ambitious and our Business Principles. Furthermore, as part of our ambition to invest in the future, PR&I has taken the lead in formulating and implementing two main strategic choices bank-wide: Top Class Employer and Sustainability & Transparency.

Our Human Resources department is dedicated to archieving the Top Class Employer ambition. We aim to develop an organisation we can be proud of. A culture that encourages employees to rise to challenges and where employees have a say in creating their own work environment. The Compliance function provides independent oversight on behalf of the Managing Board with respect to policies, procedures and core processes to ensure ABN AMRO conforms with general and industry-specific laws and regulations both in letter and in spirit. The Risk management section of this report provides further details. The Compliance function also provides support to the organisation by interpreting and implementing laws and regulations and acts as a navigator for good conduct. The Legal function provides legal support to the organisation while maintaining oversight of the Group's legal risks and preserving ABN AMRO's reputation.

Security & Intelligence Management bolsters transparent and sustainable banking by means of its analysis, investigations and advice on alleged or perceived financial-economic crime threats, including bribery, corruption and money laundering. The business is provided with a sound framework to support strategic, tactical and operational decision-making to strengthen the security and integrity of business operations and opportunities.

The Communications & Sustainability department formulates the bank's overall communication and sustainability strategies. The Sustainabilty department ensures that sustainability is embedded in the bank's business practices. ABN AMRO Foundation runs social projects and coordinates activities that promote social engagement.

Financial performance of Group Functions

Operating results

(in millions)	2013	2012	Change
Net interest income	-205	-29	
Net fee and commission income	-4	-95	96%
Other non-interest income	73	197	-63%
Operating income	**-136**	**73**	
Personnel expenses	792	809	-2%
Other expenses	-523	-484	8%
Operating expenses	**269**	**325**	**-17%**
Operating result	**-405**	**-252**	**-61%**
Impairment charges on loans and other receivables	-687	-201	
Operating profit before taxes	**282**	**-51**	
Income tax expenses	49	-26	
Profit for the period	**233**	**-25**	

Other indicators

	31 December 2013	31 December 2012	Change
Loans and receivables - customers (in billions)	3.9	5.4	-27%
Due to customers (in billions)	3.1	3.9	-21%
Risk-weighted assets (in billions)	7.7	6.4	20%
FTEs	7,287	7,685	-5%

The net result for Group Functions rose to EUR 233 million from EUR 25 million negative as a result of significant impairment releases, offset by lower operating income and higher expenses. The result was heavily impacted by special items in both years. Excluding these, Group Functions would have posted a net loss of EUR 285 million.

Operating income

Operating income excluding special items remained virtually unchanged.

Net interest income decreased by EUR 176 million, due mainly to the previously mentioned change to the liquidity compensation of EUR 312 million. The mismatch result increased due to lower short-term interest rates. The costs of funding as well as capital increased somewhat as maturing debt issued before the crisis was refinanced at higher spread levels. Net fee and commission income increased by EUR 91 million, due mainly to a reallocation of fees paid for interbank payments to the business. Other non-interest income, excluding special items, increased by EUR 91 million due to changes to the valuations within the investment and trading portfolios as well as higher DVA.

Operating expenses

Operating expenses excluding special items increased by EUR 357 million. Personnel expenses showed a marginal decline however in 2012 EUR 162 million of integration costs of the pension funds was booked (part of special items). Excluding special items, personnel expenses increased due to higher pension costs, partly offset by lower FTEs. Other expenses excluding special items increased mainly as compensation from a service level agreement (related to the EC Remedy) lowered expenses in 2012 and due to higher costs for change projects, slightly offset by lower depreciation costs.

Impairment charges on loans and other receivables

Impairment charges on loans and other receivables was negative EUR 687 million and was almost entirely the result of the releases on Madoff and the Greek loans.

FTEs

The number of FTEs decreased by 398 to 7,287.

Special items

Impact of special items

(in millions)	2013	2012
Operating income		
Positive revaluations EC Remedy related provisions		215
Reassessment discontinued securities financing activities	-70	
Costs of wind down non-client-related equity derivatives activities	-52	
Total impact on Operating Income	**-122**	**215**
Operating expenses		
Integration costs		450
Restructuring provision	37	
Total impact on Operating expenses	**37**	**450**
Loan impairments		
Greek releases	-432	-125
Madoff releases	-253	-78
Total impact on Loan impairments	**-685**	**-203**
Total impact on Profit for the period	**408**	**41**

human resources 12

We at ABN AMRO understand that an organisation is only as good as its people are. One of the key elements of our long-term corporate strategy is our ambition to be a top class employer. In an uncertain economic climate and a rapidly changing world, we cannot afford to miss out on talent, so we want to be an employer for whom the best people from different backgrounds are eager to work. To this end, we drew up a roadmap based on three aims: defining our corporate identity, developing a culture of excellence and creating the best place to work. Our focus in 2013 was on developing policies to help us achieve our long-term goals and introducing tools for our people. Our ambitions are reflected in the human resources activities we undertook in 2013, an overview of which is provided in this section.

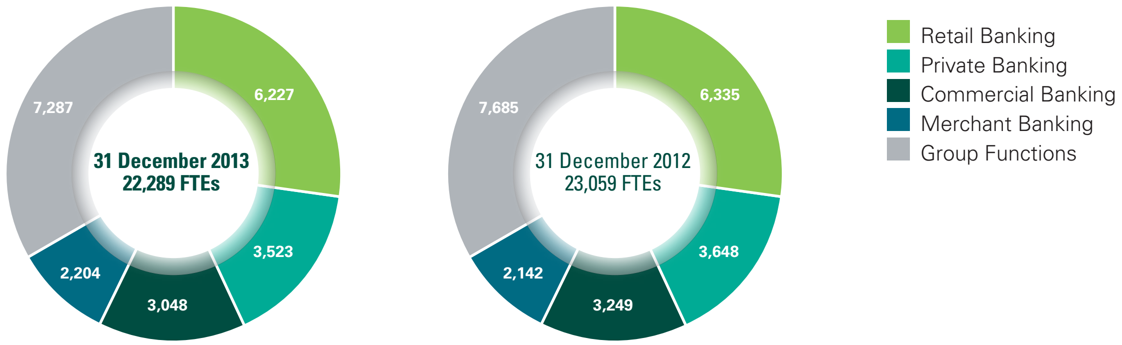
Workforce at a glance

At 31 December 2013, ABN AMRO employed 22,289 FTEs (excluding agency staff). This was 770 FTEs fewer than at year-end 2012 (23,059 FTEs). ABN AMRO's home market is the Netherlands: 83% of our employees (18,550 FTEs excluding agency staff) work here; the remaining 3,739 FTEs are spread across 23 countries, most of whom are employed in France, Germany and Singapore. The majority of our 22,289 FTEs work at Group Functions (32.7%) and Retail Banking (27.9%). The following illustrations provide a breakdown of our workforce by segment and geography.

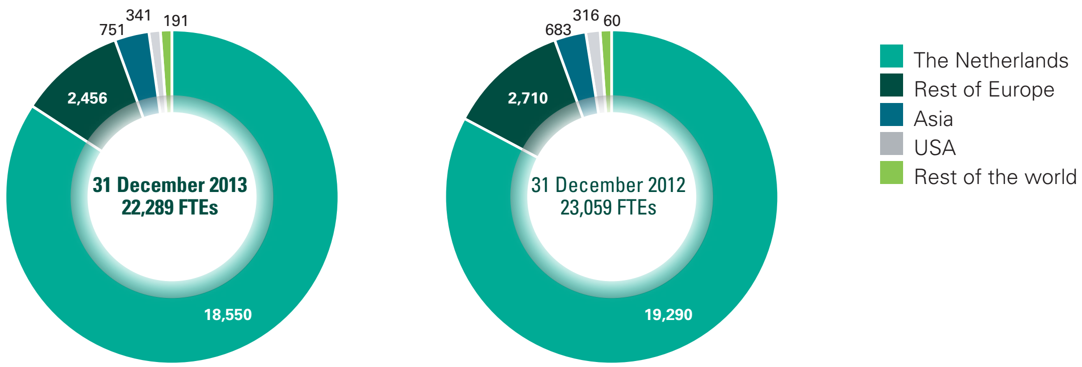
As the chart on the right illustrates, a total of 1,962 FTEs left the bank and 1,192 FTEs joined the bank in 2013. A total of 403 FTEs left the bank due to a reorganisation in 2013 (compared with 865 FTEs in 2012). Natural attrition remained low at 3.0%, the same as in 2012.

At the end of 2013, 4.5% of our FTEs were employed based on a temporary contract. This figure was 4.4% in 2012.

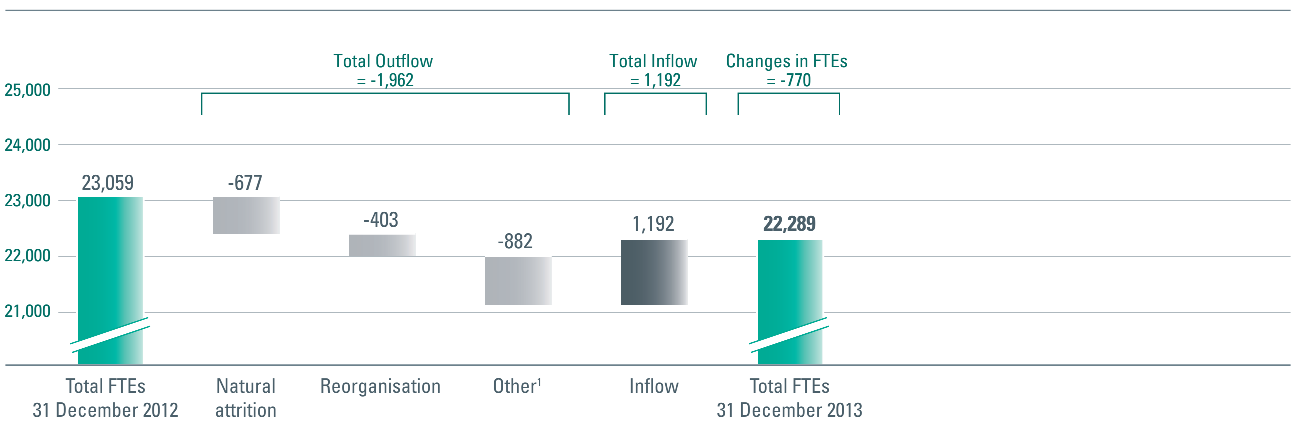
Total FTEs by segment



Geographic breakdown of FTEs



Changes in FTEs



[1] 'Other' includes changes in working hours, employees who left the bank who do not fit into the other outflow categories, for example due to dismissal or outsourcing, contract amendments and expat contract changeovers.

Introduction

One of the key elements of the ABN AMRO strategy is to be a top class employer. Against this background, we aim to develop an organisation we can be proud of. A culture that encourages employees to rise to challenges and whereemployees have a say in creating their own work environment. The activities we carried out in 2013, which are described below, took us closer to achieving these goals.

Our corporate identity

A corporate identity that employees are eager to embrace is key for attracting and retaining talent. We want our employees to be proud of ABN AMRO and to be our brand ambassadors. To this end, we are cultivating our corporate identity and promoting values and principles designed to increase engagement and promote integrity.

Trusted

We at ABN AMRO believe trust is all about establishing and maintaining lasting relationships. We take the time to get to know our clients by listening to their specific needs and aspirations.

Our goal is find the products and services that are right for our clients. When we make a promise, we always live up to it; when we communicate with our clients, we are always straightforward and never have hidden agendas.

Our commitment to responsible banking means we carefully weigh risks and returns so that our clients know their money is in good hands at all times.

Professional

We at ABN AMRO understand banking. As true professionals, we have a thorough grasp of the banking industry and the discipline to achieve results.

We genuinely believe in our profession and take responsibility by saying 'no' if saying 'yes' would not do right by our clients.

We create solutions that are simple, understandable and workable, and we strive to improve ourselves every day by working together and learning from one another – and from our clients.

Ambitious

We at ABN AMRO are always stretching our boundaries and striving to achieve more for our clients. We always strive to improve ourselves.

We make it our business to know what's going on in the market and to respond proactively, and we do everything possible to understand what clients really need and to craft innovative solutions.

Our optimism about the future drives our ambition to offer our clients more. At ABN AMRO, we aren't afraid to venture outside our comfort zone to put our ambition to work for our clients.

Values and principles

We are developing a corporate identity founded on a values-based working environment. Our core values are Trusted, Professional and Ambitious. These values, combined with client focus, are at the heart of the bank's positioning. By successfully implementing these values, we will continue to build a strong culture and corporate identity, allowing us to raise company pride and engagement among staff. We promote our core values and Business Principles every day – and we hold every employee accountable for living up to these values and principles.

Our Business Principles guide us in how we engage with each other and with our clients. In a business as varied as ours, we need a common set of principles we can fall back on in any situation. The Business Principles are derived from our core values, our aim to put our clients' interests centre stage and the competencies we require of our people. They inform us on how to behave in virtually every situation and help us handle the many dilemmas we face in our day-to-day work.

- I aim to provide my clients with **the best solutions**
- I take **responsibility**
- I only take **risks** I understand
- I am committed to **sustainable** business practices
- I am a **passionate** professional
- I build relationships through **collaboration**

The Business Principles and our commitment to client centricity play an important role throughout the Human Resources cycle. We are incorporating them into job descriptions and recruitment advertisements in the Netherlands and we used them as the basis for the new Employee Engagement Survey in 2013 (see below). At the same time, staff performance targets and the leadership competencies required of managers reflect the spirit of the Business Principles and client centricity. We will continue to pursue our efforts in these areas in 2014. Our training offering, meanwhile, includes several courses on putting clients' interests centre stage and will be updated regularly on the basis of our aspirations in these areas.

Our efforts to create a meaningful corporate identity have been recognised outside the bank. The annual Dutch Intermediair Image Survey ranked us the number 8 employer in the Netherlands for 2013, rising from number 9 in 2012 and from number 11 in 2009-2011. In addition, we received Top Employer certification from the Top Employers Institute. This certificate is only awarded to companies that achieve the highest standards of excellence in HR strategy, policy implementation, employment conditions and employee development.

Employee engagement

The commitment and satisfaction of our employees were measured in 2013 in the Employee Engagement Survey (in 2012 and previous years with the Culture Scan). The survey included questions about client centricity and a number of Business Principles. We firmly believe that engaged employees deliver better performances and maintain closer relationships with clients – and that, in turn, improves corporate performance.

The results of the Employee Engagement Survey show that employees are increasingly proud of ABN AMRO and feel more involved with the organisation. The engagement score rose to 74% in 2013 from 55% in 2012. This score was calculated similarly to how the Culture Scan results were calculated in 2012. Pride in working for ABN AMRO rose by 22% compared with 2012. Our workforce is increasingly positive about the organisation on other fronts too. Staff have a positive perception of their immediate manager (76%), our client focus (77%) and fair treatment (74%).

These results give us the information we need to take action to increase engagement and improve our values based working environment. Managers discuss the results with their teams and draw up improvement plans tailored to the specific requirements of their teams.

Culture of excellence

We define a culture of excellence as a culture in which employees strive at all times to excel on behalf of the client and to perform better every day. We need our organisation to be agile. This begins with every individual employee's ability to get the most out of their talents and to continuously evolve. As an employer, we believe it is upto us to give our people clear targets and guidance and to enable them to be the best they can be. We challenge employees to put their talents to work and allow them toexperiment along the way – that is the best way to learn. We cannot afford to overlook talent, so we devote special attention to recruiting, developing and retaining our diverse workforce. In doing so, we focused on the areas listed below in 2013 – and we aim to build on our work in these areas in the coming years.

Recruitment

We aim to attract the right people for the entire organisation. Our approach to recruitment is to engage in a dialogue with our target group by using social media, content marketing and campaigns specifically targeting trainees, starters and experienced professionals.
In addition to our recently launched recruitment site, we opened our mobile recruitment site in early June, responding to the growing need of our target groups to use mobile devices when looking for a job.

Employee Engagement Survey

We measured employee engagement differently in 2013: we introduced a new questionnaire including a template for managers to support them in continuing the dialogue with their team members.

In general, teams with a high level of employee engagement show a high level of trust and score high on client satisfaction and continuous improvement (both personally and professionally). Direct leaders play a crucial role in the level of engagement of their employees. We asked managers with a 97% engagement score to share their secret. Answers varied from "We celebrate our mistakes", "I take my turn in running the telephone service to stay aware of issues and how they are solved" to "A 'Customer Excellence start of the day' where we give each other constructive criticism and grow a little every day". All managers said they would congratulate their teams, as creating an engaging and client focused environment is a joint effort.

Leadership

In the belief that leaders are the catalysts for change, we devote special attention to developing our managers and promoting a constructive, inspiring leadership style. As part of our succession planning, we identify and support potential managers in their development.
Our leadership programmes are designed to help managers learn more about themselves, create opportunities to grow and help them discover how to get the most out of their staff. The Personal E-Survey (360 feedback) gives leaders insight into their strengths and weaknesses in relation to their role as leaders within the bank. We organised 21 leadership programmes, with a total of 504 participants, in 2013. Following a training day for our Dutch managers in 2012, we held international leadership days in the US, Asia and Europe for all of the bank's international leaders for the first time. These bank-wide programmes are designed to help leaders carry out the ABN AMRO strategy and develop an effective leadership style. Around 800 managers participated in these three events. We will be holding leadership days again in 2014, both in the Netherlands and abroad.

Accountability

Performance management is the process of creating a work environment in which people are enabled to perform to the best of their abilities. It is the vehicle by which managers communicate what is required from staff and give feedback on how well they are performing. A culture of excellence benefits from the right performance management, where managers guide staff in exhibiting outstanding behaviour. At ABN AMRO, we use performance management as an instrument to strengthen the culture in terms of client centricity, collaboration and responsibility, to engage in an on-going dialogue on performance, learning and talent development, and to continuously improve employability and client service.

Our performance management framework is designed to achieve a balance in financial and non-financial targets, quantitative and qualitative targets, and behavioural aspects to help us adhere to our strategy, internal standards and external regulations. Each employee draws up their own personal performance plan based on the performance management framework and additional business guidelines. This plan contains clear, balanced targets and explicitly addresses behaviour. The targets are defined in a dialogue between the manager and employee and reflect how to translate the business strategy to individual performance. The employee's progress is evaluated at regular intervals throughout theyear. We are in the process of enhancing the focus of ourperformance management system on behaviour.

Control functions within the bank, such as HR, Risk and Compliance, support managers and staff in complying with the performance guidelines and objectives.
Our performance management system is linked to the way wereward our people. More information about this subject can be found in the Remuneration report.

Diversity

First and foremost we believe that a diverse workforce will help us to achieve the best results for our clients. Having a workforce that reflects the make-up of society and our client base will benefit our performance. Beyond that, we believe that diversity is our social responsibility – one we take very seriously.

Our Diversity & Inclusion policy aims to create an environment in which talented people from all walks of life feel welcome, can be themselves and are valued for their strengths. An environment where they are given the freedom to help the bank and its clients succeed, regardless of race, gender, cultural background, age, sexual orientation or physical disability.

Our diversity focus in 2013

We focused on a broad range of target groups in 2013. Our objectives were to:

- Recruit and promote women to senior management positions: ABN AMRO signed the Talent to the Top charter in 2009, underscoring our ambition to place more women in senior management positions. Our target for 2014 is to place women in 20% of senior management positions (18.7% in 2013) and in 25% of upper middle-management positions (22.3% in 2013). This is an increase of more than 3% over the last two years. In this respect, the increasing number of women graduates are a key target group. We are also focusing on recruiting female trainees and retaining and promoting women to senior management positions. In 2013, 55% of our trainees were women. As a result, ABN AMRO was named by Intermediair best in class within the Dutch banking industry in terms of women advancing their careers. The bank scored 7 out of 10 points in the Dutch Topvrouwen bedrijvenranking (ranking of women in senior management positions); numbers two and three in the ranking scored 6 and 4 out of 10 respectively.
- Increase recruitment and promotion of bi-cultural employees: another key target group are students with culturally diverse backgrounds, the number of which is set to grow in the coming years. We only had a limited number of trainees with culturally diverse backgrounds in 2012. This slightly increased in 2013. We aim to further increase this number in the coming year;
- Achieve bank-wide awareness and promote commitment and dialogue:
  - We organised a conference on cultural diversity which explored how diversity can help us in a rapidly changing world.
  - Our Gay Bankers Network conducted a survey in the Netherlands on 'being yourself at work'. The survey showed that 20% of ABN AMRO employees do not feel comfortable revealing their sexual orientation. This is a little better than the Dutch average of 30%.
  - We published a magazine called 'MIX', which provides inspiring examples of diversity within the bank.
- Embed diversity in the organisation by integrating it into existing HR processes: we are committed to recruiting a diverse workforce, and we have set up a mentoring programme for multicultural talent and organise events and workshops aimed at promoting diversity within the organisation.

In addition to these four objectives, we also aim to employ at least 25 disabled at the end of 2014. Fourteen of these positions have been filled so far. This is a high number of positions we offer in comparison to other knowledge intensive organisations.

Collective labour agreement in the Netherlands

In 2014, we intend to implement the changes resulting from the new collective labour agreement which will be signed in 2014. All employees based in the Netherlands are subject to this collective labour agreement, except members of the Management Group, who make specific employment arrangements with the bank. Specific employment arrangements can also be made by other staff if desired.

In 2014, we intend to implement the changes resulting from the new collective labour agreement which will be signed in 2014. One of the subjects is our pension scheme. We currently have a defined benefit pension scheme and we intend to adopt a defined contribution pension scheme. This intended change in the pension scheme in the Netherlands is expected to have a significant impact on our capital position and income statement.

Best place to work

We aim to create a working environment in which employees get the best out of themselves and work hard to make a difference. We give our people the space to grow so that they can develop their talent. Equally, personal initiative and freedom of choice are replacing standard solutions when it comes to matters such as fringe benefits, work schedules and work location. Allowing employees to take control of their working lives will result in a mature employment relationship in which staff take responsibility for their performance and choices.

Some of the initiatives we took in 2013 to make ABN AMRO the best place to work are described below.

Sustainable employability

We encourage employees to take the initiative to put their talent to work and give them the means and opportunities to stay healthy, motivated and knowledgeable in their field. With this in mind, we introduced a sustainable employability budget in 2013 which gives all staff access to tools that help enhance their employability, such as training or employability scans. The tools can be tailored to each employee's specific needs. Staff can save the budget for a maximum of three years.

We encourage our Dutch employees to make use of UitgesprokenTalent.nl, a platform which we introduced in 2013 that helps employees gain insight into their talents and options. Staff have access to self-assessments, exercises and workshops that help them discover where their talents lie and inspire them to pursue their personal and professional development.

Despite our efforts to promote sustainable employability, staff reductions are sometimes inevitable during a reorganisation. We are committed to helping redundant staff find another job. Our Employability Centre in the Netherlands, for example, offers staff the services of a job coach to find work either within or outside the bank. Almost all job vacancies in the Netherlands are open first to ABN AMRO employees only, with redundant staff having priority.

A total of 550 employees were given notice of redundancy in 2013. Approximately 12% of these employees were placed in internal jobs (25% in 2012) and 30% were placed in temporary jobs within the bank (35% in 2012). A total of 155 employees sought coaching from the bank's Employability Centre (350 in 2012), 25% of whom found permanent internal or external jobs (45% in 2012).

New World of Work

The New World of Work is a series of measures designed to empower employees to work flexibly and remotely. This way of working relies on trust and responsibility: as an employer, we trust our people to live up to the agreements they make with their managers and to use the flexible arrangements responsibly. Besides helping employees achieve a healthy work/life balance, we think the New World of Work will help us to achieve our goal of becoming the best place to work while reducing our ecological footprint, raising employee satisfaction and increasing efficiency.

This way of working is becoming increasingly popular among staff. At year-end 2013, 10,289 of our Dutch employees (up from 1,000 in early 2012) and 1,150 employees based outside the Netherlands were able to access their mail and calendar via an app, allowing them to work wherever and whenever they want. We also offer our people a voice and data subscription on their own mobile devices to encourage employees to work wherever and whenever they want.

This way of working helped us to reduce our office space from 266,000 sq.m. in 2012 to 256,000 sq.m. in 2013.

Traineeship

To attract talented trainees, we have set up the Next Generation Professionals trainee programme. This programme is unique in that it allows candidates to choose from a range of career tracks and to design their own programme. Participants receive coaching and training in becoming professionals in their field, and support in their personal development. In this way, trainees are given the freedom to take control of their time at the bank. The programme makes use of innovative tools designed to position ABN AMRO as an attractive employer.

A total of 83 trainees were employed in 2013, all of whom participated in a programme consisting of assignments lasting from three to six months. Most trainees are assigned to a project for which they are immediately responsible, while participating in professional and personal development courses. More information about the traineeship can be found on abnamro.com

Employee representation

We want our staff to give management their feedback and input on major changes in the organisation and decisions that affect the workforce. This is organised through employee councils. ABN AMRO management supported the council in the Netherlands, in opting for a new staff participation model in late 2013. In addition to dedicated council members, participants can be appointed from various backgrounds who contribute relevant knowledge and expertise. More information on employee representation is provided in the Central Works Council section of this report.

Our plans for the future

Looking ahead, we will continue our efforts to be an employer of choice on our journey to becoming a Top Class Employer. Our focus for the coming years will be on executing policies to help us achieve our long-term goals and giving our people the tools they need to be the best they can be. In 2014, we will further tailor staff performance targets and the leadership competencies to reflect the spirit of the Business Principles and client centricity. We will also hold leadership days in 2014, both in the Netherlands and abroad, and we will implement the new collective labour agreement in the Netherlands.

sustainability 13

We are strongly committed to achieving a positively recognised position on sustainability and transparency. This includes acknowledging our role in society, addressing risks and seizing opportunities. In doing so, we strive to exceed our stakeholders' expectations and put our clients' interests centre stage in everything we do.

Strategy

Our long-term group strategy focuses on five elements, one of which is our commitment to invest in our future. We have expanded on this strategic priority in our sustainable banking strategy. We are currently translating the bank-wide strategic ambitions into concrete goals for each of our businesses and will continue implementing them in 2014. Our sustainable banking strategy is based on two pillars, each of which consists of aspirations in two areas:

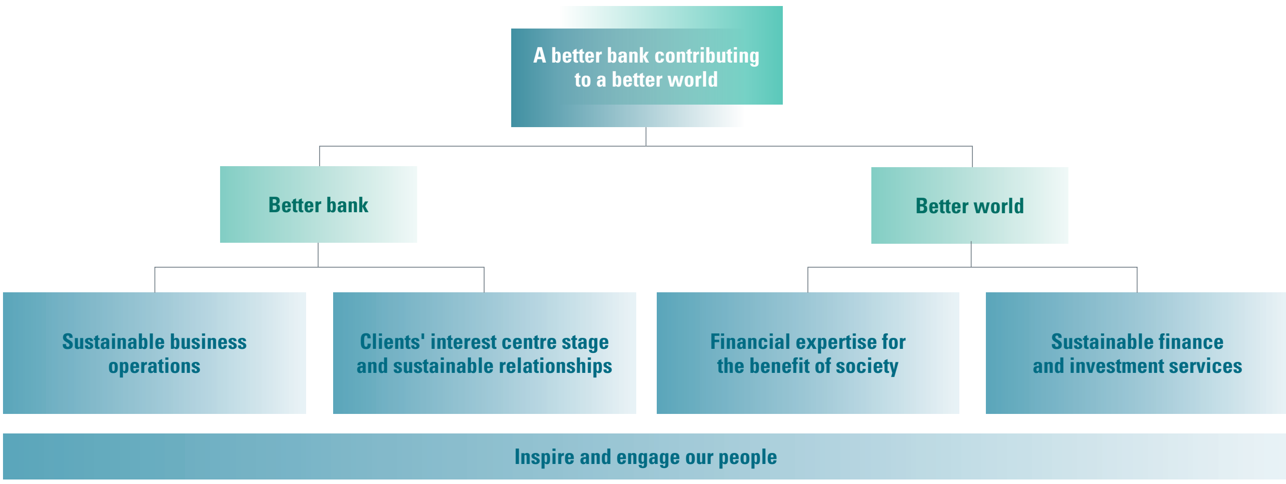
Better bank

- We pursue sustainable business operations;
- We put our clients' interests centre stage and build sustainable relationships.

Better world

- We use our financial expertise for the benefit of society;
- We finance and invest for clients in a sustainable manner.

In support of our aspirations, we want to inspire and engage our people in the bank's drive to embed sustainability across the organisation.



Better bank

Sustainable business operations

Being a better bank starts with improving operations. In 2013, we started to restore our sustainability reporting systems, which were lost during previous restructurings. A selected set of performance indicators is now auditable and our auditor has verified the figures. We plan to continue to refine our measuring and reporting systems as we move forward and intend to strengthen our focus on the other elements of our strategy.

In addition, we have identified five areas in which we intend to reduce our ecological footprint: energy, mobility, paper, waste and water. Energy is a key focus: we aim to reduce our consumption by 20% in the next five years. We have already managed to achieve a 16% reduction in 2013, mainly thanks to the closure or greening of some of our buildings.

As part of our sustainable banking strategy, we aim to communicate openly and transparently and to maintain our stakeholder dialogue. We apply the materiality principle in our dialogue with stakeholders. This means in practice that we focus on the issues that are most important to our key stakeholders – and hence to us – and that we are actually in a position to influence. A Stakeholder Board was set up in 2013 to provide the necessary coordination. An extensive stakeholder overview is published in our Sustainability Report 2013.

Clients' interests centre stage and sustainable relationships

We are committed to putting clients' interests centre stage and to building lasting client relationships. This is reflected in our commitment to transparency and to delivering products that have added value for our clients. We have therefore developed a set of moral criteria, based in part on the requirements of the Netherlands Authority for Consumers & Markets (ACM). We apply these criteria when assessing and approving new products and services.

The adverse economic climate and weak housing market had a significant impact on our clients. Our Mortgage Care Team has been actively approaching clients who face financial difficulties and have a mortgage with ABN AMRO. More details of this effective approach can be found in the Risk Management section of this report.

In our drive to increase transparency, we have introduced new concepts for investment advice with a clear and transparent cost structure. For instance, charges are based on the frequency with which clients want advice about their investments. In addition, ABN AMRO Private Banking won the award for best Website for Wealth Management for the second year in a row in 2013. ABN AMRO Private Banking's website was lauded in particular for its content and interactivity.

We have observed a downward trend in client questions, inquiries and complaints in recent years. This trend continued in 2013: the number of client signals fell from 172,000 in 2011, 142,000 in 2012 to 139,000 in 2013. This decline may be attributed to the improvement of our core processes and the simplification of our products. The Netherlands Authority for the Financial Markets (AFM) has acknowledged our efforts in this area, rating us 4.7 for complaints management in 2013 on a scale of 1 to 5, up from 4.2 in 2012 and 3.8 in 2011.

Making the palm oil sector more sustainable

A prospective client recently approached us to open a business account. It was a trader in palm kernel husks, which are used as biomass in energy generation. Another bank had turned it down, as the sector was not viewed as sustainable.

There are indeed regular reports of deforestation, greenhouse gas emissions due to forest fires, and poor working conditions on plantations. For that reason, we expect our clients to be members of the Roundtable on Sustainable Palm Oil (RSPO). This is a sector initiative to make both palm oil plantations and the purchase and sale of palm oil more sustainable. We made membership a precondition for opening the account. The client agreed and has undertaken to move toward purchasing on a 100% RSPO-certified basis. We will see to it that this actually happens, as we think it is very important that all parties in the palm oil chain live up to their responsibilities.

Better world

Financial expertise for the benefit of society

We undertook a number of activities in 2013 to further strengthen the position of social enterprises in the Netherlands. Social entrepreneurs develop sustainable solutions to contemporary problems, balancing social and financial returns. A Social Impact Bond and the crowdfunding platform SEEDS are a few examples.

A Social Impact Bond is a new financial instrument that helps private investors finance social interventions. It is a contract between investors and the public sector that shifts the risk for a social service programme from government to the private investor. We selected a project and found two investors, the Start Foundation and SEEDS. The city of Rotterdam will pay the investors with the money they save on the project benefits. The Social Impact Bond was launched in December 2013.

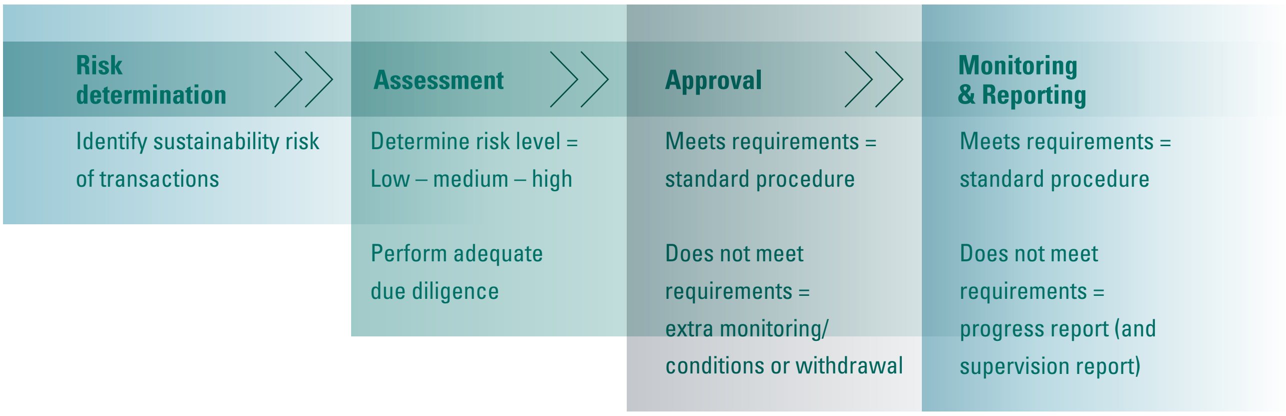
SEEDS is a crowdfunding platform for socially responsible businesses. Starting in 2014, the platform will present information about the entrepreneurs, detailing what they do and how they intend to make a positive social impact.

The ABN AMRO Foundation gives form to our social commitment by encouraging bank employees to volunteer for community projects. In 2013 our employees volunteered 11,707 times on behalf of the Foundation helping our social target groups.

Sustainable finance and investment services

Sustainable finance

ABN AMRO's Environmental, Social and Ethical (ESE) policy for lending identifies the sustainability risks for each commercial loan application exceeding EUR 1 million. In higher-risk cases, we perform an additional due diligence based on our environmental, social and ethical standards. The figure on below illustrates how the ESE policy is applied within the credit application process. In addition to its general sustainability policy, ABN AMRO works with customised guidelines for a number of high-risk industries. In 2013, we introduced a new policy for the energy industry, revised our defence policy and introduced new policies for the manufacturing and real estate industries. We regularly monitor and update our policies and publish abstracts on the ABN AMRO website.



We are integrating sustainability more and more effectively into our day-to-day business operations. A number of developments in 2013 are set out below.

- Risk experts screened the content of 335 applications with a potentially high sustainability risk. A total of 78 cases required an additional ESE due diligence;
- The management teams of all business units perform an annual strategic risk analysis in which sustainability is a permanent element;
- Monthly integrated risk reporting was introduced in all commercial business units. The reports explicitly address sustainability risks;
- The bank set up an internal Human Rights Working Group. The working group exchanges views on the bank's responsibility and role, and that of our clients, in the advancement of human rights. Of the 335 clients and transactions screened, 131 cases explicitly focused on human rights in relation to the client's.

Park 20|20: cradle-to-cradle® business park

Park 20|20 in Hoofddorp is the first Dutch cradle-to-cradle® business park, covering an extensive area of 92,700 m^2. We funded Bluewater's new headquarters, as it is a good example of how to make the real-estate market more sustainable.

The new-build project not only contributes to sustainable innovation, part of the revenues it will generate have also been earmarked to tackle vacancy problems in Hoofddorp. We are putting our financial knowledge to work and funding sustainability initiatives in the hope of creating a snowball effect. The construction of the Bluewater headquarters has prompted an entire chain of innovation: some forty preferred suppliers have committed themselves to delivering exclusively cradle-to-cradle materials, all of which will have a logical place in the biological or technical cycle. It really turns the old approach upside-down, thinking about future dismantling and re-use even before we start to build.

Sustainable investment services
ABN AMRO launched a Global Sustainable Equity Fund in 2013. The fund selects companies in each industry that are well ahead of their competitors in terms of sustainability. The fund forms part of the bank's discretionary portfolio management offering, but will be available to all clients starting in 2014.

Our Investment Engagement Committee (IEC) defines the approach we take to integrating sustainability into our regular investment services. In 2013, more companies were added to the Controversial Weapons List of businesses excluded from our investment universe and corporate loans.

In a separate development, we asked the external asset managers whose investment funds the bank distributes to sign the United Nations Principles for Responsible Investments (UNPRI). Our goal for 2014 is to do business only with external managers who have signed the UNPRI or an equivalent statement.

Strategic ambitions
We are currently translating the bank-wide strategic ambitions into concrete goals and key performance indicators. Our businesses plan to continue implementing the various sustainability measures and monitor our performance in 2014.

We report on our progress yearly in our Annual Report and our Sustainability Report. The Sustainability Report is published on abnamro.com

Managing Board report

risk & capital management

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Introduction EDTF 1

The Risk & Capital Management section provides a comprehensive disclosure of information related to risk management, capital adequacy and funding. The Risk & Capital Management section consists of the following chapters:

- **Risk management:** this section is divided into three sections: The Risk approach section describes ABN AMRO's approach to risk management, including risk strategy, governance and policies. The portfolio composition and developments sections provides quantitative risk information on ABN AMRO's portfolio and describes developments in the portfolio in 2013. In the Additional risk disclosures section, other mandatory risk tables are disclosed;
- **Capital management:** this section outlines ABN AMRO's strategy with regard to capital management and provides details on the capital adequacy;
- **Liquidity & funding:** this section describes ABN AMRO's liquidity risk management framework, liquidity risk and funding profile;
- **Securitisation:** details on ABN AMRO's securitisation programmes is provided in this section.

The Risk & Capital Management section incorporates the regulatory disclosure requirements enforced by the Financial Supervision Act *(Wet op financieel toezicht - Wft)*, Title 9 Book 2 Dutch civil code and IFRS. Furthermore, ABN AMRO embraces EDTF principles and recommendations. Reference tables of Pillar 3 and EDTF disclosure requirements with compliance status are disclosed further in this chapter.

Basel framework EDTF 1

The Basel framework uses a 'three pillar' concept. Pillar 1 details the minimum capital requirements, Pillar 2 relates to internal capital adequacy measurement and supervisory review, and Pillar 3 relates to disclosures on risk and capital to encourage market discipline. The Risk management section further describes implementation of the Basel framework at ABN AMRO.

Pillar 3 disclosures

The Pillar 3 report was incorporated into the Annual Report for the first time in the 2012 Annual Report. This setup provides a more comprehensive disclosure of information related to risk management and capital adequacy in a single report. The objective of Pillar 3 disclosures is to inform existing and potential investors in ABN AMRO on how the organisation manages risk and capital adequacy.

The Pillar 3 disclosures are prepared in accordance with the Capital Requirements Directive (CRD). The CRD is legally enforced by Dutch law under the Financial Supervision Act *(Wet op het financieel toezicht (Wft))*. All Pillar 3 information for 2013 is reported in the Risk & Capital Management section.

The next table provides an overview of where information on each Pillar 3 requirement can be found in the Annual Report. Pillar 3 disclosures are labelled as 'Pillar 3' in the respective headings.

Overview of Pillar 3 requirements EDTF 1

Pillar 3 disclosure requirement	Reference	Additional information
Scope of consolidation	Introduction to Risk & Capital management section; page 130	Risk exposure measurement and scope differences, and regulatory reporting scope section
Capital structure	Capital management section; page 215, page 218	Capital structure and further information on share capital, dividend and capital instruments section
Capital adequacy	Capital management section; page 214	Capital management framework (Capital measurement and allocation) and minimum capital requirement section
Risk management objectives, governance and policies	Risk management section 'risk approach'; page 133, Liquidity & funding 'liquidity'; page 224, and Capital management section; page 214	Risk approach section for all risk types in Risk Management (strategy, profile, governance, measurement, mitigation, concentration, management of forborne, past due and impaired loans), Liquidity risk management approach in Liquidity & funding and Capital management framework section (Capital management strategy) in Capital management
Credit risk	Risk management section 'portfolio composition and developments'; page 166, and 'additional risk disclosures'; page 202	Overall credit risk exposure in credit risk exposure section with specific focus on overall exposure and concentration (geography and industry). Maturity distribution disclosure in additional risk disclosures section
- Standardised approach	Risk management section 'risk approach'; page 138, 'portfolio composition and developments'; page 166, and 'additional risk disclosures'; page 203	Scope and approach in Regulatory capital in risk approach section, overall Standardised Approach (SA) in Credit risk exposure section in portfolio composition and developments section and detailed SA approach exposure in additional risk disclosures
- Internal Ratings-Based approach	Risk management section 'risk approach'; page 138, 'portfolio composition and developments'; page 166, and 'additional risk disclosures'; page 205	Scope and approach in Regulatory capital in risk approach section, overall Internal Ratings-Based (IRB) in Credit risk exposure section in portfolio composition and developments section and detailed IRB approach exposure in additional risk disclosures
- Other approaches	Risk management section 'risk approach'; page 144, 'portfolio composition and developments'; page 169 and 'additional risk disclosures'; page 208, and Liquidity management section; page 225	Counterparty scope and approach in Specific counterparty risk in risk approach section, counterparty credit risk in Credit risk exposure section in portfolio composition and developments section with additional details on over-the-counter (OTC) derivatives in additional risk disclosures section. Liquidity risk management approach in Liquidity & funding contains the collateral posting policy by a downgrade of ABN AMRO
Equity positions not in the trading book	Risk management section 'additional risk disclosures'; page 207, and Annual Financial Statements 'note 7', 'note 8', 'note 15' and 'note 18'; page 277, page 278, page 288, page 295	Exposure of equities not held for trading in additional risk disclosures section. Details on equities not held for trading in several notes to the Annual Financial Statements
Credit risk mitigation	Risk management section 'risk approach'; page 145, 'portfolio composition and developments'; page 166, and 'additional risk disclosures'; page 203, page 205	Credit risk mitigation policies and processes in risk approach section, Overall regulatory credit risk mitigation exposures in Credit risk exposure section in portfolio composition and developments and additional risk mitigation details on SA and IRB approach in additional risk disclosures section
Credit quality	Risk management section 'risk approach'; page 147, page 148, 'portfolio composition and developments'; page 191, page 194	Accounting and risk policies in Management of forborne, past due and impaired loans in risk approach section. Credit quality in credit risk exposure and past due and impairment disclosures split by geography and industry in Management of forborne, past due and impaired in the portfolio composition and developments section
Market risk	Risk management section 'risk approach'; page 149, 'portfolio composition and developments'; page 199	Market risk (trading book) approach in risk approach section and regulatory capital requirements in market risk (trading book) section in portfolio composition and developments
Operational risk	Risk management section 'risk approach'; page 153, 'portfolio composition and developments'; page 200	Operational risk approach in risk approach section and regulatory capital requirements in operational risk section in portfolio composition and developments
Interest rate risk not in the trading book	Risk management section 'risk approach'; page 151, 'portfolio composition and developments'; page 200	Market risk (banking book) approach in risk approach section and regulatory capital requirements in market risk (banking book) section in portfolio composition and developments
Securitisations	Securitisations section; page 238	Approach, role and details on securitisation positions in the integral Securitsation section
Remuneration	Remuneration report section; page 39, and Annual Financial Statements 'note 42'; page 360	Remuneration policies, principles and quantitative information on remuneration broken down by Idenitied Staff in Remuneration report. Remuneration of Managing Board and Supervisory Board in 'note 42' to the Annual Financial Statements

EDTF financial disclosures EDTF 1

The Enhanced Disclosure Task Force (EDTF) was formed in 2012 in order to enhance the risk disclosures of banks and other financial institutions. The EDTF is an industry work group with wide geographical representation, including senior executives from leading financial institutions. On 29 October 2012, the EDTF together with the Financial Stability Board (FSB) published a report with 32 recommendations on how to enhance risk disclosures. Many elements of the EDTF recommendations were already reflected in last year's Risk management section, although not all in the form that can be directly linked to the EDTF setup. ABN AMRO embraces the EDTF principles and recommendations and implemented the vast majority of the 32 recommnedations.

The next table provides an overview of where information on each EDTF recommendation can be found in the Annual Report. EDTF disclosures are labelled as 'EDTF' in the respective headings.

Overview of EDTF requirements EDTF 1

EDTF recom-mendation	Brief description	Reference	Additional information
General			
1	Present all related risk information together in any particular report	Risk & Capital management section; page 125	All risk information provided in Risk & Capital management section; IFRS, Pillar 3 and EDTF. Reference tables for Pillar 3 and EDTF included
2	Define the bank's risk terminology and risk measures and present key parameter values used	Risk management section 'risk approach'; page 133, page 137, page 142, page 143, page 144, page 150, page 152, page 154, page 155, and Liquidity & funding section 'liquidity'; page 224	Risk profile section and Risk measurement sections for credit, market, operational and Liquidity risk management approach
3	Describe and discuss top and emerging risks	Risk management section 'risk approach'; page 163	Top and emerging risk section
4	Once the applicable rules are finalised, outline plans to meet each new key regulatory ratios	Capital management; page 214, and Liquidity & funding section; page 223	Capital management strategy and liquidity & funding strategy
Risk governance and risk management strategies/business model			
5	Summarise prominently the bank's risk management organisation, processes and key functions	Risk management section 'risk approach'; page 135	Risk governance section
6	Provide a description of the bank's risk culture, and how procedures and strategies are applied to support the culture	Risk management section 'risk approach'; page 135	Risk culture in Risk profile section. This includes a reference to the Remuneration report (section 5 to the Annual Report)
7	Describe the key risks that arise from the bank's business models and activities, the bank's risk appetite in the context of its business models and how the bank manages such risks	Risk management section 'risk approach'; page 133, page 134, and 'portfolio composition and developments'; page 162, page 163	Risk profile section in describing risk taxonomy and key risks and Key figures per business segment in the Key developments section
8	Describe the use of stress testing within the bank's risk governance and capital frameworks	Risk management section 'risk approach'; page 140, page 150, page 152	Stress testing in Risk measurement and Stress testing in Market risk trading & banking book measurement section

EDTF recom-mendation	Brief description	Reference	Additional information
Capital adequacy and risk-weighted assets			
9	Provide minimum Pillar 1 capital requirements	Capital management section; page 219, page 220, page 221	Capital requirement in the Mimimum capital requirement section
10	Summarise the composition of capital based on templates adopted by the Basel committee	Capital management section; page 215	Regulatory capital structure in the Capital structure section
11	Present a flow statement of movements since the prior reporting date in regulatory capital, including changes in common equity tier 1, tier 1 and tier 2 capital	Capital management section; page 216, page 217	Regulatory flow statement in the Capital structure section and capital ratios developments in the Main changes in capital position
12	Qualitatively and quantitatively discuss capital planning	Capital management section; page 214	Capital management strategy addressed in the Capital management strategy section. Further refinement to be addressed in future disclosures
13	Provide granular information to explain how risk-weighted assets (RWA) relate to business activities and related risks	Risk management section 'portfolio composition and developments'; page 162, page 163	Key figures per business segment in the Key developments section
14	Present a table showing the capital requirements for each method used for calculating RWA for credit risk, for each Basel asset class as well as for major portfolios within those classes	Risk management 'portfolio composition and developments'; page 166, and Capital management section; page 219, page 220	Overall Exposure at Default (EAD) and RWA disclosure in Credit risk exposure section describing EAD per methodology and subsequently minimum capital requirement section in Capital management presenting capital requirements per methodology. Further refinement to be addressed in future disclosures
15	Tabulate credit risk in the banking book showing average probability of default (PD) and LGD as well as exposure at default (EAD), total RWAs and RWA density for Basel asset classes and major portfolios within the Basel asset classes	Risk management section 'portfolio composition and developments'; page 166, and 'additional risk disclosures'; page 205, page 206	Credit risk exposure in portfolio composition and development section and detailed Internal Ratings-Based (IRB) approach disclosures in additional risk disclosures section. Further refinement to be adressed in future disclosures
16	Present a flow statement that reconciles movements in RWAs for the period for each RWA risk type	Risk management section 'portfolio composition and developments'; page 167, page 199, page 200	RWA flow statement in Credit risk exposure in Credit risk, Regulatory capital in Market risk in the trading book and Regulatory capital in Operational risk section
17	Provide a narrative putting Basel Pillar 3 back-testing requirements into context, including how the bank has assessed model performance and validated its models against default and loss	Risk management section 'risk approach'; page 137, page 150, page 152	Risk models and validation section in Credit risk and measurement sections in Market risk trading & banking book.
Liquidity			
18	Describe how the bank manages its potential liquidity needs and provide a quantitative analysis of the components of the liquidity reserve held to meet these needs	Liquidity & funding section 'liquidity'; page 223, page 224, page 225, page 226, page 227	Strategy section and Liquidity risk management approach section describing details on liquidity buffer
Funding			
19	Summarise encumbered and unencumbered assets in a tabular format by balance sheet categories	Annual Financial Statements 'note 37'; page 334	Note 37 pledged and encumbered assets. Further refinement to be adressed in future disclosures
20	Tabulate consolidated total assets, liabilities and off-balance sheet commitments by remaining contractual maturity at the balance sheet date.	Liquidity & funding section 'liquidity'; page 227, page 228	Contractural maturity of assets and liabilities in the Maturity analysis of assets and liabilities section
21	Discuss the bank's funding strategy, including key sources and any funding concentrations, to enable effective insight into available funding sources, reliance on wholesale funding, any geographical or currency risks and changes in those sources over time.	Liquidity & funding section 'funding'; page 223, page 232, page 233, page 234, page 235, page 236, page 237	Strategy section and further details of sources and funding concentration in the Funding section

EDTF recom-mendation	Brief description	Reference	Additional information
Market risk			
22	Provide information that facilitates users' understanding of the linkages between line items in the balance sheet and the income statement with positions included in the traded and non-traded market risk disclosures such as risk factor sensitivities, economic value and earnings scenarios and/or sensitivities	Risk management section 'portfolio composition and developments'; page 197	Market risk exposure traded and non-traded risk in Market risk section
23	Provide further qualitative and quantitative breakdowns of significant trading and nontrading market risk factors beyond interest rates, foreign exchange, commodities and equity measures	Risk management section 'portfolio composition and developments'; page 198, page 199, page 200	Market risk exposure and Regulatory capital in Market risk trading & banking book. Given the materiality of market risk at ABN AMRO this requirement will be further addressed in future disclosures if material
24	Provide qualitative and quantitative disclosures that describe significant market risk measurement model limitations, assumptions, validation procedures, use of proxies, changes in risk measures and models through time and descriptions of the reasons for back-testing exceptions	Risk management section 'risk approach'; page 150, page 152	Market risk measurement sections in Market risk trading & banking book. Given the materiality of market risk at ABN AMRO this requirement will be further addressed in future disclosures if material
25	Provide a description of the primary risk management techniques employed by the bank to measure and assess the risk of loss beyond reported risk measures and parameters, such as VaR, earnings or economic value scenario results	Risk management section 'risk approach'; page 150, page 152	Market risk measurement sections in Market risk trading & banking book. Given the materiality of market risk at ABN AMRO this requirement will be further addressed in future disclosures if material
Credit risk			
26	Provide information that facilitates users' understanding of the bank's credit risk profile, including any significant credit risk concentrations	Risk management section 'portfolio composition and developments'; page 165	Credit risk section, including granular exposure breakdowns, off-balance sheet commitments and concentrations of credit risk
27	Describe the policies for identifying impaired or non-performing loans, including how the bank defines impaired or non-performing, restructured and returned-to-performing (cured) loans as well as explanations of loan forbearance policies	Risk management section 'risk approach'; page 147	Accounting & risk policies in Management of forborne, past due and impaired loans section
28	Provide a reconciliation of the opening and closing balances of non-performing or impaired loans in the period and the allowance for loan losses	Risk management section 'portfolio composition and developments'; page 191	To be addressed in future disclosures. Current disclosure in loan impairment charges and allowances in Credit risk section presents opening and closing balance of impairment charges and allowances
29	Provide a quantitative and qualitative analysis of the bank's counterparty credit risk that arises from its derivatives transactions	Risk management section 'risk approach'; page 144, and 'portfolio composition and developments'; page 169	Specific counterparty credit risk section describing models used and Counterparty risk by exposure class in the Credit risk exposure section
30	Provide qualitative information on credit risk mitigation, including collateral held for all sources of credit risk and quantitative information where meaningful	Risk management section 'risk approach'; page 145, and 'portfolio composition and developments'; page 169, page 170, page 171	Credit risk mitigation section describing mitigation management and quantitative disclosures in the offsetting, netting and collateral & guarantees disclosures
Other risks			
31	Describe 'other risk' types based on management's classifications and discuss how each one is identified, governed, measured and managed	Risk management section 'risk approach'; page 152, page 153, page 156, and 'portfolio composition and developments'; page 200	Market risk (FX risk), Market risk (pension fund), Operational risk and Business risk
32	Discuss publicly known risk events related to other risks, including operational, regulatory compliance and legal risks, where material or potentially material loss events have occurred	Annual Financial Statements 'note 38'; page 336	Note 38 Commitments and contiguent liabilities

IFRS (EU) EDTF 1

Some disclosures in the Risk & Capital management section of this report are an integral part of the Annual Financial Statements (AFS) and contain audited information. These are Risk management, Capital management, Liquidity & funding and Securitisation. The audited parts concern disclosures on financial instrument risk (IFRS 7) and presentation of financial statements (IAS1). Audited information in these sections is labelled as 'audited' in the respective headings.

For some balance sheet items, the 2012 figures have been adjusted. In 2013, accrued interest is reclassified and presented as part of the relevant balance sheet items versus Accrued income and preparid expenses and Accrued expenses and deferred income. More details are provided in note 1 to the Annual Financial Statements, 'Basis of preparation'. Furthermore, as of 2013 securitisations positions for which there is no significant risk transfer are reported under the exposure class of underlying assets. This provides a better view of associated risks. The 2012 figures are adjusted accordingly: total Exposure at Default increased by EUR 12,161 million to EUR 360,042 million (2012: EUR 347,881 million), caused by a decrease in securitisation positions to EUR 2,811 million (2012: EUR 35,493 million) and increase in asset class Retail to EUR 184,257 million (2012: EUR 139,414 million).

Risk exposure measurement and scope differences Pillar 3

Risk measures differ depending on the purpose for which exposure is calculated: IFRS (EU), determination of regulatory capital or economic capital. IFRS (EU) is mainly used to measure the bank's financial results and position. Regulatory and economic capital are more suitable for certain risk measurement purposes because of the following: IFRS (EU) classifies the financial position by class of product, whereas the objective of Basel reporting is to take a risk-sensitive view on the bank's portfolio and to ensure that sufficient capital buffers for unexpected losses and sufficient liquidity buffers are maintained. In addition, the financial position according to IFRS (EU) provides a liquidity view instead of a credit view. Collateral and other credit risk mitigants to which the bank has recourse should the counterparty default are not fully taken into account.

The consolidation scope of ABN AMRO is determined in accordance with IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures, and in accordance with SIC-12 Consolidation – Special Purpose Entities. All companies for which ABN AMRO directly or indirectly has the power to govern the financial and operating policies so as to obtain benefits from their activities are part of the consolidation scope of ABN AMRO and are fully consolidated. The consolidation scope for regulatory liquidity reporting is equal to this IFRS scope.

The table below describes the differences in consolidation for the purpose of calculating regulatory capital requirements and for the purpose of financial reporting under IFRS (EU).

Further details on reconciliation between IFRS (EU) and Basel II EAD exposure are provided in the Risk management section.

Differences in scope of consolidation between IFRS and Regulatory Reporting Pillar 3

Entity	Financial reporting under IFRS	Capital treatment under Basel II	Main related entities
Insurance companies	Fully consolidaded	The required capital is calculated using the requirements of the insurance supervisor	ABN AMRO Life Capital Belgium N.V., ABN AMRO Life S.A., ABN AMRO Captive N.V. and Neuflize Vie S.A. (60%)
Subsidiairies engaged in non-banking and non-insurance subsidiairies	This category includes entities engaged in non-financial activities, which are consolidated in accordance with IFRS requirements	Exposures to non-financial subsidiairies are risk-weighted as third-party transactions	MegaGroup Holding B.V. and Attema B.V.
Securitisation vehicles	This category includes securitisation special purpose vehicles, which are consolidated in accordance with IFRS requirements	Securitisation vehicles (when effective under Basel II) are not consolidated for regulatory capital purposes, but are treated under the securitisation framework	See Securitisation chapter in the Risk & Capital management section
Associates, participations and joint ventures engaged in non-financial activities	Accounted for on an equity basis	Exposures to non-financial associates and participations are risk-weighted as third-party transactions	Car Carriers Management B.V., Alma Maritime Ltd., Safe Ship Inv. Comp. S.C.A. and SICAR (see note 18 of the Annual Financial Statements for more information)
Associates, participations and joint ventures engaged in financial activities	Accounted for on an equity basis	When capital interests in these companies exceed 10% of their capital, the investments are deducted from regulatory capital, otherwise they are risk-weighted for their exposures	See Capital management chapter in the Risk & Capital management section

Regulatory reporting scope Pillar 3

ABN AMRO reports to its home supervisor, De Nederlandsche Bank, the following reporting scopes:

- ABN AMRO Bank N.V. consolidated including its parent company ABN AMRO Group N.V.;
- ABN AMRO Bank N.V. solo with its Dutch subsidiaries consolidated (solo consolidation);
- ABN AMRO Clearing Bank N.V. sub-consolidated.

ABN AMRO has obtained waivers for solo reporting for ABN AMRO Bank N.V. The domestic subsidiaries are included on a consolidated basis (solo consolidation). An exemption is applicable to solo reporting for ABN AMRO's credit subsidiaries in the Netherlands.

Sub-consolidated reporting is not applicable to the credit subsidiaries in the Netherlands, with the exception of ABN AMRO Clearing Bank N.V.

The Dutch credit subsidiaries are ABN AMRO Bank N.V. ABN AMRO Clearing Bank N.V., ABN AMRO Groenbank B.V., ABN AMRO Hypotheken Groep B.V., International Card Services B.V. and Direktbank N.V.

risk management 15

"The Dutch economy showed signs of improvement during 2013; however, it was still suffering from low domestic spending and a weak housing market, resulting in continued high impairment charges across our loan book. In 2013, we further tightened our monitoring and watch procedures to detect risk deterioration at an early stage in order to minimise losses and took additional measures to limit impairments.

We operate in a challenging environment of increasing regulatory pressure and legislation. Regulators have imposed additional requirements to disclose risk information at a highly detailed level, putting pressure on our organisation. In this changing regulatory environment, ABN AMRO obtained final approval to apply the Advanced Internal Ratings-Based approach for credit risk measurement, which allows for a more sophisticated measurement of credit risk and capital.

ABN AMRO endorses an integrated, sector-based risk approach and is continuously focused on improving risk knowledge and awareness throughout the organisation.

Risk Management has adopted the sector-based model used by the business lines, allowing us to better monitor and manage portfolio intake and sector concentration. To emphasise the importance of taking a holistic view of risks, we have rolled out an integrated risk management training programme throughout the Risk Management & Strategy department. At the same time, we further heightened our focus on managing our client portfolio proactively on a risk/return basis.

These are important steps in further embedding our mission to secure a sound risk/reward ratio based on a moderate risk profile."

Wietze Reehoorn
Member of the Managing Board

Risk approach

Risk management strategy Pillar 3

ABN AMRO will continue to strengthen its moderate risk profile. We are committed to being a well capitalised, liquid bank that focuses on delivering sustainable value to our stakeholders. With this objective in mind, we thoroughly evaluate the long-term risk and return implications of our operations.

Based on the long-term strategy of ABN AMRO, the bank has defined a number of objectives with regard to risk management, which are discussed below:

- **Maintaining a healthy and strong balance sheet**
  The moderate risk profile means that in the first place we maintain a strong and healthy balance sheet. In terms of funding, the bank's loan portfolio is matched by client deposits, long-term debt and subordinated liabilities and equity with limited reliance on short-term debt;
- **Diversification and focus in the portfolio**
  ABN AMRO is a full-service bank in the Netherlands and with an international focus on selective markets and client segments. Our loan portfolio is adequately diversified, which we ensure by remaining within the appropriate concentration limits. The share of mortgage loans in the ABN AMRO portfolio is somewhat larger compared with peer banks. We continue to provide mortgages, but within the limit of the absolute size of the existing portfolio. Investment banking activities remain limited, and trading activities are client driven. We intend to further diversify our portfolio by pursuing international growth in areas where we have a recognised track record and proven capabilities and that fit our risk profile;
- **Positively recognised position in sustainability and transparency**
  We remain strongly committed to sustainability and transparency. Our focus is on building long-term client relationships rather than one-time transactions for short-term gains. We are increasing transparency in our products, cost structure and our involvement in specific industries. Clear policies, business rules and supporting resources will be put in place across all businesses to ensure sustainability;
- **Sound capital and liquidity management**
  We are determined to be a well-capitalised bank. Risk-adjusted return on capital will be our main driver for capital allocation. We are increasing the focus on less capital-intensive activities such as leasing and factoring. Furthermore we focus on attracting client deposits in order to become less dependent on wholesale and interbank funding. We are on track to position ourselves above regulatory requirements in terms of capital ratios and to be compliant with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR);
- **Clear governance under the three lines of defence approach**
  Having embedded the three lines of defence model in the organisation in recent years, we continue to invest in education on the three lines of defence principles to raise risk awareness among employees at all levels of the organisation. The businesses are primarily responsible for the risks they take. The risk appetite has been cascaded down to the first line by translating the risk appetite to risk appetites per business line. The risk appetite for each business line is measured on a periodic basis and discussed with senior management in the business line.

Risk profile Pillar 3 EDTF 2 EDTF 7

ABN AMRO is a Netherlands-based bank, with the majority of its activities performed in the domestic market. The bank's lending activities are largely asset-based. The bank is internationally active in Private Banking, the Diamond & Jewelry industry, Commercial Finance (Factoring), Lease, Clearing and Energy, Commodity & Transportation (ECT). ABN AMRO has in-depth knowledge of and a proven track record in these specialised activities and serves foreign clients with operations in these specialised areas.
In addition, ABN AMRO serves Dutch clients with activities abroad. Trading activities are client-facilitating in nature and have a limited scale in the bank's overall risk profile.

Risk Management continuously monitors the bank's activities in light of the risk appetite. The status and outlook are discussed on a monthly basis in the Managing

Board by means of the Enterprise Risk Management report. The Managing Board addresses the risk profile and reviews both the individual risk types and the integrated, enterprise-wide risk profile.

The risk profile is managed based on an integrated risk management framework. In this framework, cross-risk type issues and overarching issues are identified to provide one integrated view on the bank's risk profile and on the risk profile of business units. By looking at the overall, integrated risk profile, ABN AMRO is able to carefully balance actions that may be required to steer the risk profile within the moderate risk profile.

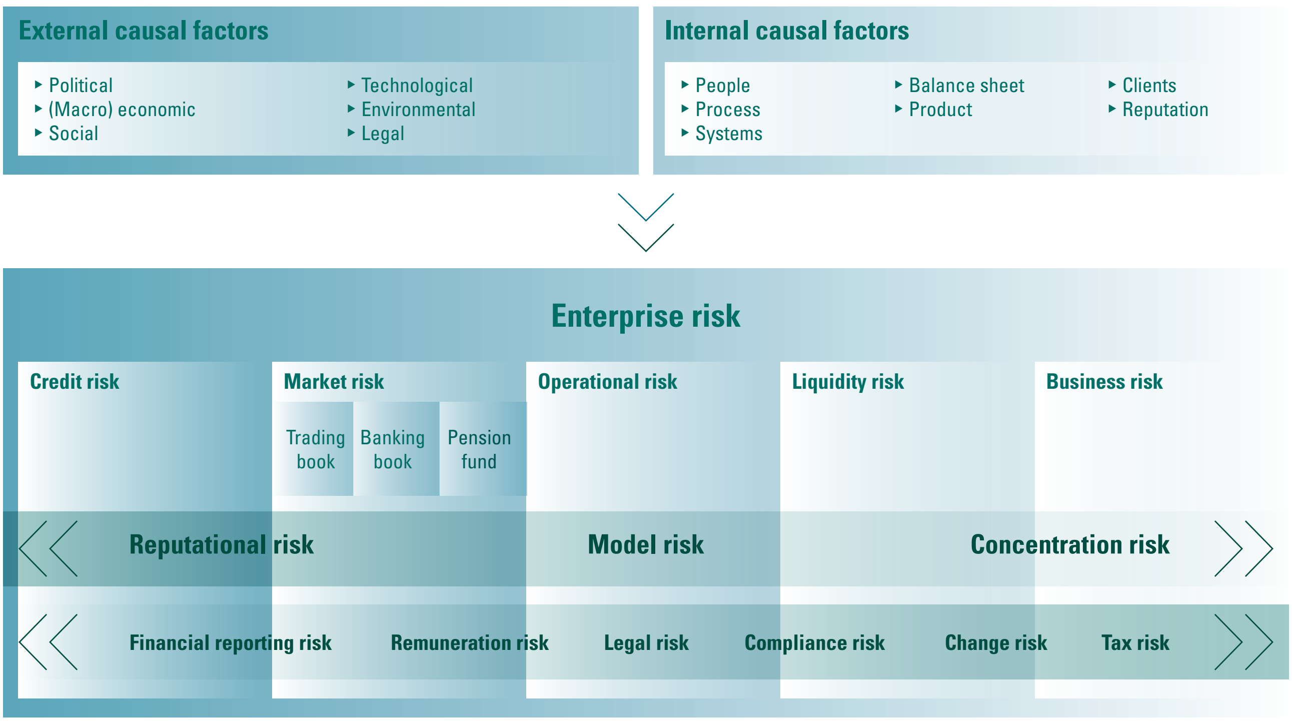
ABN AMRO uses a number of instruments to manage and control our risk profile. The following sections describe these instruments: the risk taxonomy that identifies the key risk types, the risk appetite that sets the boundaries for all these risk types, the risk measurement and reporting of the risk appetite that ensures monitoring of the risk factors within the defined thresholds and the risk culture, whereby each employee is responsible for the risks taken.

Risk taxonomy Audited

ABN AMRO's risk taxonomy is the classification of risks into risk types to which ABN AMRO is exposed. It is reviewed and updated on a yearly basis to ensure that all material risks are identified, defined and taken into account in the risk governance framework. The purpose of the risk taxonomy is to support effective and efficient risk management throughout ABN AMRO. Moreover, the risk taxonomy provides a checklist of types of risks for use in risk assessments, assists in assuring that all material risks are managed and that roles and responsibilities are identified. Finally, it allows for aggregation of risk assessments throughout the bank for structured analysis.

ABN AMRO's risk taxonomy is summarised in the following figure.

Risk taxonomy Audited EDTF 7



The main risk types are credit, market, operational, liquidity and business risk. These risks are discussed later in this section.

Intersecting risk types, such as reputational risk and model risk, are risk types that emphasise specific aspects applicable to several risk types in the risk taxonomy.

Risk appetite Audited

The risk appetite determines the level and nature of risk that the bank is willing to take in order to pursue its strategy, taking all stakeholders into consideration. All risks covered in the risk taxonomy are included in the risk appetite. Risk appetite is, among other things, defined in terms of:

- minimum levels for capital ratios;
- risk-adjusted return measures;
- concentration limits for single counterparties;
- concentration limits for countries and industry sectors;
- liquidity ratios (loan-to-deposit, LCR and NSFR);
- market risk ratios;
- operational risk ratios.

The bank-wide risk appetite is an integral part of the bank's corporate strategy and is in line with a moderate risk profile. Business line-specific risk appetite statements further specify the bank-wide risk appetite at business line level.

The risk appetite is monitored and discussed on a monthly basis by benchmarking the actual and forecasted risk profiles against the risk appetite. When a risk factor is near or in excess of its threshold, corrective actions are defined andapproved at the appropriate decision-making level in accordance with the risk governance. The Supervisory Board monitors and discusses the risk appetite on a quarterly basis.

The risk appetite is reviewed annually by the Managing Board and Supervisory Board and approved by the General Meeting of Shareholders and also serves as input for the budgeting and forecasting process.

Risk culture EDTF 6

ABN AMRO aims to further increase risk awareness and make it an integral part of the bank-wide risk culture. The moderate risk profile is embedded in the risk culture by means of communication and training and is monitored through performance assessment.

Employees are expected to be aware of the drivers of our risk profile and should feel accountable for the risks they take. We introduced the Integrated Risk Management training in 2013, which is mandatory for all employees of the Risk Management department. The training emphasises the importance of taking a holistic view of risks. Furthermore, employees are expected to adhere to the ABN AMRO Business Principles. These principles are the basis of all the actions taken and describe how we act as a bank, how we make decisions, and how we deal with various dilemmas.

ABN AMRO places strong emphasis on sound risk control in our compensation policies. ABN AMRO's remuneration policy is in line with our risk profile. More details are provided in section 5, Remuneration report.

Risk governance Audited Pillar 3 EDTF 5

The risk governance framework is based on the risk strategy and appetite, which is embedded in the risk organisation, policies and methods. The framework is in place to safeguard and control the bank's risk profile, support efficient and effective risk management throughout and at all levels of the bank, and steer risk management processes in line with the risk appetite of the bank.

The risk management organisation operates under the direct responsibility of the Chief Risk Officer, who is a member of the Managing Board. The Managing Board has overall responsibility for the risks that ABN AMRO takes.

Three lines of defence

The three lines of defence principle provides a clear division of activities and responsibilities in risk management at different levels in the bank and at different stages in the lifecycle of risk exposures. It aims to provide clarity for every employee within the bank, with regard to their role and the level of risk awareness that is expected.

The illustration below shows how this approach works.

Three lines of defence Audited Pillar 3

1st Line of Defence Business	2nd Line of Defence Risk Control Functions	3rd Line of Defence Audit
Risk ownership	**Risk control**	**Risk assurance**
Management within each business is primarily responsible for the risk that it takes, the results, execution, compliance and effectiveness of risk control.	Risk control functions are responsible for setting frameworks, rules and advice, and monitoring and reporting on execution, management, and risk control. The second line ensures that the first line takes risk ownership and has approval authority on credit proposals above a certain threshold.	Group Audit evaluates the effectiveness of the governance, risk management and control processes and recommends solutions for optimising them. Group Audit coordinates matters with the external auditor and the Dutch central bank.

Risk decision framework

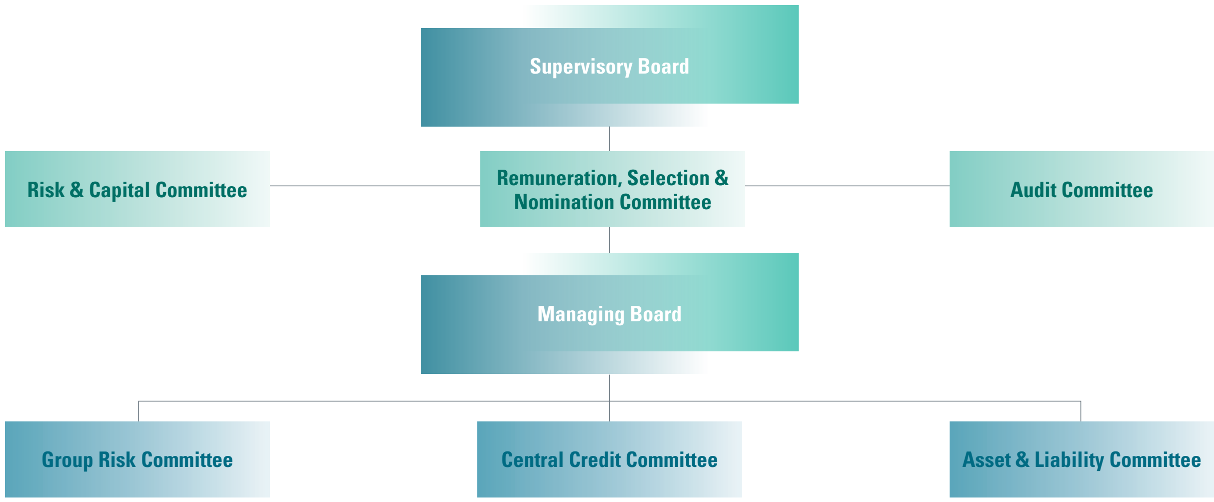
The Managing Board is ultimately responsible for a balanced assessment between the commercial interests of the bank and the risks to be taken within the boundaries of the risk appetite.

The Managing Board establishes clear lines of responsibility and authority within the bank to ensure sound risk governance. In the risk decision framework, the Managing Board is supported by three executive risk committees: Group Risk Committee, Central Credit Committee and Asset & Liability Committee, each of which is (jointly) chaired by a member of the Managing Board.

The Managing Board itself takes decisions that are of material significance to the risk profile, capital allocation and liquidity of ABN AMRO.

The Supervisory Board is responsible for approving ABN AMRO's risk appetite statements and assesses whether the bank's commercial interests, capital allocation and liquidity requirements in general terms comply with the bank's risk appetite. The Supervisory Board also oversees the risk governance and execution of ABN AMRO's strategy as performed under the responsibility of the Managing Board. Section 4, Supervisory Board report, provides more details on the responsibilities of the Supervisory Board and its supporting committees.

Risk decision framework Audited Pillar 3



Group Risk Committee

The Group Risk Committee (GRC) is mandated by the Managing Board to monitor, assess and manage the bank's risk profile in relation to the risk appetite. The GRC is, for example, responsible for establishing a product approval process to ensure the bank only accepts risks that are understood and that serve the interests of clients, and for the adequate functioning of this process. The GRC may delegate specific approval authorities to subsidiary risk committees, but remains responsible on behalf of the Managing Board. The terms and conditions of the delegation of authority with respect to risk policies, methodologies and new products are specified in the risk policies.

Central Credit Committee

The Central Credit Committee (CCC) is mandated by the Managing Board to decide on credit proposals that have a significant impact on ABN AMRO's credit portfolio. In exceptional cases, the CCC decisions require endorsement by the Managing Board.

Asset & Liability Committee

The Asset & Liability Committee (ALCO) is mandated by the Managing Board to decide on the interest profile, liquidity profile and solvency position of ABN AMRO within the risk appetite. The ALCO is responsible for the management of liquidity, market risk in the banking book and capital.

Risk measurement Pillar 3 EDTF 2

The bank uses internal models to quantify the various risk types. In most cases, quantification involves assessing the probability of an event, the exposure to this event and the impact on the exposure as a consequence of the event. This allows for measuring the level of risk and thus supports day-to-day decision-making as well as periodic monitoring and reporting on developments in the bank's portfolios and activities.

The following sections give a brief introduction of the different models used to measure credit, market and operational risk, and how these models are validated and approved. How these measures are used to calculate regulatory capital requirements and economic capital is described in subsequent sections, Regulatory capital and Economic capital.

Risk models and model validation Audited EDTF 17

ABN AMRO develops and uses risk models for most risk types in the risk taxonomy. The models for credit, market and operational risk are the most widely used. Models are developed by the Central modelling department in close cooperation with the relevant business and risk experts. In principle, models are reviewed annually. The models are the basis for ABN AMRO's internal measures of risk (economic capital) and are at the same time key inputs for calculation of the minimum regulatory capital requirements according to the Basel framework.

All internal models are validated by the independent Model Validation department. Model Validation independently determines whether a model is still appropriate for its use or intended use. Validation guidelines are specified to ensure objectivity, consistency, transparency and continuity. Models are validated according to these principles and reviewed against internal requirements as well as regulatory requirements.

Model results are back-tested against historical loss data. Where relevant, ABN AMRO uses external benchmark studies to support the calibration of parameters.

Models first require formal internal approval before implementation and use is allowed. Final internal approval for the (continued) use of a model is obtained from the Methodology Acceptance Group (MAG), a subsidiary committee of the Group Risk Committee. External approval is obtained from the regulator.

Credit risk models

The bank uses internal models to estimate Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. These models are embedded in the credit approval and internal reporting processes and are used to measure the credit risk in exposures to individual clients and portfolios. The same parameters are also used to calculate risk-adjusted return on capital, economic capital and the minimum regulatory capital requirements under the Basel Advanced Internal Ratings-Based approach.

Market risk models

ABN AMRO uses Value-at-Risk (VaR) models to measure market risk of exposures in both the trading book and the banking book. Value-at-Risk models estimate the amount that can be lost within a certain period (the holding period, usually 1 to 10 days) and with a certain likelihood (confidence level, usually around 99%). Value-at-Risk is used for daily revaluation of positions, and monitoring and reporting of positions relative to the limits in place. In addition to VaR, other instruments to measure market risk are used as well, e.g. stress tests and dedicated indicators like 'delta', and 'vega' depending on the types of financial products or positions.

Operational risk models

Operational risk loss events are systematically collected and analysed on a bank-wide basis and specific key risk indicators in various business lines help identify changes to the operational risk profile. To measure and manage its exposure to operational risk, ABN AMRO uses risk & control self assessments. Progress on outstanding operational risk issues is monitored through issue management and action tracking. Operational risk exposures are analysed and reported to (senior) management to support decision-making.

Regulatory capital (Basel) Audited Pillar 3

The Basel framework defines capital requirements for banks as the absolute minimum amount of capital required to cover the financial risks that a bank faces. For Pillar 1 this is expressed in risk-weighted assets (RWA) for the three major risk types. The capital requirements are stated as a percentage (set by the regulators) of the RWA.

Formal Advanced Internal Ratings-Based (AIRB) approval was obtained from the regulator for the integrated bank in 2013, a final milestone in the AIRB integration project. The bank is also preparing for implementation of the Internal Models Approach (IMA) Method for market risk and the Advanced Measurement Approach (AMA) for operational risk.

AIRB, IMA and AMA are the most sophisticated approaches available under the regulatory framework for credit risk, market risk and operational risk respectively. Applying the most sophisticated approaches allows usage of internal models and parameters for regulatory purposes.

Credit risk: Standardised and Internal Ratings-Based approach

ABN AMRO applies a full model set for AIRB calculation. More than 85% of the RWA is calculated based on the AIRB approach. All exposure classes are reported under AIRB. A number of smaller portfolios are temporarily calculated based on the Standardised Approach (SA), as they are scheduled to be tranferred to the AIRB approach at a later stage. Some portfolios are subject to permanent exemption (with the relevant portfolio following the SA on a permanent basis).

Market risk: Standardised and Internal Models approach

At present, ABN AMRO uses the Standardised Approach for market risk. Internal models are used for calculating economic capital. The bank intends to implement the Internal Models Approach (IMA) for calculating market risk capital and has submitted the application for IMA to the regulator. ABN AMRO aims to become IMA compliant in 2014.

Operational risk: Standardised and Advanced Measurement approach

ABN AMRO uses the Standardised Approach for operational risk as an intermediate step and is preparing the roll-out of the Advanced Measurement Approach (AMA) framework. The AMA approach is already in use for the calculation of economic capital.

Exposure classes

ABN AMRO uses the exposure classes as defined in the Basel framework:

- Central governments and central banks: exposures to Central governments and central banks mainly include sovereign securities, deposits with central banks and exposures guaranteed by a sovereign;
- Institutions: exposures to Institutions mainly include the exposures arising from transactions with credit institutions, investment banks and pension liability funds;
- Corporates: exposures to Corporates mainly include lending and other exposures to corporate obligors, including specialised lending activities, small and medium-sized enterprises (SMEs) and private banking clients;
- Retail: exposures to individual persons as well as those to SMEs with an exposure not exceeding EUR 1 million. The exception is Retail mortgages where there is no exposure threshold. The exposures eligible for this category each represent one of a significant number of similarly managed exposures. The main subclasses of the Retail exposure class are Retail mortgages, Qualifying revolving exposures (for instance credit card exposures and part of the consumer exposures), and other retail exposures;
- Equities not held for trading: investments in equity, including participations in both private and exchange-traded equity;
- Securitisation positions: exposures to securitisations, that consist of:
  - retained notes issued by Special Purpose Vehicles (SPVs) set up by ABN AMRO to securitise own originated assets where there is significant risk transfer;
  - notes issued by SPVs set up by third parties. This also includes guarantees, liquidity facilities and swap positions where the counterparty is a securitisation vehicle.
- Other non-credit obligation assets: assets, such as buildings, equipment and others not representing credit obligations of other parties to ABN AMRO.

Economic capital

In addition to regulatory required capital, ABN AMRO also calculates economic capital (EC) and uses this as the key metric for internal risk measurement and management. Economic capital is the amount of capital ABN AMRO needs to maintain in order to achieve a sufficient level of protection against large unexpected losses that could result from extreme market conditions.

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. This implies that the estimated capital figure for the coming year is sufficient to cover a level of loss that will be exceeded in only 0.05% of all possible situations.

Economic capital is aggregated over all risk types to determine the required capital, for capital allocation, ex-post performance measurement (RARORAC) and risk appetite setting such as industry concentration risk limits. Economic capital figures are also used at transactional level in loan pricing tools. These tools act as a decision-making mechanism for assessing the profitability of a new or existing transaction, in terms of risk-adjusted return on capital.

The methodology to estimate regulatory capital only concerns the risk types credit risk, operational risk and market risk trading book. Economic capital is calculated for the other material risk types as well. These risk types include market risk banking book, property risk and strategic equity risk, business risk and market risk pension liability.

The economic capital model for credit risk uses the Monte Carlo simulation to determine a full portfolio loss distribution taking into account specific portfolio characteristics and diversification effects. Loan facilities are valued on an economic value (mark-to-market) basis, so that loss estimates can occur not only due to defaults of the obligors, but also due to possible credit migrations and associated changes in the market values of loans.

Market risk economic capital is calculated for both the trading book and the banking book. Calculation of economic capital for market risk in the trading book is based on a daily Value-at-Risk (VaR) market risk measure and historical scenarios simulating stress events such as Black Monday and the financial markets crisis. For market risk in the banking book, ABN AMRO uses a VaR model to determine the economic capital needed to absorb losses due to adverse interest rate movements.

The operational risk model for economic capital is a hybrid approach combining risk control self-assessment and scenario analysis data to model operational risk economic capital. Both sources deliver a forward-looking view on the operational risk profile for the coming year, taking into account the actual state of the business environment and the internal controls in the business lines. The result of this is combined in the model with industry loss data as well as internal data to produce an aggregated annual loss distribution, estimating the yearly aggregated expected loss amount.

The economic capital model for pension liability risk is a Monte Carlo simulation based approach in which economic capital is defined as the distribution of value changes of the contract with the pension fund. The contracts in this context are the stream of uncertain, future premium payments to the pension funds, possibly consisting of coverage deficit and/or reserve deficit contributions.

Economic capital for business risk is defined as the maximum downward deviation of net operating profit from the expected net operating profit.

Stress testing Audited EDTF 8

Stress testing is an important risk management instrument used by ABN AMRO. The main objective of stress testing is to ensure that ABN AMRO retains a moderate risk profile, to increase risk awareness throughout the bank and to safeguard business continuity by means of proactive risk management and the review of potential future scenarios. Bank-wide stress testing, as applied by ABN AMRO, takes into account the effect of material plausible but unlikely events and developments on the bank. These events may be systemic (e.g. multi-year macroeconomic stress) or ABN AMRO-specific.

Stress testing purposes

ABN AMRO applies bank-wide stress testing for the following puposes:

- Risk appetite setting and monitoring: the outcome of stress testing is used for setting risk capacity, risk appetite limits and targets. Limits under stress are set to ensure the moderate risk profile. If the stress test outcome breaches the limits, mitigating actions will be undertaken to close the shortfall. The impact is taken into account in the capital plan;
- Contingency planning: stress testing is used to assess and strengthen the contingency plans' triggers and measures. To this end, reverse stress testing is executed to gain insight into events that put the continuity of ABN AMRO under heavy pressure.

The Group Risk Committee discusses and decides on scenario development, impact determination and management actions.

Stress test execution 2013

A bank-wide severe scenario has been developed for risk appetite setting and monitoring purposes. This stress scenario assumes that the economy is hit by several shocks simultaneously. The scenario variables include, among others, GDP, unemployment rates, property prices, interest rates, inflation and equity prices. Besides macroeconomic stress, ABN AMRO-specific stress events and uncertainties in the changing regulatory environment have been incorporated into the severe scenario. The stress elements impact both the capital and liquidity positions. The stress test results have been incorporated into capital planning by taking into account the minimum levels under stress. Based on the stress test results no additional capital actions were required in 2013.

Based on the outcome of the reverse stress test, the contingency capital plan and contingency funding plan have been assessed for effectiveness and adjusted accordingly.

Besides bank-wide stress testing, ABN AMRO has performed stress tests by focusing on specific portfolios, business lines or risk types. For example, sensitivity and scenario analyses have been executed for the residential mortgages and shipping portfolios and net interest income has been tested on a regular basis by varying shifts in the yield curves (NII at risk).

In addition, ABN AMRO has participated in ad hoc stress test exercises as requested by regulatory bodies, such as De Nederlandsche Bank (DNB) and the European Banking Association (EBA).

Key enhancements in stress testing as a management instrument

ABN AMRO considers stress testing a key risk management tool and is planning to make enhancements in the stress testing tooling. The plans include further incorporating stress testing and risk appetite setting and monitoring into ABN AMRO's corporate and business line strategy.

Credit risk

Credit risk is the risk that the value and/or the earnings of the bank decline due to uncertainty in a counterparty's ability or willingness to meet the terms of any financial contract.

Credit risk management within the bank is governed by the bank-wide central credit risk policy and further detailed in underlying specific credit risk policies. The primary responsibility for managing and monitoring credit risk lies with the business as the first line of defence. The business is required to identify, assess and manage, monitor and report potential weaknesses in the credit risk portfolios in line with the credit risk framework. Monitoring takes place on a permanent and ongoing basis to limit credit risk exposures to a level in line with the business line's risk appetite.

In addition, risk in the credit portfolio is measured and monitored at bank-wide level on a monthly basis and by quarterly and ad-hoc portfolio reporting and analysis, with specific attention for risk developments and concentrations.

Credit risk management Audited Pillar 3

ABN AMRO has chosen to manage its credit risk either through customised lending to counterparties, whereby the risk assessment is based on an individual basis, or through standardised products and processes, whereby risk criteria are assigned on a pooled basis. For most of its retail lending portfolios, including private individuals as well as most of the small and medium-sized enterprises, the bank manages the risks and exposures at a product portfolio level. For other portfolios, ABN AMRO applies credit risk management on an individual basis and ratings are assigned to counterparties and exposures.

The process of credit risk management can be divided into a credit approval phase and a credit monitoring phase.

Credit approval

All credit risk must be assessed qualitatively and quantitatively in detail before approval. Information must be provided on matters such as the purpose, details and structure of the proposed credit facility, information about the obligor and other counterparties, the industry, management and owners, and a financial and non-financial analysis. Authorised persons or committees take a credit decision based on the independent assessments of both the commercial function and the credit risk function. The extent and limitations of the approval mandate of authorised persons or committees is dependent on the authority delegated to them. The authority to approve the acceptance of credit risk is ultimately vested in the Managing Board. The Board has partly delegated this authority to the Central Credit Committee (CCC), to business line-specific credit committees and authorised persons which are defined in the ABN AMRO risk governance charter.

Credit monitoring

Consistent and regular monitoring is designed to safeguard the bank's positions in relation to all risks associated with the counterparty or portfolio. Monitoring allows the bank to identify at an early stage any development in the counterparty's or portfolio's position that might trigger an increase in its risk profile. The monitoring process consists mainly of credit reviews, monitoring of outstanding positions, early notice of limit excesses and monitoring of collateral. Monitoring starts the moment the credit facility has been provided and continues throughout the life cycle of the credit facility and the relationship with the counterparty.

A watch status can be assigned to individual counterparties with an increased risk profile due to political, social, economic, legal, industry and counterparty-specific developments. The watch status allows for more intensive monitoring, early detection of deterioration of the credit portfolio and appropriate follow-up measures.

Credit facilities with a high risk profile, such as infected, defaulted or impaired credits, are transferred to the Financial Restructuring & Recovery department (FR&R). For some facilities, FR&R devises a plan for rehabilitation or to increase the likelihood of final repayment.

Credit risk measurement Audited Pillar 3 EDTF 2

Internal credit models are used to estimate PD, LGD and EAD parameters. The bank uses different modelling methodologies, ranging from pure statistical models in Retail Banking and part of Commercial Banking to expert based models in other business segments, taking into account quantitative and qualitative risk drivers.

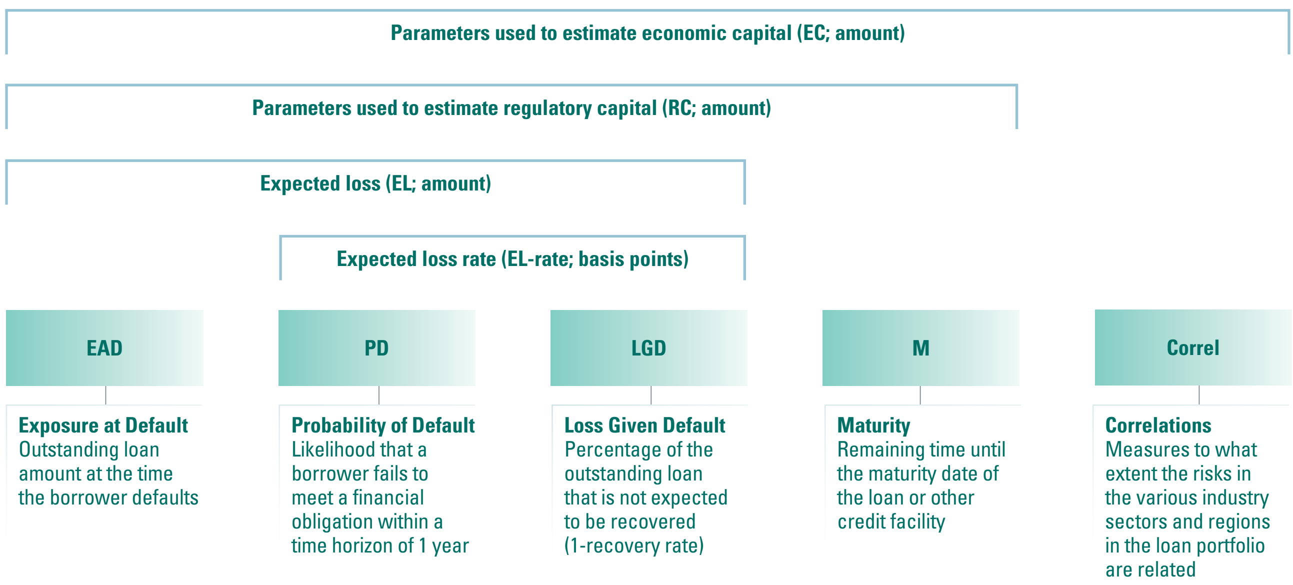
The section on Credit risk measurement framework details the different credit risk parameters and their use in the calculation of regulatory capital, economic capital and expected loss.

Decisions which determine the level of credit risk accepted by the bank are not only based on quantitative information or model output, but also take into account the practical and conceptual limitations of metrics and models using a qualitative approach including expert, human judgement and critical analysis. The credit approval authorities may have reasons to apply qualitative adjustments ('overrides') to a rating as obtained by the business line with the rating model. If external credit assessment institutions (ECAI) ratings are available for certain counterparties, these are used to benchmark internal rating model outcomes.

Credit risk measurement framework

The graph below is a simplified representation of the risk management framework for credit risk. Each of the risk parameters used in this framework is explained.

Risk parameters composing expected loss Audited Pillar 3 EDTF 2



Using the input variables, the Basel parameters PD, LGD and EAD are computed. The EAD is established on a monthly basis using actual limits and outstanding amounts data. The PD and LGD estimates are based on collected data needed as input for the appropriate selected model, and calculated at least annually or when material new information is provided.

Exposure at Default

Exposure at Default (EAD) models estimate the expected exposure at the time of a counterparty default. In the event that all or part of a facility is currently undrawn (the outstanding amount is less than the limit), a percentage of this undrawn amount is added to the exposure to reflect the possibility that the facility is utilised further in the case of a default situation. The exposure at the time of default might therefore be higher than the current exposure.

Probability of Default

The internal definition of default is compliant with the definition of default outlined in the Basel framework.

In short, the bank considers a default to have occurred when either of the following two events has taken place:

- the obligor is overdue more than 90 days, or
- the bank considers that the obligor is unlikely to meet its contractual obligations.

ABN AMRO makes an assessment of the risk that a counterparty will default on its financial obligations to the bank. This assessment is translated into an internal rating which ABN AMRO refers to as uniform counterparty rating (UCR), combined together in a UCR master scale. Each counterparty is assigned a UCR from the UCR master scale, ranging from 1 to 8. If there is no internal assessment available, the bank relies on external ratings.

Each counterparty rating is expressed as a percentage, the probability of default or PD, which is the probability that the counterparty will go into default within a one-year time horizon.

ABN AMRO internal rating scale mapped to external ratings

Audited | Pillar 3 | EDTF 2

Grade Category	UCR (internal rating)	Low PD%	Mid PD%	High PD%	Standard & Poor's equivalent	Moody's equivalent	Fitch equivalent
Investment grade	UCR 1	0.00%	0.03%	0.03%	AAA - AA-	Aaa - Aa3	AAA - AA-
	UCR 2+	0.03%	0.04%	0.04%	A+	A1	A+
	UCR 2	0.04%	0.05%	0.07%	A	A2	A
	UCR 2-	0.07%	0.10%	0.13%	A-	A3	A-
	UCR 3+	0.13%	0.16%	0.20%	BBB+	Baa1	BBB+
	UCR 3	0.20%	0.25%	0.30%	BBB	Baa2	BBB
	UCR 3-	0.30%	0.36%	0.46%	BBB-	Baa3	BBB-
Sub-investment grade	UCR 4+	0.46%	0.60%	0.77%	BB+	Ba1	BB+
	UCR 4	0.77%	1.00%	1.28%	BB	Ba2	BB
	UCR 4-	1.28%	1.65%	2.22%	BB-	Ba3	BB-
	UCR 5+	2.22%	3.00%	4.24%	B+	B1	B+
	UCR 5	4.24%	6.00%	8.49%	B	B2	B
	UCR 5-	8.49%	12.00%	16.97%	B-	B3	B-
	UCR 6+	16.97%	24.00%	100.00%	CCC+ - C	Caa1 - Ca	CCC
Default	UCR 6			Default without provision	D	D	D
	UCR 7			Impaired; Default with provision	D	D	D
	UCR 8			Impaired; Default with provision	D	D	D

The grade categories Investment grade and Sub-investment grade correspond to the equivalent classifications of these categories by rating agencies. The grade category Default without provision, or UCR 6, pertains to exposures that are in default, but for which the bank has not, or not yet, established a provision, i.e. an impairment charge. The grade categories Default with provision (UCR 7 and UCR 8) pertain to impaired exposures, i.e. defaulted exposures where the bank has taken an impairment charge (provision). Counterparties assigned a UCR 8 are in liquidation.

Within Retail Banking and smaller credits that are part of Commercial Banking, counterparties with the same characteristics are pooled and subsequently mapped to the uniform counterparty rating. In some business segments, the credit risk is determined based on rating models tailored to the specific characteristics of the counterparty or portfolio.

Loss Given Default

Loss Given Default (LGD) models estimate the economic loss that may result from a credit facility in case the counterparty defaults. It is expressed as the ratio of the loss on an exposure to the amount outstanding at default. The specific facility characteristics (e.g. seniority) and collateral (secured LGD) assigned to the bank are used in the LGD calculations.

Maturity

The effective Maturity (M) is the remaining time from the estimation or reporting date to the contractual maturity of the financial instrument. Longer maturities result in higher capital figures.

Correlations

Correlations are measures of dependence between two variables. In the economic capital model, correlations between different combinations of region and industry sectors are used to quantity the relationship of risk between, for instance, two industry sectors. The correlations measured are based on internal data as well as externally obtained equity returns. Higher correlations result in higher capital figures.

Specific counterparty credit risk

Pillar 3 | EDTF 2 | EDTF 29

For counterparty credit exposure on over-the-counter (OTC) derivative instruments as well as for securities lending, specific calculation methodologies are applied.

OTC derivative instruments

OTC derivatives are financial instruments used to cover (future) financial risks or to achieve additional return on an investment. They consist of transactions concluded between two parties and of which the value is based on a so-called underlying base value (e.g. interest rate swaps and equity options). All OTC derivative transactions entered into by the bank with its professional counterparties (as defined under MiFID) and other eligible counterparties must be documented by an International Swaps and Derivatives Association (ISDA) master agreement or other approved local master agreements. For non-professional counterparties in the Netherlands an industry standard agreement which uses non-negotiable wording applies as the mandatory standard legal agreement. As the presence of a collateral agreement, such as a credit support annex (CSA) has an impact on the counterparty credit risk exposure, there is a dedicated collateral management function that independently monitors all collateral positions, ensuring that margin calls for collateral (both to be posted and to be received) are followed up promptly. Another form of counterparty credit exposure mitigation is submitting OTC trades to a central clearinghouse.

Securities financing

Securities financing in the balance sheet refers to securities lending. Securities lending is the market activity whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities, usually in the short term. Usually the borrower will collateralise the transaction with cash or other securities of equal or greater value than the lent securities in order to protect the lender against counterpart credit risk. As an intermediary between clients and the market, ABN AMRO acts both as lender and borrower.
In managing the risk of the securities lending activities, the bank makes a distinction based on the type of collateral:

- if the transaction is collateralised with securities, the lender is exposed to the counterparty risk of a potential default of the borrower. The lender is then entitled to close out the position by selling the securities in the market, where the usual risks of liquidity, valuation and volatility apply;
- if a transaction is secured by cash provided by the securities borrower, the lender is exposed to reinvestment risk of the cash deposit.

The bank monitors counterparty credit exposure from securities lending activities and value of collateral on a daily basis and requires additional collateral to be deposited in case of insufficient coverage.

Regulatory and economic exposure calculation for specific counterparty credit risk

The counterparty credit risk exposure calculation of OTC derivative instruments is based on the mark-to-market (MtM, i.e. current exposure) plus an add-on for potential future exposure. The add-on is calculated to cover 95% of the possible MtM movement over the deal tenor. The add-on is determined by several parameters, such as type of derivative product (underlying), deal tenor, currency and the absence or presence of netting and collateral agreements. Under the bank's policy, add-on tables are updated periodically. The regulatory calculation methodology applied for calculation of the counterparty credit risk exposure value (EAD) for OTC derivative instruments is the mark-to-market method.

For securities lending the Financial Collateral Comprehensive Method (FCCM) is used in the regulatory calculations. For internal counterparty exposure calculations the FCCM with additional conservatism (i.e. a non-zero haircut) is applied where the regulatory methodology would allow a zero percent haircut.

Wrong-way risk

This type of risk refers to transactions where credit exposure to the counterparty will be high when the counterparty's probability of default is also high or, put differently, where the credit exposure increases when the credit quality of the counterparty deteriorates. An example is an equity put option bought from an investment bank, where the option underlying is the investment bank parent entity. In general, ABN AMRO does not engage in such specific wrong-way risk transactions. Furthermore, ABN AMRO is prudent in considering transactions where this correlation is less obvious, e.g. transactions where a counterparty and the underlying issuer are in a similar industry, or in the same country or geographical region.

Credit risk mitigation Pillar 3 EDTF 30

Credit risk mitigation mainly relates to collateral management and guarantees, offsetting financial assets and liabilities and enforcing master netting agreements or similar instruments.

Collateral management and guarantees

Collateral are assets with material value over which security interest is vested, such as a mortgage, charge, pledge, lien on an asset, or right securing obligations under a credit facility or other exposure which gives the bank priority rights on the proceeds of that asset. Collateral is a way to mitigate or reduce credit risk associated with a credit facility or exposure. In addition, under certain predefined conditions, collateral can also provide a reduction in both regulatory capital and economic capital. All types of collateral should comply with defined eligibility criteria. Collateral is monitored regularly to ensure eligibility and sufficient value. The collateral value must be monitored on an annual basis at least. More frequent monitoring is required for all types of collateral in case of considerable value decrease of the collateral, significant market changes or significant decrease of creditworthiness of the counterparty. The bank further uses third-party guarantees (from banks, governments, export credit agencies, etc.) to mitigate risks. The credit quality of guarantors is initially assessed and continuously monitored to ensure their value in risk mitigation.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts and there is either an intention to settle on a net basis or an intention to realise the asset and settle the liability simultaneously. The bank applies netting to the following items, provided they meet these criteria:

- Debtor and creditor balances, such as current accounts and certain types of residential mortgages with clients' savings, where offsetting is justified by formal agreement with the client;

- Derivative contracts for which a market settlement mechanism (e.g. an exchange or clearing house) exists which effectively accomplishes net settlement through daily cash margining processes;
- Certain (reverse) repurchase arrangements and securities financing transactions to the extent that financial assets and financial liabilities are subject to a netting agreement and the bank has the intention to simultaneous settle the cash payable with the cash receivable.

Enforceable master netting agreements or similar instruments

Enforceable master netting arrangements take into account all agreements with provisions that make offsetting exercisable only in the event of default. In addition, agreements are enforceable when the bank has the right to offset and does not have any ability and/or intention to offset simultaneously. These arrangements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

Credit risk concentration Audited Pillar 3

Credit concentration risk is a risk of loss due to insufficient diversification of risks within a portfolio caused by relatively large concentrations of exposures to positively and highly correlated counterparties. Concentrations are monitored against limits set in the bank's risk appetite. Credit risk concentration materialises in relation to a number of positively correlated counterparties, creating the potential effect of a significant loss due to a failure to pay. Positively correlated counterparties in this case are those counterparties that have a tendency to default under similar circumstances. Limiting excessive concentrations is fundamental to the credit risk strategy. The bank aims to keep the credit risk portfolio sufficiently granular and diversified.

To avoid excessive credit risk concentrations, Risk Management aims to diversify the credit risk and may set maximum levels for subgroups in either category:

- Single clients and groups of related clients (one obligor concentration and loss at default);
- Countries (geographic concentration);
- Industry sectors (industry concentration).

One obligor concentration and loss at default

Limit-setting is in place based on the one obligor exposure (OOE) principle. One obligor exposure is the total exposure on a group, including all drawn and undrawn facilities granted by ABN AMRO, plus all indirect exposure to the relationship, including guarantees and/or any other recourse claims. A 'group' is an interrelated group of counterparties (companies and/or persons) with a high degree of dependency. This interrelationship may be due to direct or indirect majority interests by the same shareholder or group of shareholders, and/or due to other relevant economic dependencies. Besides OOE, counterparty credit concentration risk is monitored by approving a Loss at Default (LADECAI) per counterparty. The LAD is an estimate of how much money is expected to be lost if a counterparty defaults. The LAD of a counterparty above a certain treshold is reviewed by the Managing Board.

Geographic concentration

The bank has a number of offices located outside the Netherlands and clients who operate internationally. The bank is therefore exposed to country risk, i.e. the risk of credit losses due to country-specific events or circumstances. Management of country risk focuses on cross-border risk, i.e. the risk of country events impacting upon the creditworthiness of ABN AMRO's clients and hence their ability to meet their credit commitments to the bank. This also includes the risk that funds, goods or services cannot be transferred out of a risk country as a result of actions by the authorities of that country or by other events impeding the transfer. These risks are managed through the setting of country credit limits, based upon individual country analysis by economic and country risk experts. Country limits are reviewed at least once a year, with more frequent reviews for those higher risk countries where evolving risks are seen. Each country has an internal credit rating approved twice a year. The country rating is an important factor in managing country concentration risks. Approval of country risk policy and country limits is managed through the bank's senior risk committees, with some authority delegated to risk specialists.

Industry concentration

Industry concentration risk is a risk of loss arising from a relatively large aggregated credit exposure to counterparties active in a single industry. Industry concentration risk arises when deterioration in a specific industry has an effect on all credit exposures relating to that industry. ABN AMRO limits its industry concentrations by setting credit risk economic capital (EC) limits as a percentage of total credit risk EC per industry sector. In addition to these EC limits, EC concentration checkpoints are set to accommodate timely and sufficient management interventions to avoid breaching the limit.

Management of forborne, past due and impaired loans EDTF 27

Loans at risk are primarily exposures for which signals have been detected indicating that the counterparty may become impaired in the future. Loans at risk are classified into different risk categories for individual counterparties and arrears buckets for groups of aggregated counterparties in order to optimise monitoring and review of these loans.

Forbearance

ABN AMRO considers a forborne asset to be a contract in which the terms and conditions were modified or which was refinanced by ABN AMRO because the counterparty is in, or is considered to face, financial difficulty. A counterparty is in financial difficulty if at least one of the following situations applies:

- A contract has been in default at least once during the last three months;
- A contract was past due for 30 days or more at least once during the last three months, unless the credit approval authority does not consider the counterparty to be in financial difficulty;
- A contract is assigned a watch status that requires immediate action because of recent developments that have an immediate impact on the financial position and/or financial stability of the client;
- A contract is assessed to be in financial difficulty by the credit approval authority.

The rationale behind forbearance is that ABN AMRO shows leniency towards the counterparty by agreeing on modified terms that would not have been agreed when the client would not have been in financial difficulty. The objective is to allow the counterparty to regain its financial health within its means, and by doing so to maintain a sustainable relationship between the bank and its counterparty.

Forbearance measures can be applied to a contract that has defaulted on its obligations as well as to a contract that is still performing. A contract that has defaulted and is being recovered, is not considered forborne, irrespective of the application of restructuring measures or a previous forborne status.

A forborne asset will only cease to qualify as forborne once agreed upon requirements have been met. If a forbearance measure is applied to a performing client, the client stays forborn for at least 2 years. If a forbearance measure is applied to a non-performing client, the client stays forborne for at least 3 years. During this period, the asset will continue to be reported as forborne. ABN AMRO has implemented forbearance and related definitions and policies in alignment with the EBA Final Draft Implementing Technical Standards, as communicated in October 2013.

Past due credit exposures Audited Pillar 3

A financial asset is past due if a counterparty has failed to make a payment when contractually due or if it has exceeded an agreed limit. ABN AMRO starts counting days past due from the first day that a counterparty is past due on any financial obligation regardless of the amount. Exposures are classified as being in default when the past due trigger of 90 days has been reached and a certain threshold (if applicable) has been exceeded.

Impaired credit exposures Audited Pillar 3

Accounting policy on impairment of loans and receivables Audited

An indication that a loan may be impaired is obtained through ABN AMRO's credit review processes, which include monitoring customer payments and regular loan reviews depending on the rating of the facility. A loan is impaired if there is objective evidence that the bank will not be able to collect all amounts due in accordance with the contractual terms (principal and interest). The objective evidence indicates that the borrower's credit quality has deteriorated and the estimated future cash flows in the related financial assets are negatively impacted. The amount of impairment loss is the difference between the carrying amount and the present value of estimated future cash flows. Estimating the timing and amount of future cash flows requires significant judgment. The actual timing and amount of future cash flows may differ from these estimates and consequently actual losses incurred may differ from those recognised in the financial statements. The impact of changes in estimates and recoveries is recognised in the income statement line item impairment charges on loans and other receivables. Following impairment, interest income is recognised using the original interest rate and used in the estimated cash flow pattern of the impaired loan.

There are two levels at which the loans are assessed for impairment: individual and collective. The collective assessments consists of both loan losses that are not assessed on an individual basis, and for loan losses that have been incurred but have not been identified at the balance sheet date.

Where possible, ABN AMRO seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreeing on revised loan conditions. Management continuously reviews renegotiated loans to ensure that all revised loan conditions are met and that future payments are likely to be made. The loans continue to be subject to an individual or collective impairment assessment.

A financial asset is classified as impaired if one or more loss events are identified that have a negative impact on the estimated future cash flows related to that financial asset. Events considered to be loss events include situations where:

- the counterparty is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising collateral;
- the counterparty has a material credit obligation that is past due for more than 90 days (overdrafts will be considered overdue once the client has exceeded an advised limit).

Triggers for impairment include, but are not limited to, elements such as negative equity, regular payment problems, improper use of credit lines and legal action by other creditors. They could – but do not necessarily – result in the counterparty being classified as impaired.

There are three types of impairment charges:

- **Specific impairment charges for individual significant exposures:** credit facilities are reviewed at least once every year. If the quality of a loan or the customer's financial position deteriorates to the extent that doubts arise over the customer's ability to meet its contractual obligations, management of the relationship is transferred to the Financial Restructuring & Recovery department (FR&R). An assessment of the impaired asset takes place on a continuous basis. ABN AMRO assesses the amount of the specific loan loss impairments to be made (if any) by taking into account the discounted value of management's best estimate of future cash repayments and the value of collateral. Specific loan loss impairments are partly or fully released when the debt is repaid or expected future cash flows of the customer improve due to positive changes in economic or financial circumstances.
- **Collective impairment charges for individual not significant exposures:** assets with similar credit risk characteristics are clustered in portfolios and are collectively assessed for impairment based on historical loss experience adjusted for current economic conditions. Factors that are taken into account are average life, past loss experience, and portfolio trends. These portfolios include personal loans, residential mortgages, credit cards, home improvement loans and small and medium-sized enterprises overdraft facilities.

In general, when interest or principal on a loan is 90 days past due, such loans are classified as being in default and are identified as impaired. The future credit quality of these portfolios is subject to uncertainties. Actual losses can differ from the reported loan loss allowances. These uncertainties include future macroeconomic factors (i.e. unemployment rates, interest rates, bankruptcy trends).
Objective evidence for collective assessed loans can include indications such as:

- the counterparty has material credit obligation that is past due for more than 90 days (overdrafts will be considered overdue once the client has exceeded an advised limit);
- Forbearance measures that have a negative impact on the future cash flows.
  Loan loss allowances for a portfolio may be released where there is improvement in the quality of the portfolio.

- **Incurred but not identified (IBNI):** IBNI impairment charges are taken for credit exposures in the performing portfolio that have to be identified at the balance sheet date. Specific or collective impairment has not yet taken place due to the period that passes between the moment that a loss event occurs and the moment when the bank identifies this event and establishes specific/collective impairment for the effected credit exposure. The scope of the calculation of the IBNI impairments covers all financial assets which are not yet recognised as impaired. All related off-balance items such as credit commitments are also included. The IBNI calculation combines the Basel II concept of expected loss on a one-year time horizon adjusted for IFRS elements such as applying a loss identification period (LIP) and a cycle adjustment factor (CAF).

When a loan is deemed no longer collectible, it is written off against the related loan loss allowance. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement line item Impairment charges on loans and other receivables. Assets acquired in exchange for loans to achieve an orderly realisation are reflected in the balance sheet as a disposal of the loan and an acquisition of a new asset, initially recorded at fair value.

Market Risk

ABN AMRO is exposed to market risk in its trading book, banking book and through its pension fund liability.

Market risk in the trading book

Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book. ABN AMRO is primarily exposed to market risk in the trading book through client-facilitating activities carried out by the Markets business. Within the overall risk mandate of the bank, dedicated risk committees approve trading mandates and set and monitor limits for each trading business and for the combined trading activities. Market risk originates from various sources, including:

- changes in interest rates affecting, for example, the value of securities and interest rate derivatives;
- changes in prices affecting, for example, the value of positions in currencies and equities, commodities, and derivatives on these underlying's;
- changes in various volatility types affecting, for example, the value of options on bonds, interest rate derivatives, foreign exchange and equity derivatives.

Market risk (trading book) management Audited Pillar 3

As part of its business strategy, ABN AMRO facilitates client orders, acts as a market maker in key markets and provides liquidity to clients. The business strategy involves exposure to trading risk, as it is not always feasible or economically desirable to execute perfect hedges for each and every client order. To provide assurance that the bank's trading activities are consistent with its client centered business strategy and our risk profile, a detailed risk management framework has been developed in order to control market risk in the trading book. Decisions with regard to limits are all taken by duly authorised committees or individuals, with the full support of senior risk managers.

The limits framework

Market risk limits are strategic restrictions reflecting the bank's risk appetite and the nature of trading activities. Limits prevent the accumulation of market risk beyond the bank's appetite and reflect the mandates of trading units.

For internal purposes, ABN AMRO measures and manages market risk daily, on a portfolio basis. The key indicators used are VaR, a wide array of stress and scenario tests, sensitivity measures ('Greeks') and notional limits. These metrics are measured and limited at a global level as well as at a business level. In addition, there are concentration limits at business level.

Valuation of trading risk positions

Positions held in the trading book are prudently valued daily on a mark-to-market or a mark-to-model basis, where the price is not directly observable in the market. Periodic valuation adjustments are made whenever appropriate.

All pricing models are independently validated and approved by Risk Management, which also assesses whether there are valuation reserves necessary because of parameter uncertainty and/or other model-related aspects. All traded products include an element of counterparty credit risk. To ensure that the credit risk is fully reflected in the reported valuation for derivatives, ex-post credit valuation adjustments are made.

When approving new products and in the regular review of existing products, a subsidiary committee of the Group Risk Committee assesses whether prudential valuations are necessary. In addition, the bank determines, on a monthly basis, whether additional value adjustments are required to reduce the fair value of positions to arrive at the relevant prudent value of those positions. ABN AMRO's policy is to trade in products that are sufficiently liquid. The bank has a set of limits in place to mitigate market liquidity risk and takes bid-offer reserves for the trading positions where applicable.

Market risk (trading book) measurement

Audited | Pillar 3 | EDTF 2 | EDTF 17 | EDTF 24 | EDTF 25

VaR calculations involve taking the market price movements of the last 300 days and calculating the impact on profit and loss as a result of these movements. ABN AMRO applies a one-day 99% VaR meaning that a VaR of EUR 1 million implies a 1% chance of a loss of more than EUR 1 million on any given business day.

The advantage of the historical simulation method is that no assumptions have to be made about return distributions as it simply uses historical data to calculate returns. Especially in times of market exuberance or stress, actual returns may deviate substantially from the ones forecasted by historical simulations VaR and – particularly when used in isolation – can lead to material over- or understatement of risk. In addition, the number of possible outcomes in historical simulations depends on the length of the time series.

Back testing

Value-at-Risk forecasts are compared with the calculated mark-to-market changes using daily market data variations. The number of outliers is benchmarked with statistical metrics to determine the reliability of the VaR model.

Back-testing measures – on a 1-year rolling window – the number of losses exceeding the VaR prediction given a confidence level of 99%. Such losses should occur only once every 100 business days. In 2013 the number of outliers was within the statistical model acceptance

Stress and scenario testing EDTF 8

Stress and scenario testing is designed to focus specifically on tail events, e.g. events outside the VaR confidence interval. ABN AMRO runs daily stress tests for large moves in single risk factors. For specific portfolios, the latter will also be combined with shifts in the related volatility factors.

In addition, the impacts of extreme market events covering multiple risk factors are run simultaneously. These extreme scenarios can either be historical, hypothetical or a combination of both. The historical ones replicate past scenarios and account for situations that were recorded further in the past, e.g. the 2008 liquidity and credit crisis. The hypothetical scenarios allow the bank to simulate new shocks of unseen magnitude. An example of a historical scenario is the Lehman Brothers crisis. An example of a hypothetical scenario is a severe extension of the sovereign debt crisis. The latter assumes a contagion of the crisis; increasing the number of European countries that face severe drops of government bond prices, together with a strong increase in corporate bond credit spreads across all rating classes and a severe crisis on the equity markets. The different scenarios are reviewed on a regular basis and, when required, updated and/or extended.

Model review

New models are validated by an independent validation team and approved by duly authorised committees. Furthermore, existing risk models are reviewed and approved on an annual basis at least. As part of the review, models are assessed as to whether they behave appropriately under the current market conditions. If required, models are adjusted. Besides the formal validation and review of models, the daily explanation of risk reporting figures, periodic portfolio reviews and regular back testing are important tools to assure the adequacy of the models.

In preparation of Internal Model Approach (IMA) readiness, ABN AMRO calculates, in addition to daily VaR, stressed VaR and incremental risk charge (IRC) numbers. Regulatory guidelines require a bank to calculate a stressed VaR measure calibrated to a continuous 12-month period of financial stress relevant to an institution's trading portfolio. The current relevant 12-month period in this context is the period from March 2008 to March 2009.

ABN AMRO has several other tools in place or currently under development in addition to VaR. An example of such a tool is the event risk model for equities, which is also an IMA compliance requirement. This model measures jumps for industry, sector and company-specific equity risk factors. Other risks not in scope of VaR for which separate risk methods are required include dividend risk (measuring the risk of declines in dividend yields) and skew risk (measuring the risk that implied volatilities for different strike levels do not move in a parallel fashion).

Market risk in the banking book Audited

Market risk in the banking book refers to the market value and earnings sensitivity of the banking book positions to market volatility. The market risk of the banking book is predominantly driven by the interest rate risk since the residual market risks in the banking book (e.g. FX risk) are limited mainly through hedging. The interest rate risk refers to the potential adverse impact of market rates movements on the bank's market value and earnings. In 2013, the bank broadened the scope of interest rate risk measurement by incorporating additional foreign currency exposures. Market value metrics as well as earnings metrics are measured for all currencies for banking book positions and reported on a consolidated level translated into the reporting currency.

Market risk (banking book) management Pillar 3

In the banking book, interest rate risk translates into the potentially adverse impact of interest rate changes on net interest income and market value of equity. The overall objective of interest rate risk management is to protect the current and future earnings and stabilise the interest income over time.

The four main sources of interest rate risk are:

- re-pricing risk, which arises from timing differences in the maturity (fixed-rate) and re-pricing (floating-rate) of assets and liabilities;
- yield curve risk, which arises when unanticipated shifts of the yield curve have adverse effects on the income and underlying economic value;
- basis risk, which arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar re-pricing characteristics (for example, swap rates and government bond yields);
- optionality risk, which arises from the options embedded (implicit or explicit) in assets and liabilities.

In addition, client behaviour is an important driver of the interest rate risk. Client behaviour with respect to savings and prepayment of mortgages may substantially alter the anticipated interest cashflow pattern. Interest rate risk is managed according to the Asset & Liability Management (ALM) framework as approved by the ALCO. This framework is designed primarily to transfer interest rate risk out of commercial business lines, enabling central monitoring and management. This mechanism allows for a clear demarcation between commercial business results and results on mismatch interest rate positions. The execution of interest rate risk steering decisions and day-to-day management of positions is delegated to ALM/Treasury.

Market risk (banking book) measurement

Pillar 3 | EDTF 2 | EDTF 8 | EDTF 17 | EDTF 24 | EDTF 25

ABN AMRO measures, monitors and controls its interest rate risk, including the effectiveness of hedging, on a monthly basis using the following indicators: Net Interest Income-at-Risk (NII-at-Risk), duration of equity, absolute sensitivity and Value-at-Risk (VaR). ABN AMRO's position is managed to ensure these metrics remain within defined limits under certain stress scenarios.

NII-at-Risk

Net interest income (NII) is the difference between revenues generated by interest-earning assets and the expenses of servicing (interest-burdened) liabilities. The NII consists of the commercial margin and the interest rate risk mismatch. The bank's interest result mainly depends on the commercial margin, which has a low correlation with the level of interest rates. For the part of the bank's interest result related to the mismatch position, the steepness of the curve is more important than the level of the curve.

The risk of changes in net interest income (NII) is measured on a scenario-based analysis. The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII under a constant yield curve with the NII under a yield curve gradually shifted by 200 basis points. The NII is negatively impacted when rates rise, especially when the short end of the yield curve increases, since liabilities are re-priced more frequently and, therefore, interest expenses are upwardly adjusted more than interest income. The short-end positions are part of the money markets book and are monitored and managed on a daily basis.

Duration of equity

Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The risk appetite statement defines the outer limits of the duration of equity to be between 0 and 7, and ALCO determines a monthly bandwidth. The duration of equity is steered within the defined limits to reflect the pursued risk profile and optimise the mismatch position considering anticipated yield curve developments.

Absolute sensitivity

The absolute sensitivity reflects the sum of absolute values of the yield curve sensitivities along the tenors. Absolute sensitivity measures the market value and earnings sensitivity to non-parallel movements of the yield curve.

Value-at-Risk

Value-at-Risk (VaR) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Market risk (Foreign exchange risk)

Audited | EDTF 31

Foreign exchange (FX) risk reflects the potential adverse impact of unfavourable exchange rate developments on net income and capital ratios. ABN AMRO does not take FX risk in the banking book, except for positions resulting from capital hedging and residual positions occurring for operational reasons. FX risks on client-related positions in the banking book are transferred from business lines to ALM/Treasury via the funds transfer pricing framework. FX risk in relation to open currency positions is kept within limits through hedging. FX capital hedging is executed to protect capital adequacy from adverse FX movements.

Market risk (Pension fund)

Audited | EDTF 31

Pension liability risk is the risk that the bank must provide additional funds to its employee pension fund as a result of guarantees and commitments to this fund. ABN AMRO sponsors a number of pension schemes for its employees, under which it has an obligation to pay contributions to the pension fund for the aggregate pension rights of participants in these pension schemes. Most participants have accrued rights under defined benefit plans within these schemes. ABN AMRO's pension risk is the risk of a shortfall in the coverage of these pension obligations by the pension fund assets in relation to the participants' rights under these defined benefit plans. Additional contributions to the pension fund to cover its pension obligations to current and former employees may be required under the agreement with the pension fund from time to time. ABN AMRO's defined benefit pension obligations are calculated at the discounted present value of these accrued pension rights.

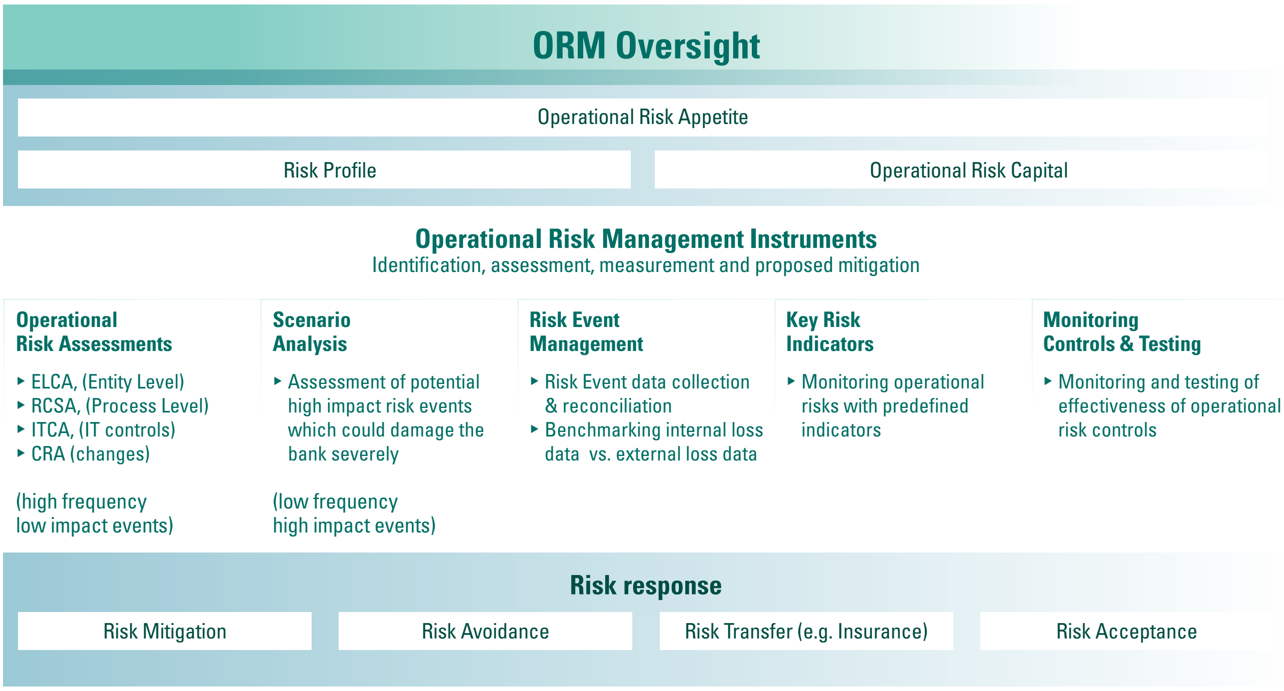
Parameters that have an impact on the obligations are interest rate levels, credit spreads on AA corporate bonds, investment risks and increases in life expectancy, which are outside of ABN AMRO's control. More information on Pension Funds is provided in note 30 to the Annual Financial Statements.

Operational risk EDTF 31 Pillar 3

Like every company, ABN AMRO is exposed to operational risk arising from the uncertainty inherent in all business undertakings and decisions. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Examples of operational risk are wrongful execution of an order, fraud, litigation for non-compliance with law, natural disasters and terrorism.

ABN AMRO has a framework for operational risk management in place to manage operational risks consistently across the organisation and to prevent operational losses.

Framework for operational risk management and control Pillar 3



Operational risk management Pillar 3

All day-to-day operations comprise operational risks. ABN AMRO employees are therefore expected and encouraged to be alert to and aware of the wide range of operational risks. As the operational risk appetite is part of the bank-wide risk appetite, the Managing Board monitors the development of operational risk.

Business managers assess operational risk exposure and effectiveness of controls periodically, with the support of the second line. If a risk exceeds the risk appetite, the business manager takes appropriate action to mitigate the risk. Nevertheless, as is the case with all banks, not all operational losses can be avoided. In the event of an incident, the bank strives to minimise damage to an acceptable level. Once a year, senior management teams review their strategies and business objectives from a risk perspective. They take into account the periodic review of the state of control and take appropriate measures where the level of control can be improved. Based on the assessments performed, at the end of each year the senior management teams sign a Management Control Statement. ABN AMRO's Management Control Statement is included at the end of this section.

Operational risk management instruments

Pillar 3 | EDTF 2

At the heart of the framework, ABN AMRO distinguishes various instruments that support the businesses in identifying and managing operational risks.

- Operational Risk Assessments are key in discovering any weaknesses in the bank's control environment. The bank has a converged approach towards risk assessments in which fraud risk, legal risk, information security risk, compliance risk and financial reporting risk are assessed in one integrated assessment. Assessments are executed for various purposes;
- In Risk and Control Self-Assessments (RCSA), business managers and risk experts assess risks and controls in the operating processes of the bank;
- Entity Level Control Assessments (ELCA) assess generic risks and controls for integrity, ethical values and behaviour, risk culture and risk awareness;
- In IT Control Assessments (ITCA), IT management structurally assesses the confidentiality, integrity and availability of the IT environment;
- In Change Risk Assessments (CRA), changes are assessed, such as the introduction of new products or activities, revised processes or systems, reorganisations, or acquisitions. As part of CRAs, product approval procedures are held to assess risks of new products or activities;
- Scenario Analyses are held annually to assess potential rare and extreme operational risk events that may threaten the bank's business activities;
- Risk Event Management. Although controls are in place, incidents sometimes happen and damage may occur. The bank registers and analyses operational risk events and losses systematically. Analysis of these data triggers actions to improve controls. The bank also analyses relevant operational risk losses of other banks systematically;
- Key Risk Indicators help to identify changes to the operational risk profile. Whenever changes to the risk profile occur, risks are reassessed. If relevant, controls are strengthened;
- Business managers periodically check whether controls are operating effectively. As part of its role as challenger, the second line of defence applies control tests to these key controls. If control monitoring and control testing reveal weaknesses, management strengthens controls or decides to take other risk mitigating actions.

Operational risk response

Pillar 3

The bank distinguishes four categories of risk response:

- **Risk mitigation:** in many cases, controls will be strengthened by taking additional measures to mitigate the risk;
- **Avoiding risk:** if mitigating measures are not effective, then the risk could be avoided by closing down operations or not starting operations;
- **Risk transfer:** if the risk cannot be mitigated or be avoided, the bank can decide to transfer risks to the insurance market. Group-wide insurance programmes are in place for specific operational risks that are transferred to the insurance market. The Group Risk Committee reviews the global insurance programmes annually. In line with industry practices, ABN AMRO takes out the following group-wide insurance policies from third-party insurers: fraud and civil liability, directors' and officers' liability, property damage and general liability. In addition, several local insurance policies are taken out for remaining local or specific risks;
- **Risk acceptance:** there may be situations where management decides to consciously accept a risk.

A dedicated central risk insurance department is in place to identify insurable risks and to manage the group-wide insurance programmes, enabling an effective and professional approach to global insurances. Local management is responsible for taking out insurance policies for remaining local risks and for managing these local insurance programmes.

Specific operational risk areas Pillar 3

The bank has a dedicated organisation in place for operational risk areas that require specific knowledge, such as information security and business continuity management.

Information security

Information is one of the bank's most valuable assets. ABN AMRO's clients are dependent on the proper functioning of the bank's information systems. These systems run in complex information infrastructures, connecting the bank's networks with public networks. As a result, banking processes and their supporting information systems can become vulnerable, threatening the security of client data and services. Examples of such threats are computer-assisted fraud, unauthorised disclosure of confidential information, virus infection, computer hacking and denial of service.

In recognition of the importance of protecting the bank's information and its associated assets, such as systems and infrastructure, at all times, ABN AMRO has established a structured information security approach to ensure the confidentiality, integrity and availability of information. This approach defines the organisational framework, management and staff responsibilities and information security directives that apply throughout ABN AMRO.

The approach also applies to the vendors to whom handling of information has been outsourced and to third parties with whom the bank exchanges information. The information security controls are based on existing international best practices such as ISO/IEC 27001.

Management of each business line or support function is responsible for managing security risks at operational level in their line of business. Dedicated information security officers coordinate all information security activities within their country or entity and report to the Corporate Information Security Office (ISO). ISO is responsible for coordinating overall information security within the bank and monitors information security practices within ABN AMRO.

Business continuity management

Business continuity management ensures organisational resilience at all levels of the ABN AMRO organisation and the ability to respond effectively to threats, thus safeguarding stakeholders' interests and the organisation's reputation, brand and value-creating activities. Business continuity focuses on:

- analysing the business impact of calamities and crises;
- determining effective responses and strategies in which people involved in a crisis are taken care of first and then all measures are taken to enable continuity of business operations;
- business recovery planning and disaster recovery planning;
- executing recovery exercises for critical business processes, including HR, facility aspects and critical IT systems and infrastructures.

The bank assesses the status of business continuity management on a quarterly basis. A crisis management organisation is in place, with Crisis Management Teams (CMT) that cover bank-wide operations. CMTs operate at various levels of the organisation. Escalation procedures ensure that incidents requiring management are escalated upwards to higher CMTs when required.

Operational risk measurement Pillar 3 EDTF 2

ABN AMRO has the ambition to calculate regulatory capital following the Advanced Measurement Approaches (AMA). An internal model has been developed and is already in use for the calculation of economic capital for operational risks. As part of implementation of the AMA approach, the operational risk management framework has been reviewed and strengthened over the past two years. An important focus was on further integrating the approach into all types of operational risk (convergence) and strengthening awareness of operational risks among business managers (in line with the three lines of defence principle). Application of AMA to regulatory capital is subject to the approval of the supervisor. This is currently under preparation.

Liquidity risk

Information on the bank's liquidity risk is provided in the Liquidity & funding section.

Business risk EDTF 31

Business risk is the risk that business earnings and franchise value decline and/or deviate from expectations because of uncertainty in business income or in the expenses incurred to generate business income. The key criteria for classifying a risk as a business risk are:

- Event outcome leads to uncertainty in present or future business earnings and/or franchise value;
- Drivers are uncertainty in volumes, margins, fee and commission rates and/or business expenses.

ABN AMRO reviews and calculates business risk taking into account the following elements:

- New transactions face business risk, because margins, volumes, fees and commission rates are uncertain due to market movements, economic circumstances or competition;
- For current assets and liabilities, business risk can materialise when a contract re-prices or the client has an option to end the contract before the maturity date. For the latter, business risk materialises if the contract is not replaced or if the contract is replaced with a lower margin and/or lower volume;
- Business earnings are not equal to net profit, because they exclude losses (e.g. loan impairments and operational losses) that stem from other risks;
- Business earnings are uncertain because they depend on internal and external risk factors, e.g. market circumstances, competition and management decisions;
- ABN AMRO runs a business risk when investments or acquisitions do not meet the desired outcomes;
- Management decisions to mitigate other risks have an effect on business risk, e.g. if the country concentration limit for a credit risk is breached, management can decide not to grant any new loans in that specific country;
- Business risk includes both earnings uncertainty as well as franchise value uncertainty;
- Franchise value is impacted by lower business earnings, as lower business earnings affect the bank's capabilities (e.g. human capital, systems) to achieve its strategic goals. This may endanger the bank's market value and thus the franchise value.

Sensitivity to business risk drivers is mitigated by management practices that effectively and timely address developments in business risk drivers. A basic view of business risk mitigation is to address the risk that earnings will fall below the fixed cost base, due to changes in margins and volumes. The higher the variable part of the total costs, the better the ability to continue making profit in the event of falling revenues. In addition to these management practices, business risk is mitigated by a capital buffer.

Management Control Statement

Under best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code, the ABN AMRO Managing Board is requested to describe the main risks related to the strategy of ABN AMRO, to describe internal risk management and internal control for the main risks during the year, to describe any major failings (if any) and to substantiate the operation of internal risk management and internal control (related to financial reporting risks) during the year under review, and to state its adequacy and effectiveness.

ABN AMRO's internal risk management and internal control is a process, effected by the Managing Board, management, and other personnel, which is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (i) effectiveness and efficiency of operations; (ii) reliability of (financial) information; (iii) compliance with laws, regulations and internal policies with respect to the conduct of business; (iv) safeguarding of assets, identification and management of liabilities, and (v) high-level goals of ABN AMRO.

Different parts of section 15, Risk Management elaborate on ABN AMRO's identified risks, such as credit risk, market risk, operational risk, liquidity risk and business risk.

Based on the process regarding internal control over financial reporting, the Managing Board of ABN AMRO

Group N.V. makes the following statement regarding the group's financial reporting risks:

- ABN AMRO's internal controls provide reasonable assurance that ABN AMRO's consolidated financial statements do not contain any material inaccuracies;
- ABN AMRO's internal controls functioned properly in 2013;
- There are no indications to suggest that ABN AMRO's internal controls will not continue to function properly in 2014.

The internal risk management and control systems provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of ABN AMRO's published financial statements. However, they cannot provide absolute assurance that a misstatement of ABN AMRO's financial statements would be prevented or detected.

Based on assessments of ABN AMRO's internal risk management and internal control regarding all types of risks, the Managing Board of ABN AMRO Group N.V. makes the following statement with regard to risks that may jeopardise ABN AMRO's business objectives for the short term:

- Within ABN AMRO risk management and internal controls are in place to provide reasonable assurance that ABN AMRO will not be hindered in achieving its business objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen;
- Based on risk management and internal controls in place and barring unforeseen adverse external conditions, the Managing Board is of the opinion that there are no material elements within ABN AMRO that could significantly endanger the realisation of its business objectives;
- Regarding internal risk management and internal control, the Managing Board will focus especially on the following themes:
  - Regulatory pressure is increasing: due to the increasing amount and complexity of new and changed regulations, more compliance breaches are a threat and may result in (higher) penalties and increasing reputational risk;
  - Economic recovery is vulnerable: while the global economy appears to be on the mend and although stress in the financial system has been reduced, the economic recovery remains vulnerable and monetary unbalances remain. Financial instability could return and harm the fragile confidence equilibrium. Unforeseen shocks could lead to renewed stress in the financial system and undermine overall economic activity. In that case, the originally envisioned assumptions underlying our strategy would not be met and overall performance of the bank could fail to meet our targets. Furthermore, if the economic climate remains negative this may lead to:
    - decrease in volumes;
    - further deterioration of credit quality and additional impairments and write-offs;
    - higher capital consumption through rating models.
  - Business as usual under pressure due to accumulation of tasks: accumulation of tasks (e.g. mandatory regulatory projects, increasing number of regulatory requests like the AQR, and the IPO) combined with business as usual puts staff and management under high pressure, potentially jeopardising the business as usual activities in the bank.

The evaluation of the adequacy of internal risk management and internal control has been discussed with the Risk and Capital Committee, Audit Committee and subsequently submitted to the Supervisory Board. Due to its inherent limitations (human error, poor judgement in decision-making, deliberate circumvention of control processes by employees and others, management overrides of controls, and the occurrence of any other unforeseeable circumstances), ABN AMRO's internal risk management and control systems do not provide certainty on the realisation of business objectives, and cannot at all times prevent misstatements, inaccuracies, fraud and non-compliance with rules and regulations.

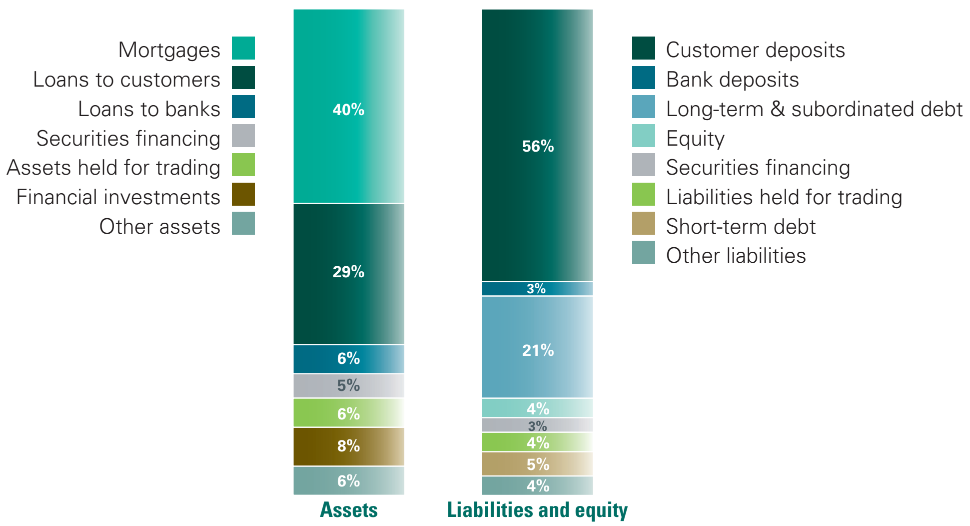
Portfolio composition and developments

Balance sheet composition

ABN AMRO is mainly active in its domestic market and in international markets in which it has a long-standing track record. The bank's strategy and moderate risk profile are reflected in the balance sheet:

- Two-thirds of the bank's assets consist of lending to (mainly Dutch) clients and banks;
- Dutch residential mortgages constitute approximately half of all client lending;
- The bank's lending activities are largely asset-based;
- There is no exposure to CDOs or CLOs;
- In terms of funding, the bank's loan portfolio is matched by client deposits, long-term debt & subordinated liabilities, and equity with limited reliance on short-term debt;
- The bank's securities financing activities are fully collateralised;
- The magnitude of assets and liabilities held for trading is limited;
- The bank's financial investments consist mainly of high-quality liquid instruments used for liquidity management.

Balance sheet composition at 31 December 2013



Key developments

The Dutch economy showed signs of improvment during 2013. However, it was still suffering from low domestic spending and a weak housing market, resulting in continued high impairment charges across our loan book. We further tightened our monitoring and watch procedures to detect risk deterioration at an early stage in order to minimise losses and took additional measures to limit impairments. At the same time, we further heightened our focus on proactively managing client portfolios on risk return.

Despite the abovementioned measures, the impact of the economic climate is reflected in EUR 240 million higher loan impairment charges in 2013 (excluding the effects of Greece and Madoff). An increase in impaired loans was noted (excluding the effects of Greece and Madoff) compared with year-end 2012.

The current state of the Dutch housing market negatively impacted the risk profile of the mortgage portfolio in 2013. More clients faced financial difficulty and experienced payment problems on their mortgage loan, leading to more clients in arrear and increased inflow in the impaired mortgage portfolio. Additionally, declining house prices have adversely affected the asset quality of the mortgage portfolio.

The housing market started to improve at the end of 2013. The Market Indicator of the Homeowners' Association *(Vereniging Eigen Huis)* showed a change in sentiment, which, is reflected in the number of housing transactions. After a sharp drop in the first half of the year, the number of transactions grew again in the second half of 2013. In addition, consumer confidence is improving somewhat.

ABN AMRO continues to closely monitor mortgage portfolio developments and takes measures to prevent losses for both clients and the bank. For example, clients with a high mortgage LtMV are proactively approached. Advice to these clients varies from budget coaching and making higher repayments by changing an interest-only mortgage to an redemption mortgage. Clients may also prepay without penalty the part of the mortgage in excess of the market value of their house.

Credit risk in the Business Banking portfolio increased due to further deterioration of the Dutch economy. Impairment charges increased in 2013. The construction, retail, commercial real estate and horticulture sectors were particularly affected. The inflow into Financial Restructuring and Recovery remains high. ABN AMRO has taken various additional measures to mitigate Business Banking credit risk.

The ECT total loan portfolio is mainly USD denominated and amounted to an equivalent of EUR 16.2 billion on-balance sheet exposure (2012: EUR 12.5 bilion). In line with the strategy, the on-balance sheet business volume grew by 29% in 2013, while the burn rate remained stable.

The Dutch commercial property market remained under pressure during 2013. The office segment in particular still had a structurally higher vacancy rate. A decrease in asset values, however, increased investor appetite for offices during. In 2013, the investment market for residential property in the Netherlands also saw a further decline in asset values. Residential rental units are still in high demand among clients. Investor appetite for residential real estate has picked up significantly.

Key figures

(in millions)	31 December 2013	31 December 2012
Total assets[1]	372,022	393,758
On-balance sheet maximum exposure to credit risk	358,480	383,059
Total Exposure at Default[1,2]	349,235	360,042
Risk-weighted assets[3]		
Credit risk	86,201	100,405
Market risk	6,396	5,640
Operational risk	16,415	15,461
Total Risk-weighted assets	**109,012**	**121,506**
Average risk-weighted assets	116,811	124,973
Cost of risk (in bps)[4]	84	98
Total Risk-weighted assets/total assets	29.3%	30.9%
Total Risk-weighted assets/total Exposure at Default	31.2%	33.7%

1 2012 figures for Total assets and Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.
2 As of 2013 securitisations positions related to own funds for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
3 Risk-weighted assets according to Basel II definition.
4 Cost of risk: annualised impairment charges on loans and receivables for the period divided by total average RWA.

With respect to regulatory developments, formal Advanced Internal Ratings-Based (AIRB) approval was obtained from the regulator (DNB) for the integrated bank in 2013. The bank is also preparing for implementation of the Internal Models Approach (IMA) Method for market risk and the Advanced Measurement Approach (AMA) for operational risk.

The bank's risk-weighted assets (RWA) decreased by 10% to EUR 109.0 billion at 31 December 2013 compared to EUR 121.5 billion at December 2012. This decrease was mainly due to the reduction in credit risk-weighted assets by 14.1%, which was mainly due to the roll-out of the Internal Rating Based (IRB) approach for Banks, Commercial Real Estate and Large corporates portfolios. With RWA decreasing, in terms of percentage, more than total assets, RWA divided by total assets decreased from 30.9% to 29.3%.

The cost of risk declined to 84bps from 98bps. This includes the reversals of the allowances related to the Greek government-guaranteed corporate exposures and the Madoff related files. Excluding these special items, the cost of risk would have been 143bps compared to 114bps in 2012.

Economic capital and regulatory capital by risk type

(in millions)	31 December 2013	31 December 2012
Regulatory capital[1]		
Credit risk	6,896	8,033
Operational risk	1,313	1,237
Market risk (trading book)	512	451
Business risk		
Other risk types[2]		
Total	**8,721**	**9,721**
Economic capital		
Credit risk	10,812	11,975
Operational risk	1,783	978
Market risk (trading book)	116	113
Business risk	1,020	719
Other risk types[2]	4,678	3,564
Total	**18,409**	**17,349**

1 Minimum regulatory capital (8% of risk-weighted assets), representing the absolute minimum amount of capital required by a bank to cover three major risk types a bank faces. However available total capital ratios are substantially higher, as explained in the Capital management section.
2 Other risk types include market risk banking book (including interest rate risk) and pension risk.

Regulatory capital (8% of RWA) represents the minimum amount of capital, as required by Basel framework. The respective risk type sections provide a further explanation of RWA developments.

Economic capital (EC) is the required amount of capital that, according to its own view, the bank needs to maintain for unexpected losses for all risk types as stated in the ABN AMRO risk taxonomy. Risk approach in the Risk management section provides a further explanation of economic capital.

During 2013 total EC increased by EUR 1.1 billion. The main contributors to this increase were operational risk (EUR 0.8 billion), business risk (EUR 0.3 billion) and other risk types (EUR 1.1 billion). Interest rate risk was the main contributor of other risk types. The diversification benefit that arises when EC of various risk types is aggregated is limited to 15% (EUR 0.5 billion). These increases were partially offset by a decrease of EUR 1.1 billion in EC for credit risk.

Operational risk EC increased due to new internal loss data used, the addition of the Basic Indicator Approach (BIA) proxy and an update of the risk control self assessments (RCSA). The BIA proxy is for those entities within the organisation that are not material or not covered by the AMA framework.

Economic capital for credit risk decreased by EUR 1.2 billion, of which EUR 0.3 billion was due to the regular annual updates of various underlying PD and LGD models. Furthermore, the credit valuation adjustment add-on dropped by EUR 0.3 billion as ABN AMRO moved to a single integrated reporting system, thus fully benefitting from the netting benefit.

Interest rate risk increased due to a somewhat higher duration mismatch and a new prepayment model.

Key figures per business segment EDTF 7 EDTF 13

ABN AMRO

	Retail & Private Banking		Commercial & Merchant Banking		Group Functions
	Retail Banking	Private Banking	Commercial Banking	Merchant Banking	
2013					
Total assets[1]	159,427	22,083	41,640	91,377	57,495
On-balance sheet maximum exposure to credit risk	158,936	19,164	41,245	83,788	55,347
Total Exposure at Default[1,2]	174,280	22,286	47,746	52,037	52,886
Risk-weighted assets[3]					
Credit risk	27,410	7,736	22,380	26,130	2,545
Market risk				6,396	
Operational risk	5,151	1,643	2,334	2,193	5,094
Total risk-weighted assets	**32,561**	**9,379**	**24,714**	**34,719**	**7,639**
Average risk-weighted assets	31,016	9,855	27,116	40,619	8,205
Cost of risk (in bps)[4]	193	115	294	40	
Total risk-weighted assets/ total assets	20.4%	42.5%	59.4%	38.0%	13.3%
Total Risk-weighted assets/ Total Exposure at Default	18.7%	42.1%	51.8%	66.7%	14.4%
2012					
Total assets1	164,100	22,689	44,063	102,276	60,630
On-balance sheet maximum exposure to credit risk	163,569	19,837	43,641	98,553	57,459
Total Exposure at Default[1,2]	177,849	23,276	53,193	53,756	51,968
Risk-weighted assets[3]					
Credit risk	25,095	8,640	26,615	36,832	3,223
Market risk				5,640	
Operational risk	5,027	2,016	2,227	3,045	3,146
Total risk-weighted assets	**30,122**	**10,656**	**28,842**	**45,517**	**6,369**
Average risk-weighted assets	30,762	13,713	27,399	44,202	8,897
Cost of risk (in bps)[4]	124	144	217	60	
Total risk-weighted assets/ total assets	18.4%	47.0%	65.5%	44.5%	10.5%
Total Risk-weighted assets/ Total Exposure at Default	16.9%	45.8%	54.2%	84.7%	12.3%

1 2012 figures for Total assets and Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.
2 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
3 Risk-weighted assets according to Basel II definition.
4 Cost of risk: annualised impairment charges on loans and receivables for the period divided by total average RWA.

The overall EAD decreased by EUR 10.8 billion to EUR 349.2 billion. The total credit risk RWA decreased by EUR 14.2 billion to EUR 86.2 billion, driven by Commercial & Merchant Banking (EUR 14.9 billion), due to lower EAD and roll-out of IRB models. The worsening of the credit quality in Retail Banking caused a rise in RWA of EUR 2.4 billion partially offset by the EAD driven lower RWA of Private Banking and Group Functions. The cost of risk in Commercial Banking rose to 294bps, which is an increase of 77bps from 217bps in 2012, due to high impairments.

Economic capital and regulatory capital EDTF 7 EDTF 13

(in millions)	Retail banking	Private banking	Commercial banking	Merchant banking	Group functions	Total
31 December 2013						
Regulatory capital[1]	2,605	750	1,977	2,778	611	8,721
Economic capital	4,811	1,555	3,246	3,795	5,002	18,409
31 December 2012						
Regulatory capital[1]	2,410	853	2,307	3,641	510	9,721
Economic capital	4,265	1,488	3,549	4,362	3,685	17,349

1 Minimum regulatory capital (8% of risk-weighted assets), representing the absolute minimum amount of capital required by a bank to cover three major risk types a bank faces. However, available total capital ratios are substantially higher, as explained in the Capital management section.

Top and emerging risks EDTF 3

ABN AMRO has identified existing and emerging top risks that influence its strategic decision-making.

Regulatory pressure

The banking sector is subject to a growing number of ever-stricter international and national regulatory requirements and the increasing frequency and amount of data requests from supervisors, and more throrough and persistent monitoring of compliance by supervisors. External regulatory pressure is only expected to increase further in the near future. The impact of the changes in laws and regulations on the bank includes:

- additional reputational risk due to an increased risk of compliance breaches and increased risk of sanctions by supervisors;
- substantial costs and management attention to implement regulatory changes (especially concerning systems and procedures), which limit the capacity for business development;
- the potential geographical and sequential differences with regard to implementation of regulatory changes (e.g. Basel III/CRD IV, Dodd-Frank, EMIR, MiFID II and transaction tax) which can disrupt the global level playing field;
- the impact on the earnings models of certain businesses.

Management attention throughout all business lines and functions is expected to grow in response to these requirements. The single supervisory mechanism (SSM) comprehensive assessment including the Asset Quality Review (AQR) is an example of a requirement that will impact management attention as from 2014. ABN AMRO is pro-actively preparing for anticipated regulatory changes and is assigning appropriate resources to the implementation of required changes in the organisation and in systems.

Economic developments

The Dutch economy is benefiting from the international recovery. Upward revision of the quarter GDP figures and a positive last quarter in 2013 supports the expectation that the economy will start growing again in 2014. The Netherlands is benefiting from the improved international environment, which is translating into stronger growth in global trade. In line with the improvement in consumer and producer confidence, businesses are cautiously considering new investments.

Unemployment is not expected to decline in the near future, despite improving consumer confidence in recent months. The decline in real disposable income over the past few years combined with negative home equity had a negative effect on spending. The adverse economic situation in the Netherlands also leads to an increase in impairment charges. ABN AMRO carefully monitors the economic developments and the impact of these developments on the portfolio. Credit risk policies have been tightened and adherence to policies improved. Strategic decisions are taken within the context of these vulnerabilities.

Cybercrime

The continuous efforts of organised crime to commit fraud through electronic channels or to gain access to internal systems are a threat to all banks, including ABN AMRO. The bank constantly monitors the results and status of cybercrime and the bank's cyber security programme. Although the actions in place are sufficient to limit the risk, the bank devotes continuous attention to this matter in order to keep up with the heightened level of the threat.

IT landscape and data quality

Following the integration of the past few years, a solid but complex IT landscape has been created. Due to historic differences in data definitions and data capture, the data of various entities within the bank is dispersed over various systems and not always readily comparable. ABN AMRO has decided to invest in its IT landscape to make it more cost effective and more agile.

Competition

There are several factors that make it attractive for new entrants to compete with banks in specific business lines, segments or products. These include the loss of trust in banks following the credit crisis and the costs involved for banks and management attention required to remain compliant with all new regulatory requirements. The bank must comply with regulatory requirements that non-bank or foreign competitors are not always required to comply with while providing similar financial services. The bank closely monitors developments in the markets in which it operates. Where an unequal playing field is identified, the bank brings this to the attention of the decision-makers via the available communication channels.

Political decisions

Political decisions have a large influence on the functioning of various parts of the financial markets. Examples are tax measures and levies focused on banks, the (fiscal) rules imposed by the Dutch government on the residential housing market and its financing and the constraints on bank risk-taking via capital, liquidity and leverage. ABN AMRO closely monitors developments and, where appropriate, takes part in relevant discussions.

Credit risk EDTF 26

Credit risk exposure

The following table presents the balance sheet items that are exposed to credit risk (maximum exposure to credit risk) and the reconciliation to and movements in Exposure at Default (EAD), as ABN AMRO assesses credit risk on EAD. The balance sheet items subject to credit risk are presented in accordance with IFRS (EU); at carrying amounts net of impairment allowances, but without consideration of collateral or other credit risk mitigants.

Credit risk overview Audited

(in millions)		31 December 2013		31 December 2012
Total assets[1]		**372,022**		**393,758**
Items that are not subject to credit risk exposure[2]		-13,542		-10,699
On-balance sheet maximum exposure to credit risk		**358,480**		**383,059**
Off-balance sheet				
Committed credit facilities	13,764		17,635	
Guarantees and other commitments	16,103		16,777	
Revocable credit facilities	71,657		72,343	
Off-balance sheet credit facilities and guarantees		101,524		106,755
Maximum exposure to credit risk		**460,004**		**489,814**
Adjustments on assets[3]		-7,636		-5,674
Valuation adjustments[4]		-22,279		-42,864
Off-balance sheet credit facilities and guarantees		-101,524		-106,755
Off-balance sheet exposure fraction expected to be drawn prior to default (Credit Conversion Factors)		20,670		25,521
Total Exposure at Default[1,5]		**349,235**		**360,042**
Credit risk risk-weighted assets/Total Exposure at Default		24.7%		27.9%

1 2012 figures for Total assets and Exposure at Default have been adjusted for comparison purposes following adaption of the amended pension accounting standard IAS 19.
2 Items that are not subject to credit risk: more details are provided in additional risk table section, table 'Maximum exposure to credit risk IFRS (EU)'.
3 Main adjustments on assets are equity instruments, selected financial assets held for trading and fair value adjustments from hedge accounting.
4 Main adjustments on valuation are netting, potential future exposure add-on offset by netting for derivative assets, loan impairment allowances.
5 As of 2013 securitisation positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.

Overall credit Exposure at Default and credit risk-weighted assets Pillar 3 EDTF 14 EDTF 15

(in millions, Exposure at Default)

31 December 2013

	Original Exposure at Default	Netting/ Exposure at Default mitigation[5]	Exposure at Default IRB	Exposure at Default SA	Total Exposure at Default	Average Exposure at Default	Risk-weighted assets	Risk-weighted assets/ Exposure at Default
Credit risk								
Central governments and central banks	46,777	1,417	45,020	340	45,360	43,871	607	1.3%
Institutions[1]	23,344	2,646	18,582	2,116	20,698	21,031	4,627	22.4%
Corporates	203,720	109,603	87,479	6,638	94,117	98,348	44,950	47.8%
Retail	191,101	13,254	174,198	3,649	177,847	179,860	28,576	16.1%
- of which Retail mortgages	159,963	-202	157,903	2,262	160,165	160,697	19,823	12.4%
- of which Qualifying revolving exposures	13,149	5,875	7,274		7,274	7,153	3,700	50.9%
- of which Other retail	17,989	7,581	9,021	1,387	10,408	12,010	5,053	48.5%
Securitisation positions	2,511		2,511		2,511	2,642	286	11.4%
Subtotal	**467,453**	**126,920**	**327,790**	**12,743**	**340,533**	**345,752**	**79,046**	**23.2%**
Equities not held for trading	951		951		951	834	2,733	287.4%
Other[2]	7,751		1,452	6,299	7,751	7,049	4,422	57.1%
Total[3]	**476,155**	**126,920**	**330,193**	**19,042**	**349,235**	**353,635**	**86,201**	**24.7%**

31 December 2012

	Original Exposure at Default	Netting/ Exposure at Default mitigation[5]	Exposure at Default IRB	Exposure at Default SA	Total Exposure at Default	Average Exposure at Default	Risk-weighted assets	Risk-weighted assets/ Exposure at Default
Credit risk								
Central governments and central banks	49,878	3,912	45,966		45,966	37,059	683	1.5%
Institutions[1]	23,316	7,154		16,162	16,162	18,897	5,482	33.9%
Corporates	177,245	73,565	78,911	24,769	103,680	104,363	61,094	58.9%
Retail	195,381	11,124	179,841	4,416	184,257	179,978	27,564	15.0%
- of which Retail mortgages	162,171	-1,226	160,645	2,752	163,397	159,240	17,665	10.8%
- of which Qualifying revolving exposures	12,166	5,347	6,819		6,819	5,003	2,856	41.9%
- of which Other retail	21,044	7,003	12,377	1,664	14,041	15,735	7,043	50.2%
Securitisation positions	2,811		2,811		2,811	6,430	230	8.2%
Subtotal	**448,631**	**95,755**	**307,529**	**45,347**	**352,876**	**346,727**	**95,053**	**26.9%**
Equities not held for trading	845		845		845	718	1,789	211.7%
Other[2]	6,321		1,593	4,728	6,321	7,086	3,563	56.4%
Total[3,4]	**455,797**	**95,755**	**309,967**	**50,075**	**360,042**	**354,531**	**100,405**	**27.9%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Other includes non-credit obligation assets.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 2012 figures for Total Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.
5 Consists mainly of netting, secured funding trades, guarantees, credit conversion factors, and impairments under the Standardised Approach.

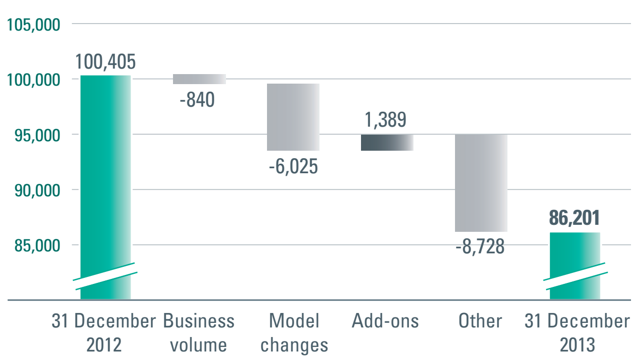
In 2013, following regulatory approval of its internal models, ABN AMRO rolled-out Internal Ratings-Based (IRB) models for Banks, Commercial Real Estate and Large Corporates portfolios. These portfolios were previously reported in accordance with the Standardised Approach (SA). The IRB models have contributed to the decrease of EUR 14.2 billion in the bank's credit risk-weighted assets, which declined to EUR 86.2 billion at 31 December 2013 from EUR 100.4 billion at December 2012. The overall EAD decreased by EUR 10.8 billion to EUR 349.2 billion at 31 December 2013 from EUR 360.0 billion at 31 December 2012.

The EAD in exposure class Institutions increased to EUR 20.7 billion at 31 December 2013 from EUR 16.2 billion at 31 December 2012, mainly due to changed calculation method for securities financing transactions and the IRB rollout. This roll-out required a change in treatment of financial collateral. Total EAD impact of these changes were EUR 2.7 billion. Furthermore the EAD increase was due to higher business volumes. Although the EAD increased, the RWA decreased by EUR 0.9 billion to EUR 4.6 billion.

Exposure class Corporates decreased by EUR 9.6 billion to EUR 94.1 billion at 31 December 2013 from EUR 103.7 billion, mainly due to the roll-out of the IRB models for the Large Corporates and Commercial Real Estate portfolio, which were previously reported under the Standardised Approach. The RWA decreased to EUR 44.9 billion, partly due to the roll-out of the IRB models.

In Retail the EAD declined with EUR 6.4 billion to EUR 177.8 billion at 31 December 2013. This was due to implementation of new IRB models and decreased business volume. Detoriated credit quality and a change in models led to an increase in RWA to EUR 28.6 billion.

RWA flow statement credit risk EDTF 16
(in millions)



Credit quality by exposure class Audited Pillar 3

(in millions, Exposure at Default)							31 December 2013
	Investment grade	Sub-investment grade	Default without provision	Default with provision	Total rated (IRB advanced)	Total unrated (standardised approach)	Total rated and unrated
Central governments and central banks	44,998	22			45,020	340	45,360
Institutions[1]	17,811	763		8	18,582	2,116	20,698
Corporates	28,999	52,775	1,290	4,415	87,479	6,638	94,117
Retail	135,764	35,202		3,232	174,198	3,649	177,847
- of which Retail mortgages	130,112	25,444		2,347	157,903	2,262	160,165
- of which Qualifying revolving exposures	2,322	4,687		265	7,274		7,274
- of which other retail	3,330	5,071		620	9,021	1,387	10,408
Securitisation positions	2,511				2,511		2,511
Exposure at Default[2,3,4]	**230,083**	**88,762**	**1,290**	**7,655**	**327,790**	**12,743**	**340,533**
							31 December 2012
Central governments and central banks	45,963	3			45,966		45,966
Institutions[1]						16,162	16,162
Corporates	20,129	52,510	1,593	4,679	78,911	24,769	103,680
Retail	138,900	38,065		2,876	179,841	4,416	184,257
- of which Retail mortgages	129,860	28,722		2,063	160,645	2,752	163,397
- of which Qualifying revolving exposures	2,387	4,207		225	6,819		6,819
- of which other retail	6,653	5,136		588	12,377	1,664	14,041
Securitisation positions	2,811				2,811		2,811
Exposure at Default[2,3,4,5]	**207,803**	**90,578**	**1,593**	**7,555**	**307,529**	**45,347**	**352,876**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 2012 figures for Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.
5 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

The EAD distribution per credit quality is impacted by the roll-out of the IRB models. Most of the unrated EAD, as of 31 December 2012, is now reported under Investment grade within the Corporates and Institutions asset classes.

The deteriorated credit quality of the Retail asset class is also reflected in the increase of the amount in default with provision.

Counterparty risk by exposure class Pillar 3 EDTF 29

(in millions, Exposure at Default)	31 December 2013			31 December 2012		
	Exposure at Default	Derivatives	Securities financing transactions	Exposure at Default	Derivatives	Securities financing transactions
Credit risk						
Central governments and central banks	45,360	303	49	45,966	271	
Institutions[1]	20,698	4,802	2,094	16,162	3,473	2,345
Corporates	94,117	3,897	1,597	103,680	6,546	2,064
Retail	177,847			184,257		
- of which Retail mortgages	160,165			163,397		
- of which Qualifying revolving exposures	7,274			6,819		
- of which Other retail	10,408			14,041		
Securitisation positions	2,511			2,811		
Exposure at Default[2,3,4,5]	**340,533**	**9,002**	**3,740**	**352,876**	**10,290**	**4,409**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
5 2012 figures for Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.

The current exposure method (CEM) EAD for derivatives decreased by EUR 1.3 billion to EUR 9.0 billion in line with the decrease of the balance sheet exposure on Derivatives held for trading. The EAD for securities financing transactions declined by EUR 0.7 billion to EUR 3.7 billion, due to the implementation of the Financial Collateral Comprehensive Method (FCCM) method.

Credit risk mitigation Audited EDTF 30

Credit risk mitigation considers techniques that reduce credit risk associated with a credit facility or exposure. Activities related to credit risk mitigation mainly relate to collateral management and guarantees, offsetting financial assets and liabilities and enforcing master netting agreements or similar instruments. This is further explained in the previous section, Risk approach.

The total amount of the balance sheet netting decreased by EUR 27.4 billion to EUR 69.5 billion. This was caused by the decrease in netting volume available from derivatives held for trading to EUR 12.4 billion from EUR 22.4 billion.

The collateral value of residential mortgages decreased by 5.9% to EUR 213.6 billion from EUR 227.1 billon mainly as a result of declining house prices. The other collateral and guarantees for residential mortgages mainly involve NHG guarantees. The amount reported as NHG guarantee is the shortfall on the collateral value versus the residential mortgage, reflecting the potential claim under the NHG guarantee scheme.

In total the on-balance sheet net exposure decreased by EUR 7.5 billion from EUR 94.0 billion as the carrying amount declined more than the decrease in collateral.

Financial assets: offsetting, netting and collateral & guarantees as at 31 December 2013 Audited EDTF 30

(in millions)										31 December 2013
	Offset in the statement of financial position			Not offset in the statement of financial position						
	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[3]	Financial instruments collateral	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral	Net exposure
Derivatives held for trading	24,210	12,362	11,848	7,670				7,670		4,178
Other financial assets held for trading	5,548		5,548							5,548
Financial assets held for trading	**29,758**	**12,362**	**17,396**	**7,670**				**7,670**		**9,726**
Interest-bearing deposits	16,477	507	15,970	18				18		15,952
Loans and advances	7,621		7,621	6,588				6,588		1,033
Professional securities transactions	7,892	625	7,267	592	8,383			8,975	1,778	70
Other	832	480	352							352
Total loans and receivables - banks	**32,822**	**1,612**	**31,210**	**7,198**	**8,383**			**15,581**	**1,778**	**17,407**
Loans and receivables - customers										
Residential mortgages[1]	160,892	7,453	153,439		212	208,018	5,410	213,640	73,178	12,977
Other consumer loans	16,774	1,146	15,628		1,889	5,989	77	7,955	235	7,908
Total consumer loans	**177,666**	**8,599**	**169,067**		**2,101**	**214,007**	**5,487**	**221,595**	**73,413**	**20,885**
Commercial loans[1]	121,618	40,959	80,659	274	14,872	28,921	9,086	53,153	4,464	31,970
Professional securities transactions	13,261	2,142	11,119	1	12,423			12,424	1,934	629
Other loans	6,551	17	6,534		3,417	2,714		6,131	2,028	2,431
Total commercial loans	**141,430**	**43,118**	**98,312**	**275**	**30,712**	**31,635**	**9,086**	**71,708**	**8,426**	**35,030**
Government and official institutions	**4,542**	**3,774**	**768**	**360**	**23**		**159**	**542**		**226**
Total Loans and receivables - customers	**323,638**	**55,491**	**268,147**	**635**	**32,836**	**245,642**	**14,732**	**293,845**	**81,839**	**56,141**
Accrued income and prepaid expenses	**722**		**722**							**722**
Non trading derivative assets	2,423		2,423	1,359				1,359		1,064
Other assets other	1,460		1,460		2		33	35		1,425
Other assets	**3,883**		**3,883**	**1,359**	**2**		**33**	**1,394**		**2,489**
Total on-balance sheet subject to netting and pledged agreements	**390,823**	**69,465**	**321,358**	**16,862**	**41,221**	**245,642**	**14,765**	**318,490**	**83,617**	**86,485**
Assets not subject to netting and pledged agreements	50,664		50,664							50,664
Total assets[2]	**441,487**	**69,465**	**372,022**	**16,862**	**41,221**	**245,642**	**14,765**	**318,490**	**83,617**	**137,149**
Total off-balance sheet	**101,524**		**101,524**		**247**	**1,898**	**2,173**	**4,318**	**306**	**97,512**
Total on- and off-balance sheet	**543,011**	**69,465**	**473,546**	**16,862**	**41,468**	**247,540**	**16,938**	**322,808**	**83,923**	**234,661**

1 Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
2 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.
3 Includes cash collateral.

Financial assets: offsetting, netting and collateral & guarantees as at 31 December 2012 Audited EDTF 30

(in millions)										31 December 2012
	Offset in the statement of financial position			Not offset in the statement of financial position						
	Carrying amount before balance-sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Master netting agreement[5]	Financial instruments	Property & equipment	Other collateral and guarantees	Total risk mitigation	Surplus collateral	Net exposure
Derivatives held for trading	39,634	22,380	17,254	9,266				9,266		7,988
Other financial assets held for trading	4,550		4,550							4,550
Financial assets held for trading	**44,184**	**22,380**	**21,804**	**9,266**				**9,266**		**12,538**
Interest-bearing deposits	22,602	1,122	21,480				60	60		21,420
Loans and advances	10,219		10,219	9,410				9,410		809
Professional securities transactions	17,993	3,687	14,306	261	13,810			14,071	265	500
Other	591	135	456		164			164		292
Total loans and receivables - banks	**51,405**	**4,944**	**46,461**	**9,671**	**13,974**		**60**	**23,705**	**265**	**23,021**
Loans and receivables - customers										
Residential mortgages[1,2]	164,514	5,848	158,666		346	221,843	4,876	227,065	82,384	13,985
Other consumer loans	17,084	885	16,199		1,822	6,716	67	8,605	20	7,614
Total consumer loans	**181,598**	**6,733**	**174,865**		**2,168**	**228,559**	**4,943**	**235,670**	**82,404**	**21,599**
Commercial loans[1]	134,926	52,793	82,133	732	13,761	30,227	9,331	54,051	3,122	31,204
Professional securities transactions	19,471	4,956	14,515	572	14,380			14,952	665	228
Other loans	4,132	8	4,124		2,870	2,537		5,407	1,718	435
Total commercial loans	**158,529**	**57,757**	**100,772**	**1,304**	**31,011**	**32,764**	**9,331**	**74,410**	**5,505**	**31,867**
Government and official institutions	**6,423**	**5,093**	**1,330**	**810**	**23**		**209**	**1,042**		**288**
Total Loans and receivables - customers	**346,550**	**69,583**	**276,967**	**2,114**	**33,202**	**261,323**	**14,483**	**311,122**	**87,909**	**53,754**
Accrued income and prepaid expenses	**799**		**799**							**799**
Non trading derivative assets	4,095		4,095	1,961				1,961		2,134
Other assets other	1,761		1,761		2		36	38		1,723
Other assets	**5,856**		**5,856**	**1,961**	**2**		**36**	**1,999**		**3,857**
Total on-balance sheet subject to netting and pledged agreements	**448,794**	**96,907**	**351,887**	**23,012**	**47,178**	**261,323**	**14,579**	**346,092**	**88,174**	**93,969**
Assets not subject to netting and pledged agreements	41,871		41,871							41,871
Total assets[3,4]	**490,665**	**96,907**	**393,758**	**23,012**	**47,178**	**261,323**	**14,579**	**346,092**	**88,174**	**135,840**
Total off-balance sheet	**106,755**		**106,755**		**2,436**	**1,747**	**1,950**	**6,133**	**120**	**100,742**
Total on- and off-balance sheet	**597,420**	**96,907**	**500,513**	**23,012**	**49,614**	**263,070**	**16,529**	**352,225**	**88,294**	**236,582**

1 Carrying amount includes fair value adjustments from hedge accounting and loan impairment allowances.
2 2012 figures have been restated to improve comparability with the 2013 figures presented.
3 2012 figures for Total assets have been adjusted for comparison purposes, following adoption of amended pension accounting standard IAS 19.
4 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.
5 Includes cash collateral.

Financial liabilities: offsetting, netting and collateral & guarantees as at 31 December 2013 Audited

(in millions)								31 December 2013
	Offset in the statement of financial position			Not offset in the statement of financial position				
	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[2]	Financial instru-ments collateral	Surplus collateral	Total risk mitigation	Net exposure
Short security positions	3,775		3,775					3,775
Derivatives held for trading	22,211	12,362	9,849	7,113			7,113	2,736
Other liabilities held for trading	624		624					624
Financial liabilities held for trading	**26,610**	**12,362**	**14,248**	**7,113**			**7,113**	**7,135**
Deposits	12,720	1,143	11,577	1,656			1,656	9,921
Professional securities transactions	4,832	625	4,207	592	5,027	1,437	7,056	25
Other	49		49					49
Due to banks	**17,601**	**1,768**	**15,833**	**2,248**	**5,027**	**1,437**	**8,712**	**9,995**
Deposits	260,415	53,178	207,237	176			176	207,061
Professional securities transactions	10,201	2,142	8,059	2	8,892	862	9,756	27
Other borrowings	347		347					347
Due to customers	**270,963**	**55,320**	**215,643**	**178**	**8,892**	**862**	**9,932**	**207,435**
Accrued expenses and deferred income	**1,303**		**1,303**					**1,303**
Non-trading derivative liabilities	7,378		7,378	7,323			7,323	55
Other liabilities other	5,825	15	5,810					5,810
Other liabilities	**13,203**	**15**	**13,188**	**7,323**			**7,323**	**5,865**
Total liabilities subject to netting arrangements	**329,680**	**69,465**	**260,215**	**16,862**	**13,919**	**2,299**	**33,080**	**231,733**
Remaining liabilities not subject to netting	98,239		98,239					98,239
Total liabilities[1]	**427,919**	**69,465**	**358,454**	**16,862**	**13,919**	**2,299**	**33,080**	**329,972**
Total off-balance sheet	**16,104**		**16,104**					**16,104**
Total on- and off-balance sheet	**444,023**	**69,465**	**374,558**	**16,862**	**13,919**	**2,299**	**33,080**	**346,076**

1 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.
2 Includes cash collateral.

Financial liabilities: offsetting, netting and collateral & guarantees as at 31 December 2012 Audited

(in millions)								31 December 2012
		Offset in the statement of financial position		Not offset in the statement of financial position				
	Carrying amount before balance-sheet netting	Balance sheet netting with gross assets	Carrying amount	Master netting agreement[2]	Financial instruments collateral	Surplus collateral	Total risk mitigation	Net exposure
Short security positions	3,138		3,138					3,138
Derivatives held for trading	38,756	22,380	16,376	9,190			9,190	7,186
Other liabilities held for trading	584		584					584
Financial liabilities held for trading	**42,478**	**22,380**	**20,098**	**9,190**			**9,190**	**10,908**
Deposits	18,206	1,322	16,884	1,594			1,594	15,290
Professional securities transactions	7,947	3,578	4,369	261	4,063		4,324	45
Other	51		51					51
Due to banks	**26,204**	**4,900**	**21,304**	**1,855**	**4,063**		**5,918**	**15,386**
Deposits	265,735	64,473	201,262	302			302	200,960
Professional securities transactions	20,217	5,065	15,152	572	14,484	175	15,231	271
Other borrowings	343		343					343
Due to customers	**286,295**	**69,538**	**216,757**	**874**	**14,484**	**175**	**15,533**	**201,574**
Accrued expenses and deferred income	**1,458**		**1,458**					**1,458**
Non-trading derivative liabilities	11,132		11,132	11,093			11,093	39
Other liabilities other	3,370	89	3,281					3,281
Other liabilities	**14,502**	**89**	**14,413**	**11,093**			**11,093**	**3,320**
Total liabilities subject to netting arrangements	**370,937**	**96,907**	**274,030**	**23,012**	**18,547**	**175**	**41,734**	**232,646**
Remaining liabilities not subject to netting	106,845		106,845					106,845
Total liabilities[1]	**477,782**	**96,907**	**380,875**	**23,012**	**18,547**	**175**	**41,734**	**339,491**
Total off-balance sheet	**16,777**		**16,777**					**16,777**
Total on- and off-balance sheet	**494,559**	**96,907**	**397,652**	**23,012**	**18,547**	**175**	**41,734**	**356,268**

1 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.
2 Includes cash collateral.

Credit risk concentration Audited Pillar 3

Geographic concentration

The consolidated exposures in the table are allocated to the geographical regions where clients are domiciled. The bank monitors and manages country risk based on the country of risk. This country of ultimate risk may be different from the country of domicile, e.g. when financing a project in another country than where the borrower is domiciled.

Geographic concentration by Exposure at Default Audited Pillar 3

(in millions, Exposure at Default) — 31 December 2013

	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	27,991	15,009	1,494	685	181	45,360
Institutions[1]	4,794	10,310	1,415	3,429	750	20,698
Corporates	58,568	19,657	2,929	5,970	6,993	94,117
Retail	177,838	9				177,847
- of which Retail mortgages	160,165					160,165
- of which Qualifying revolving exposures	7,274					7,274
- of which Other retail	10,399	9				10,408
Securitisation positions	2,511					2,511
Exposure at Default[2,3,4]	**271,702**	**44,985**	**5,838**	**10,084**	**7,924**	**340,533**
Percentage of total	79.8%	13.2%	1.7%	3.0%	2.3%	100.0%

31 December 2012

	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Central governments and central banks	37,542	8,159	151	113	1	45,966
Institutions[1]	3,912	8,333	1,506	1,945	466	16,162
Corporates	65,467	21,308	4,630	4,790	7,485	103,680
Retail	184,190	63	1	1	2	184,257
- of which Retail mortgages	163,334	63				163,397
- of which Qualifying revolving exposures	6,819					6,819
- of which Other retail	14,037		1	1	2	14,041
Securitisation positions	2,811					2,811
Exposure at Default[2,3,4,5]	**293,922**	**37,863**	**6,288**	**6,849**	**7,954**	**352,876**
Percentage of total	83.3%	10.7%	1.8%	1.9%	2.3%	100.0%

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 Total Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
5 2012 figures for Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.

The bank's credit exposure is concentrated in the Netherlands (79.8%). The credit exposure outside the Netherlands (20.2%) reflects the nature of the bank's business profile, with businesses located in neighbouring countries in Europe as well as specialised activities, such as Energy, Commodities & Transportation (ECT), Clearing, Securities Financing and Private Banking International. Exposure outside the Netherlands is growing in line with the bank's strategy. Growth is visible in absolute terms (EUR 9.9 billion), representing growth of 16.8%, and in relative terms. In 2013 Asia represented 3.0% of the total compared to 1.9% in 2012.

European government exposures

Exposures to European governments and government-related entities as at 31 December 2013 include debt issued by central governments and local governments and debt which is guaranteed by a central government. These exposures are part of Loans and receivables – customers, Assets held for trading, and Financial investments on a gross basis before impairments, without taking into account the benefits of risk mitigation measures such as hedges, collateral and short positions across issuers.

ABN AMRO's government and government-guaranteed exposures outside the Netherlands remained limited in 2013. Outside the Netherlands, government and government-guaranteed exposures are concentrated mainly in France, Germany, Austria and Belgium. Increases were mainly due to active management of the liquidity buffer. By the end of 2013, all government and government-guaranteed exposure to Greece was sold.

More information is provided in the table European government and government-guaranteed exposures in the Additional risk tables section.

Industry concentration

ABN AMRO applies industry concentration limits following the Industry Classification Benchmark (ICB) categorisation. In the exposure table, non-material industry clusters are aggregated under Other. Industry concentration limits are established in the bank risk appetite. In the review of the risk appetite during 2013, thresholds for concentrations to each industry were re-assessed based on relative risk, importance of the industry to the Dutch economy and expert opinion.

Industry concentration is presented both in terms of original obligor and in terms of resultant obligor. Original obligor refers to the counterparty with whom ABN AMRO originally has the contractual relationship, often referred to as the borrower. The resultant obligor is the counterparty to which ABN AMRO has the ultimate credit risk, often referred to as the guarantor.

The industry view is based on original obligor and resultant obligor differs significantly for real estate, healthcare and public administration. The governement guaranteed exposures are included in the original obligor view under the applicable industry sector, but in the resultant obligor view these exposures are included in the public administration industry sector, as they concern government-related exposures.

Industry concentration of overall credit risk by Exposure at Default Audited Pillar 3

(in millions, Exposure at Default)	31 December 2013				31 December 2012			
	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total	Exposure at Default (original obligor)	Percentage of total	Exposure at Default (resultant obligor)	Percentage of total
Industry sector								
Banks	16,990	5.0%	16,983	5.0%	14,597	4.1%	14,251	4.0%
Financial services[1]	7,935	2.3%	7,949	2.4%	10,136	2.9%	10,240	2.9%
Industrial goods and services	18,024	5.3%	17,869	5.3%	18,599	5.3%	18,447	5.2%
Real Estate	14,068	4.1%	12,326	3.6%	14,688	4.2%	12,041	3.4%
Oil and gas	7,581	2.2%	7,576	2.2%	8,349	2.3%	8,350	2.4%
Food and beverage	8,575	2.5%	8,508	2.5%	9,093	2.6%	8,997	2.6%
Retail	7,302	2.2%	7,181	2.1%	7,712	2.2%	7,525	2.1%
Basic Resources	4,498	1.3%	4,486	1.3%	4,445	1.3%	4,410	1.2%
Healthcare	4,221	1.3%	4,046	1.2%	4,514	1.3%	3,866	1.1%
Construction and materials	3,196	0.9%	3,100	0.9%	3,806	1.1%	3,714	1.1%
Other[2]	45,831	13.5%	45,437	13.3%	43,442	12.2%	43,055	12.2%
Subtotal Industry Classification Benchmark	**138,221**	**40.6%**	**135,461**	**39.8%**	**139,381**	**39.5%**	**134,896**	**38.2%**
Private individuals (non-Industry Classification Benchmark)	181,011	53.1%	182,209	53.5%	182,285	51.7%	182,391	51.7%
Public administration (non-Industry Classification Benchmark)	21,301	6.3%	22,863	6.7%	31,210	8.8%	35,589	10.1%
Subtotal non-Industry Classification Benchmark	**202,312**	**59.4%**	**205,072**	**60.2%**	**213,495**	**60.5%**	**217,980**	**61.8%**
Exposure at Default[3,4,5]	**340,533**	**100.0%**	**340,533**	**100.0%**	**352,876**	**100.0%**	**352,876**	**100.0%**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures have been comparative purposes.
4 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
5 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

The highest concentration of credit risk exposures is observed in Private individuals (non-Industry Classification Benchmark), which consists mainly of residential mortgage loans and, to a lesser extent, of consumer loans. The concentration on Banks increased to 5.0% (2012: 4.0%). The industry sector Industrial goods and services is composed of a broad variety of sub-sectors, including Industrial transportation, Support services, and Industrial engineering. The concentration remained fairly stable at 5.3%. Real estate exposure slightly decreased, we refer to the Real Estate section for further details.

Credit risk breakdown by specific products and types of financing

ABN AMRO's portfolios and activities include specific products and types of financing that merit a more detailed explanation because of their importance in terms of volume or strategy, or their specialised character. These portfolios are residential mortgages, consumer loans, real estate, business banking, energy, commodities & transportation and ABN AMRO Clearing.

In addition, a number of portfolios require further disclosure from a Pillar 3 perspective. These include equities not held for trading and derivatives. Due to the relatively limited size of these portfolios, these are disclosed in the Additional risk tables section further in this chapter.

Residential mortgages

The housing market started to bottom-out at the end of 2013. The Market Indicator of the Homeowners' Association *(Vereniging Eigen Huis)* showed a change in sentiment, which is reflected in the number of housing transactions. After a sharp drop in the first half of the year, the number of transactions grew again in the second half of 2013. In addition, consumer confidence is improving (source: CBS, Economic Monitor). It is unclear whether the change in the fiscal regime has already been fully discounted in house prices. On 31 December 2013, house prices were 6.4% lower than at 31 December 2012 and 20.5% lower than at the beginning of the crisis, 31 December 2008 (source: Statistics Netherlands (CBS)).

The capacity to borrow was constrained in 2013, in terms of both collateral value and income. The maximum loan amount for government-guaranteed loans (NHG) was reduced from EUR 320,000 to EUR 290,000 at 1 July 2013 and will be further capped to pre-crisis levels of EUR 265,000 by July 2014. The government will further restrict home financing by reducing the maximum LtMV of a mortgage loan from 105% (2013) to 100% in 2018. As of 2013, new mortgages need to be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme to be eligible for tax deductibility. Existing mortgage loans are not impacted by this new legislation.

Furthermore, for all mortgage loans, new and existing, tax deductibility will be gradually reduced in the next 28 years from a maximum of 52% to 38%. In 2014, the maximum bracket for deduction interest will be lowered to 51.5%. The temporary measure to maintain tax deductibility for temporary renting out of houses that are for sale has been extended until 2014.

NHG introduced new conditions on 1 January 2014 that make it possible to refinance residual debt (on existing NHG loans) in order to stimulate the housing market. At the same time, an own-risk for mortgage lenders of 10% was introduced for new NHG loans.

Residential mortgages indicators

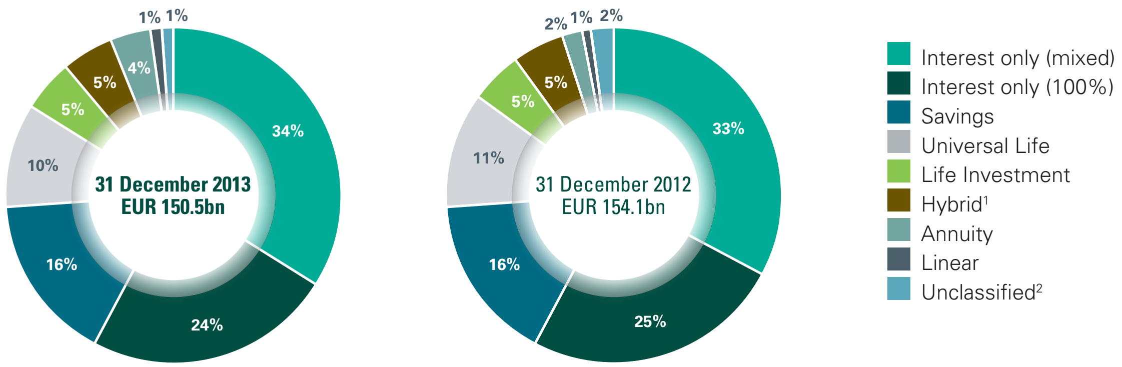
(in millions)	31 December 2013	31 December 2012
Gross carrying amount[1]	150,493	154,129
- of which Nationale Hypotheek Garantie	35,603	34,860
Fair value adjustment from hedge accounting	3,531	4,906
Gross carrying amount including fair value adjustment from hedge accounting[1]	154,024	159,035
Exposure at Default	160,165	163,397
Risk-weighted assets	19,823	17,665
Total Risk-weighted assets/Exposure at Default	12.4%	10.8%
Past due but not impaired[1]	4,108	3,644
Past due ratio[1]	2.7%	2.3%
Collateral	213,640	227,065
Collateral/carrying amount	138.7%	142.8%
Coverage ratio	27.1%	19.4%
Impaired ratio[1]	1.1%	0.9%

[1] In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

On 31 December 2013, the bank's mortgage portfolio in terms of carrying amount, including fair value adjustments from hedge accounting, declined to EUR 154.0 billion (including fair value adjustment from hedge accounting), down EUR 5.0 billion compared with year-end 2012. The mortgage portfolio was for 24% NHG-guaranteed (2012: 23%). The decline in volume was due to lower mortgage production and higher voluntary repayments. Production for ABN AMRO amounted to EUR 6.4 billion in 2013, a decline of 22% compared with 2012. Of the total new mortgage production in 2013 46% was NHG-guaranteed. The decline in NHG mortgages was caused mainly by changes in the Dutch mortgage regime in the beginning of 2013.

The amount of voluntary repayments increased compared with 2012, while redemptions due to a house sale or refinancing have decreased. Contractual repayments remained fairly stable. Overall, the amount of extra repayments is still considered to be relatively high as homeowners are aware of the negative impact of having residual debt in combination with changes in the fiscal regime. Clients continue to show significant willingness to repay their mortgage debt, however the capacity to make extra repayments is limited.

Breakdown of residential mortgage portfolio breakdown by loan type



[1] The hybrid portfolio consists of a combination of savings and investment mortgages.
[2] The unclassified portfolio of EUR 2,123 million as at 31 December 2013 consists of bridge loans, flexible loans and tailor-made products.

The portfolio breaks down into 58% interest-only mortgages, 24% of which are 100% interest-only mortgages. The breakdown remained stable across the years. Another 34% of mortgages are interest only which form part of a mixed mortgage that also includes some form of scheduled redemptions.

Residential mortgages to indexed market value for 100% interest-only

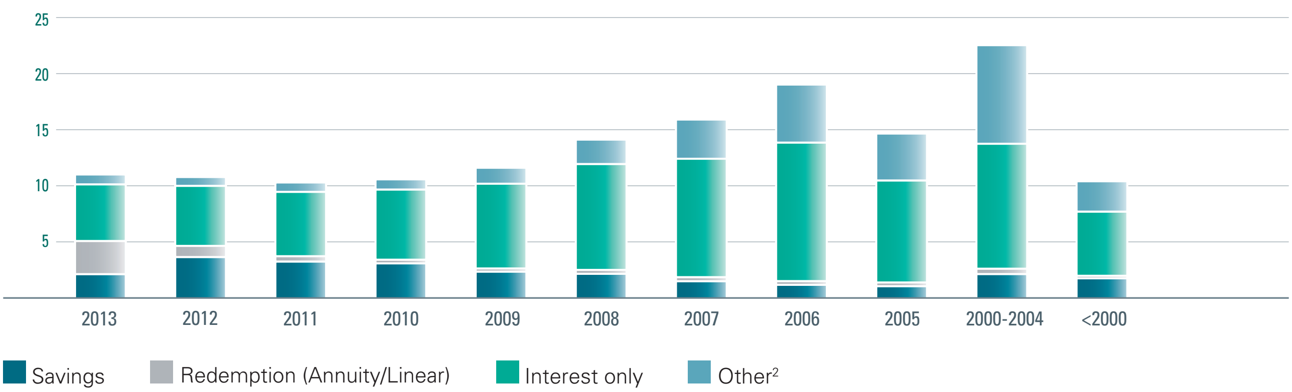
	31 December 2013	31 December 2012
	Percentage of total	Percentage of total
Loan-to-Market Value category[1]		
<50%	9%	10%
50%-70%	7%	7%
70%-100%	6%	7%
>100%	2%	1%
Total[2]	**24%**	**25%**

[1] ABN AMRO calculates the Loan-to-Market Value using the indexation of the CBS (Central Bureau of Statistics).
[2] Percentages of the total mortgage portfolio.

The table above shows the breakdown of the LtMV for the 100% interest-only mortgage portfolio. Clients with interest-only (100%) mortgages comprised 24% of the total mortgage portfolio at 31 December 2013 (2012: 25%). Of the 100% interest-only mortgage portfolio, 2% of the total portfolio had a LtMV above 100% at 31 December 2013 (2012: 1%). Although this is a low share of the total mortgage portfolio, the number was higher compared to 2012 due to lower collateral values.

Breakdown of the mortgage portfolio by year of loan production[1]

(in billions)



[1] Production includes the new mortgage production and all mortgages with a modification date.
[2] Other consists of life, investment, hybrid and part of unclassified mortgage types (EUR 1,076 million out of a total unclassifies portfolio of EUR 2,123 million). The remaining unclassified portfolio of EUR 1,047 million is not incorporated.

Historically, residential mortgages in the Netherlands are composed of different types of mortgages, e.g. a combination of interest-only and savings mortgages. As from January 2013, new mortgages need to have 100% redemption in order to be eligible for tax deduction. As a result, new production consists mainly of redemption mortgages, while interest-only mortgages and other mortgage types are on the decline. This will lead to a gradual shift of the mortgage portfolio to safer redemption types, as can be seen in the chart above. As a result, the long-term Loan-to-Market Value of the bank's portfolio is expected to decrease and fewer customers will face residual debt in the event of a foreclosure.

Residential mortgages to indexed market value

(in millions)	31 December 2013		31 December 2012	
	Gross carrying amount	Percentage of total	Gross carrying amount	Percentage of total
Loan-to-Market Value category[1]				
NHG	35,603	24%	34,860	23%
<50%	21,050	14%	23,610	15%
50%-60%	8,833	6%	9,636	6%
60%-70%	10,360	7%	11,383	7%
70%-80%	11,200	7%	11,357	7%
80%-90%	11,929	8%	13,176	9%
90%-100%	13,496	9%	14,625	9%
100%-110%	13,705	9%	13,661	9%
110%-120%	11,496	8%	13,038	9%
120%-130%	7,996	5%	4,408	3%
>130%	2,804	2%	1,454	1%
Unclassified[2]	2,021	1%	2,921	2%
Total	**150,493**	**100%**	**154,129**	**100%**

1 ABN AMRO calculates the Loan-to-Market Value using the indexation of the CBS (Central Bureau of Statistics).
2 The classified portfolio represents 99% of the total mortgage portfolio at year-end 2013, against 98% in 2012. The mortgages, reallocated from the unclassified group, are distributed mainly in the higher Loan-to-Market Value categories. The unclassified part of the portfolio still comprises several smaller portfolios that are administered by external service providers. As new production will only be recorded on the internal target platform, the unclassified part is expected to decrease over time.

The challenging economic conditions in the Netherlands adversely affected the asset quality of ABN AMRO's mortgage portfolio. The decline in residential property value of the mortgages resulted in an increase in the average LtMV of the mortgage portfolio to 84.3% (31 December 2013) from 81.5% (year-end 2012). Although 24% is above an indexed LtMV of 100%, this does not necessarily imply that clients with these mortgages are facing financial difficulties.

The current state of the Dutch housing market in combination with high unemployment, shrinking household financial reserves and divorces negatively impacted the risk profile of the mortgage portfolio in 2013. More clients went into arrears and fewer clients were able to recover from being in arrears. Additionally, declining house prices have adversely affected the asset quality of the mortgage portfolio.

The mortgage portfolio in arrears (past due up to 90 days) increased to EUR 4.1 billion at 31 December 2013 from EUR 3.6 billion at 31 December 2012. This increases is due to the fact that more clients faced financial difficulties and experienced payment problems on their mortgage loan. The impaired portfolio (more than 90 days past due) increased by EUR 235 million to EUR 1.7 billion compared with year-end 2012, mainly as a result of the economic climate in the Netherlands in 2013. The coverage ratio increased to 27.1% (19.4% at 31 December 2012).

ABN AMRO continues to closely monitor mortgage portfolio developments and takes measures to prevent losses for both clients and the bank. For example, clients with a high mortgage LtMV are proactively approached. Advice to these clients varies from budget coaching and making higher repayments by changing an interest-only mortgage to an amortising mortgage. Clients may also prepay without penalty the part of the mortgage in excess of the market value of their house.

Impairment charges increased to EUR 356 million in 2013 (2012: EUR 253 million). Write-offs decreased by EUR 26 million to EUR 165 million at year-end 2013. The impaired portfolio grew to EUR 1.7 billion at 31 December 2013 (EUR 1.5 billion at 31 December 2012) and the impairment rate increased to 1.1% (2012: 0.9%). The higher impairment rate was partially due to shrinkage of the overall mortgage portfolio. The coverage ratio on impaired mortgages increased from 19.4% to 27.1%.

Even though the risks in the retail mortgage portfolio increased during 2013, the risk profile remains low to moderate, as evidenced by the relatively low burn rate, which is the impairment charges over gross carrying amount including fair value adjustments from hedge accounting (burn rate 2013: 23bps, 2012: 16bps). Although clients continue to show a significant willingness to repay their mortgage debt, the current economic situation makes it more challenging for them to meet their payment obligations.

Carefree living and responsible lending

ABN AMRO has developed various programmes that actively review the portfolio for current and potential issues that may affect the credit quality. Clients are approached at the end of an interest rate re-pricing period, in case of high loan-to-values and in case of high payment risk. ABN AMRO has actively approached more than 230,000 clients since 2012. The main purpose of this client approach is to ensure that these customers gain a better understanding of their financial situation, helping them to cope with their financial situation.

Various measures were taken in 2013 to inform and advise mortgage clients in general:

- Affordability tools were implemented for direct and intermediary channels;
- Clients were informed about the risks of residual debt;
- In the first quarter of 2013, clients with interest-only mortgages were encouraged to convert their mortgages to bank savings mortgages;
- New solutions for periodic and penalty-free one-off repayments were introduced;
- Clients with uncertain repayment schemes, such as investment and hybrid mortgages, were informed about the potential risks of these schemes;
- Solutions were implemented for clients in arrears that minimise losses for our clients and the bank while keeping clients in their homes.

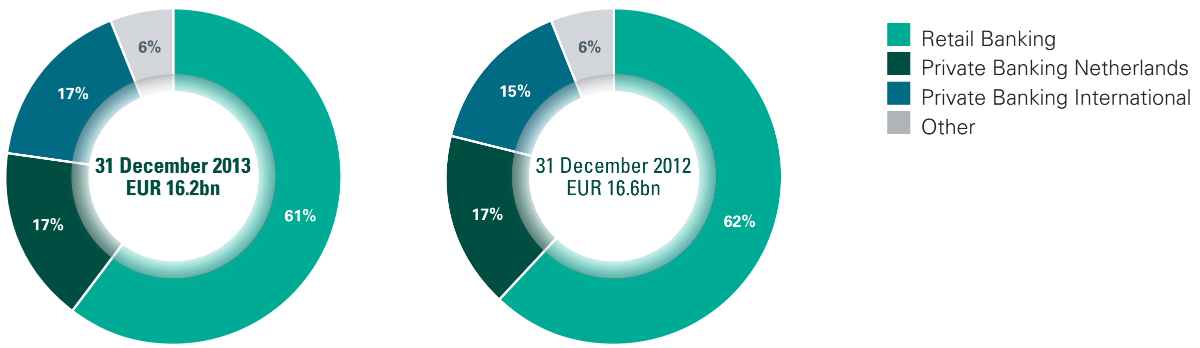
ABN AMRO continues to proactively inform clients and take measures to prevent losses for both clients and the bank.

Other consumer loans

The consumer loans portfolio (excluding residential mortgages) includes current account-related products, revolving and non-revolving credit facilities and credit cards. Consumer loans are predominantly sold within Retail and Private Banking. This also includes the private labels Alfam and MoneYou for personal loans and International Card Services (ICS) for credit cards. In 2013, exposure in Retail Banking was EUR 9.9 billion, in Private Banking EUR 5.5 billion and in other business lines EUR 0.8 billion. The overall outstanding at year-end 2013 was EUR 16.2 billion and remained fairly stable compared with year-end 2012 (EUR 16.6 billion). The consumer loan portfolio represents around 6% of the total portfolio of Loans and receivables – customers.

Risk parameters overall have worsened in recent years due largely to the challenging economic conditions. Impairment allowances for identified credit risk on the total consumer loan portfolio rose by EUR 120 million to EUR 512 million at year-end 2013 (2012: EUR 392 million). This increase was due to the current economic climate. A proactive recession management programme is in place to advise customers with consumer loans through budget coaching (150 dedicated advisors and independent agents), in order to prevent payment problems in the near future.

Consumer loans breakdown



Real estate

Real estate portfolio development

The Dutch retail property market remained under pressure during 2013. The office segment in particular still had a structurally higher vacancy risk. A decrease in asset values, however, increased investor appetite for offices during 2013. The postponement of development projects also impacted land bank values negatively. The investment market for residential property in the Netherlands also saw a further decline in asset values. However, residential rental units are still in high demand among clients. Investor appetite for residential real estate has picked up significantly.

ABN AMRO's real estate portfolio has relatively low Loan-to-Values. Loans are based almost exclusively on Dutch property. The loan portfolio consists mainly of investment loans diversified across different asset types. Exposures to office investments as well as land banks are limited. Real estate loans may include additional collateral, e.g. parent company guarantees.

At 31 December 2013, the EAD of ABN AMRO's real estate financing as shown in the industry concentration table, according to the ICB Industry code Real Estate, amounted to EUR 14.1 billion (2012: EUR 14.7 billion).

Exposures to social housing corporations are included in the real estate exposure for an amount of EUR 4.0 billion (2012: EUR 4.5 billion), of which EUR 1.7 billion (2012: EUR 2.7 billion) guaranteed by the Waarborgfonds Sociale Woningbouw (WSW, a State agency). WSW provides guarantees to lenders granting loans to housing associations for social housing projects and other properties with a social or public function.

At 31 December 2013, the impaired exposure on real estate amounted to EUR 819 million. Specific loan impairment charges amounted to EUR 119 million in 2013 and were predominantly taken in the area of office investment and land bank loans. The coverage ratio for real estate at 31 December was 63% (2012: 66%).

Commercial Real Estate

Commercial Real Estate (CRE) is defined as 'land or property owned by project developers or investors with the purpose to develop, to trade or to rent the land or property'. The credit quality of the counterparty depends on real estate generating cash flows and income producing real estate.

Although largely overlapping, the real estate Industry Classification Benchmark (ICB) categorisation is not equal to Commercial Real Estate. The main differences between real estate and CRE are:

- Social housing corporations are not included in CRE;
- Corporate unsecured real estate financing is not included in CRE;
- Private individual exposures are not included in real estate.

CRE is originated by the business lines Commercial Banking (Business Banking & Corporate Clients), Merchant Banking (LC&MB) and Private Banking:

- Corporate-based real estate CRE exposures consist of corporate lending to (listed) institutional real estate investment companies, mainly active in residential and retail assets. In general, real estate collateral is not provided. The client risk is assessed on overall corporate performance. The risk profile is generally investment grade;
- Asset-based real estate consisting of asset-based lending to real estate investment and/or development companies, with fully secured senior loans and, generally, non-recourse. The risk profile materially depends on the credit quality of the client/underlying asset(s). The corporate-based real estate and the asset-based real estate portfolios are managed by a dedicated department in Merchant Banking; CRE exposures to SME companies (part of Commercial Banking), consists of loans collateralised by the underlying real estate asset(s). The risk profile materially depends on the credit quality of the parent or debtor;
- Private Banking exposure involves clients that invest in real estate, mainly for investment purposes both in Dutch property and, to a smaller extent, property outside of the Netherlands in countries where ABN AMRO is present. The Private Banking risk profile builds on a combination of the quality of the asset, the credit structure and the underlying credit quality of the wealthy private individual.

DNB performed a detailed review with respect to commercial real estate (CRE) in 2013. The outcome of the review, which focused on the adequacy of impairment allowances and RWA for CRE, was positive and confirmed that both were adequate.

Real estate financing policy

ABN AMRO's real estate financing policy restricts commercial real estate finance within Commercial Banking and Private Banking to loans up to a maximum notional amount of EUR 10 million and EUR 50 million respectively. All real estate loans exceeding this amount are to be structured, managed and monitored by a dedicated team. This team typically transacts with professional real estate investment or development companies. All Dutch exposures below the thresholds mentioned above are managed within the respective business line, but require a recommendation by this specialised real estate finance team. This recommendation is mandatory for all new loan applications and credit reviews above a limit of EUR 0.5 million.

The risk appetite defined in the policies in terms of acceptable Loan-to-Values (at the time of origination) differs between business lines. For Commercial and Private Banking, intake typically shows a Loan-to-Market Value of 60-65%, whereas for Merchant Banking a range of up to 70% is acceptable. Furthermore, intake of land fbank financing is restricted.

Collateral is to be reappraised at least every three years, with the exception of certain market segments identified as high risk, where valuations are executed annually. Valuations for small and medium-sized enterprises (SMEs) in the Commercial Banking portfolio are exclusively provided by external surveyors, either municipal valuations (WOZ) or separately commissioned. The policy prescribes that all appraisals in the Private Banking and Commercial Banking portfolios must be based on external valuations. For the real estate exposures in Merchant Banking, reappraisal depends exclusively on independent bank-commissioned valuations.

ABN AMRO's intake criteria for real estate exposure are very selective and the bank concentrates on financing prime well-rented real estate at good locations and does business with professional counterparties. Conservative commercial real estate loan approval policies are in place and there is an increased focus on the existing portfolio.

Business Banking

Commercial clients with a turnover up to EUR 30 million are served by Business Banking. In line with the rest of Commercial & Merchant Banking, Business Banking focuses on industry sectors and applies a sector knowledge-based organisational model. Business Banking has a diversified portfolio across all sectors, with agriculture being the biggest sector. Client activities are mainly related to the Netherlands.

The loan book of Business Banking contracted in 2013 due to lower demand, tightened client acceptance criteria and a reallocation of clients to Retail Banking. These movements also influenced Exposure at Default and risk-weighted assets in 2013.

Credit risk in the Business Banking portfolio increased due to further deterioration of the Dutch economy. Impairment charges rose in 2013, mainly in respect of clients that were already served by Financial Restructuring & Recovery (FR&R). Due to deteriorating collateral value, impairment allowances on impaired loans increased within FR&R, which resulted in a higher coverage ratio of 61.9% at 31 December 2013 (2012: 57.3%). Inflow into FR&R remained relatively high, leading to an increased impaired ratio of 9.5% in 2013 (2012: 7.9%). The inflow was seen across all industry sectors in 2013, with a higher concentration in the Commercial Real Estate, Retail, Industrial Transportations and Building & Construction sectors.

ABN AMRO has taken various additional measures to mitigate Business Banking credit risk. All employees in Business Banking are involved in a permanent credit risk education programme. Loan approval policies have been tightened and minimum expected risk-adjusted return criteria are applied.

Overview of Business Banking

(in millions)	31 December 2013	31 December 2012
Gross carrying amount	25,935	29,963
Exposure at Default	23,518	28,522
Risk-weighted assets	13,069	16,020
Total Risk-weighted assets/Exposure at Default	55.6%	56.2%
Collateral	14,110	16,020
Collateral/gross carrying amount	54.4%	56.2%
Coverage ratio	61.9%	57.3%
Impaired ratio	9.5%	7.9%

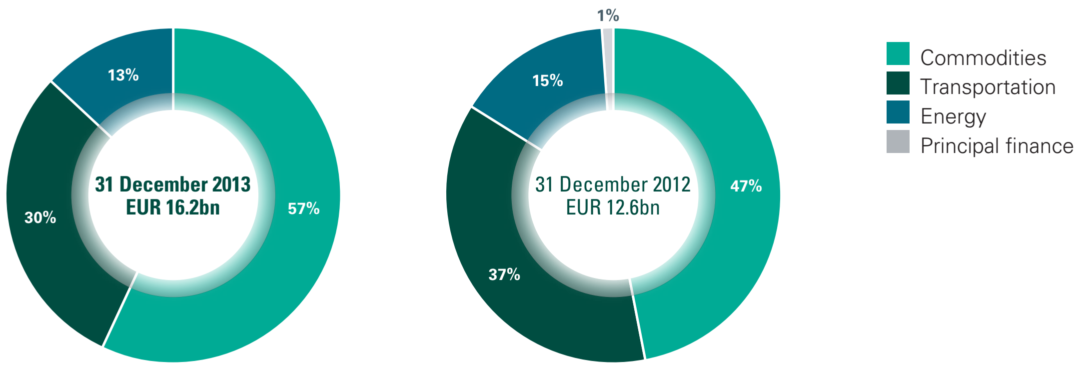
Energy, Commodities & Transportation

ABN AMRO has long-standing experience of financing in the energy, commodities & transportation (ECT) sector and provides financial solutions and support to clients across the entire value chain of the ECT industries. ABN AMRO's ECT business benefits from in-depth sector knowledge and an active approach to risk and portfolio management that is embedded in all steps of the credit process. This approach has resulted in a portfolio characterised by low historic losses. ABN AMRO maintains a controlled growth strategy for ECT that is focused on monitoring and managing the credit risk profile of the portfolio in line with respective market sentiment and trends.

The ECT total loan portfolio is mainly USD denominated and amounted to an equivalent of EUR 16.2 billion in on-balance sheet exposure in 2013 (2012: EUR 12.6 billion). In line with the strategy of growth of international revenues, the on-balance sheet business volume grew by 29%. Growth was also realised in the off-balance sheet exposure, mainly consisting of guarantees and short-term letters of credit secured by commodities. Including the committed credit lines, the exposure amounted to EUR 12.2 billion (2012: EUR 10.6 billion). In addition, uncommitted commodity trade finance facilities grew to EUR 16.7 billion (2012: 13.4 billion).

In terms of on-balance sheet composition over the different ECT sectors, the share of commodities increased. The commodities sector made up 57% of the ECT loan portfolio, while the remainder comprised loans to clients in the transportation (30%) and energy (13%) sectors.

Energy, Commodities & Transportation on-balance sheet exposure



The commodities portfolio includes mainly short-term financing to companies active in the world-wide trade, processing and distribution of agricultural commodities (e.g. grains, coffee, cacao), energy commodities (i.e. oil and gas products) and metal commodities, such as iron ore and steel. The transportation portfolio is diversified in terms of segments with tankers, dry/wet bulk and container carriers. The main focus is on the deep sea shipping industry (in particular modern, economical ships) and the container box industry. The majority of the portfolio has been originated as from 2008, in a relatively low asset value environment. Specific impairment charges for a number of shipping clients amounted to EUR 16 million. The energy portfolio consists of a diversified client base in the US upstream and midstream oil and gas sectors and worldwide off-shore services industries, typically characterised by long-term contracts with large oil companies. Impairment allowances in the energy portfolio remained negligible in 2013.

Specific loan impairment charges as a whole for ECT amounted to EUR 44 million in 2013 (2012: EUR 33 million). The burn rate over 2013, expressed as impairment charges over the on-balance sheet outstanding amount, remained flat at 27bps (2012: 27bps).

ABN AMRO Clearing

ABN AMRO Clearing provides collateralised financing, securities borrowing and lending services to clients with first security right on the clients portfolio at ABN AMRO Clearing. ABN AMRO Clearing has robust in-house risk management systems and (near real-time) risk measurement and/or other mitigants to protect the interests of the bank. The proven risk management model offsets risks across markets and products.

ABN AMRO Clearing operates a risk management department which monitors the value of collateral pledged to ABN AMRO Clearing, the outstanding credit and margin limits on a daily basis, and uses worst-case scenarios by which the value of the collateral may change.

Owing to the nature of ABN AMRO Clearing's activities, its financial assets and liabilities are generally of a short-term nature. Consequently the book values do not differ materially from the market values.

A large part of the approved limits is unused as limit usage depends on client positions taken and also cover peak usage. Risk Management is reviewing these limits strictly and limits are adjusted and reduced where appropriate.

Historically, ABN AMRO Clearing has had a very low percentage of defaults. The impairment charges in 2012 and 2013 were limited.

Management of forborne, past due and impaired loans

Forbearance

The following table provides an overview of forborne assets, distinguishing performing and non-performing assets, specified by type of forbearance measure.
For all clients in (potential) financial difficulty, contract amendments that have occurred since 1 January 2012 have been reviewed to identify forborne assets.
If a forbearance measure is applied to a performing client, the client stays forborn for at least 2 years.
If a forbearance measure is applied to a non-performing client, the client stays forborn for at least 3 years.
A contract that has defaulted and is being recovered is no longer considered forborne, irrespective of the application of restructuring measures or a previous forborne status.

Overview forbearance

(in millions) — 31 December 2013

	Gross carrying amount	Performing assets: Modification of the contract: Temporary modification	Performing assets: Modification of the contract: Permanent modification	Performing assets: Refinancing	Total performing forborne assets	Non-performing assets: Modification of the contract: Temporary modification	Non-performing assets: Modification of the contract: Permanent modification	Non-performing assets: Refinancing	Total non-performing forborne assets	Total performing and non-performing forborne assets	Forbearance ratio
Loans and receivables - banks	**31,234**										**0.0%**
Loans and receivables - customers											
Residential mortgages[1]	154,024	961	8	15	984	1,373	4	60	1,437	2,421	1.6%
Other consumer loans	16,241	45	61	107	213	60	7	57	124	337	2.1%
Total consumer loans	**170,265**	**1,006**	**69**	**122**	**1,197**	**1,433**	**11**	**117**	**1,561**	**2,758**	**1.6%**
Commercial loans[1]	84,330	789	710	2,542	4,041	356	673	1,203	2,232	6,273	7.4%
Other commercial loans	17,759	40	36	14	90			70	70	160	0.9%
Total commercial loans	**102,089**	**829**	**746**	**2,556**	**4,131**	**356**	**673**	**1,273**	**2,302**	**6,433**	**6.3%**
Government and official institutions	**768**										**0.0%**
Total Loans and receivables - customers	**273,122**	**1,835**	**815**	**2,678**	**5,328**	**1,789**	**684**	**1,390**	**3,863**	**9,191**	**3.4%**
Total[2]	**304,356**	**1,835**	**815**	**2,678**	**5,328**	**1,789**	**684**	**1,390**	**3,863**	**9,191**	**3.0%**

31 December 2012

	Gross carrying amount	Performing assets: Modification of the contract: Temporary modification	Performing assets: Modification of the contract: Permanent modification	Performing assets: Refinancing	Total performing forborne assets	Non-performing assets: Modification of the contract: Temporary modification	Non-performing assets: Modification of the contract: Permanent modification	Non-performing assets: Refinancing	Total non-performing forborne assets	Total performing and non-performing forborne assets	Forbearance ratio
Loans and receivables - banks	**46,489**										**0.0%**
Loans and receivables - customers											
Residential mortgages[1]	159,035	587	8	8	603	1,163	6	5	1,174	1,777	1.1%
Other consumer loans	16,645	21	26	80	127	36	4	38	78	205	1.2%
Total consumer loans	**175,680**	**608**	**34**	**88**	**730**	**1,199**	**10**	**43**	**1,252**	**1,982**	**1.1%**
Commercial loans[1]	86,727	703	517	1,896	3,116	248	318	899	1,465	4,581	5.3%
Other commercial loans	18,742		15		15	20	64	10	94	109	0.6%
Total commercial loans	**105,469**	**703**	**532**	**1,896**	**3,131**	**268**	**382**	**909**	**1,559**	**4,690**	**4.4%**
Government and official institutions	1,330										0.0%
Total Loans and receivables - customers	**282,479**	**1,311**	**566**	**1,984**	**3,861**	**1,467**	**392**	**952**	**2,811**	**6,672**	**2.4%**
Total[2]	**328,968**	**1,311**	**566**	**1,984**	**3,861**	**1,467**	**392**	**952**	**2,811**	**6,672**	**2.0%**

1 Gross carrying amount includes fair value adjustments from hedge accounting.
2 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

Forborne assets have increased because of the following. As forbearance measures , applied before 2012 have not been included, the forborne exposure at year-end 2012 is significantly lower than at year-end 2013. When the forborne exposures before 2012 would have been taken into account, the year-end 2012 figures would have been higher.

Consumer loans

Forbearance measures for Consumer loan contracts, mainly residential mortgages, are identified and agreed upon in the following situations:

- Our prevention programme 'Carefree Living and Responsible Lending' assists with performing clients that are not past due;
- Performing clients that are past due are administered by Credit control and Mortgage care team;
- Non-performing clients are treated by our late collection agencies, who offer payment arrangements. We have investigated 80% of the mortgage portfolio in detail to identify forbearance measures. For the remainder, 20% of the portfolio, ABN AMRO applied extrapolation.

The total forbearance exposure for Consumer loans increased to EUR 2.8 billion at 31 December 2013 (2012: EUR 2.0 billion) which is 1.6% of the consumer loan portfolio. Most of the forbearance measures taken in 2012 and 2013 for Consumer loans are payment arrangements originated in the non-performing portfolio. These measures are classified as temporary measures and will either result in a transfer to the performing forborne portfolio or remain in the non-performing forborne portfolio. Only counterparties that do not meet their obligations and therefore move to recovery are no longer considered forborne.

Commercial loans

In accordance with the bank's internal policies, commercial counterparties in (potential) financial difficulty are either managed by the bank's Financial Restructuring & Recovery department or are assigned a 'watch status'. These two categories have been reviewed by our risk officers to identify forborne assets. Therefore, forborne commercial counterparties are identified within these two categories. For determining the forbearance exposure on Commercial loans, the bank takes a conservative approach. If a contract of a commercial counterparty is forborne, all loans and receivables in the same credit arrangement are considered forborne.

The total forbearance exposure for Commercial loans amounted to EUR 6.4 billion at 31 December 2013 (2012: EUR 4.7 billion) which is 6.3% of the Commercial loan portfolio. The higher forbearance exposure on performing loans in relation to non-performing loans can be explained by the fact that the bank is more likely to make concessions in a performing situation than a non-performing situation. The majority of the measures taken are refinancing measures in order to allow the counterparty to regain its financial health.

Past due credit exposures Audited

A financial asset is past due if a counterparty has failed to make a payment when contractually due or if it has exceeded an advised limit or has been advised of a limit lower than its current outstanding. Financial assets that have reached the '90 days past due' trigger are automatically classified as being in default. The following table does not present the amount past due but the total gross carrying amount of the past due counterparty.

ABN AMRO has adopted a more conservative approach to monitoring exposures that are past due but not impaired. When a counterparty is past due or exceeds its credit limit, all loans and receivables in the related credit arrangement are considered past due. The 2012 comparative information is adjusted to improve the comparability to the 2013 information presented.

Ageing of past due not classified as impaired Audited

(in millions)								31 December 2013
	Gross carrying amount	Carrying amount of assets (not classified as impaired)					Of which past due	Past due ratio
			<= 30 days past due	> 30 days & <= 60 days past due	> 60 days & <= 90 days past due	>90 days past due	Total past due but not impaired	
Loans and receivables - banks	**31,234**	**31,211**						**0.0%**
Loans and receivables - customers								
Residential mortgage[1]	154,024	152,285	3,444	519	145		4,108	2.7%
Other consumer loans	16,241	15,354	461	115	78	231	885	5.4%
Total consumer loans[2]	**170,265**	**167,639**	**3,905**	**634**	**223**	**231**	**4,993**	**2.9%**
Commercial loans[1]	84,330	79,292	1,426	219	140	565	2,350	2.8%
Other commercial loans[3]	17,759	17,622	31	2	1	2	36	0.2%
Total commercial loans	**102,089**	**96,914**	**1,457**	**221**	**141**	**567**	**2,386**	**2.3%**
Government and official institutions	**768**	**768**						**0.0%**
Total Loans and receivables - customers	**273,122**	**265,321**	**5,362**	**855**	**364**	**798**	**7,379**	**2.7%**
Accrued income and prepaid expenses	**722**	**722**						**0.0%**
Other assets	**3,888**	**3,875**	**48**	**25**	**7**	**9**	**89**	**2.3%**
Total[4]	**308,966**	**301,129**	**5,410**	**880**	**371**	**807**	**7,468**	**2.4%**

1 Gross carrying amount includes fair value adjustment from hedge accounting.
2 Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.
3 Other commercial loans consist of reverse repurchase agreements, securities borrowing transactions, financial lease receivables and factoring.
4 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

Ageing of past due not classified as impaired Audited

(in millions)								31 December 2012
	Gross carrying amount	Carrying amount of assets (not classified as impaired)					Of which past due	Past due ratio
			<= 30 days past due	> 30 days & <= 60 days past due	> 60 days & <= 90 days past due	>90 days past due	Total past due but not impaired	
Loans and receivables - banks	**46,489**	**46,465**						**0.0%**
Loans and receivables - customers								
Residential mortgage[1]	159,035	157,531	2,957	518	169		3,644	2.3%
Other consumer loans	16,645	15,970	284	116	112	205	717	4.3%
Total consumer loans[2]	**175,680**	**173,501**	**3,241**	**634**	**281**	**205**	**4,361**	**2.5%**
Commercial loans[1]	86,727	80,441	2,766	605	190	694	4,255	4.9%
Other commercial loans[3]	18,742	18,622	10	1	1	2	14	0.1%
Total commercial loans	**105,469**	**99,063**	**2,776**	**606**	**191**	**696**	**4,269**	**4.0%**
Government and official institutions	**1,330**	**1,330**						**0.0%**
Total Loans and receivables - customers	**282,479**	**273,894**	**6,017**	**1,240**	**472**	**901**	**8,630**	**3.1%**
Accrued income and prepaid expenses	**799**	**799**						**0.0%**
Other assets	**5,860**	**5,847**	**55**				**55**	**0.9%**
Total[4]	**335,627**	**327,005**	**6,072**	**1,240**	**472**	**901**	**8,685**	**2.6%**

1 Gross carrying amount includes fair value adjustment from hedge accounting.
2 Consumer loans in the programme lending portfolio that are more than 90 days past due are immediately impaired.
3 Other commercial loans consist of reverse repurchase agreements, securities borrowing transactions, financial lease receivables and factoring.
4 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

Because of the occurrence of operational issues, past due for commercial loans is reported as of the second day past due. Corrective measures to resolve the past due are normally taken by the business lines or counterparty in the first ten days. This is reflected in the decrease of past due exposures > 30 days. For 2013, total past due decreased from 2.6% at year-end 2012 to 2.4% at year-end 2013.

Stricter management on resolving past due resulted in a significant decline of the past due days for commercial loans. For retail loans, the total past due in the bucket < 30 days increased due to the fact that more clients faced financial difficulty and experienced payment problems on their mortgage loans, leading to more clients in arrears.

Loan impairment charges and allowances Audited

Total on-balance sheet impairment charges on loans and other receivables amounted to EUR 982 million but includes EUR 685 million of reversal of the allowances on Greek loans and Madoff files. Excluding these special items, loan impairments amounted to EUR 1,667 million, an increase of 16% compared with last year. Higher loan impairments for Business Banking, Consumer Lending and Mortgages were the main reasons for this increase.

Loan impairment charges and allowances Audited Pillar 3 EDTF 28

(in millions)	Banks	Commercial loans[2]	Consumer loans - mortgages	Other consumer loans	Total
Balance as at 1 January 2013	**28**	**4,697**	**370**	**445**	**5,540**
Impairment charges for the period		1,588	496	462	2,546
Reversal of impairment allowances no longer required	-4	-1,245	-135	-130	-1,514
Recoveries of amounts previously written off		-6	-5	-39	-50
Total impairment charges on loans and other receivables	**-4**	**337**	**356**	**293**	**982**
Amount recorded in interest income from unwinding of discounting		-30	-14	-9	-53
Currency translation differences		-32			-32
Amounts written off (net)		-1,281	-165	-152	-1,598
Reserve for unearned interest accrued on impaired loans		84	31	35	150
Other adjustments		3	7		10
Balance as at 31 December 2013	**24**	**3,778**	**585**	**612**	**4,999**

	Banks	Commercial loans[2]	Consumer loans - mortgages	Other consumer loans	Total
Balance as at 1 January 2012	26	4,895	281	344	5,546
Impairment charges for the period	7	1,055	320	343	1,725
Reversal of impairment allowances no longer required	-5	-406	-67	44	-434
Recoveries of amounts previously written off		-16	-6	-39	-61
Total impairment charges on loans and other receivables	2	633	247	348	1,230
Amount recorded in interest income from unwinding of discounting		-35	-4	-7	-46
Currency translation differences		-2			-2
Amounts written off (net)		-775	-185	-329	-1,289
Effect of (de)consolidating entities					
Reserve for unearned interest accrued on impaired loans		50	31	14	95
Other adjustments		-69		75	6
Balance as at 31 December 2012	**28**	**4,697**	**370**	**445**	**5,540**

[1] Commercial loans included a release for the Greek government-guaranteed corporate exposures of EUR 432 million and a release for the Madoff-related collateral of EUR 253 million.
[2] Commercial loans included a release for the Greek government-guaranteed corporate exposures of EUR 125 million and a a release for Madoff-related collateral of EUR 78 million.

Total impairment charges in 2013 decreased by EUR 248 million. Excluding the reversals and recoveries of Greek government-guaranteed corporate exposures (EUR 432 million) and Madoff-related files (EUR 253 million), impairment charges increased substantially by EUR 232 million in 2013 compared with 2012. Write-offs increased by EUR 309 million in 2013. Excluding Greek government-guaranteed corporate exposures (EUR 261 million) and Madoff-related files (EUR 132 million), write-offs remained virtually stable at EUR 1,205 million, coming down marginally from EUR 1,226 million.

Within commercial loans, excluding special items, impairment charges increased by EUR 184 million in 2013, mainly for Business Banking clients. This is in line with the rise in the number of Business Banking clients under management by Financial Restructuring & Recovery. Excluding special items, write-offs increased by EUR 175 million in 2013.

Within consumer loans, total impairment charges for residential mortgages increased by EUR 109 million, reflecting the adverse housing market in the Netherlands. For other consumer loans, total impairment charges decreased by EUR 55 million, while write-offs decreased by EUR 177 million.

Coverage and impaired ratio Audited

(in millions)	31 December 2013					31 December 2012				
	Gross carrying amount	Impaired expo-sures	Allow-ances for Impair-ments for identified credit risk	Coverage ratio	Impaired ratio	Gross carrying amount	Impaired expo-sures	Allowan-ces for Impair-ments for identified credit risk	Coverage ratio	Impaired ratio
Loans and receivables - banks	**31,234**	**23**	**-23**	**100.0%**	**0.1%**	**46,489**	**24**	**-24**	**100.0%**	**0.1%**
Loans and receivables - customers										
Residential mortgages[1]	154,024	1,739	-472	27.1%	1.1%	159,035	1,504	-292	19.4%	0.9%
Other consumer loans	16,241	887	-512	57.7%	5.5%	16,645	675	-392	58.1%	4.1%
Total consumer loans	**170,265**	**2,626**	**-984**	**37.5%**	**1.5%**	**175,680**	**2,179**	**-684**	**31.4%**	**1.2%**
Commercial loans[1, 2]	84,330	5,038	-3,237	64.3%	6.0%	86,727	6,286	-4,253	67.7%	7.2%
Other commercial loans[3]	17,759	137	-86	62.8%	0.8%	18,742	120	-85	70.8%	0.6%
Total commercial loans	**102,089**	**5,175**	**-3,323**	**64.2%**	**5.1%**	**105,469**	**6,406**	**-4,338**	**67.7%**	**6.1%**
Government and official institutions	**768**					**1,330**				
Total Loans and receivables - customers	**273,122**	**7,801**	**-4,307**	**55.2%**	**2.9%**	**282,479**	**8,585**	**-5,022**	**58.5%**	**3.0%**
Accrued income and prepaid expenses	**722**					**799**				
Other assets	**3,888**	**13**	**-5**	**38.5%**	**0.3%**	**5,860**	**13**	**-4**	**30.8%**	**0.2%**
Total on-balance sheet	**308,966**	**7,837**	**-4,335**	**55.3%**	**2.5%**	**335,627**	**8,622**	**-5,050**	**58.6%**	**2.6%**
Total off-balance sheet	**101,525**	**8**			**0.0%**	**106,756**	**7**			**0.0%**
Total[4,5]	**410,491**	**7,845**	**-4,335**	**55.3%**	**1.9%**	**442,383**	**8,629**	**-5,050**	**58.5%**	**2.0%**

1 Gross carrying amounts include fair value adjustment from hedge accounting.
2 Includes impairments on Madoff in 2013 and 2012 and the Greek government-guaranteed corporate exposures in 2012.
3 Other commecial loans consists of reverse repurchase agreements, securities borrowing transactions, financial lease receivables and factoring.
4 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.
5 Amounts excluding Incurred But Not Identified (IBNI).

The impaired ratio remained fairly stable at 1.9% at 31 December 2013. Within total consumer loans, the impaired ratio increased to 1.5% at 31 December 2013 from 1.2% at 31 December 2012. This increase can be explained by the continuing poor economic conditions in the Netherlands in general and the housing market in particular. The coverage ratio for mortgages increased to 27.1% from 19.4% to cover for lower recovery results. Within Other consumer loans, there are significant impaired exposures which were well collateralised, resulting in a decrease in the coverage ratio to 57.7% from 58.1%. For Commercial loans, the EUR 1,231 million decrease in impaired exposures caused the impaired ratio to come down to 5.1% from 6.1%. The coverage ratio decreased to 64.2% from 67.7% due to the decline in loan loss allowances. The changes in ratios can be explained mainly by the Greek government-guaranteed corporate exposures and Madoff-related files. Excluding special items, the coverage ratio remained stable at 60%.

Forborne, past due and impaired loans split by geography and industry Pillar 3

Forborne, past due and impaired loans split by geography Pillar 3

(in millions)					31 December 2013
	Forborne exposure	Past due exposures	Impaired exposures	Allowances for impairments	Impairment charges for the period
The Netherlands	8,165	6,376	6,375	-3,224	1,362
Rest of Europe	648	857	672	-457	-366
USA	15	12	95	-90	-244
Asia	46	90	104	-63	52
Rest of the world	317	133	591	-501	3
Total On-balance sheet	**9,191**	**7,468**	**7,837**	**-4,335**	**807**
Off-balance sheet			8		
Total[1]	**9,191**	**7,468**	**7,845**	**-4,335**	**807**

					31 December 2012
	Forborne exposure	Past due exposures	Impaired exposures	Allowances for impairments	Impairment charges for the period
The Netherlands	5,924	7,767	5,777	-2,733	1,067
Rest of Europe	388	386	1,708	-1,284	37
USA		24	429	-427	21
Asia	44	48	92	-34	11
Rest of the world	316	460	616	-572	-27
Total On-balance sheet	**6,672**	**8,685**	**8,622**	**-5,050**	**1,109**
Off-balance sheet			7		
Total[1]	**6,672**	**8,685**	**8,629**	**-5,050**	**1,109**

[1] Amounts excluding Incurred But Not Identified (IBNI).

Due to further deterioration of the economic circumstances in the Netherlands, impaired exposures, impairment charges and allowances for impairments in the Netherlands increased substantially by EUR 598 million or 10% (impaired exposure), EUR 491 million or 18% (allowances for impairments) and EUR 295 million or 28% (impairment charges). The large decreases in the categories Rest of Europe and USA are due to the release and write-off of Greek government-guaranteed corporate exposures and Madoff-related files. Excluding special items, Rest of Europe and USA increased.

Forborne, past due and impaired loans split by industry Pillar 3

(in millions)									31 December 2013
	Exposure at Default	Forborne exposures	Forborne ratio (EAD)	Past due exposures	Past due ratio (EAD)	Impaired exposures	Impaired ratio (EAD)	Allowances for impairments for identified credit risk	Impairment charges for the period
Industry sector									
Banks	16,990					23	0.1%	-23	-1
Financial services[1]	7,935	105	1.3%	110	1.4%	720	9.1%	-674	-149
Industrial goods and services	18,024	2,018	11.2%	414	2.3%	1,374	7.6%	-721	-104
Real Estate	14,068	1,231	8.8%	442	3.1%	819	5.8%	-520	119
Oil and gas	7,581	357	4.7%	224	3.0%	105	1.4%	-104	26
Food and beverage	8,575	888	10.4%	392	4.6%	421	4.9%	-250	94
Retail	7,302	596	8.2%	235	3.2%	517	7.1%	-292	144
Basic Resources	4,498	189	4.2%	185	4.1%	208	4.6%	-121	7
Healthcare	4,221	116	2.7%	21	0.5%	48	1.1%	-25	11
Construction and materials	3,196	344	10.8%	116	3.6%	381	11.9%	-271	76
Other[2]	45,831	850	1.9%	343	0.7%	652	1.4%	-413	18
Subtotal Industry Classification Benchmark	**138,221**	**6,694**	**4.8%**	**2,482**	**1.8%**	**5,268**	**3.8%**	**-3,414**	**241**
Private individuals (non-Industry Classification Benchmark)	181,011	2,482	1.4%	4,986	2.8%	2,577	1.4%	-921	566
Public administration (non-Industry Classification Benchmark)	21,301	15	0.1%						
Subtotal non-Industry Classification Benchmark	**202,312**	**2,497**	**1.2%**	**4,986**	**2.5%**	**2,577**	**1.3%**	**-921**	**566**
Total[3,4,5]	**340,533**	**9,191**	**2.7%**	**7,468**	**2.2%**	**7,845**	**2.3%**	**-4,335**	**807**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
5 Amounts excluding Incurred But Not Identified (IBNI).

Forborne, past due and impaired loans split by industry Pillar 3

(in millions)									31 December 2012
	Exposure at Default	Forborne expo-sures	Forborne ratio (EAD)	Past due expo-sures	Past due ratio (EAD)	Impaired expo-sures	Impaired ratio (EAD)	Allowances for impair-ments for identified credit risk	Impairment charges for the year
Industry sector									
Banks	14,597					24	0.2%	-24	
Financial services[1]	10,136	81	0.8%	198	2.0%	1,237	12.2%	-1,101	-5
Industrial goods and services	18,599	1,540	8.3%	908	4.9%	2,275	12.2%	-1,422	12
Real Estate	14,688	1,066	7.3%	664	4.5%	696	4.7%	-458	308
Oil and gas	8,349	19	0.2%	178	2.1%	106	1.3%	-106	5
Food and beverage	9,093	596	6.6%	878	9.7%	401	4.4%	-203	41
Retail	7,712	440	5.7%	360	4.7%	415	5.4%	-231	67
Basic Resources	4,445	112	2.5%	92	2.1%	259	5.8%	-215	129
Healthcare	4,514	110	2.4%	165	3.7%	43	1.0%	-19	10
Construction and materials	3,806	246	6.5%	124	3.3%	360	9.5%	-247	73
Other[2]	43,442	520	1.2%	918	2.1%	661	1.5%	-354	89
Subtotal Industry Classification Benchmark	**139,381**	**4,730**	**3.4%**	**4,485**	**3.2%**	**6,477**	**4.6%**	**-4,380**	**729**
Private individuals (non-Industry Classification Benchmark)	182,285	1,853	1.0%	4,108	2.3%	2,095	1.1%	-617	356
Public administration (non-Industry Classification Benchmark)	31,210	89	0.3%	92	0.3%	57	0.2%	-53	24
Subtotal non-Industry Classification Benchmark	**213,495**	**1,942**	**0.9%**	**4,200**	**2.0%**	**2,152**	**1.0%**	**-670**	**380**
Total[3,4,5]	**352,876**	**6,672**	**1.9%**	**8,685**	**2.5%**	**8,629**	**2.4%**	**-5,050**	**1,109**

1 Financial services include asset managers, credit card companies and providers of personal financial services and securities and brokers.
2 Other includes travel and leisure, utilities, personal and household goods, media, technology, automobiles and parts, chemicals, telecommunication and insurance, in addition to unclassified.
3 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
5 Amounts excluding Incurred But Not Identified (IBNI).

Total impaired credit risk exposures decreased by EUR 784 million to EUR 7,845 million in 2013 from EUR 8,629 million at year-end 2012. Total allowances for impairments decreased by EUR 715 million to EUR 4,335 in 2013 from EUR 5,050 at year-end 2012. Total impairment charges decreased by EUR 302 million to EUR 807 million in 2013 from EUR 1,109 million at year-end 2012. For all three, the most significant decline was registered in the industry sector Industrial goods & services and in Financial services, which reflects the Greek and Madoff-related files.

The sale of Greek government-guaranteed corporate exposures is reflected in the decline in Industrial goods & services regarding impaired exposure, allowances for impairments and impairment charges. Excluding the sale, the impaired exposure increased by EUR 89 million, allowances for impairments decreased by EUR 8 million and impairment charges decreased by EUR 191 million.

The sale of Madoff-related collateral is reflected in the decline in Financial services regarding impaired exposures, allowances for impairments and impairment charges. Excluding the sale, the impaired exposure decreased by EUR 161 million, allowances for impairments decreased by EUR 74 million and impairment charges increased by EUR 29 million.

Private individuals impaired exposure increased by EUR 482 million, allowances for impairments increased by EUR 304 million and impairment charges increased by EUR 210 million. All increases reflect the further deterioration of the Dutch housing market.

IBNI impairment allowances on loans and receivables increased by EUR 175 million to EUR 670 million in 2013 from EUR 495 million at year-end 2012. This was mainly due to higher IBNI impairment allowances for Business Banking clients, consumer loans and residential mortgages. The IBNI increase is a reflection of the current economic circumstances.

Market risk

ABN AMRO is exposed to market risk in its trading book, banking book and through its pension fund liability. The following table represents the market risk factors to which the different assets and liabilities of the balance sheet are sensitive.

Market risk exposure traded and non-traded risk EDTF 22

(in millions)	31 December 2013			31 December 2012			
	Carrying amount	Market risk measure		Carrying amount	Market risk measure		Non-traded risk primary risk sensitivity
		Traded risk	Non-traded risk		Traded risk	Non-traded risk	
Assets subject to market risk							
Cash and balances at central banks	9,523		9,523	9,796		9,796	Interest rate
Financial assets held for trading	23,867	23,867		24,343	24,343		Interest rate / equity / FX / commodities / credit spread
Financial investments	28,111		28,111	21,730		21,730	Interest rate / FX / credit spread
Loans and receivables - banks	31,210		31,210	46,461		46,461	Interest rate / FX
Loans and receivables - customers	268,147		268,147	276,967		276,967	Interest risk / FX
Other assets	11,164		11,164	14,461		14,461	
Total assets[1]	**372,022**	**23,867**	**348,155**	**393,758**	**24,343**	**369,415**	
Liabilities subject to market risk							
Financial liabilities held for trading	14,248	14,248		20,098	20,098		Interest rate / equity / FX / commodities / credit spread
Due to banks	15,833		15,833	21,304		21,304	Interest risk / FX
Due to customers	215,643		215,643	216,757		216,757	Interest risk / FX
Issued debt	88,682		88,682	95,048		95,048	Interest risk / FX
Subordinated liabilities	7,917		7,917	9,736		9,736	Interest risk
Other liabilities	16,131		16,131	17,932		17,932	
Total liabilities[1]	**358,454**	**14,248**	**344,206**	**380,875**	**20,098**	**360,777**	
Equity	**13,568**		**13,568**	**12,883**		**12,883**	
Total liabilities and equity	**372,022**	**14,248**	**357,774**	**393,758**	**20,098**	**373,660**	

[1] In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

Activities in the trading book are sensitive to multiple risk factors. As stated in the paragraphs on market risk in the trading book, the overall sensitivity to these risk factors are carefully managed to remain within the risk tolerance limits of the bank. As can be expected, most assets and liabilities in the banking book are to a large extent sensitive to interest rate risk. Some of the assets and liabilities are also sensitive to FX risk although ABN AMRO minimises this risk through hedging.

Market risk in the trading book

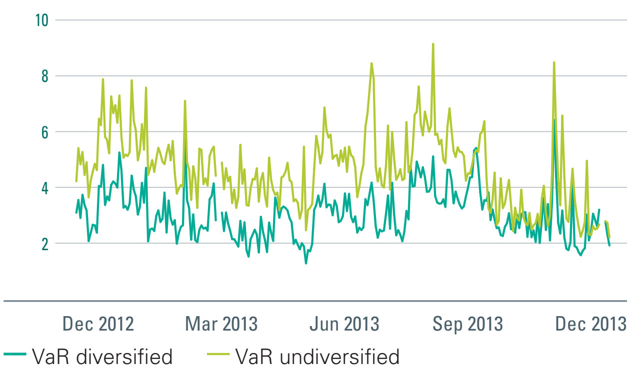
Market risk exposure EDTF 23

The graph below depicts the total VaR ('VaR diversified') as well as aggregation of the stand-alone risk factors ('VaR undiversified').

ABN AMRO applies a diversified portfolio VaR approach. This approach takes into account that returns across risk factors may offset one another to a certain extent and consequently reduce risk. As long as those returns are not perfectly correlated to one another, VaR figures based on a diversified portfolio approach will be lower compared with the figures when using undiversified VaR. Undiversified VaR means that the VaR figures computed for the different risk factors are summed up without taking into account any offset across risk factors and therefore denies the potential for risk reduction.

VaR diversified and undiversified 2013 EDTF 23

(in millions)



Internal aggregated diversified and undiversified VaR for all trading positions Audited EDTF 23

(in millions)	31 December 2013		31 December 2012	
	Diversified	Undiversified	Diversified	Undiversified
VaR at last trading day of period	1.4	2.4	2.2	2.4
Highest VaR	5.4	7.1	6.3	9.0
Lowest VaR	0.7	1.6	1.3	2.2
Average VaR	2.0	3.0	3.0	4.5

The average diversified VaR amounted to EUR 2 million and was predominantly driven by the Rates business. Over the course of the year, VaR numbers show a limited number of sudden and short-lived increases due to relatively sizeable client transactions in the Rates business.

The graphs indicate that, even on an undiversified basis, VaR exposure remained comfortably within ABN AMRO's global VaR limit of EUR 9 million all year long.

Regulatory capital Pillar 3 EDTF 23

Market risk exposure and risk-weighted assets Pillar 3 EDTF 23

(in millions)				31 December 2013				31 December 2012
	Capital requirement	Risk-weighted assets	Assets held for trading[1]	Liabilities held for trading	Capital requirement	Risk-weighted assets	Assets held for trading[1]	Liabilities held for trading
Position risk in traded debt instruments	139	1,735	12,734	9,703	141	1,765	18,082	15,859
Position risk in equities	23	281	10,250	3,775	45	563	5,465	3,138
Foreign exchange risk			146	146			290	517
Commodity risk	30	380	737		15	187	506	
Other				624				584
Add-on	320	4,000			250	3,125		
Total	**512**	**6,396**	**23,867**	**14,248**	**451**	**5,640**	**24,343**	**20,098**

[1] Included in the assets are also the MtM of derivatives.

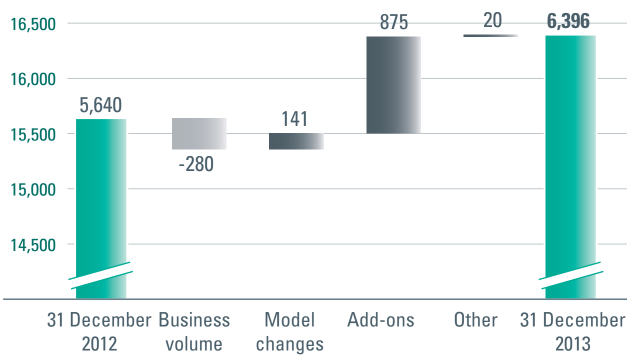
Assets held for trading in equities increased because the hedging of equity derivatives shifted from other derivatives to cash equities. As the table shows, the position risk in equities actually declined, implying fewer open positions.

The DNB add-on increased by EUR 70 million to a total of EUR 320 million. This add-on was introduced mid-2013 to account for possible dividend risk and total return spread risk. Note that these two risk types are not incorporated into the Standardised Approach for market risk.

The increase of the capital charge due to commodity risk stems partly from the temporary migration of energy-related (i.e. carbon) positions from the Internal Model Approach to the Standardised Approach and partly from an increase in carbon (hedged) client transactions. The following table specifically shows the RWA flow due to these developments.

RWA flow statement market risk EDTF 16

(in millions)



Market risk in the banking book Audited

Market risk in the banking book, mainly interest rate risk, is the risk of a yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book either through hedging (foreign rate exchange risk) or in general (other market risk types).

Market risk exposure

The table below shows the interest rate risk metrics at year-end 2013 and 2012.

Interest rate risk metrics Pillar 3 EDTF 23

	31 December 2013	31 December 2012
NII-at-risk (in %)	5.4	4.4
Duration of equity (in years)	4.3	1.6
Absolute sensitivity (in millions)	29.1	22.0
VaR banking book[1] (in millions)	956	564

1 ABN AMRO applies a two-months 99% VaR for the banking book, meaning that a VaR of EUR 1 million implies a 1% chance of loss of more than 1 million within a two-month period.

Interest rates at the short end of the curve remained stable during 2013. The mid- and long-term rates increased slightly during the year. In line with these developments and the outlook for interest rate developments, the duration position was steered upward during 2013 to benefit from the low and stable interest rate environment. The VaR of the banking book and absolute sensitivity increased in line with the duration development. The NII-at-Risk increased compared with last year. The increase in NII-at-risk indicates a slightly higher net interest income sensitivity to an upward trend in the yield curve.

Operational risk EDTF 31

Cybercrime

Cybercrime is the generic name for criminal acts committed using modern telecommunication networks, such as the internet or mobile devices. The main categories of cybercrime are malware, phishing and skimming. In 2012, there was a rise in operational losses due to cybercrime, particularly in Retail Banking. ABN AMRO has taken action to improve security precautions, leading to a sharp decline in cybercrime-related losses in 2013.

Business continuity

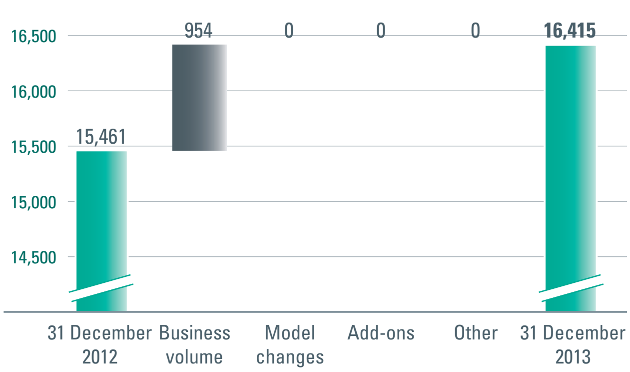
Business continuity threats such as DDoS attacks (distributed denial of services) captured headlines in the Netherlands in 2013, potentially interrupting the bank's online services. In 2012, the bank was subject to a substantial number of gas attacks, which continued in the first half of 2013. ABN AMRO took measures to prevent these attacks, which proved to be effective and led to very little interruption of client services in 2013. As a result of these measures, the number of gas attacks declined significantly in the second half of 2013.

Regulatory capital Pillar 3

The bank's own funds for operational risks in 2013 were calculated based on the Standardised Approach. Under SA, gross income figures are mapped to a set of prescribed Basel II business lines such as Retail, Payments and Trading & Sales. Depending on the business line involved, a percentage (predefined by the directives) is applied for calculating capital for that business line. The total SA capital is calculated based upon the results per line of business.

RWA flow statement operational risk EDTF 16

(in millions)



According to the Standardised Approach, the risk-weighted assets (RWA) amounted to EUR 16,415 million (2012: EUR 15,461 million). Operational risk RWA increased, primarily as a result of an increase in the gross income (three-year average over the years 2010 to 2012) that is used as a basis for calculation of SA capital.

ABN AMRO has agreed with the Dutch central bank to use the SA approach as a temporary way of calculating capital. ABN AMRO is implementing the Advanced Measurement Approach (AMA) to calculate RWA for operational risk for regulatory capital. This approach is already in use for the calculation of economic capital. ABN AMRO's capital according to SA is increased by an add-on amount related to AMA implementation.

Additional risk disclosures

This section discloses additional information on IFRS, Pillar 3, EDTF and market discipline. The required information is a supplement to the core analysis in the section 'Portfolio composition and developments' and provides additional and/or more detailed information.

Credit risk exposure

The following table presents the IFRS view on maximum exposure to credit risk. The financial instruments subject to credit risk are presented in accordance with IFRS at carrying amounts, without consideration of collateral or other credit enhancements. As such, the table does not represent ABN AMRO's risk management view.

Maximum exposure to credit risk IFRS (EU) Audited

(in millions)	Note	31 December 2013		31 December 2012	
Cash and balances at central banks	13		**9,523**		**9,796**
Financial assets held for trading	14	23,867		24,343	
Less: equity securities		6,471		2,539	
Financial assets held for trading			**17,396**		**21,804**
Financial investments	15	28,111		21,730	
Less: equity instruments		209		192	
Less: private equities and venture capital		121		134	
Less: equity securities		182		28	
Financial investments			**27,599**		**21,376**
Loans and receivables - banks	16		**31,210**		**46,461**
Loans and receivables - customers	17		**268,147**		**276,967**
Accrued income and prepaid expenses	22		**722**		**799**
Other assets	24	6,800		9,335	
Less: Unit-linked investments		2,171		2,170	
Less: Defined benefit assets					
Less: Other		746		1,309	
Other assets			**3,883**		**5,856**
On-balance sheet maximum exposure to credit risk[1]			**358,480**		**383,059**
Off-balance sheet					
Committed credit facilities	38	13,764		17,635	
Guarantees and other commitments	38	16,103		16,777	
Revocable credit facilities[2]		71,657		72,343	
Off-balance sheet credit facilities and guarantees			**101,524**		**106,755**
Maximum exposure to credit risk			**460,004**		**489,814**

1 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.
2 Although not committed, ABN AMRO is of the opinion that revocable credit facilities give rise to credit risk. These are not included as committed credit facilities in note 38 to the Annual Financial Statements 2013.

Maturity distribution by exposure class Pillar 3

(in millions, Exposure at Default)

31 December 2013	Less than one year	Between one year and five years	More than five years	Total
Central governments and central banks	22,541	8,389	14,430	45,360
Institutions[1]	11,904	4,364	4,430	20,698
Corporates	44,025	29,520	20,572	94,117
Retail	10,937	4,049	162,861	177,847
- of which Retail mortgages	1,241	2,843	156,081	160,165
- of which Qualifying revolving exposures	4,262		3,012	7,274
- of which Other retail	5,434	1,206	3,768	10,408
Securitisation positions[2]		1,198	1,313	2,511
Exposure at Default[3,4]	**89,407**	**47,520**	**203,606**	**340,533**
Percentage of total	26%	14%	60%	100%

31 December 2012	Less than one year	Between one year and five years	More than five years	Total
Central governments and central banks	29,496	7,284	9,186	45,966
Institutions[1]	9,649	2,260	4,253	16,162
Corporates	54,455	27,942	21,283	103,680
Retail	14,069	3,626	166,562	184,257
- of which Retail mortgages	1,837	2,581	158,979	163,397
- of which Qualifying revolving exposures	3,925		2,894	6,819
- of which Other retail	8,307	1,045	4,689	14,041
Securitisation positions		1,414	1,397	2,811
Exposure at Default[2,3,4,5]	**107,669**	**42,526**	**202,681**	**352,876**
Percentage of total	31%	12%	57%	100%

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.
5 2012 figures for Exposure at Default have been adjusted for comparison purposes, following adoption of the amended pension accounting standard IAS 19.

SA approach: regulatory gross and net credit exposure by risk-weight Pillar 3

(in millions)

Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD
										31 December 2013
Regulatory gross exposure										
Central governments and central banks	119	118					65			302
Institutions[1]		889	749		77		3			1,718
Corporates		51	25	346	1,005	111	8,636	75	1	10,250
Retail		687	1,014	716	422	5,899	97	14		8,849
- of which Retail mortgages		687	838	716	24		48	1		2,314
- of which Qualifying revolving exposures										
- of which Other retail			176		398	5,899	49	13		6,535
Securitisation positions										
Exposure at Default SA[2,3]	**119**	**1,745**	**1,788**	**1,062**	**1,504**	**6,010**	**8,801**	**89**	**1**	**21,119**

Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD	Total RWA
											31 December 2013
Regulatory net exposure											
Central governments and central banks	155	120					65			340	80
Institutions[1]		936	879	94	187	12	8			2,116	425
Corporates		51	25	299	1,062	111	5,034	55	1	6,638	5,930
Retail		687	1,062	688	395	781	26	10		3,649	1,364
- of which Retail mortgages		687	886	688			1			2,262	497
- of which Qualifying revolving exposures											
- of which Other retail			176		395	781	25	10		1,387	867
Securitisation positions											
Exposure at Default SA[2,3]	**155**	**1,794**	**1,966**	**1,081**	**1,644**	**904**	**5,133**	**65**	**1**	**12,743**	**7,799**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

SA approach: regulatory gross and net credit exposure by risk-weight Pillar 3

(in millions) — 31 December 2012

Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD
Regulatory gross exposure										
Central governments and central banks										
Institutions[1]		3,197	8,764	75	11,018	2	916	38		24,010
Corporates	5	18	646	497	194	2,417	33,321	322		37,420
Retail	27	1,833	35	908	253	7,585	137	11		10,789
- of which Retail mortgages	27	1,833	17	908	29		104			2,918
- of which Qualifying revolving exposures										
- of which Other retail			18		224	7,585	33	11		7,871
Securitisation positions										
Exposure at Default SA[2,3]	**32**	**5,048**	**9,445**	**1,480**	**11,465**	**10,004**	**34,374**	**371**	**0**	**72,219**

31 December 2012

Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Total EAD	Total RWA
Regulatory net exposure											
Central governments and central banks											
Institutions[1]		2,383	6,196	68	7,066	115	300	34		16,162	5,482
Corporates	5	18	128	438	664	2,235	21,062	217	2	24,769	23,776
Retail	21	1,838	35	862	254	1,256	139	11		4,416	1,335
- of which Retail mortgages	21	1,838	17	777			99			2,752	606
- of which Qualifying revolving exposures											
- of which Other retail			18	85	254	1,256	40	11		1,664	729
Securitisation positions											
Exposure at Default SA[2,3]	**26**	**4,239**	**6,359**	**1,368**	**7,984**	**3,606**	**21,501**	**262**	**2**	**45,347**	**30,593**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

Regulatory gross and net credit exposure by risk-weight under the Standardised Approach. This table provides a breakdown of the regulatory gross and net credit exposure by risk-weight for our credit portfolio exposures treated under the Standardised Approach, according to Basel-defined exposure segments.

IRB approach: credit quality of EAD and risk-weighted assets by exposure class Pillar 3 EDTF 15

(in millions)							31 December 2013
				Total	LGD 0% - 20%	LGD 20% - 50%	LGD > 50%
Exposure class	Grade category	EAD	RWA	Average RWA	EAD (%)	EAD (%)	EAD (%)
Central governments and central banks	Investment grade	44,998	473	1%	76%	24%	
	Sub-investment grade	22	54	245%			100%
	Default without provision						
	Default with provision						
	Total	**45,020**	**527**	**1%**	**76%**	**24%**	**0%**
Institutions[1]	Investment grade	17,811	3,522	20%	7%	79%	14%
	Sub-investment grade	763	673	88%	3%	76%	21%
	Default without provision						
	Default with provision	8	7	88%		100%	
	Total	**18,582**	**4,202**	**23%**	**7%**	**79%**	**14%**
Corporates	Investment grade	28,999	7,820	27%	26%	70%	4%
	Sub-investment grade	52,775	26,949	51%	57%	43%	
	Default without provision	1,290	2,567	199%	75%	25%	
	Default with provision	4,415	1,684	38%	14%	86%	
	Total	**87,479**	**39,020**	**45%**	**45%**	**54%**	**1%**
Retail	Investment grade	135,764	8,050	6%	78%	21%	1%
	Sub-investment grade	35,202	14,742	42%	59%	28%	13%
	Default without provision						
	Default with provision	3,232	4,420	137%	72%	28%	
	Total	**174,198**	**27,212**	**16%**	**74%**	**23%**	**3%**
Securitisation positions	Investment grade	2,511	286	11%	100%		
	Sub-investment grade						
	Default without provision						
	Default with provision						
	Total	**2,511**	**286**	**11%**	**100%**	**0%**	**0%**
Total	Investment grade	230,083	20,151	9%	66%	32%	2%
	Sub-investment grade	88,762	42,418	48%	57%	37%	6%
	Default without provision	1,290	2,567	199%	75%	25%	0%
	Default with provision	7,655	6,111	80%	38%	62%	0%
	Total[2,3,4]	**327,790**	**71,247**	**22%**	**63%**	**34%**	**3%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

IRB approach: credit quality of EAD and risk-weighted assets by exposure class Pillar 3 EDTF 15

(in millions)							31 December 2012
				Total	LGD 0% - 20%	LGD 20% - 50%	LGD > 50%
Exposure class	Grade category	EAD	RWA	Average RWA	EAD (%)	EAD (%)	EAD (%)
Central governments and central banks	Investment grade	45,963	679	1%	37%	63%	
	Sub-investment grade	3	4	133%			100%
	Default without provision						
	Default with provision						
	Total	**45,966**	**683**	**1%**	**37%**	**63%**	**0%**
Institutions[1]	Investment grade						
	Sub-investment grade						
	Default without provision						
	Default with provision						
	Total						
Corporates	Investment grade	20,129	3,240	16%	35%	64%	1%
	Sub-investment grade	52,510	29,385	56%	66%	33%	1%
	Default without provision	1,593	3,439	216%	47%	53%	
	Default with provision	4,679	1,254	27%	13%	70%	17%
	Total	**78,911**	**37,318**	**47%**	**55%**	**43%**	**2%**
Retail	Investment grade	138,900	9,054	7%	79%	19%	2%
	Sub-investment grade	38,065	14,487	38%	67%	19%	14%
	Default without provision						
	Default with provision	2,876	2,688	93%	47%	25%	28%
	Total	**179,841**	**26,229**	**15%**	**76%**	**19%**	**5%**
Securitisation positions	Investment grade	2,811	230	8%	100%		
	Sub-investment grade						
	Default without provision						
	Default with provision						
	Total	**2,811**	**230**	**8%**	**100%**	**0%**	**0%**
Total	Investment grade	207,803	13,203	6%	66%	33%	1%
	Sub-investment grade	90,578	43,876	48%	66%	27%	7%
	Default without provision	1,593	3,439	216%	47%	53%	0%
	Default with provision	7,555	3,942	52%	26%	53%	21%
	Total[2,3,4]	**307,529**	**64,460**	**21%**	**65%**	**32%**	**3%**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 2013 Exposure at Default includes securitisation positions, resulting in adjusted 2012 figures for comparative purposes.
3 As of 2013 securitisations positions for which there is no significant risk transfer are reported in the exposure class of underlying assets. The 2012 figures have been adjusted accordingly.
4 Exposure at Default does not include EAD calculated for equities not held for trading and other non-credit obligations.

European exposures

European government and government-guaranteed exposures Audited

(in billions)	31 December 2013			31 December 2012		
	Government	Government guaranteed	Gross carrying amount	Government	Government guaranteed	Gross carrying amount
Netherlands	11.2		11.2	12.6		12.6
France	5.1		5.1	2.5		2.5
Germany	2.4		2.4	1.8		1.8
Austria	1.6		1.6	1.4		1.4
Greece					1.0	1.0
Belgium	2.6		2.6	0.8		0.8
European Union	1.3		1.3	1.0		1.0
Finland	1.1		1.1	0.7		0.7
Italy	0.5		0.5	0.4		0.4
Denmark	0.2		0.2			
Poland	0.3		0.3	0.3		0.3
United Kingdom	0.2		0.2	0.2		0.2
Spain	0.2		0.2	0.1		0.1
Luxembourg	0.1		0.1			
Sweden	0.1		0.1			
Switzerland	0.3		0.3			
Ireland						
Portugal						
Total European exposure	**27.2**		**27.2**	**21.8**	**1.0**	**22.8**

Specific products and types of financing Pillar 3

Exposure at Default for equities not held for trading Pillar 3

(in millions, Exposure at Default)	31 December 2013		31 December 2012	
	EAD	RWA	EAD	RWA
IRB - Private equity (190%)	329	625	734	1,409
IRB - Exchanged traded (290%)	243	705	42	123
IRB - Other equity (370%)	379	1,403	69	257
Total IRB	**951**	**2,733**	**845**	**1,789**
Total	**951**	**2,733**	**845**	**1,789**

Exposure at Default for OTC derivatives Pillar 3

(in millions, Exposure at Default)	31 December 2013	31 December 2012
Gross positive fair value	13,642	20,868
Add: Potential future exposure add-on	5,187	4,424
Gross Exposure at Default	**18,829**	**25,292**
Less: Netting benefits	9,689	13,438
Less: Collateral held	138	1,564
Net Exposure at Default	**9,002**	**10,290**

Management of forborne, past due and impaired loans

Forbearance credit quality

(in millions)							31 December 2013
	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	2,421	589	401	1,431	20	430	450
Other consumer loans	337	244	6	87	9	26	35
Total consumer loans	**2,758**	**833**	**407**	**1,518**	**29**	**456**	**485**
Commercial loans	6,273	4,433	194	1,646	754	57	811
Other commercial loans	160	25	135				
Total commercial loans	**6,433**	**4,458**	**329**	**1,646**	**754**	**57**	**811**
Government and official institutions							
Total Loans and receivables - customers	**9,191**	**5,291**	**736**	**3,164**	**783**	**513**	**1,296**
Total	**9,191**	**5,291**	**736**	**3,164**	**783**	**513**	**1,296**

Forbearance credit quality

(in millions)							31 December 2012
	Total forborne assets	Forborne assets not past due and not impaired	Forborne assets past due but not impaired	Impaired forborne assets	Specific allowance	Collective allowance	Total allowance
Loans and receivables - banks							
Loans and receivables - customers							
Residential mortgages	1,777	603	19	1,155		254	254
Other consumer loans	205	127	35	43	5	14	19
Total consumer loans	**1,982**	**730**	**54**	**1,198**	**5**	**268**	**273**
Commercial loans	4,581	3,116	494	971	473	36	509
Other commercial loans	109	15	94				
Total commercial loans	**4,690**	**3,131**	**588**	**971**	**473**	**36**	**509**
Government and official institutions							
Total Loans and receivables - customers	**6,672**	**3,861**	**642**	**2,169**	**478**	**304**	**782**
Total	**6,672**	**3,861**	**642**	**2,169**	**478**	**304**	**782**

Forbearance assets by geography

(in millions)						31 December 2013
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	2,331	90				2,421
Other consumer loans	316	20			1	337
Total consumer loans	**2,647**	**110**			**1**	**2,758**
Commercial loans	5,380	516	15	46	316	6,273
Other commercial loans	138	22				160
Total commercial loans	**5,518**	**538**	**15**	**46**	**316**	**6,433**
Government and official institutions						
Total Loans and receivables - customers	**8,165**	**648**	**15**	**46**	**317**	**9,191**
Total	**8,165**	**648**	**15**	**46**	**317**	**9,191**

Forbearance assets by geography

(in millions)						31 December 2012
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Loans and receivables - banks						
Loans and receivables - customers						
Residential mortgages	1,699	78				1,777
Other consumer loans	195	9			1	205
Total consumer loans	**1,894**	**87**			**1**	**1,982**
Commercial loans	3,946	276		44	315	4,581
Other commercial loans	84	25				109
Total commercial loans	**4,030**	**301**		**44**	**315**	**4,690**
Government and official institutions						
Total Loans and receivables - customers	**5,924**	**388**		**44**	**316**	**6,672**
Total	**5,924**	**388**		**44**	**316**	**6,672**

Forborne assets by business segment

(in millions)	31 December 2013	31 December 2012
Retail Banking	2,585	1,913
Private Banking	366	151
Commercial Banking	4,955	3,805
Merchant Banking	1,285	803
Group Functions		
Total	**9,191**	**6,672**

Loan impairment charges on- and off-balance sheet Audited

(in millions)	2013	2012
On-balance sheet	982	1,230
Off-balance sheet	1	-2
Total impairment charges on loans and other receivables	**983**	**1,228**

Individual and collective loan impairment allowances Audited

(in millions)					2013
	Banks	Commercial	Consumer		Total
			Mortgages	Other consumer	
Individual impairment	23	2,996	78	228	3,325
Collective impairment	1	782	507	384	1,674
Balance at 31 December	**24**	**3,778**	**585**	**612**	**4,999**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	23	5,175	1,739	887	7,824

					2012
	Banks	Commercial	Consumer		Total
			Mortgages	Other consumer	
Individual impairment	24	4,055	56	191	4,326
Collective impairment	4	642	314	254	1,214
Balance at 31 December	**28**	**4,697**	**370**	**445**	**5,540**
Carrying amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	24	6,406	1,504	675	8,609

Maturity impaired exposures

	31 December 2013					31 December 2012				
	Gross carrying amount	Impaired expo-sures	<= one year impaired	>one year & <= five years impaired	> five years impaired	Gross carrying amount	Impaired expo-sures	<= one year impaired	>one year & <= five years impaired	> five years impaired
Loans and receivables - banks	**31,234**	**23**	**0**	**23**		46,489	24		24	
Loans and receivables - customers										
Residential mortgages[1]	154,024	1,739	1,273	451	15	159,035	1,504	1,093	405	6
Other consumer loans	16,241	887	449	415	23	16,645	675	274	370	31
Total consumer loans	**170,265**	**2,626**	**1,722**	**866**	**38**	175,680	2,179	1,367	775	37
Commercial loans[1, 2]	84,330	5,038	1,729	2,745	564	86,727	6,286	1,528	4,521	237
Other commercial loans[3]	17,759	137	57	71	9	18,742	120	44	68	8
Total commercial loans	**102,089**	**5,175**	**1,786**	**2,816**	**573**	105,469	6,406	1,572	4,589	245
Government and official institutions	**768**					1,330				
Total Loans and receivables - customers	**273,122**	**7,801**	**3,508**	**3,682**	**611**	282,479	8,585	2,939	5,364	282
Accrued income and prepaid expenses	**722**					799				
Other assets	**3,888**	**13**	**13**			5,860	13	9	4	
Total on-balance sheet	**308,966**	**7,837**	**3,521**	**3,705**	**611**	335,627	8,622	2,948	5,392	282
Total off-balance sheet	**101,525**	**8**	**8**			106,756	7	5		2
Total[4]	**410,491**	**7,845**	**3,529**	**3,705**	**611**	442,383	8,629	2,953	5,392	284

1 Carrying amounts include fair value adjustment from hedge accounting.
2 Consumer loans in the programme lending portfolio that are more than 90 days due are immediately impaired.
3 Other commercial loans consist of reverse repurchase agreements, securities borrowing transactions, financial lease receivables and factoring.
4 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

Maturity allowances for Impairments for identified credit risk

	31 December 2013					31 December 2012				
	Impaired expo-sures	Allowances for Impair-ments for identified credit risk	<= one year impaired	>one year & <= five years impaired	> five years impaired	Impaired expo-sures	Allowances for Impair-ments for identified credit risk	<= one year impaired	>one year & <= five years impaired	> five years impaired
Loans and receivables - banks	**23**	**-23**		**-23**		**24**	**-24**		**-24**	
Loans and receivables - customers										
Residential mortgages[1]	1,739	-472	-316	-147	-9	1,504	-292	-182	-108	-2
Other consumer loans	887	-512	-216	-283	-13	675	-392	-147	-231	-14
Total consumer loans	**2,626**	**-984**	**-532**	**-430**	**-22**	**2,179**	**-684**	**-329**	**-339**	**-16**
Commercial loans[1, 2]	5,038	-3,237	-906	-1,779	-552	6,286	-4,253	-863	-3,183	-207
Other commercial loans[3]	137	-86	-22	-57	-7	120	-85	-14	-66	-5
Total commercial loans	**5,175**	**-3,323**	**-928**	**-1,836**	**-559**	**6,406**	**-4,338**	**-877**	**-3,249**	**-212**
Government and official institutions										
Total Loans and receivables - customers	**7,801**	**-4,307**	**-1,460**	**-2,266**	**-581**	**8,585**	**-5,022**	**-1,206**	**-3,588**	**-228**
Accrued income and prepaid expenses										
Other assets	**13**	**-5**	**-5**			**13**	**-4**	**-3**	**-1**	
Total on-balance sheet	**7,837**	**-4,335**	**-1,465**	**-2,289**	**-581**	**8,622**	**-5,050**	**-1,209**	**-3,613**	**-228**
Total off-balance sheet	**8**					**7**				
Total[4]	**7,845**	**-4,335**	**-1,465**	**-2,289**	**-581**	**8,629**	**-5,050**	**-1,209**	**-3,613**	**-228**

1 Carrying amounts include fair value adjustment from hedge accounting.
2 Consumer loans in the programme lending portfolio that are more than 90 days due are immediately impaired.
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4 In 2013 accrued interest is presented as part of the relevant balance sheet item. The 2012 figures have been adjusted accordingly for comparative purposes.

capital management 16

In 2013, ABN AMRO prepared for complying with the elevated Basel III capital requirements. The capital position further strengthened in 2013, mainly aided by profit retention and optimisation of risk-weighted assets. The bank's capital position remains supportive of ABN AMRO's strategic ambitions and is in line with the pursued moderate risk profile.

Capital management framework

Pillar 3 | EDTF 4 | EDTF 12

Capital management strategy

The primary objective of the capital management strategy is to ensure that capital adequacy requirements are met at all times and sufficient capital is available to support the bank's strategy.

ABN AMRO manages capital adequacy from different perspectives. The balance between available and required capital is managed centrally, optimising the use of available capital.

The capital needs of the bank are determined based on the risk appetite, the business plans and the expectations and requirements of external stakeholders, such as regulators, investors, analysts and clients. The bank's market position and market developments, among other things, determine the access of the bank to the capital markets and the feasibility of capital management actions.

Although capital is managed centrally, group companies are sufficiently capitalised to comply with local regulatory solvency requirements and to meet any local business needs. This governance ensures that subsidiaries that are required to report on a solo or sub-consolidated level are sufficiently capitalised on a continuous basis.

ABN AMRO's banking activities are primarily carried out in the Netherlands. Most of the banking activities in the Netherlands are performed by legal entities guaranteed by ABN AMRO Group N.V. via a so-called 403 declaration under Dutch law. These entities also form a tax group for corporate income tax purposes. This means that, apart from the prevailing legal and regulatory legislation, there are no specific material impediments to prompt transfer of the bank's regulatory capital.

This governance ensures that subsidiaries that are required to report on a solo or sub-consolidated level are sufficiently capitalised on a continuous basis.

Capital measurement and allocation

Capital adequacy is measured and monitored on an ongoing basis against target capital ratios derived from the bank's overall risk appetite and strategy. Capital projections and stress test scenarios, both macroeconomic and bank-specific, are used to ensure that actual and future capital levels remain above the targets.

Capital is allocated to businesses in line with the group strategy. Capital allocation is based both on risk-based and non-risk-based return parameters, taking into account both economic and regulatory capital requirements. This is to ensure that return targets are met and to align with our risk profile.

Contingency capital management

Contingency plans are in place to address capital issues, if any. The Contingency Capital Plan provides a framework to detect capital adequacy stress by setting out various early warning indicators. The Contingency Capital Plan also defines a range of available actions that could be undertaken based on the level of severity and urgency of the issues.

Capital structure Audited

The capital buffer consists mainly of highly loss absorbing capital instruments to cover unexpected losses. Subordination in specific capital elements provides further protection of the interests of senior creditors.

Regulatory capital structure Audited Pillar 3 EDTF 10

(in millions)	31 December 2013	31 December 2012
Total Equity - IFRS (EU)	**13,568**	**12,883**
Goodwill and other intangible assets	-122	-121
IRB provisions shortfall[1]	-104	-114
Participations in financial institutions > 10%[1]	-336	-323
Valuation differences in available-for-sale Equities[1]	-129	-109
Valuation differences in available-for-sale Loans and assets	-10	14
Cash flow hedge reserve	1,467	1,873
Dividend reserve	-200	-262
Other regulatory adjustments	1,564	859
Core Tier 1 capital	**15,698**	**14,700**
Innovative hybrid capital instruments	1,000	997
Tier 1 Capital	**16,698**	**15,697**
Subordinated liabilities Upper Tier 2	179	183
Valuation differences in available-for-sale Equities[1]	129	109
Subordinated liabilities Lower Tier 2	5,431	6,848
Participations in financial institutions > 10%[1]	-336	-323
IRB provisions shortfall[1]	-104	-114
Total regulatory capital[2]	**21,997**	**22,400**

1 Capital deductions which apply 50% to core Tier 1 capital and 50 % to Tier 2 capital.
2 DNB requires Dutch banks to disclose the Basel I floor in accordance with CRR article 500. The Basel I floor is calculated by multiplying Basel I RWA of EUR 181 billion by 8% times 80% resulting in a minimum required amount of own funds of EUR 11.6 billion as per 31 December 2013. ABN AMRO comfortably meets this requirement.

Regulatory capital flow statement Audited EDTF 11

(in millions)	2013	2012
Core Tier 1 capital		
Balance at 1 January	**14,700**	**13,345**
Addition of net profit attributable to shareholders	1,160	1,153
Reserved dividend	-200	-262
Interim dividend paid	-150	
MCS conversion & Ageas settlement		1,600
Other, including regulatory adjustments	188	-1,136
Balance at 31 December	**15,698**	**14,700**
Additional Tier 1 capital		
Balance at 1 January	**997**	**2,744**
New issued Tier 1 eligible capital instruments		
Redeemed Tier 1 eligible capital instruments		-1,750
Other, including regulatory adjustments	3	3
Balance at 31 December	**1,000**	**997**
Tier 1 Capital	**16,698**	**15,697**
Tier 2 capital		
Balance at 1 January	**6,703**	**4,508**
New issued Tier 1 eligible capital instruments		2,758
Redeemed Tier 1 eligible capital instruments	-1,399	-22
Other, including regulatory adjustments	-5	-541
Balance at 31 December	**5,299**	**6,703**
Total regulatory capital	**21,997**	**22,400**

Risk-weighted assets Audited

(in millions)	31 December 2013	31 December 2012
Credit risk	**86,201**	**100,405**
- of which standardised	10,731	32,570
- of which advanced	75,470	67,835
Operational risk	**16,415**	**15,461**
- of which standardised	16,415	15,461
- of which advanced		
Market risk	**6,396**	**5,640**
- of which standardised	6,396	5,140
- of which advanced		500
Total risk-weighted assets	**109,012**	**121,506**

Entities deducted from regulatory capital

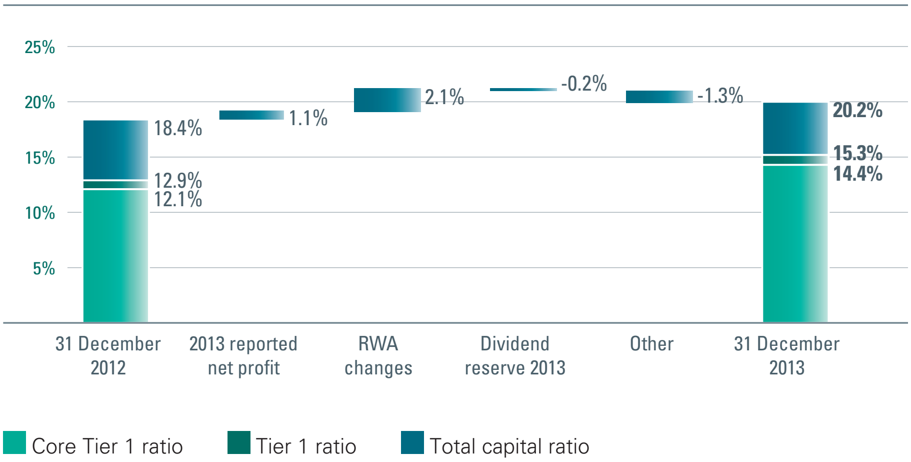
Entity name	31 December 2013	31 December 2012
ABACUS Wertpapier Handelsgesellschaft mbH	1	1
Alcover AG	52	50
APG - ABN AMRO Pensioeninstelling N.V.		1
Cofiloisirs S.A.	11	10
Currence Holding B.V.	9	12
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	251	247
Equens S.E.	61	57
European Merchant Services B.V.	15	14
European Multilateral Clearing Facility N.V.	7	
Geldservices Nederland B.V.	8	11
Nederlandse Financieringsmij voor ontwikkelingslanden N.V.	45	43
Neuflize Vie S.A.	206	200
TOM Holding	6	
Secfinex Ltd		
Total	**672**	**646**

Main changes in capital position EDTF 11

At year-end 2013, the core Tier 1 and Tier 1 ratios were 14.4% (2.3% higher than year-end 2012) and 15.3% (2.4% higher than year-end 2012) respectively and the total capital adequacy ratio was 20.2% (1.7% higher than year-end 2012). These capital ratios are well above the regulatory minimum requirements. The following chart shows the main items impacting the capital ratios in 2013.

Developments impacting capital ratios in 2013 EDTF 11

(in %)



Core Tier 1 capital

Core Tier 1 capital improved by 2.3% over 2013, mainly due to profit retention net of dividend payments and a decrease in RWA. Net reported profit attributable to shareholders in 2013 amounted to EUR 1,160 million. Net profit after dividend allocation is included in core Tier 1 capital, in accordance with regulations and the dividend policy.

ABN AMRO proposes to pay a total dividend of EUR 350 million for the full year, of which EUR 150 million was paid as interim dividend in the forth quarter of 2013.

Tier 2 capital

In the course of 2013, ABN AMRO called various lower Tier 2 capital instruments totalling a notional amount of EUR 1.4 billion. As a result, the lower Tier 2 capital declined by EUR 0.9 billion. This decline equals the regulatory eligible amount out of the EUR 1.4 billion notial amount.

The call and coupon ban on capital instruments imposed by the European Commission in the State Aid Ruling expired on 11 March 2013.

Further information on share capital, dividend and capital instruments Pillar 3

Share capital

In the first half of 2013, EUR 210 million of class A non-cumulative preference shares were repurchased and cancelled, resulting in a decline of the share capital and share premium reserve by EUR 75 million and EUR 135 million respectively.

At 31 December 2013, the authorised share capital amounted to EUR 3,751 million distributed over 3,750 million class A ordinary shares and 100 million class B ordinary shares. The class A ordinary shares have a nominal value of EUR 1.00 each and the class B ordinary shares have a nominal value of EUR 0.01 each.

At 31 December 2013, issued and paid-up capital amounted to EUR 940 million and consisted of 940 million class A ordinary shares. Further information is provided in note 33 to the Annual Financial Statements.

Dividend

The dividend policy targets a payout ratio of 40% of the reported annual profit. Even though the capital ratios are strong, both under Basel II and III, ABN AMRO aims to build up additional capital buffers in order to meet the bank's strategic targets and to manage the impact of new regulations.

For prudency reasons and in close consultation with the shareholder, ABN AMRO has temporarily reduced the payout ratio. The targeted payout ratio is set to gradually increase again to 40% of the net profit by financial year 2015. The dividend proposed for 2013 is EUR 350 million, of which EUR 150 million was paid as interim dividend.

Preference shares

In March 2013, the class A 5.85% non-cumulative preference shares, totalling EUR 210 million in equity, were called and repurchased. The acquired shares were cancelled and the NLFI consequently became the sole holder of all ABN AMRO Group N.V. shares.

Capital instruments

Capital instruments

(in millions)				31 December 2013	31 December 2012
	ISIN/CUSIP	Maturity date	First possible call date	Nominal amount	Nominal amount
Tier 1					
EUR 1,000 million 4.31% per annum	XS0246487457	Perpetual	March 2016	1,000	1,000
Total Tier 1 capital instruments				**1,000**	**1,000**
Upper Tier 2					
GBP 150 million (originally GBP 750 million) 5.00% per annum	XS0244754254	Perpetual	February 2016	179	183
Lower Tier 2					
EUR 1,650 million (originally EUR 2,000 million)[1]	-	October 2017	October 2012	1,650	1,650
EUR 1,228 million 6.375% per annum	XS0619548216	April 2021		1,228	1,228
USD 595 million 6.250% per annum	XS0619547838	April 2022		432	451
USD 113 million 7.75% per annum	00080QAD7/ N0028HAP0	May 2023		82	86
EUR 1,000 million 7.125% per annum	XS0802995166	July 2022		1,000	1,000
USD 1,500 million 6.25% per annum	XS0827817650	September 2022	September 2017	1,090	1,137
SGD 1,000 million 4.7% per annum	XS0848055991	October 2022	October 2017	575	621
EUR various smaller instruments		2015-2020		281	313
USD various smaller instruments					
Various Tier 2 capital instruments[2]					1,464
Total Tier 2 capital instruments				**6,517**	**8,133**
Of which eligible for regulatory capital:					
Basel II, Tier 1				1,000	997
Basel II, Tier 2				5,610	7,031
Basel III, Tier 1				800	797
Basel III, Tier 2				5,607	5,002

1 The EUR 1,650 million instrument is owned by the Dutch State and was acquired from Fortis Bank SA/NV in Belgium in October 2008; please refer to note 41 to the Consolidated Annual Financial Statements.
2 Various Tier 2 instruments called in 2013.

Minimum capital requirement

Audited | Pillar 3 | EDTF 9 | EDTF 14

Pillar 1 sets the minimum capital requirements to cover the three major risk types a bank faces: credit risk, operational risk and market risk as determined in the Basel II framework.

The following table provides an overview of the risk-weighted assets and minimum capital requirements per risk type, category of exposure and regulatory approach.

Capital requirement

Audited | Pillar 3 | EDTF 9 | EDTF 14

(in millions)	31 December 2013		31 December 2012	
	Capital requirement	Risk-weighted assets	Capital requirement	Risk-weighted assets
Credit risk Internal Ratings Based				
Central governments and central banks	42	528	55	683
Institutions[1]	336	4,201		
Corporates	3,122	39,020	2,985	37,318
Retail	2,177	27,212	1,854	23,175
- of which Retail mortgages	1,546	19,326	1,162	14,530
- of which Qualifying revolving exposures	296	3,700	228	2,856
- of which Other retail	335	4,186	464	5,789
Equities not held for trading	219	2,733	143	1,789
Securitisation positions[2]	23	286	263	3,284
Other[3]	119	1,490	127	1,586
Total credit risk Internal Ratings Based	**6,038**	**75,470**	**5,427**	**67,835**
Credit risk Standardised Approach				
Central governments and central banks	6	79		
Institutions[1]	34	426	439	5,482
Corporates	474	5,930	1,902	23,776
Retail	109	1,364	107	1,335
- of which Retail mortgages	40	497	6	81
- of which Qualifying revolving exposures				
- of which Other retail	69	867	101	1,254
Equities not held for trading				
Other[3]	235	2,932	158	1,977
Total credit risk Standardised Approach	**858**	**10,731**	**2,606**	**32,570**
Other risks				
Market risk	512	6,396	451	5,640
- of which Standardised Approach	512	6,396	411	5,140
- of which Internal Model Approach			40	500
Operational risk	1,313	16,415	1,237	15,461
- of which Standardised Approach	1,313	16,415	1,237	15,461
Total other risks	**1,825**	**22,811**	**1,688**	**21,101**
Total	**8,721**	**109,012**	**9,721**	**121,506**

1 Institutions include exposures to banks and investment undertakings, regional governments and local authorities, and pension funds.
2 Other includes, among other things, property & equipment and other assets.
3 Other includes non-credit obligations.

Main regulatory developments

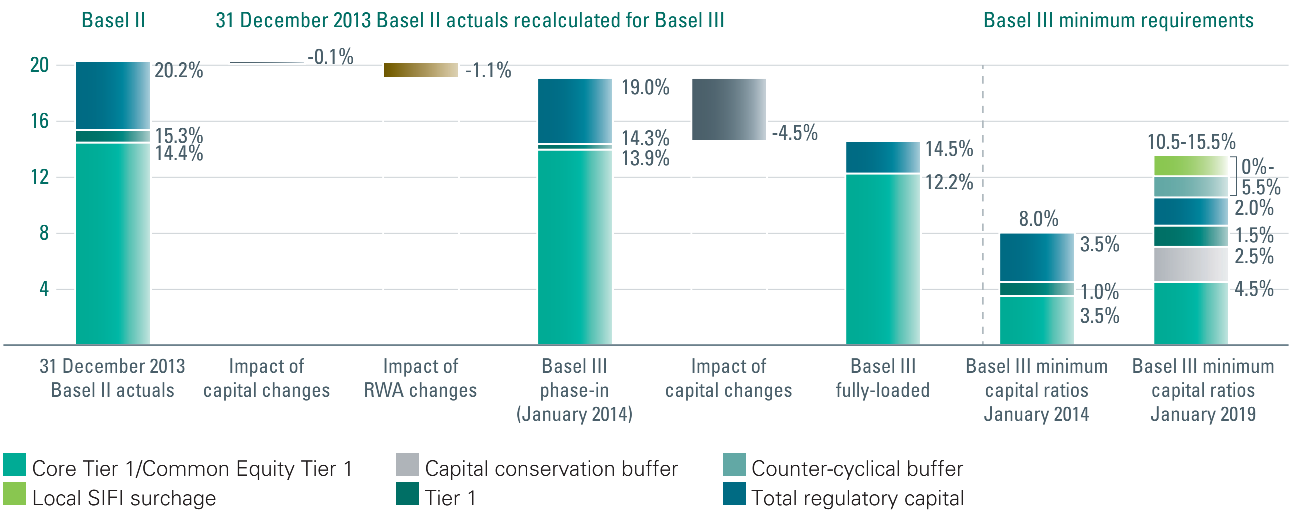
Basel III/CRD IV EDTF 9

The EC Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR), as published in June 2013, set the framework for the implementation of Basel III in the European Union. These new rules were phased in on 1 January 2014 and will be fully effective by January 2019. Under the new rules, capital requirements are expected to increase due to the introduction of stricter capital eligibility criteria, capital requirements for derivatives (CVA), additional capital buffers and the leverage back stop.

In 2013, regulatory capital adequacy was managed in anticipation of Basel III requirements. ABN AMRO is already on track for compliance with the more stringent fully-loaded capital requirements.

The following graph presents the impact of the Basel III phase-in and Basel III fully-loaded rules on the capital adequacy ratios at year-end 2013. The Basel III impact has been calculated based on current information and regulatory guidance.

Basel III estimated impact on capital ratios EDTF 9
(in %)



Impact of Basel III on capital ratios

CRD IV phase-in 2014

Under the Basel III phase-in rules (as per January 2014), the year-end 2013 regulatory capital ratios would be impacted as follows:

- RWA are expected to increase, resulting in a 1.1 percentage point decline in the total capital ratio. The increase in RWA is caused by, among other factors, an increase in the capital requirements for potential mark-to-market counterparty credit risk losses (credit valuation adjustment, 0.2 percentage points), exposure to central counterparties (0.1 percentage points), the deferred tax assets related to temporary differences (0.3 percentage points) along with the risk weighting of participation to financial institutions (0.3 percentage points);
- Total capital is expected to decrease, resulting in a 0.1 percentage point decline in the total capital ratio. This decrease is mainly caused by the expected loss of eligibility of Tier 1 capital instruments by EUR 0.2 billion and additional capital deductions related to intagible assets and IRB provision shortfall.

CRD IV fully loaded

Under the Basel III fully-loaded rules for capital deductions, prudential filters and RWA, the impact on the capital ratios is as follows:

- RWA are virtually the same as under the phase-in rules;
- Total capital is expected to decrease by an additional EUR 5.2 billion, resulting in an additional decline in the total capital ratio by 4.5 percentage points. This decrease is mainly due to the loss of eligibility of Tier 1 and Tier 2 capital instruments and the phasing out of the IAS 19R prudential filter (EUR 1.6 billion at 31 December 2013). This filter neutralises the equity effect of the amended IAS 19 standard.

ABN AMRO aims to move from a defined benefit pension scheme to a defined contribution pension scheme, if an agreement is reached. This would result to a loss of applicability of the IAS 19R prudential filter leading to an one-off impact on common Equity Tier 1 during the phase-in period. This one-off impact is subject to future movements in the net pension asset (liability). The migration to a defined contribution pension scheme will eliminate the equity volatility resulting from the net pension asset (liability).

The Basel III fully-loaded common Equity Tier 1 ratio amounted to 12.2% at 31 December 2013.

Impact of Basel III on capital ratios

31 December 2013	Basel II	Basel III phased-in January 2014	Basel III fully-loaded
Core Tier 1/Common Equity Tier 1 ratio	14.4%	13.9%	12.2%
Tier 1 ratio	15.3%	14.3%	12.2%
Total capital ratio	20.2%	19.0%	14.5%
Risk-weighted assets	109,012	115,443	115,443
Leverage ratio	4.2%	4.1%	3.5%

Leverage ratio

CRD IV introduces a non-risk-based leverage ratio to be monitored by 2017 and to be further refined and calibrated before becoming a binding measure. The leverage ratio is estimated by dividing the Tier 1 capital by a measure of on-balance sheet and off-balance sheet exposures as determined by CRD IV.

According to the most recent regulatory guidance, ABN AMRO's leverage ratio based on the Basel II capital was 4.2% at year-end 2013 compared with 3.6% at year-end 2012. The increase in the leverage ratio was mainly due to improved Tier 1 capital and the substantial decrease in the exposure measure. The decrease of the exposure measure is caused by the decline in total assets and lower securities financing exposures.

At the end of 2013 the Basel III phased-in leverage ratio was 4.1%, while the Basel III fully-loaded leverage ratio was 3.5%. The difference was caused solely by the lower fully-loaded Tier 1 capital.

liquidity & funding 17

ABN AMRO further enhanced its liquidity profile in 2013. In line with our strategy of early compliance with Basel III requirements, the Liquiduty Coverage Ratio (LCR) was 100% and the Net Stable Funding Ratio (NSFR) 105% at year-end 2013. Due to continued inflow of client deposits, the loan-to-deposit ratio improved, allowing the bank to decrease the amount of outstanding wholesale funding. Furthermore, we enhanced our wholesale funding by further diversifying in currencies, tenors, investors and markets.

Strategy EDTF 4 EDTF 18 EDTF 21

The liquidity risk management framework ensures that the bank can meet its payment obligations at reasonable cost under severely adverse conditions. A set of liquidity risk metrics and limits is in place in order to manage the bank's liquidity position and ensure compliance with regulatory requirements at all times. Under a prudent liquidity management framework, limited dependency on wholesale funding, a conservative long-term maturity profile and a solid liquidity buffer is targeted. In managing liquidity risk, a clear distinction is made between going concern and liquidity contingency risk management.

The funding strategy aims to optimise and diversify the bank's funding sources in order to maintain the targeted long-term funding position, liquidity profile and compliance with regulatory requirements. The bank also focuses on optimising net interest income for the cost of carry of the liquidity buffer and the funding spreads, while complying with anticipated regulatory requirements. In doing so, we aim to strike a balance between the need to have sufficient funding and the costs involved, thereby ensuring that the balance sheet has a diverse, stable and cost-efficient funding base.

The funding strategy is executed taking into account the following guidelines:

- Be active in issuance in funding markets in Europe, the US and the Asia-Pacific region;
- Establish strong relationships with and strengthen the international investor base through active marketing and issuance;
- Strike an optimum balance between private placements and (public) benchmark deals;
- Build and actively manage the credit curve in several instruments and currencies;
- Continuously investigate and issue attractive investment opportunities for investors;
- Decrease funding costs within the targets set for type, volume, maturity and diversification.

Liquidity risk Audited

Liquidity risk is the risk that actual (and potential) payments or collateral posting obligations cannot be met on a timely basis, or only at excessive costs. There are 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 the bank's daily operations or its financial condition. Market liquidity risk is the risk that the bank cannot sell an asset in a timely manner without significantly affecting the market price due to insufficient market depth (insufficient supply and demand) or market disruption. As such, it is related to market risk. Market liquidity risk also includes the sensitivity in liquidity value of a portfolio due to changes in the applicable haircuts and market value. It also concerns uncertainty about the time required to realise the liquidity value of the assets.

Liquidity risk management approach

Audited | Pillar 3 | EDTF 2 | EDTF 18

The maturity transformation function is an integral part of the banking business model. As part of liquidity risk management, we closely monitor our liquidity position and various evolving risks, potential scenarios for outflows of funds and/or their impact. Diversification of funding sources and funding markets reduces the exposure to funding not being readily available and markets being closed. Lastly, we hold a portfolio of highly liquid assets that can be converted into cash or provide secured funding in the event of unforeseen interruption of cash flows.

The bank manages liquidity risk centrally in Group Functions (ALM/Treasury). By means of funds transfer pricing, among other measures, liquidity costs are incorporated into day-to-day business activities. The bank takes a two-step approach to liquidity risk management: a going concern liquidity management approach and a contingency liquidity risk approach.

Going concern liquidity risk management

Going concern liquidity management entails management of the day-to-day liquidity position within specified parameters to ensure all liabilities can be met on a timely basis. The main metrics used are:

- **Stress test:** we conduct stress-testing on a regular basis during which we evaluate the impact of cash in- and outflows under low probability yet plausible stress scenarios. Both market-wide and company-specific scenarios are analysed, taking into account inflows from asset sales and/or the use of assets as collateral. The goal of stress-testing is twofold. First, it aids us in reviewing our liquidity risk framework, i.e. the size of the liquidity buffer, risk appetite and limits. Second, stress-testing allows us to identify areas in which we can reduce the potential net outflow in times of crisis;
- **Regulatory liquidity requirement:** the regulatory liquidity requirement measures the liquidity position in a one-month scenario of severe stress, defined by the regulator (DNB). DNB requires the one-month liquidity position to always exceed the minimum required regulatory level. ABN AMRO's one-month liquidity position comfortably satisfies this requirement. The bank also has internal targets that are well above these requirements;
- **Survival period:** the survival period indicates for what period the Group's liquidity position is expected to remain positive in a situation where the wholesale funding markets close and there is an outflow of deposits from retail and commercial clients. The survival period was >365 days at 31 December 2013 (equal to the outcome at 31 December 2012) and is comfortably above the internally set minimum requirement;
- **LtD ratio:** the Loan-to-Deposit ratio (LtD ratio) measures the relationship between the loan book (Loans and receivables - customers) and deposits from clients (Due to customers). The ratio includes all client-driven loans and deposits, but excludes loans to and deposits from governments and the impact of securities financing and (reverse) repo transactions as these transactions are mostly related to financial institutions rather than non-institutional clients. As such, the LtD gives an indication

of our dependence on wholesale funding for financing or our non-institutional client loans. The Dutch retail market is characterised by mortgage loans outweighing client savings balances, thereby driving up the LtD. The LtD ratio decreased from 124.8% on 31 December 2012 to 120.6% on 31 December 2013, due mainly to higher retail savings and a lower mortgage volume. Clearing deposits were reclassified to Loans and receivables - customers; however, we do not regard them as client loans for the LtD ratio. Since we started reporting the accued interest as part of the book value as of year-end 2013, the LtD ratio of 2012 was restated, changing by 0.2%. The following table shows the development of the LtD ratio in 2013.

Loan-to-Deposit ratio Audited EDTF 18

(in millions)		31 December 2013		31 December 2012
Loans and receivables - customers		**268,147**		**276,967**
Gross up savings in mortgage linked saving products		7,236		6,574
Deductions				
Reverse repurchase agreements	3,558		7,349	
Securities borrowing	7,561		7,166	
Selected current accounts related to ABN AMRO Clearing Bank	2,053			
Fair value adjustment from hedge accounting	4,399		6,041	
Total deductions		-17,571		-20,556
Adjusted Loans and receivables - customers		**257,812**		**262,985**
Due to customers		215,643		216,757
Gross up savings in mortgage linked saving products		7,236		6,574
Debt certificates issued through Groenbank BV		227		353
Fiduciary deposits		749		4,233
Deductions				
Repurchase agreements	5,500		12,148	
Securities lending transactions	2,559		3,004	
Deposits from Dutch State Treasury Agency (DSTA)	2,100		2,100	
Total deductions		-10,159		-17,252
Adjusted Due to customers		**213,696**		**210,665**
Loan-to-Deposit ratio (LtD)		**120.6%**		**124.8%**

Contingency liquidity risk management Pillar 3

Contingency liquidity risk management aims to ensure that in the event of either a firm-specific or general market event, the bank is able to generate sufficient liquidity to withstand a short- or long-term liquidity crisis.

- **Liquidity Contingency Plan:** the Liquidity Contingency Plan (LCP) only comes into effect in the event the bank's liquidity position is threatened by internal or external circumstances which could lead to an imminent liquidity crisis. The LCP, which is aligned with our recovery plan as required by DNB, is designed to enable us to continue to manage our liquidity sources without unnecessarily jeopardising the businesses, while limiting excessive funding costs in severe market circumstances. The LCP defines several stages based on the seriousness of liquidity threats and defines mitigating actions. The LCP stage is determined based on the internal liquidity risk profile in relation to our risk appetite and external market developments;

- **Collateral posting in case of rating downgrade:** in the event that ABN AMRO's credit rating is downgraded, certain additional amounts of collateral may need to be provided. To a limited extent, collateral needs to be provided for exposures in the trading book. More material amounts of collateral need to be provided in relation to secured funding and securitisation transactions. ABN AMRO monitors these potential additional collateral postings in its liquidity management framework;
- **Liquidity buffer:** the liquidity buffer is a safety cushion to be used in the event of severe liquidity stress. The liquidity buffer portfolio consists mainly of ECB-eligible retained RMBS, government bonds and cash, all unencumbered. On 31 December 2013 the liquidity buffer totalled EUR 75.9 billion, up from EUR 68.0 billion on 31 December 2012. Most of the securities in the buffer, with the exception of the retained RMBS, are LCR eligible. In line with our aim of early compliance with the LCR and the focus of regulators on strengthening buffers in general, we have enlarged the liquidity buffer substantially over the last years.

The main driver behind the increase of the liquidity buffer was the rise in government bonds from EUR 11.8 billion on 31 December 2012 to EUR 18.0 billion on 31 December 2013. In the course of 2013, externally placed RMBS transactions were called and retained for liquidity purposes. The resulting rise in retained securitisations more than offsets the decrease in Cash & Central Bank deposits.

The composition of the liquidity buffer is shown in the following table. As our internal assessment of the eligibility and haircut for several liquidity instruments deviates from the Basel III regulation, liquidity values deviate. Since our internal haircut on government bonds is higher than that of the LCR, the liquidity buffer value is lower than the LCR eligible amount. Further information on the composition of the government bond portfolio is provided in note 15 to the Annual Financial Statements.

Liquidity buffer composition Audited EDTF 18

(in billions, liquidity value)	31 December 2013			31 December 2012		
	Liquidity buffer	of which LCR eligible		Liquidity buffer	of which LCR eligible	
		Level 1	Level 2		Level 1	Level 2
Cash & Central Bank deposits	16.8	16.8		19.0	19.0	
Government bonds	18.0	18.8		11.8	12.3	
Covered bonds	2.2		1.9	2.3		2.1
RMBS retained	33.1			29.3		
Third party RMBS	1.1		0.9	1.0		
Other	4.7	0.6	2.1	4.6	0.2	1.2
Total	**75.9**	**36.2**	**4.9**	**68.0**	**31.5**	**3.3**

The following table shows the breakdown of currency of the liquidity buffer:

Liquidity buffer currency diversification Audited EDTF 18

(in billions, liquidity value)	31 December 2013	31 December 2012
EUR	73.1	66.2
USD	1.7	1.5
GBP	0.2	0.2
CHF	0.2	
Other	0.7	0.1
Total	**75.9**	**68.0**

The monthly averages for 2013 and 2012 are shown in the table below:

Liquidity buffer composition – Monthly average Audited EDTF 18

(in billions, liquidity value)	31 December 2013	31 December 2012
Cash & Central Bank deposits	14.5	12.5
Government bonds	14.8	10.0
Covered bonds	2.3	2.3
RMBS retained	32.1	26.8
Third party RMBS	1.1	0.9
Other	4.8	4.5
Total	**69.6**	**57.0**

Basel III/CRD IV

The Basel III framework includes two liquidity ratios: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The objective of the LCR is to promote the short-term resilience of banks by ensuring sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. Regulatory minimum requirements for both the LCR and NSFR are expected to be 100% under Basel III after phased implementation in the coming years.

The LCR improved to 100% at 31 December 2013, up from 89% at 31 December 2012, in line with our strategy of early compliance with the LCR per 2014. While the LCR total stock of high quality liquid assets slightly decreased, this was more than offset by the decrease in the net outflow. At year-end, the NSFR was 105% compared with 108% at year-end 2012, comfortably above the expected regulatory minimum of 100%. Both the available stable funding and the required stable funding decreased. The main reasons were the decline in size of the balance sheet and reporting changes. We optimised our securities financing positions, resulting in a positive contribution to both the NSFR and the LCR.

Maturity analysis of assets and liabilities Audited EDTF 20

The following table shows the financial assets and liabilities arranged by the earliest possible contractual maturities. This picture is not consistent with how we view and manage liquidity, as it does not take expected client behaviour and other factors into account. Most notably, this table does not reflect prepayment of mortgages and other loans and the fact that the behavioural maturities of client deposits are not in line with the contractual maturities.

Contractual maturity of assets and liabilities Audited EDTF 20

(in millions)									31 December 2013
	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	9,523								9,523
Financial assets held for trading	23,867								23,867
Financial investments	455	935	610	1,302	2,173	6,761	15,374	501	28,111
Loans and receivables - banks	22,397	892	742	415	18	233	6,513		31,210
Loans and receivables - customers	30,453	9,348	2,153	12,828	24,799	20,326	168,240		268,147
Other assets	2,367	90	128	631	405	807	3,015	3,721	11,164
Total assets	**89,062**	**11,265**	**3,633**	**15,176**	**27,395**	**28,127**	**193,142**	**4,222**	**372,022**
Liabilities									
Financial liabilities held for trading	14,248								14,248
Due to banks	7,833	2,576	1,790	180	252	1,168	2,034		15,833
Due to customers	190,400	13,927	2,236	1,685	908	2,250	4,237		215,643
Issued debt	6,974	7,720	7,156	8,869	11,715	22,007	24,241		88,682
- of which senior secured			75	2,071	3,006	5,016	15,745		25,913
- of which senior unsecured	3,918	350	2,309	4,103	4,477	12,050	7,306		34,513
- of which securitisations		2,040	40	80	4,221	4,930	982		12,293
- of which other	3,056	5,330	4,732	2,615	11	11	208		15,963
Subordinated liabilities		51			3	3,053	4,810		7,917
Other liabilities	1,031	2,504	914	842	322	1,715	5,939	2,864	16,131
Total liabilities	**220,486**	**26,778**	**12,096**	**11,576**	**13,200**	**30,193**	**41,261**	**2,864**	**358,454**
Total equity								**13,568**	**13,568**
Total liablities and equity	**220,486**	**26,778**	**12,096**	**11,576**	**13,200**	**30,193**	**41,261**	**16,432**	**372,022**
Off-balance sheet liabilities									
Committed credit facilities	13,764								13,764
Guarantees	3,534								3,534
Irrevocable facilities	5,415								5,415
Recourse risks arising from discounted bills	7,154								7,154
Total off-balance sheet liablities	**29,867**								**29,867**

(in millions)									31 December 2012
	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Maturity not applicable	Total
Assets									
Cash and balances at central banks	9,796								**9,796**
Financial assets held for trading	22,932	257	385	769					**24,343**
Financial investments	109	63	88	428	2,483	8,302	9,918	339	**21,730**
Loans and receivables - banks	39,807	4,296	1,947	332	23	56			**46,461**
Loans and receivables - customers	29,982	6,201	3,992	7,230	24,731	20,167	184,664		**276,967**
Other assets	1,628	532	962	1,359	1,346	1,315	4,530	2,789	**14,461**
Total assets	**104,254**	**11,349**	**7,374**	**10,118**	**28,583**	**29,840**	**199,112**	**3,128**	**393,758**
Liabilities									
Financial liabilities held for trading	18,892	219	329	658					20,098
Due to banks	13,890	5,352	1,153	483	26	390	10		21,304
Due to customers	194,943	7,463	3,742	2,419	1,371	2,591	4,228		216,757
Issued debt	5,890	17,143	5,505	6,943	14,138	22,762	22,667		95,048
- of which senior secured	2,043	332	124	1,088	2,204	6,070	16,288		28,149
- of which senior unsecured	1,190	680	864	3,163	9,494	8,379	5,212		28,982
- of which securitisations	1	1,861	1,301	1,410	2,160	8,251	1,167		16,151
- of which other	2,656	14,270	3,216	1,282	280	62			21,766
Subordinated liabilities	14	845	716	85	50	4,674	3,352		9,736
Other liabilities	1,035	421	1,047	1,820	439	2,050	8,489	2,631	17,932
Total liabilities	**234,664**	**31,443**	**12,492**	**12,408**	**16,024**	**32,467**	**38,746**	**2,631**	**380,875**
Total equity								**12,883**	**12,883**
Total liabilities and equity	**234,664**	**31,443**	**12,492**	**12,408**	**16,024**	**32,467**	**38,746**	**15,514**	**393,758**
Off-balance sheet liabilities									
Committed credit facilities	17,635								17,635
Guarantees	3,817								3,817
Irrevocable facilities	5,474								5,474
Recourse risks arising from discounted bills	7,486								7,486
Total off-balance sheet liablities	**34,412**								**34,412**

The following tables provides a maturity analysis of the earliest contractual undiscounted cash flows for financial assets and liabilities. Financial assets and liabilities held for trading are recorded under On demand at fair value. We believe this best represents the short-term nature and the cash flows of these activities. The contractual maturity of the instruments may be extended over significantly longer periods.

Maturity based on contractual undiscounted cash flows Audited

(in millions)											31 December 2013
	On demand	Trading deriva-tives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No matu-rity	Total
Assets:											
Cash and balances at central banks	9,523										9,523
Financial assets held for trading	11,840	11,998	20								23,858
Financial investments			464	971	696	1,457	2,438	7,343	15,771	542	29,682
Loans and receivables - banks	7,133		15,275	908	777	475	130	492	6,771		31,961
Loans and receivables - customers	3,641		27,248	10,896	5,890	19,579	36,044	45,871	192,033		341,202
Other assets[1]	389		2,039	326	287	1,281	1,177	2,261	3,617	3,730	15,107
Total undiscounted assets	**32,526**	**11,998**	**45,046**	**13,101**	**7,650**	**22,792**	**39,789**	**55,967**	**218,192**	**4,272**	**451,333**
[1] Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			8	21	34	57	117	299	165		701
Contractual amounts payable			5	5	11	20	40	119	29		229
Total undiscounted gross settled derivatives not held for trading			**3**	**16**	**23**	**37**	**77**	**180**	**136**		**472**
Net settled derivatives not held for trading			32	154	33	447	622	1,895	1,650		4,833
Liabilities:											
Financial liabilities held for trading	4,378	9,849	21								14,248
Due to banks	3,345		4,500	2,603	1,832	242	359	1,401	2,196		16,478
Due to customers	62,577		127,906	13,975	2,292	1,764	1,036	2,527	4,435		216,512
Issued debt			7,020	7,886	7,523	9,463	12,597	23,862	25,330		93,681
Subordinated liabilities			12	101	125	238	453	4,030	5,467		10,426
Other liabilities[2]	639		510	2,710	1,512	1,660	1,338	4,045	7,069	2,744	22,227
Total liabilities	**70,939**	**9,849**	**139,969**	**27,275**	**13,284**	**13,367**	**15,783**	**35,865**	**44,497**	**2,744**	**373,572**
[2] Of which:											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			3	3	16	21	40	72	8		163
Contractual amounts payable			11	4	13	29	54	97	12		220
Total undiscounted gross settled derivatives not held for trading			**8**	**1**	**-3**	**8**	**14**	**25**	**4**		**57**
Net settled derivatives not held for trading			97	182	454	525	1,235	3,687	6,099		12,279
Net liquidity gap	**-38,413**	**2,149**	**-94,923**	**-14,174**	**-5,634**	**9,425**	**24,006**	**20,102**	**173,695**	**1,528**	**77,761**
Off balance sheet liabilities											
Committed credit facilities	13,764										13,764
Guarantees	3,534										3,534
Irrevocable facilities	5,415										5,415
Recourse risks arising from discounted bills	7,154										7,154
Total off-balance sheet liabilities	**29,867**										**29,867**

(in millions) 31 December 2012

	On demand	Trading derivatives	Up to one month	Between one and three months	Between three and six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	No maturity	Total
Assets											
Cash and balances at central banks	9,749		47								9,796
Financial assets held for trading	7,083	15,726	124	256	385	769					24,343
Financial investments	1		122	121	232	697	2,935	9,264	10,501	339	24,212
Loans and receivables - banks	7,762		32,067	4,309	1,955	333	24	58			46,508
Loans and receivables - customers	3,465		26,974	7,842	7,986	14,586	37,171	48,493	211,276		357,793
Other assets[1]	4		1,683	729	1,148	1,722	1,884	2,576	4,247	2,789	16,782
Total undiscounted assets	**28,064**	**15,726**	**61,017**	**13,257**	**11,706**	**18,107**	**42,014**	**60,391**	**226,024**	**3,128**	**479,434**
[1] *Of which:*											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			12	76	29	57	157	471	292		1,094
Contractual amounts payable			24	5	11	21	57	171	38		327
Total undiscounted gross settled derivatives not held for trading			**-12**	**71**	**18**	**36**	**100**	**300**	**254**		**767**
Net settled derivatives not held for trading			84	117	148	296	556	1,669	1,258		4,129
Liabilities											
Financial liabilities held for trading	3,717	15,068	106	219	329	658					20,097
Due to banks	3,737		10,169	5,375	1,167	493	39	415	11		21,406
Due to customers	61,240		133,804	7,513	3,821	2,526	1,533	2,940	4,465		217,842
Issued debt	3		5,966	17,423	6,077	7,908	15,526	25,660	24,292		102,855
Subordinated liabilities			25	889	815	266	391	5,388	3,693		11,467
Other liabilities[2]	692		486	137	742	1,142	1,943	5,161	8,605	2,631	21,539
Total liabilities	**69,389**	**15,068**	**150,556**	**31,556**	**12,951**	**12,993**	**19,432**	**39,564**	**41,066**	**2,631**	**395,206**
[2] *Of which:*											
Gross settled derivatives not held for trading:											
Contractual amounts receivable			1	2	16	32	49	148	29		277
Contractual amounts payable			9	2	11	21	38	115	19		215
Total undiscounted gross settled derivatives not held for trading			**8**		**-5**	**-11**	**-11**	**-33**	**-10**		**-62**
Net settled derivatives not held for trading			375	178	396	793	1,654	4,964	7,376		15,736
Net liquidity gap	**-41,325**	**658**	**-89,539**	**-18,299**	**-1,245**	**5,114**	**22,582**	**20,827**	**184,958**	**497**	**84,228**
Off balance sheet liabilities											
Committed credit facilities	17,635										17,635
Guarantees	3,817										3,817
Irrevocable facilities	5,474										5,474
Recourse risks arising from discounted bills	7,486										7,486
Total off-balance sheet liabilities	**34,412**										**34,412**

Funding

Deposits from Retail & Private Banking and Commercial & Merchant Banking clients form the main source of funding of ABN AMRO. An inflow of Retail & Private Banking deposits, predominantly from the continuous growth of MoneYou in Germany and Belgium, was the primary reason for the EUR 5.9 billion increase in client deposits.

Consequently, the need to use wholesale funding declined and the Loan-to-Deposit ratio (LtD ratio) improved. In the Dutch savings market a substantial part of consumer savings is placed with pension funds and in insurance products rather than in bank deposits. Most Dutch banks have an LtD ratio above 100%. ABN AMRO's LtD ratio was 120.6% at 31 December 2013 and therefore the remainder of our funding is raised mainly through long-term wholesale funding.

Concerns about the eurozone crisis eased in 2013. On addition, due to deleveraging in the banking sector, funding issuances declined. Given the large pools of liquidity among professional credit investors, liquidity spreads tightened for a range of tenors compared with 2012. Furthermore, there was a mild recovery in the RMBS and securitisations markets in 2013, allowing us to issue new RMBS notes in the fourth quarter of 2013.

ABN AMRO improved the maturity profile of its wholesale funding and maintained its moderate risk profile. In recent years, the bank has carried out its strategy of diversifying in terms of investors, geography and funding instruments while extending the wholesale funding maturity profile.

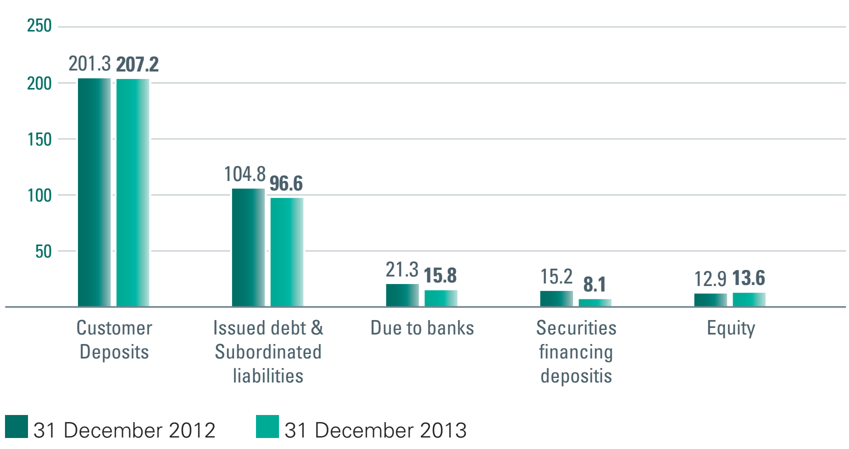
For the coming years, ABN AMRO will continue to focus on optimising its wholesale maturity profile and on further diversifying its funding sources.

Liability breakdown Audited EDTF 21

Customer deposits, mainly within Retail & Private Banking, increased by EUR 5.9 billion between 31 December 2012 and 31 December 2013, growing from 51% of the balance sheet total to 56%. This development allowed the bank to decrease the amount of outstanding wholesale funding by EUR 8.2 billion from EUR 104.8 billion at year-end 2012 to EUR 96.6 billion at year-end 2013. The change in other liabilities was due mainly to a decline in trading liabilities.

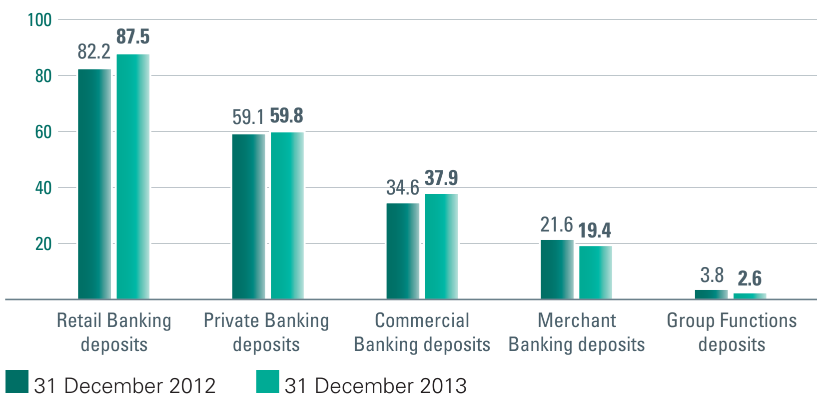
Liability and equity breakdown Audited EDTF 21

(in billions)



The graph below shows the breakdown of customer deposits by segment.

Breakdown of customer deposits Audited EDTF 21
(in billions)



Available funding instruments

Audited EDTF 21

Several programmes are in place to attract long-, medium and short-term funding. A key goal of the funding strategy is to diversify funding sources among maturities, investors, markets and currencies. A description of capital and funding instruments issued by ABN AMRO is provided on abnamro.com. We continuously assess the available funding instruments in order to determine the optimum use of funding sources. The main wholesale funding types can be specified as follows:

Overview of funding types Audited EDTF 21

(in millions)	31 December 2013	31 December 2012
Saving certificates	352	704
Commercial Paper/Certificates of Deposit		
Euro Commercial Paper	2,054	5,238
London Certificates of Deposit	5,258	4,512
French Certificats de Dépôt	4,668	7,525
US Commercial Paper	3,630	3,788
Total Commercial Paper/Certificates of Deposit	**15,610**	**21,063**
Senior guaranteed		
Dutch State guaranteed medium-term notes	1,423	2,745
Senior unsecured		
Unsecured medium-term notes	33,089	26,237
Senior secured		
Covered bonds	25,913	28,149
Securitisations[1]		
Residential mortgage-backed securities (Dutch)	12,122	15,969
Other asset-backed securities	173	181
Total securitisations	**12,295**	**16,150**
Total issued debt	**88,682**	**95,048**
Total subordinated liabilities	7,917	9,736
Total funding types	**96,599**	**104,784**

1 Excluding long-term repos.

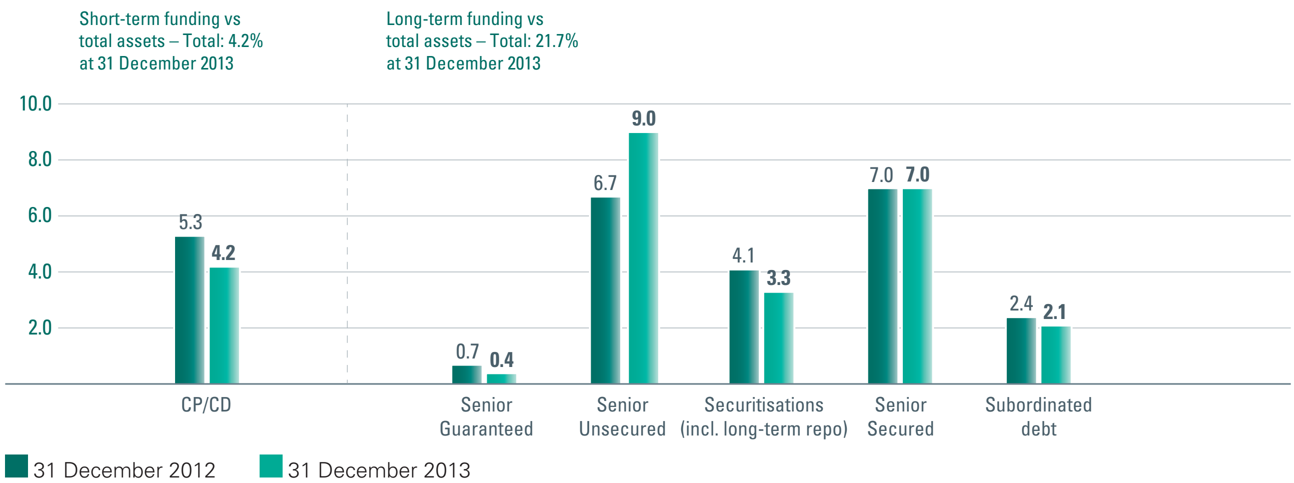
Total outstanding wholesale funding amounted to EUR 96.6 billion at year-end 2013, down from EUR 104.8 billion at year-end 2012. At the same time, ABN AMRO reduced the relative share of short-term funding (CP/CD) in total funding from 20.1% to 16.2%, in line with its strategy to improve its liquidity profile.

The Dutch State-guaranteed medium-term notes decreased to EUR 1.4 billion on 31 December 2013 from EUR 2.7 billion on 31 December 2012. This was due to a cash tender offer for the EUR 2.5 billion government-guaranteed notes. The participation rate in the cash tender was 49%. The remainder will mature in May 2014.

The graph below shows the development of wholesale funding types relative to the balance sheet total at 31 December 2013 and 31 December 2012.

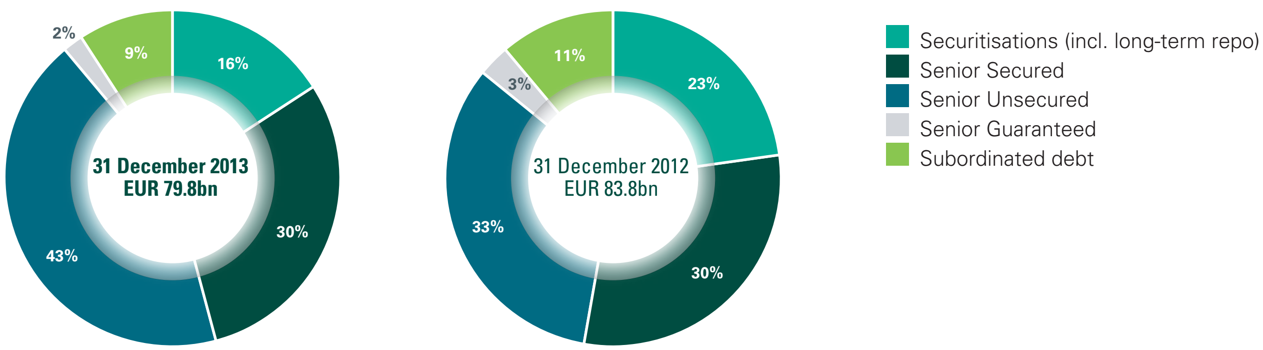
Funding vs balance sheet total Audited | EDTF 21

(% of total assets)



The graph below gives an overview of the outstanding long-term funding at 31 December 2012 and 31 December 2013. The information presented is based on notional values and therefore differs from the information above due to discrepancies between nominal value and issue price and fair value hedge accounting adjustments.

Long-term funding components Audited | EDTF 21

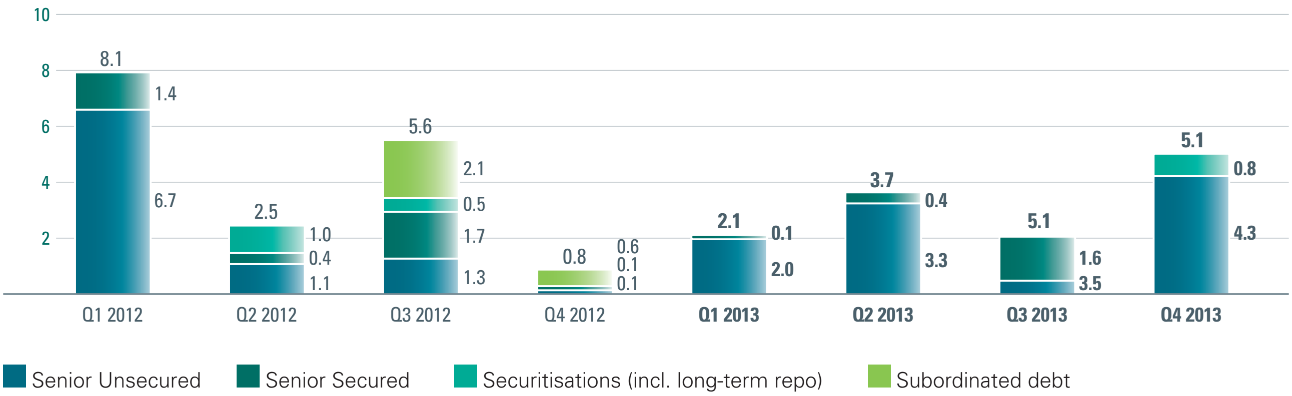


Funding issuance in 2013 Audited | EDTF 21

During 2013, ABN AMRO raised EUR 16.1 billion in long-term wholesale funding and pre-funded a large portion of the long-term wholesale funding maturing in 2014 in alignment with the bank's funding plan. The majority was issued as senior unsecured wholesale funding at attractive pricing levels. We were able to improve the flexibility to serve investor needs. A large part of the wholesale funding was therefore attracted through private placements: 56% in 2013 compared with 46% in 2012. The remainder of funding was raised through benchmark transactions and taps on our existing instruments. Subordinated liabilities declined by EUR 1.4 billion as a result of the call of several lower Tier 2 capital instruments.

Long-term funding raised in 2012 and 2013 Audited EDTF 21

(in billions)

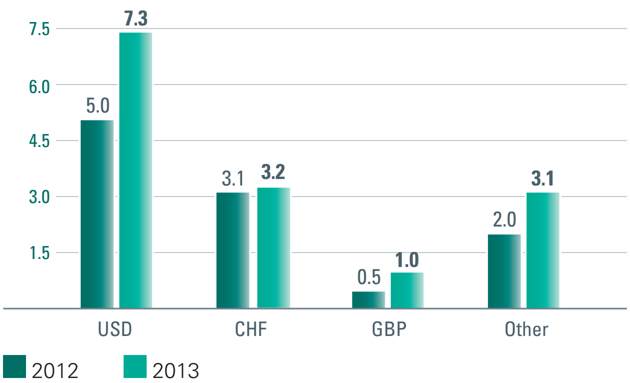


As a result of our diversification strategy, the long-term funding in non-euro currencies rose to 18.3% of total outstanding long-term funding compared with 12.6% at year-end 2012. In 2013, the bank raised 70% of long-term funding in EUR and the remainder in USD, CHF, GBP, JPY, NOK, CAD, NZD, SEK and AUD. Diversification of the outstanding non-euro currency long-term funding is shown in the following graph.

We enhanced the maturity profile of our long-term wholesale funding predominantly by spreading out redemptions of funding instruments over time. The average maturity of outstanding long-term funding increased from 4.3 years at year-end 2012 to 4.5 years at year-end 2013, while the average maturity of newly issued funding decreased to 5.2 years, down from 6.6 years.

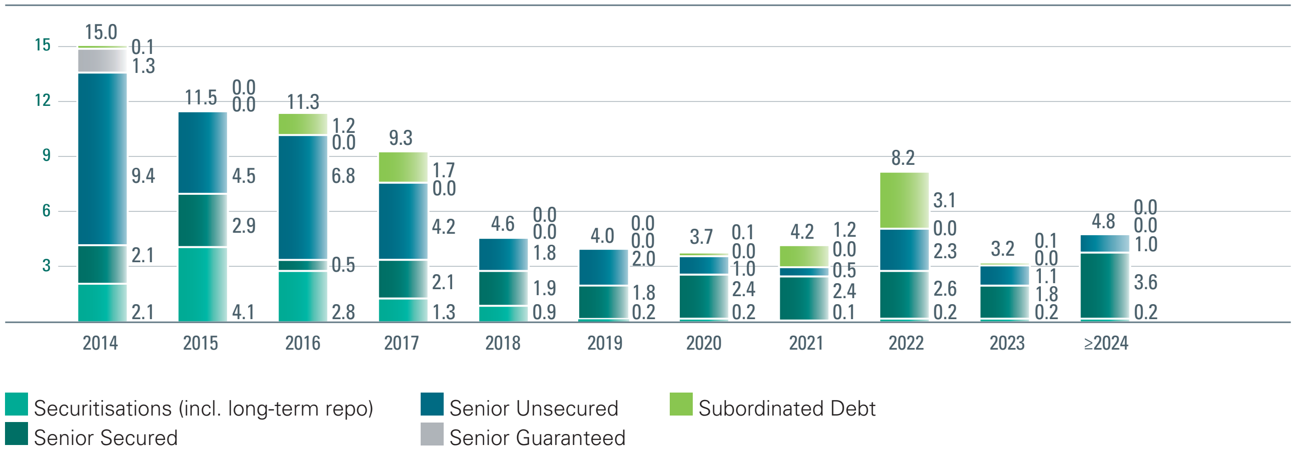
Non-euro currency diversification of total outstanding long-term funding Audited EDTF 21

(in billions)



The stated maturity calendar assumes redemption on the earliest possible call date or otherwise the legal maturity date, as early redemption of subordinated instruments is subject to regulatory approval. This does not mean that the instruments will or can be called at the earliest possible call date.

Maturity calender at 31 December 2013 Audited EDTF 21
(in billions)



securitisation 18

ABN AMRO uses securitisation transactions primarily to diversify its funding sources and to manage its liquidity profile. ABN AMRO is mainly involved in securitisation of its own originated transactions. Financial assets included in these transactions are residential mortgages and loans to small and medium-sized enterprises (SME). All own originated securitised assets are originated in the Netherlands.

Key developments Pillar 3

The total amount of assets securitised in true sale securitisations increased slightly to EUR 71.4 billion at 31 December 2013 (31 December 2012: EUR 70.0 billion).

The amount of notes sold to external parties totalled EUR 12.3 billion at 31 December 2013, compared with EUR 16.1 billion at year-end 2012. The difference was primarily caused by the call of several residential mortgage-backed securities (RMBS) notes. Additionally, ABN AMRO issued a EUR 0.75 billion public securitisation out of Dolphin Master Issuer structure.

ABN AMRO is – on a limited basis – an investor in positions in third-party securitisations (2013: EUR 1.3 billion, 2012: EUR 1.4 billion).

The securitisation transactions are primarily used for funding and liquidity purposes. The total RWA relief amounted to only EUR 0.3 billion at year-end 2013 (year-end 2012: EUR 0.3 billion). In general and in accordance with IFRS, securitised assets continue to be recognised on the consolidated balance sheet.

The bank had only true sale (traditional) securitisations outstanding in 2013. In a true sale securitisation a foundation *(stichting)* incorporates a Special Purpose Entity (SPE) resulting in a bankruptcy remote structure. ABN AMRO transfers a portfolio of receivables to the SPE. As a consideration, ABN AMRO receives a purchase price from the SPE. The SPE funds the purchase by issuing notes. In all securitisations, ABN AMRO acts as a swap counterparty.

Regulatory treatment

In previous years, ABN AMRO applied the CRD framework to all own originated securitisations when any positions had been transferred to third parties, regardless of whether the securitisation achieved a significant risk transfer.

As of 2013, ABN AMRO applies the CRD framework to securitisations with a significant risk transfer which may provide RWA relief. In other cases the look-through approach is applied and the securitisation vehicle is consolidated for prudential reporting purposes. Intercompany positions between ABN AMRO and the securitisation structure are eliminated. This approach gives a better view of the risks associated with the underlying assets.

The corresponding figures for 2012 have been amended to reflect the changes in relation to the use of the CRD framework. The securitisation structure positions decreased to EUR 2,811 million (2012: EUR 35,493 million). Underlying assets of the reclassified securitisation positions are reported under asset class Retail, resulting in an increase to EUR 184,257 million (2012: EUR 139,414 million). More details on exposure by asset class are provided in section 15 Risk management.

Asset classes

ABN AMRO securitises two types of receivables: (i) residential mortgages and (ii) loans to small and medium-sized enterprises (SME). The relevant residential mortgages were originated by ABN AMRO Bank or one of its subsidiaries.

SME loans are loans to Dutch small and medium-sized enterprises, and the securitised loans were all originated by ABN AMRO in the Netherlands.

Risks associated with the roles in the securitisation process Pillar 3

Credit risk

Credit risk relates to the risk of credit losses on securitised assets. ABN AMRO retains part of the credit risk by retaining notes and other securitisation positions such as liquidity facilities, swaps and first loss tranches. Regulatory capital is held for all retained securitisation positions in accordance with the applicable solvency regulation.

Liquidity risk

Liquidity risk relates to the risk that ABN AMRO might incur additional cash outflows. Any potential future cash outflows relating to these positions, including collateral requirements, are taken into account within stress tests and are integrated into the liquidity ratios where relevant. This includes the potential impact of the liquidity facilities or swap agreements which are part of a number of securitisation transactions, most of which relate to transactions for which ABN AMRO is the originator of the underlying assets.

Approaches to calculating risk-weighted exposure

Fully retained transactions

RWA reduction is not applied to those securitisation transactions where all notes have been retained.

Partially retained transactions

Mortgages

At present, ABN AMRO does not achieve significant risk transfers for any of the mortgage securitisations. Therefore, the look-through approach is used and RWA reduction is not applied.

SME loans

A significant risk transfer is achieved in one SME transaction. For this transaction, the credit risk related to the securitised loans is transferred to the note holders and RWAs for the related loans are set to zero. ABN AMRO retains, however, certain retained notes, swaps and first loss tranches. The Internal Ratings-Based (IRB) approach of the CRD framework is used for calculating the capital requirements on these retained positions. Positions for which external ratings are available or for which ratings can be inferred are reported via the Ratings-Based Approach (RBA). Eligible external ratings on securitisation positions from Standard & Poor's, Moody's and Fitch Ratings are applied for the RBA.

Monitoring process

ABN AMRO periodically monitors changes in credit risk relating to securitisation exposures. The significance of the amount of credit risk transferred to third parties by securitisation of own originated assets is assessed on a monthly basis in accordance with the regulatory significant risk transfer test.[1] For investments in third-party securitisations, the risk is monitored by reviewing the investor reports of these transactions. Additionally, third-party securitisation positions are included in the firm-wide comprehensive stress tests in which downgrade and default risk under stressed market conditions is assessed.

[1] Basel II includes a requirement that significant credit risk transfer must occur as a precondition to off-balance sheet treatment of securitised assets.

Overview of securitisation positions and securitised assets Pillar 3

The total amount of assets securitised in true sale securitisations increased slightly to EUR 71.4 billion (2012: EUR 70.0 billion). Securitisation transactions for the purpose of capital relief were not originated in 2013.

Securitisation overview of own originated assets (overall pool size) Audited Pillar 3

(in millions)	31 December 2013			31 December 2012		
	True sale securitisations		Total	True sale securitisations		Total
	Mortgage loans	SME loans		Mortgage loans	SME loans	
Total assets securitised reported under the CRD framework		1,206	1,206		1,465	1,465
Total assets securitised not reported under the CRD framework	70,203		70,203	68,579		68,579
Total assets securitised	**70,203**	**1,206**	**71,409**	**68,579**	**1,465**	**70,044**

Details on retained and purchased securitisation positions

The tables in the following sections contain data of securitisation positions in which ABN AMRO acts as originator or investor. This table shows securitisations that are reported in accordance with the CRD framework; therefore, mortgage securitisations are not included. Amounts reported are based on the regulatory exposure values calculated in accordance with the regulatory guidelines. Note that this not only includes the notes issued under the securitisation, but also the credit equivalent of interest rate swaps and the first loss positions.

The following table outlines the total amount of ABN AMRO's exposure value on securitisation positions in which ABN AMRO acts as originator or investor.

The total securitisation position decreased to EUR 2.5 billion at 31 December 2013 (31 December 2012: EUR 2.8 billion), primarily due to amortisation of the SME securitisation.

Overview of retained, transferred and purchased securitisation positions Pillar 3

(in millions, Exposure at Default)	31 December 2013			31 December 2012		
	True sale securitisations		Total	True sale securitisations		Total
	Mortgage loans	SME loans		Mortgage loans	SME loans	
Securitisation position in own originated transactions		1,369	1,369		1,595	1,595
Securitisation positions transferred		-171	-171		-181	-181
Retained securitisation positions		**1,198**	**1,198**		**1,414**	**1,414**
Securitisation position in purchased securitisations	1,313		1,313	1,397		1,397
Total securitisation positions	**1,313**	**1,198**	**2,511**	**1,397**	**1,414**	**2,811**

The amount of capital relief as per 31 December 2013 was limited to EUR 0.3 billion RWA (2012: 0.3 billion).

The following table outlines all securitisation positions retained or purchased, broken down by risk-weight bands. The risk-weight bands applied relate to risk-weights before applying any multiplication factors under the applicable solvency regulation. Note that actual RWAs reported on securitisation positions are lower due to a cap on RWAs where the RWAs of the securitisation positions exceeds the RWAs of the underlying assets.

Risk-weight distribution of securitisation positions retained and purchased Pillar 3

(in millions, Exposure at Default)	31 December 2013			31 December 2012		
	Own originated and retained securitisation positions	Purchased securitisation positions	Total	Own originated and retained securitisation positions	Purchased securitisation positions	Total
0%-12%	92	1,313	1,405	1,398	1,397	2,795
12%-20%	1,093		1,093	1		1
20%-50%						
50%-100%	1		1	1		1
100%-250%						
250%-425%						
425%-650%	1		1	3		3
650%-1250%						
1250%	11		11	11		11
Total	**1,198**	**1,313**	**2,511**	**1,414**	**1,397**	**2,811**

Details on securitised asset portfolios

The tables in this section outline the notional amounts outstanding of the underlying pool of assets, which amounted to EUR 1.2 billion at 31 December 2013 (31 December 2012: EUR 1.5 billion).

This table provides an overview of the exposures securitised by ABN AMRO and sold externally, broken down into buckets which reflect the credit quality of the underlying assets. Amounts reported are based on the notional amounts of the underlying assets.

Credit rating distribution of underlying assets Pillar 3

(in millions)	31 December 2013	31 December 2012
Investment grade	245	355
Sub-investment grade	858	1,005
Default without provision	22	34
Default with provision	81	71
Total	**1,206**	**1,465**

Details on total notes outstanding per special purpose entity Pillar 3

The following table provides details on the outstanding notes issued by consolidated SPEs which were established by ABN AMRO for securitisation purposes, exceeding 0.1% of the bank's total asset size.

Size of securitisation special purpose entities Audited Pillar 3

(in millions)	31 December 2013		31 December 2012	
Category	Total notes issued	% of total assets	Total notes issued	% of total assets
Dolphin Master Issuer B.V.	30,472	8.19%	30,412	7.72%
Oceanarium Master Issuer B.V.	12,146	3.26%	14,631	3.72%
Fishbowl Master Issuer B.V.	8,839	2.38%	9,840	2.50%
Goldfish Master Issuer B.V.	15,000	4.03%	9,522	2.42%
Beluga Master Issuer B.V.	3,136	0.84%	3,243	0.82%
European Mortgage Securities VIII B.V.	1,782	0.48%	1,967	0.50%
SMILE Securitisation Company 2007 B.V.[1]	1,270	0.34%	1,488	0.38%
Total	**72,645**		**71,103**	

[1] Securitisation SPE in the CRD securitisation framework.

Other material special purpose entities

Audited Pillar 3

At present, there are no material, consolidated SPEs – not related to securitisation activities – exceeding 0.1% of the bank's total assets as reported in the table below.

Size of consolidated special purpose entities related to other activities Audited

(in millions)	31 December 2013		31 December 2012	
Entity name	Asset size	% of total assets	Asset size	% of total assets
Moeara Enim Investeringsmij. IV BV	32	0.01%	31	0.01%
Brooklyn Investments BV		0.00%	31	0.01%
AA Covered Bond Company B.V.		0.00%	2,000	0.51%
Total	**32**		**2,062**	

There are only a few SPEs related to Merchant Banking activities which are material in size and not consolidated by ABN AMRO. In general, these SPEs are structured entities, set up with the purpose of funding either ABN AMRO or third parties, and are not controlled by ABN AMRO. In most cases these entities are accounted for as an associate.

annual financial statements

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Consolidated income statement for the year ended 31 December 2013

(in millions)	Note	2013	2012
Income			
Interest income		12,023	13,038
Interest expense		6,643	8,010
Net interest income	4	**5,380**	**5,028**
Fee and commission income		2,639	2,552
Fee and commission expense		996	996
Net fee and commission income	5	**1,643**	**1,556**
Net trading income	6	106	263
Results from financial transactions	7	-12	31
Share of result in equity accounted investments		46	74
Other income	8	161	386
Operating income		**7,324**	**7,338**
Expenses			
Personnel expenses[1]	9	2,357	2,151
General and administrative expenses	10	2,171	2,269
Depreciation and amortisation of tangible and intangible assets	11	242	266
Operating expenses		**4,770**	**4,686**
Impairment charges on loans and other receivables		983	1,228
Total expenses		**5,753**	**5,914**
Operating profit / (loss) before taxation		**1,571**	**1,424**
Income tax expense[1]	12	411	271
Profit/(loss) for the year		**1,160**	**1,153**
Attributable to:			
Owners of the company		1,162	1,153
Non-controlling interests		-2	

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

Consolidated statement of comprehensive income for the year ended 31 December 2013

(in millions)	2013	2012
Profit/(loss) for the year	**1,160**	**1,153**
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Remeasurement gains / (losses) on defined benefit plans[1]	-291	-4,379
Items that will not be reclassified to the income statement before taxation	**-291**	**-4,379**
Income tax relating to items that will not be reclassified to the income statement[1]	-73	-1,095
Items that will not be reclassified to the income statement after taxation	**-218**	**-3,284**
Items that may be reclassified to the income statement		
Currency translation reserve	-68	-1
Available-for-sale reserve	45	377
Cash flow hedge reserve	541	-243
Share of other comprehensive income of associates	4	61
Other changes	-4	-22
Other comprehensive income for the period before taxation	**518**	**172**
Income tax relating to components of other comprehensive income	146	39
Other comprehensive income for the period after taxation	**372**	**133**
Total comprehensive income/(expense) for the period after taxation	**1,314**	**-1,998**
Total comprehensive income attributable to:		
Owners of the company	1,316	-1,998
Non-controlling interests	-2	

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

Consolidated statement of financial position as at 31 December 2013

(in millions)	Note	31 December 2013	31 December 2012
Assets			
Cash and balances at central banks	13	9,523	9,796
Financial assets held for trading[2]	14	23,867	24,343
Financial investments[2]	15	28,111	21,730
Loans and receivables - banks[2]	16	31,210	46,461
Loans and receivables - customers[2]	17	268,147	276,967
Equity accounted investments	18	1,082	1,011
Property and equipment	19	1,426	1,519
Goodwill and other intangible assets	20	195	223
Assets held for sale	21	29	55
Accrued income and prepaid expenses[2]	22	722	799
Current tax assets	23	165	278
Deferred tax assets[1]	23	745	1,241
Other assets[1, 2]	24	6,800	9,335
Total assets		**372,022**	**393,758**
Liabilities			
Financial liabilities held for trading[2]	14	14,248	20,098
Due to banks[2]	25	15,833	21,304
Due to customers[2]	26	215,643	216,757
Issued debt[2]	27	88,682	95,048
Subordinated liabilities[2]	28	7,917	9,736
Provisions[1]	29	1,550	1,915
Accrued expenses and deferred income[2]	31	1,303	1,458
Current tax liabilities	23	69	99
Deferred tax liabilities	23	21	47
Other liabilities[2]	32	13,188	14,413
Total liabilities		**358,454**	**380,875**
Equity			
Share capital		940	1,015
Share premium		12,970	13,105
Other reserves (incl. retained earnings/profit for the period)[1]		4,554	3,811
Other comprehensive income		-4,909	-5,067
Equity attributable to owners of the parent company	33	**13,555**	**12,864**
Equity attributable to non-controlling interests		13	19
Total equity		**13,568**	**12,883**
Total liabilities and equity		**372,022**	**393,758**
Committed credit facilities	38	13,764	17,635
Guarantees and other commitments	38	16,103	16,777

1 The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.
2 The 2012 figures have been adjusted for comparison purposes following the change in presentation of the accrued interest on the relevant balance sheet accounts.

Consolidated statement of changes in equity for the years ended 31 December 2013 and 31 December 2012

(in millions)	Share capital	Share premium reserve	Other reserves including retained earnings	Other comprehensive income	Net profit attributable to shareholders	Total	Non-controlling interests	Total equity
Balance at 31 December 2011	**1,015**	**11,505**	**153**	**-1,938**	**665**	**11,400**	**20**	**11,420**
Impact IAS 19R adoption[1]			1,925			1,925		1,925
Balance at 1 January 2012	**1,015**	**11,505**	**2,078**	**-1,938**	**665**	**13,325**	**20**	**13,345**
Total comprehensive income			-22	-3,129	1,153	-1,998		-1,998
Transfer			665		-665			
Dividend			-63			-63		-63
Increase/(decrease) of capital	0[2]							
MCS conversion		2,000				2,000		2,000
Ageas settlement		-400				-400		-400
Other changes in equity							-1	-1
Balance at 31 December 2012	**1,015**	**13,105**	**2,658**	**-5,067**	**1,153**	**12,864**	**19**	**12,883**
Total comprehensive income			-4	158	1,162	1,316	-2	1,314
Transfer			1,153		-1,153			
Dividend			-412			-412		-412
Increase/(decrease) of capital	-75	-135	-3			-213		-213
Other changes in equity							-4	-4
Balance at 31 December 2013	**940**	**12,970**	**3,392**	**-4,909**	**1,162**	**13,555**	**13**	**13,568**

1 The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.
2 In connection with the MCS Conversion, ABN AMRO Group NV issued one class A ordinary share (nominal value of EUR 1.00) to NLFI.

Other comprehensive income is specified as follows:

(in millions)	Remeasurement gains / (losses) on post-retirement benefit plans[1]	Currency translation reserve	Available-for-sale reserve	Cash flow hedge reserve	Share of OCI of associates and joint ventures	Total
Balance at 1 January 2012		**6**	**-253**	**-1,691**		**-1,938**
Net gains/(losses) arising during the period	-4,379[2]	-1	411	-355	61	-4,263
Less: Net realised gains/(losses) included in income statement			34	-112		-78
Net gains/(losses) in equity	**-4,379**	**-1**	**377**	**-243**	**61**	**-4,185**
Related income tax	-1,095		100	-61		-1,056
Balance at 31 December 2012	**-3,284**	**5**	**24**	**-1,873**	**61**	**-5,067**
Net gains/(losses) arising during the period	-291	-68	88	416	4	149
Less: Net realised gains/(losses) included in income statement			43	-125		-82
Net gains/(losses) in equity	**-291**	**-68**	**45**	**541**	**4**	**231**
Related income tax	-73	1	10	135		73
Balance at 31 December 2013	**-3,502**	**-64**	**59**	**-1,467**	**65**	**-4,909**

1 The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.
2 Excluding other employee benefits.

The realised cash flow hedge gains/(losses) included in the income statement a loss of EUR 125 million (2012: loss EUR 112 million) are disclosed in note 40 Hedge accounting.

2013

ABN AMRO adopted IAS 19 Employee Benefits as per 1 January 2013 and has adjusted the 2012 figures accordingly.

Total comprehensive income includes EUR 1,160 million profit for 2013.

Transfer includes the appropriation of the profit/loss of the prior period to the other reserves.

In 2013, a final dividend of EUR 250 million for the year 2012 was paid to ordinary shareholders and EUR 12 million to holders of preference shares A. An interim dividend of EUR 150 million was paid to ordinary shareholders in 2013.

In the first half of 2013, EUR 210 million of class A non-cumulative preference shares were repurchased and cancelled, resulting in a decline in share capital and share premium of EUR 75 million and EUR 135 million respectively. In addition, EUR 3 million was paid to preference share A holders for accrued rights in the first half of 2013 due to the repurchase of the preference shares.

The share of Other comprehensive income of associates and joint ventures is related to the movement in Other comprehensive income of the associates of ABN AMRO.

2012

Due to the conversion of the EUR 2.0 billion Mandatory Convertible Securities, the share premium reserve increased by EUR 2.0 billion. In connection with this settlement, ABN AMRO Group N.V. issued one share (nominal value of EUR 1) to NLFI.

The settlement of all legal proceedings between ABN AMRO and the Dutch State on the one side and Ageas on the other side on 28 June 2012 led to a one-off cash payment by ABN AMRO to Ageas of EUR 400 million. This transaction is characterised as a shareholder's transaction under IFRS; therefore the amount of EUR 400 million was charged directly to equity (deduction from the share premium reserve).

Total equity decreased by EUR 0.5 billion, mainly driven by the abovementioned EUR 1.6 billion increase in equity following the MCS Conversion/Ageas settlement, EUR 1.1 billion profit for the year 2012 and a loss of EUR 3.1 billion due to the impact of the amended pension accounting standard IAS19.

In 2012, a final dividend of EUR 50 million for the year 2011 was paid to ordinary shareholders and EUR 13 million to holders of preference shares A.

Consolidated statement of cash flows for the year ended 31 December 2013

(in millions)	Note	2013	2012
Profit / (loss) for the period[1]		**1,160**	**1,153**
Adjustments on non-cash items included in profit:			
(Un)realised gains/(losses)		-591	1,144
Share of profits in associates and joint ventures		-55	-82
Depreciation, amortisation and accretion		372	412
Provisions and impairment losses		1,128	1,340
Income tax expense		411	271
Changes in operating assets and liabilities:			
Assets held for trading		406	6,613
Liabilities held for trading		-5,776	-4,099
Loans and receivables - banks		16,668	15,686
Loans and receivables - customers		6,255	-5,688
Other assets[1]		1,532	-1,344
Due to banks		-5,161	-10,189
Due to customers		-233	2,635
Liabilities arising from insurance and investment contracts		-263	-243
Net changes in all other operational assets and liabilities[1]		-938	-845
Dividend received from associates		58	66
Income tax paid		73	-581
Cash flow from operating activities		**15,046**	**6,249**
Investing activities:			
Purchases of financial investments		-14,308	-4,952
Proceeds from sales and redemptions of financial investments		7,150	3,547
Acquisition of subsidiaries (net of cash acquired), associates and joint ventures	3	-95	-73
Divestments of subsidiaries (net of cash sold), associates and joint ventures	3	-187	67
Purchases of property and equipment	19	-238	-268
Proceeds from sales of property and equipment	19	110	64
Purchases of intangible assets		-21	-24
Proceeds from sales of intangible assets			
Other changes			-5
Cash flow from investing activities		**-7,589**	**-1,644**

continued >

(in millions)	Note	2013	2012
Financing activities:			
Proceeds from the issuance of debt		43,881	79,014
Repayment of issued debt		-47,919	-83,232
Proceeds from subordinated liabilities issued			2,794
Repayment of subordinated liabilities issued		-1,497	-23
Ageas settlement			-400
Preference shares settlement		-210	
Dividends paid to the owners of the parent company		-412	-63
Dividends paid to non-controlling interests			
Repayment of capital (including minority interests)		-3	
Cash flow from financing activities		**-6,160**	**-1,910**
Net increase/(decrease) of cash and cash equivalents		**1,297**	**2,695**
Cash and cash equivalents as at 1 January		14,091	11,404
Effect of exchange rate differences on cash and cash equivalents		-69	-8
Cash and cash equivalents as at 31 December	34	**15,319**	**14,091**
Supplementary disclosure of operating cash flow information			
Interest paid		-7,697	-8,057
Interest received		12,466	13,099
Dividend received from investments		38	59

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

notes to the annual financial statements

1 Accounting policies

The notes to the Consolidated Financial Statements, including the audited sections in Risk management, Capital management, Liquidity & funding and Securitisation, are an integral part of these financial statements.

This section describes ABN AMRO's significant accounting policies and critical accounting estimates or judgements relating to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note it is included within the relevant note.

Corporate information

ABN AMRO Group N.V. (referred to as 'ABN AMRO Group') is the parent company of ABN AMRO Bank N.V. and a related consolidated group of companies (referred to as 'the Group' or 'ABN AMRO'). ABN AMRO Group is a public limited liability company, incorporated under Dutch law on 18 December 2009, and registered at Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

All ordinary shares in ABN AMRO Group N.V., representing 100% of the voting rights, have been held by a foundation named Stichting administratiekantoor beheer financiële instellingen ('NLFI') since 16 May 2013. Before this date, non-cumulative preference shares in ABN AMRO Group N.V., representing 7.4% of the voting rights, were held by ABN AMRO Preferred Investments B.V. On 11 March 2013, the non-cumulative preference shares were repurchased. On 16 May 2013, the non-cumulative preference shares were cancelled.

ABN AMRO provides a broad range of financial services to retail, private, commercial and merchant banking customers. These activities are carried out primarily in the Netherlands and selectively abroad.

The Consolidated Annual Financial Statements of ABN AMRO Group for the annual period ended 31 December 2013 incorporate financial information of ABN AMRO Group N.V., its controlled entities, interests in associates and joint ventures. The Annual Financial Statements were prepared by the Managing Board and authorised for issue by the Supervisory Board and Managing Board on 7 March 2014.

Statement of compliance

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). They also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

Basis of preparation

- The consolidated Annual Financial Statements are prepared in accordance with IFRS (as endorsed by European Union) on the basis of a mixed valuation model as follows:
- Fair value is used for:
  - derivative financial instruments;
  - financial assets and liabilities held for trading or designated as measured at fair value through income;
  - available-for-sale financial assets;
  - investments in associates of a private equity nature;
- Other financial assets (including loans and receivables) and liabilities are valued at amortised cost less any impairment, if applicable;
- The carrying value of assets and liabilities measured at amortised cost included in a fair value hedge relationship is adjusted with respect to fair value changes resulting from the hedged risk;
- Non-financial assets and liabilities are generally stated at historical cost;
- Equity-accounted investments are accounted for using the net equity method.

Disclosures under IFRS 7, 'Financial Instruments: Disclosures' are specified in the audited sections in Risk management, Capital management, Liquidity & Funding and Securitisation and are an integral part of these consolidated financial statements.

The Annual Financial Statements are prepared under the going concern assumption. The Annual Financial Statements are presented in euros, which is the presentation currency of ABN AMRO, rounded to the nearest million (unless otherwise noted).

The presentation of certain terms used in the Consolidated statement of financial position, the Consolidated income statement, Consolidated statement of changes in equity and certain notes have been changed to provide more relevant information or to better align with the current period presentation. Among others, accrued interest is presented as part of the relevant balance sheet accounts versus Accrued income and prepaid expenses and Accrued expenses and deferred income. This change has no impact on equity, total assets or net profit. The main changes for 2012 are: Financial assets held for trading increased by EUR 1,539 million, Accrued income and prepaid expenses decreased by EUR 3,141 million, Financial liabilities held for trading increased by EUR 1,316 million, Issued debt increased by EUR 1,005 million and Accrued expenses and deferred income decreased by EUR 4,240 million.

Changes in accounting policies

Amended IAS 19 Employee Benefits

ABN AMRO has adopted the amended IAS 19 Employee Benefits in accordance with the transitional provisions which require retrospective application. The opening statements of financial position as of 1 January 2012 and the comparative figures for 2012 have been adjusted. Further details are included in note 30.

IFRS 7 Financial Instruments: Disclosures Offsetting

The amendments to IFRS 7 are intended to enable users of financial statements to better evaluate the effects or potential effects of offsetting on the entity's financial positions. The disclosures are included in the Risk management section, including comparative figures for 2012.

IFRS 13 Fair Value Measurement

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

IAS 1 Presentation of Financial Statements

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

Improvements to IFRSs (2009-2011)

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

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

New accounting standards and interpretations

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

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces all of the consolidation guidance of IAS 27 Consolidated and separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. Consolidation is required when there is control that is defined as a combination of power, exposure to variability in returns and a link between the two. IAS 28, Investments in Associates and Joint Ventures is also amended for conforming changes based on the issuance of IFRS 10. ABN AMRO has completed its impact assessment and concluded that there were no significant changes in its financial statements.

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosure of Interests in Other Entities

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

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

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

IAS 32 Financial Instruments: Presentation

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

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

IFRS 9 Financial Instruments

The IASB finalised two phases of IFRS 9 in its work on the replacement of IAS 39 and issued standards for Classification and measurement of financial assets and liabilities as well as general hedge accounting. The IASB expects to issue a final standard for impairments in 2014, for which an exposure draft has been issued. The IASB has tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. ABN AMRO is currently assessing the impact on its financial statements.

IAS 19 Employee Benefits

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

IAS 36 Impairment of Assets

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

IAS 39 Financial Instruments: Recognition and Measurement

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

IFRIC 21 Levies

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgement in the process of applying ABN AMRO's accounting policies and to make estimates and assumptions concerning the future. Actual results may differ from those judgements and estimates. Accounting policies for most significant areas requiring management to make judgements and estimates that affect reported amounts and disclosures are disclosed in the following sections:

Impairment losses on loans and receivables	Risk management section
Fair value of financial instruments	note 39
Pension and post-retirement benefits	note 30
Income taxes	note 12
Impairment of available-for-sale instruments	note 15
Provisions	note 29

Assessment of risk and rewards

Whenever ABN AMRO is required to assess risks and rewards, when considering the recognition and derecognition of assets or liabilities and the consolidation and deconsolidation of subsidiaries, it may sometimes be required to use judgement. Although management uses its best knowledge of current events and actions in making assessments of expected risk and rewards, actual risks and rewards may ultimately differ.

Significant accounting policies

Basis of consolidation

The Consolidated Financial Statements of ABN AMRO Group N.V. include the financial statements of the parent and its controlled entities. It incorporates assets, liabilities, revenues and expenses of ABN AMRO Group N.V. and its subsidiaries. Non-controlling interests, held by third parties, in both equity and results of group companies are presented separately in the Consolidated Financial Statements.

Subsidiaries are included using the same reporting period and consistent accounting policies. Intercompany balances and transactions, and any related unrealised gains and losses are eliminated in preparing the Consolidated Financial Statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of ABN AMRO's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Subsidiaries

Subsidiaries are those entities controlled by ABN AMRO. Control is deemed to exist when ABN AMRO has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable or convertible are taken into account when assessing whether control exists, unless, in exceptional circumstances, it can be demonstrated that such ownership does not constitute control. Control also exists when the parent owns one half or less of voting power but has the power to govern the financial and operating policies.

ABN AMRO sponsors entities, including certain special purpose entities, which may or may not be directly owned, for the purpose of asset securitisation transactions and other specific and well defined objectives. Particularly in the case of securitisations, these entities may acquire assets from other ABN AMRO companies. Some of these entities hold assets that are not available to meet the claims of creditors of ABN AMRO or any of its subsidiaries. Such entities are consolidated in ABN AMRO's financial statements when the substance of the relationship between ABN AMRO and the entity indicates that control is held by ABN AMRO. The financial statements of subsidiaries and special purpose entities are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Foreign currency

The Consolidated Financial Statements are stated in euros, which is the functional currency of ABN AMRO.

Foreign currency differences

ABN AMRO applies IAS 21 The effect of changes in foreign exchange rates. Transactions and balances in foreign currencies are translated into euros at the rate prevailing on the transaction date. Foreign currency balances are translated into euros at the period end exchange rates. Exchange gains and losses on such balances are recognised in the income statement. The Group's foreign operations may have different functional currencies. The functional currency is the currency that best reflects the economic substance of the underlying event and circumstances relevant to that entity. Prior to consolidation (or equity accounting), the assets and liabilities of non-euro operations are translated at the closing rate and items of the income statement and other comprehensive income are translated into euros at the rate prevailing on the transaction dates. Exchange differences arising on the translation of foreign operations are included in the currency translation reserve within equity. These are transferred to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on partial disposal of the operation.

Financial assets and liabilities

ABN AMRO classifies financial assets and liabilities based on the business purpose of entering into these transactions.

Classification of financial assets

Financial assets are classified as assets held for trading, financial investments and loans and receivables and are based on the criteria in IAS 39 Financial Instruments: Recognition and Measurement.

Their measurement and income recognition depend on the classification of the financial assets. The following four groups are identified:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They generally arise when money or services are directly provided to a customer with no intention of trading or selling the loan. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement;
- Held-to-maturity investments are non-derivative financial assets that consist of instruments quoted on an active market with fixed or determinable payments and fixed maturity for which the positive intent and ability to hold to maturity is demonstrated. They are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost using the effective interest method, with the periodic amortisation recorded in the income statement.
- Financial assets at fair value through profit or loss include:
  - financial assets held for trading;
  - financial assets that ABN AMRO irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature
- Available-for-sale financial assets are those assets that are otherwise not classified as loans and receivables, held-to-maturity investments or financial assets designated at fair value through profit or loss. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

Classification of financial liabilities

Financial liabilities are classified as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other borrowings. Their measurement and recognition in the income statement depends on the classification of the financial liabilities. They are initially measured at fair value with subsequent changes recognised in other comprehensive income.

- Financial liabilities at fair value through profit or loss including:
  - financial liabilities held for trading;
  - financial liabilities that ABN AMRO has irrevocably designated at initial recognition as held at fair value through profit or loss when the instruments are held to reduce an accounting mismatch are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Other financial liabilities are initially measured at fair value (including transaction costs). Subsequent changes are measured at amortised cost using the effective interest rate method with the periodic amortisation recorded in the income statement.

Classification of assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;
- A trading derivative (except for a derivative that is a designated and effective hedging instrument).

Recognition and derecognition

Traded instruments are recognised on the trade date, defined as the date on which ABN AMRO commits to purchase or sell the underlying instrument. In the infrequent event that settlement terms are non-standard, the commitment is accounted for as a derivative between trade and settlement date. Loans and receivables are recognised when they are acquired or funded by ABN AMRO and derecognised when settled. Issued debt is recognised when issued and deposits are recognised when the cash is deposited with ABN AMRO. Other financial assets and liabilities, including derivatives, are recognised in the balance sheet when ABN AMRO becomes a party to the contractual provisions of the asset or liability.

Financial assets are generally derecognised when ABN AMRO loses control and the ability to obtain benefits over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or substantially all risk and rewards are transferred. Financial assets are also derecognised in the case that the bank has neither transferred nor retained substantially all risks and rewards of ownership and control has passed to the transferee.

Financial instruments continue to be recognised in the balance sheet, and a liability recognised for the proceeds of any related funding transaction, unless a fully proportional share of all or specifically identified cash flows are transferred to the lender without material delay and the lender's claim is limited to those cash flows and substantially all the risks and returns and control associated with the financial instruments have been transferred, in which case that proportion of the asset is derecognised.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

ABN AMRO is mainly involved in securitisations of own originated assets such as various consumer and commercial financial assets. This process generally necessitates a sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors. ABN AMRO's interests in securitised assets may be retained in the form of senior or subordinated tranches, issued guarantees, interest-only strips or other residual interests, together referred to as retained interest. In many cases these retained interests convey control such that the SPE is consolidated and the securitised assets continue to be recognised in the consolidated balance sheet.

ABN AMRO has protected assets through synthetic securitisations. Through a synthetic securitisation a substantial part of the credit risk related to these assets is transferred, while actual ownership of the assets remains with ABN AMRO.

A restructuring of an existing financial asset for a new financial asset with the same lender on substantially different terms, generally a 10% difference in the present value of the cash flows, is accounted for as an expiration of the original financial asset and recognition of a new financial asset. The difference between the former carrying amount and the carrying amount of the new financial asset is included in impairment charges in profit or loss.

Financial liabilities are derecognised when the liability has been settled, has expired or has been distinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, generally a 10% difference in the present value of the cash flows, is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the former carrying amount and the consideration paid is included in Results from financial transactions in profit or loss. Any subsequent resale is treated as a new issuance.

Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Fiduciary activities

ABN AMRO commonly acts as trustee and in other fiduciary capacities that entail either the holding or placing of assets on behalf of individuals, trusts or other institutions. These assets are not assets of ABN AMRO and are therefore not included in these financial statements.

notes to the consolidated income statement

2 Segment reporting

Accounting policy for segment reporting.

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 Managing Board, which is responsible for allocating resources and assessing performance and has been identified as chief operating decision-maker.

All transactions between segments are eliminated as intersegment revenues and expenses in Group Functions.

Geographical data is presented according to management view.

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

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

Segment assets, liabilities, income and results are measured based on the ABN AMRO accounting policies. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length.

Interest income is reported as net interest income as management primarily relies on net interest income as a performance measure, not gross income and expense.

There is no revenue from transactions with a single external client or counterparty exceeding 10% of the bank's total revenue in 2013 or 2012.

Retail Banking

Retail Banking serves Mass Retail and Preferred Banking clients and offers a wide variety of banking and insurance products and services through the branch network, online, via contact centres and through subsidiaries.

Private Banking

Private Banking provides total solutions to its clients' global wealth management needs and offers a rich array of products and services designed to address their individual needs. Private Banking operates under the brand name ABN AMRO MeesPierson in the Netherlands and internationally under ABN AMRO Private Banking and local brands such as Banque Neuflize OBC in France and Bethmann Bank in Germany. The Private Banking segment includes the activities of the International Diamond & Jewelry Group (ID&JG).

Commercial Banking

Commercial Banking serves commercial clients with annual turnover up to EUR 500 million and clients in the public sector, commercial finance and leasing. Commercial Banking consists of two business lines: Business Banking and Corporate Clients.

Merchant Banking

Merchant Banking serves Netherlands-based corporates, financial institutions and real estate investors as well as international companies active in Energy, Commodities & Transportation (ECT). Merchant Banking is organised into two business lines: Large Corporates & Merchant Banking (LC&MB) and Markets.

Group Functions

Group Functions supports the business segments and consists of Technology, Operations & Property Services (TOPS); Finance; Risk Management & Strategy; People, Regulations & Identity (PR&I); Group Audit and the Corporate Office.
The majority of costs of Group Functions are allocated to the businesses.
The results of Group Functions include the results of ALM/Treasury.

Segment information for the year 2013

Income Statement

(in millions)						2013
	Retail & Private Banking		Commercial & Merchant Banking		Group Functions	Total
	Retail Banking	Private Banking	Commercial Banking	Merchant Banking		
Net interest income	2,941	586	1,385	673	-205	5,380
Net fee and commission income	465	539	273	370	-4	1,643
Net trading income		30	1	81	-6	106
Results from financial transactions		-3		11	-20	-12
Share of result in equity accounted investments	39	14		-9	2	46
Other income	-10	17	26	31	97	161
Operating income	**3,435**	**1,183**	**1,685**	**1,157**	**-136**	**7,324**
Personnel expenses	494	453	292	326	792	2,357
General and administrative expenses	366	227	92	202	1,284	2,171
Depreciation and amortisation of tangible and intangible assets	9	20	3	15	195	242
Intersegment revenues/expenses	903	193	511	395	-2,002	
Operating expenses	**1,772**	**893**	**898**	**938**	**269**	**4,770**
Impairment charges on loans and other receivables	598	113	796	163	-687	983
Total expenses	**2,370**	**1,006**	**1,694**	**1,101**	**-418**	**5,753**
Operating profit/(loss) before taxation	**1,065**	**177**	**-9**	**56**	**282**	**1,571**
Income tax expenses	277	41	-1	45	49	411
Profit/(loss) for the year	**788**	**136**	**-8**	**11**	**233**	**1,160**
Attributable to:						
Owners of the company	788	136	-8	13	233	1,162
Non-controlling interests				-2		-2

The methodology for determining the internal liquidity compensation applied to deposits was changed in 2013. This led to a decline in net interest income within Group Functions of EUR 312 million and a corresponding increase within the business sections, mainly Retail Banking (EUR 167 million), followed by Private Banking (EUR 87 million) and Commercial Banking (EUR 56 million).

Retail Banking

Net interest income rose by EUR 337 million to EUR 2,941 million. The increase was due to the previously mentioned change in liquidity compensation as well as higher margins and higher savings volumes. Deposit volumes increased by EUR 5.3 billion in 2013, with the MoneYou label, also active in Germany and Belgium, accounting for the bulk of this growth. As of 2013 staff benefits on mortgage rates are booked as interest costs within each business segment rather than a compensation to Retail Banking through expenses. This has led to a one-off increase in NII and expenses within Retail Banking. Personnel expenses grew by EUR 101 million mainly due to the impact of higher pension costs. Other expenses increased due to the abovementioned change made to booking of staff benefits on mortgages. Impairment charges on loans and other receivables rose by 56% to EUR 598 million. Half of the increase in impairment charges was due to mortgages, the other was due to the consumer lending portfolio.

Private Banking

Net interest income rose by EUR 49 million to EUR 586 million. Excluding the abovementioned change in the liquidity compensation, net interest income would have shown a limited decline. Net fee and commission income benefited from higher client activity as well as higher assets under management, increasing by 6% to EUR 539 million. Impairment charges on loans and other receivables came to EUR 113 million compared with EUR 203 million mainly due to a number of impairments in ID&JG in 2012 whereas some releases were booked in 2013.

Commercial Banking

Net interest income rose by 10% to EUR 1,385 million as a limited decline in outstanding commercial loans was more than offset by higher margins. In addition, increasing commitment fees are being charged on current accounts. Net fee and commission income declined by 10%, due chiefly to the divestment of part of the insurance activities partly offset by higher transaction fees. Fee income also declined due to a reclassification of interbank payment fees from other costs to negative fee income. Personnel expenses increased by 15% to EUR 292 million, primarily as a result of higher pension costs partly offset by a reduction in FTEs. Other expenses dropped by EUR 74 million largely due to the abovementioned reclassification. Impairment charges on loans and other receivables amounted to EUR 796 million in 2013, an increase of 36% compared with 2012. Impairment levels for Corporate Clients (clients with turnover between EUR 30 and EUR 500 million) remained flat, with the full increase in loan impairments due to SMEs. The construction, retail, commercial real estate, and horticulture sectors were particularly affected. Files now remain longer within the Financial Restructuring & Recovery department and the proportion of clients that are restored to health has declined. Inflow of SMEs in the Financial Restructuring and Recovery department remains high.

Merchant Banking

Net interest income rose by 3% to EUR 673 million. Interest income from ECT, Real Estate, and Large Corporates increased. This was partly offset by lower results at securities financing as the 2012 results benefited from higher margin following the European sovereign debt crisis. Net fee and commission income decreased by 2% to EUR 370 million. Within Markets, trading income was lower across the board, although this was due in part to the strategic decision to terminate the non-client-related part of the business, bringing down income compared with 2012. Private Equity also contributed to the decline as favourable revaluations in 2012 were followed by negative revaluations in 2013. Personnel expenses rose 18% to EUR 326 million mainly as a result of higher pension costs. Other expenses were down 4% to EUR 612 million. Impairment charges on loans and other receivables amounted to EUR 163 million, coming down by EUR 93 million. The decline was mainly due to a significant provision booked in 2012 for a single client.

Group Functions

Net interest income decreased by EUR 176 million, due mainly to the previously mentioned change to the liquidity compensation of EUR 312 million. The mismatch result increased due to lower short-term interest rates. The costs of funding as well as capital increased somewhat as maturing debt issued before the crisis was refinanced at higher spread levels. Net fee and commission income increased by EUR 91 million, due mainly to a reallocation of fees paid for interbank payments to the business. Personnel expenses showed a marginal decline however in 2012 EUR 162 million of integration costs of the pension funds was booked (part of special items). Personnel expenses decreased due to lower FTEs, partly offset by higher pension costs. Other expenses excluding special items increased mainly as compensation from a service level agreement (related to the EC Remedy) lowered expenses in 2012 and due to higher costs for technology change projects slightly offset by lower depreciation cost. Impairment charges on loans and other receivables was negative EUR 687 million and was almost entirely the result of the releases on Madoff and the Greek loans.

Selected statement of financial position

(in millions)						31 December 2013
	Retail & Private Banking		Commercial & Merchant Banking		Group Functions	Total
	Retail Banking	Private Banking	Commercial Banking	Merchant Banking		
Assets						
Financial assets held for trading	38	160	136	23,644	-111	23,867
Loans and receivables - customers	157,755	16,926	40,153	49,408	3,905	268,147
Total assets	**159,427**	**22,083**	**41,640**	**91,377**	**57,495**	**372,022**
Liabilities						
Financial liabilities held for trading	38	129	1	14,080		14,248
Due to customers	87,515	59,751	37,871	27,456	3,050	215,643
Total liabilities[1]	**159,427**	**22,083**	**41,640**	**91,377**	**43,927**	**358,454**

[1] Total liabilities per segment are presented after elimination of intercompany transactions and may therefore be lower than the line items specified above.

More detailed information is provided in the Business, operating and financial review.

Segment information for the year 2012

Income Statement

(in millions)						2012
	Retail & Private Banking		Commercial & Merchant Banking		Group Functions	Total
	Retail Banking	Private Banking	Commercial Banking	Merchant Banking		
Net interest income	2,604	537	1,264	652	-29	5,028
Net fee and commission income	465	508	302	376	-95	1,556
Net trading income		28	1	303	-69	263
Results from financial transactions		4		91	-64	31
Share of result in equity accounted investments	36	13	-4	13	16	74
Other income		24	22	26	314	386
Operating income	**3,105**	**1,114**	**1,585**	**1,461**	**73**	**7,338**
Personnel expenses[1]	393	417	255	277	809	2,151
General and administrative expenses	370	234	78	216	1,371	2,269
Depreciation and amortisation of tangible and intangible assets	7	19	3	14	223	266
Intersegment revenues/expenses	854	218	599	407	-2,078	
Operating expenses	**1,624**	**888**	**935**	**914**	**325**	**4,686**
Impairment charges on loans and other receivables	383	203	587	256	-201	1,228
Total expenses	**2,007**	**1,091**	**1,522**	**1,170**	**124**	**5,914**
Operating profit/(loss) before taxation	**1,098**	**23**	**63**	**291**	**-51**	**1,424**
Income tax expenses[1]	276	-28	22	27	-26	271
Profit/(loss) for the year	**822**	**51**	**41**	**264**	**-25**	**1,153**
Attributable to:						
Owners of the company	822	51	41	264	-25	1,153
Non-controlling interests						

1 The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

Selected Statement of financial position

(in millions)						31 December 2012
	Retail & Private Banking		Commercial & Merchant Banking		Group Functions	Total
	Retail Banking	Private Banking	Commercial Banking	Merchant Banking		
Assets						
Financial assets held for trading	42	148	189	24,067	-103	24,343
Loans and receivables - customers	161,985	17,354	42,595	49,653	5,380	276,967
Total assets[1]	**164,100**	**22,689**	**44,063**	**102,276**	**60,630**	**393,758**
Liabilities						
Financial liabilities held for trading	42	168	1	19,887		20,098
Due to customers	82,176	59,062	34,574	37,083	3,862	216,757
Total liabilities[1, 2]	**164,100**	**22,689**	**44,063**	**102,276**	**47,747**	**380,875**

1 The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

2 Total liabilities per segment are presented after elimination of intercompany transactions and may therefore be lower than the line items specified above.

Geographical segments

(in millions)						2013
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Net interest income	4,639	511	72	132	26	5,380
Net fee and commission income	1,109	306	83	131	14	1,643
Net trading income	138	-55	3	20		106
Results from financial transactions	-15	6	1		-4	-12
Share of result in equity accounted investments	31	13		2		46
Other income	134	16		1	10	161
Operating income	**6,036**	**797**	**159**	**286**	**46**	**7,324**
Personnel expenses	1,856	328	54	96	23	2,357
General and administrative expenses	1,855	233	29	43	11	2,171
Depreciation and amortisation of tangible and intangible assets	208	23	4	5	2	242
Intercountry revenues/expenses	-1	-18	4	19	-4	
Operating expenses	**3,918**	**566**	**91**	**163**	**32**	**4,770**
Impairment charges on loans and other receivables	981	-5	-1	6	2	983
Total expenses	**4,899**	**561**	**90**	**169**	**34**	**5,753**
Operating profit/(loss) before taxation	**1,137**	**236**	**69**	**117**	**12**	**1,571**
Income tax expenses	291	81	18	17	4	411
Profit/(loss) for the year	**846**	**155**	**51**	**100**	**8**	**1,160**
Attributable to:						
Owners of the company	848	155	51	100	8	1,162
Non-controlling interests	-2					-2

(in millions)						2012
	The Netherlands	Rest of Europe	USA	Asia	Rest of the world	Total
Net interest income	4,347	474	62	118	27	5,028
Net fee and commission income	1,057	307	62	114	16	1,556
Net trading income	204	28	3	27	1	263
Results from financial transactions	-13	44				31
Share of result in equity accounted investments	60	11		1	2	74
Other income	358	29	1	-2		386
Operating income	**6,013**	**893**	**128**	**258**	**46**	**7,338**
Personnel expenses[1]	1,670	331	48	90	12	2,151
General and administrative expenses	1,967	219	30	42	11	2,269
Depreciation and amortisation of tangible and intangible assets	233	25	3	3	2	266
Intercountry revenues/expenses	-29	15	2	14	-2	
Operating expenses	**3,841**	**590**	**83**	**149**	**23**	**4,686**
Impairment charges on loans and other receivables	1,077	127	2	-1	23	1,228
Total expenses	**4,918**	**717**	**85**	**148**	**46**	**5,914**
Operating profit/(loss) before taxation	**1,095**	**176**	**43**	**110**		**1,424**
Income tax expenses[1]	242	2	11	17	-1	271
Profit/(loss) for the year	**853**	**174**	**32**	**93**	**1**	**1,153**
Attributable to:						
Owners of the company	853	174	32	93	1	1,153
Non-controlling interests						

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

3 Acquisitions and divestments

Accounting policy for business combinations

All items of consideration, including contingent consideration, transferred by ABN AMRO are measured and recognised at fair value as of the acquisition date. Transaction costs incurred by the acquirer in connection with the business combination, other than those associated with the issuance of debt and equity securities, do not form part of the cost of the business combination transaction but are expensed as incurred. The excess of the purchase consideration over ABN AMRO's share of the fair value of the identifiable net assets acquired (including certain contingent liabilities) is recorded as goodwill. In a step acquisition, where a business combination occurs in stages and control of the business is obtained in stages, the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained. A gain or loss is recognised in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Changes in interests in subsidiaries that do not result in a change of control are treated as transactions between equity holders and are reported in equity.

Assets and liabilities of acquisitions and divestments

The table below provides details on the assets and liabilities resulting from the acquisitions or disposals of subsidiaries and equity-accounted investments at the date of acquisition or disposal.

(in millions)	31 December 2013		31 December 2012	
	Acquisitions	Divestments	Acquisitions	Divestments
Assets and liabilities of acquisitions and divestments				
Cash and balances at central banks		-4		
Loans and receivables - banks	13	-269		-11
Loans and receivables - customers		-22		
Equity accounted investments	85	-41	73	-40
Goodwill and other intangible assets	1			-1
Accrued and other assets	24	-3		-5
Due to banks		180		1
Due to customers	-7	92		3
Accrued expenses and deferred income	-1			1
Tax liabilities				1
Other liabilities	-17	4		7
Non-controlling interests	-1	5		
Net assets acquired/Net assets divested	**97**	**-58**	**73**	**-44**
Result on divestments, gross		28		34
Cash used for acquisitions/received from divestments:				
Total purchase consideration/Proceeds from sale	-97	86	-73	78
Cash and cash equivalents acquired/divested	2	-273		-11
Cash used for acquisitions/received for divestments	**-95**	**-187**	**-73**	**67**

Acquisitions and divestments include increases and decreases in the investments in several equity-accounted investments for both 2013 and 2012.

Acquisitions in 2013

ABN AMRO completed the acquisition of Banco CR2 S.A. in Brasil on 31 July 2013.

Divestments in 2013

Divestments in 2013 consist of the decrease of ownership of European Multilateral Clearing Facility from 78% to 25% due to equal ownership of Depository Trust & Clearing Corporation, BATS Chi-X, Nasdaq OMX and ABN AMRO Clearing Bank in European Multilateral Clearing Facility.
This divestment was completed on 5 December 2013.

Divestments in 2012

Divestments in 2012 consist of the sale of Solveon, which was completed on 1 December 2012, and several equity accounted investments.

The sale of the commercial insurance broker activities for corporate clients to Aon was completed on 2 July 2012. The insurance operations for small and medium-sized businesses were transferred to ABN AMRO Verzekeringen. ABN AMRO Verzekeringen is a joint venture between ABN AMRO Bank N.V. and Delta Lloyd Group, the latter holding 51% of the shares and ABN AMRO Bank N.V. having a 49% stake.

4 Net interest income

Accounting policy for net interest income and expenses

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all interest-bearing instruments using the effective interest rate method. 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 method requires the Group to estimate future cash flows, in some cases based on its experience of customer behaviour, considering all contractual terms of the financial instrument, as well as expected lives of the assets and liabilities. Due to the large number of products, there are no individual estimates that are material to the results or financial position. Interest income and expenses of trading balances are included in net trading income.

(in millions)	2013	2012
Interest income	12,023	13,038
Interest expense	6,643	8,010
Net interest income	**5,380**	**5,028**

Net interest income

Net interest income amounted to EUR 5,380 million, up 7% on the same period last year. The improved results were predominantly driven by higher margins on the loan portfolio.

Interest income

The breakdown of Interest income by type of product for the years ended 31 December is shown in the following table.

(in millions)	2013	2012
Interest income from:		
Cash and balances at central banks		5
Financial investments available-for-sale	227	351
Loans and receivables - banks	345	631
Loans and receivables - customers	10,609	11,116
Other	842	935
Total interest income	**12,023**	**13,038**

The decrease in the interest income from Loans and receivables - banks is mainly due to the cancellation of specific investment deals.
The decrease in the interest income from Loans and receivables - customers is predominantly due to lower interest revenues as a result of lower volumes on the mortgage portfolio.

Interest expense

The breakdown of Interest expenses by type of product for the years ended 31 December is shown in the following table.

(in millions)	2013	2012
Interest expenses from:		
Due to banks	353	474
Due to customers	2,817	3,385
Issued debt	1,123	1,882
Subordinated liabilities	308	271
Other	2,042	1,998
Total interest expense	**6,643**	**8,010**

The decrease in the interest expense on Due to banks is mainly due to cancellation of specific investment deals.
The decrease in the interest expense on Due to customers is chiefly due to lower interest rates paid on deposits in Retail & Private Banking and Commercial & Merchant Banking.
Interest expense on Issued debt decreased due mainly to lower interest expenses and a decrease in volumes.

5 Net fee and commission income

Accounting policy for net fee and commission income

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

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

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

(in millions)	2013	2012
Fee and commission income	2,639	2,552
Fee and commission expense	996	996
Net fee and commission income	**1,643**	**1,556**

Net fee and commission income increased mainly due to higher management fees related to Assets under Management in the Private Banking portfolio as a result of an increase in the volume. The increase was also driven by higher commissions earned on credit and debit cards and an increase in portfolio fees as a result of higher share prices.

Fee and commission income

Fee and commission income for the years ended 31 December is specified in the following table.

(in millions)	2013	2012
Fee and commission income from:		
Securities and custodian services	1,144	1,179
Insurance and investment fees	79	94
Portfolio management and trust fees	452	362
Payment services	680	648
Guarantees and commitment fees	142	134
Other service fees	142	135
Total fee and commission income	**2,639**	**2,552**

Securities and custodian services fees was lower chiefly due to the switch of several securities fees to all-in management fees (EUR 20 million). The decrease was also due to the change in exchange rate of the US dollar (EUR 22 million) and the decrease of volumes (EUR 19 million). These negative items were partly compensated by higher fees within the Clearing business (EUR 31 million).

Insurance and investment fees were lower mainly because of the sale of specific insurance portfolios in 2012 (EUR 25 million).

Portfolio management fees increased predominantly as a result of the switch to all-in management fees (EUR 20 million) and higher transaction volume in the Private Banking portfolio (EUR 27 million). In addition, a negative amount of Discretionary Portfolio Management fees were reclassified from Portfolio fee income to Portfolio fee expense (EUR 20 million).

Fees on payment services increased mainly due to higher income from card transactions and other settlements performed for retail and corporate clients.

Fee and commission expense

The components of Fee and commission expenses for the years ended 31 December are as follows:

(in millions)	2013	2012
Fee and commission expenses from:		
Securities and custodian services	705	739
Insurance and investment fees	23	18
Portfolio management and trust fees	68	40
Payment services	162	168
Guarantees and commitment fees	8	9
Other service fees	30	22
Total fee and commission expense	**996**	**996**

Securities and custodian services expenses were lower mainly due to a decrease in the US dollar exchange rate (EUR 20 million), the decrease of volumes (EUR 14 million), and the reversal of an accrual made in 2012 on securities fees to be paid to the American Stock Exchange (EUR 9 million). The decrease was partly compensated by higher fee expenses within the Clearing business (EUR 14 million).

The increase in Portfolio management fee expense was chiefly driven by higher volume transactions related to Assets under Management in the Private Banking portfolio. In addition, a negative amount of Discretionary Portfolio Management fees was reclassified from Portfolio fee income to Portfolio fee expense (EUR 20 million).

6 Net trading income

Accounting policy for net trading income

In accordance with IAS 39, trading positions are held at fair value and Net trading income includes gains and losses arising from changes in the fair value of financial assets and liabilities held for trading, interest income and expenses related to trading balances, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in ABN AMRO's credit spreads where these impact the value of ABN AMRO's trading liabilities. The charge related to the write-off of trading instruments is included in Net trading income.

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

Net trading income decreased mainly as a result of the wind-down of the non-clien-related equity derivative portfolios. This was partly offset by lower Credit Value Adjustments (CVA) on the interest rate derivatives portfolio and cancellation of specific financing deals in 2012.

Interest instruments trading was lower due to the gradual termination of the activities in equity derivatives started in 2012 (EUR 80 million). Furthermore fair value of the over-the-counter (OTC) interest rate derivatives portfolio was lower due to a significant upward movement of the market interest rate curve in 2013 (EUR 60 million).

Equity trading decreased predominantly as a consequence of the gradual termination of the activities in equity derivatives (EUR 126 million). The decrease was also driven by the loss on the Total Return Swap portfolio caused by a move in credit spread and exchange rate results (EUR 102 million).

In addition, foreign exchange results were higher chiefly due to the cancellation of specific financing deals.

Other trading income increased due mainly to the lower CVA's (EUR 60 million).

7 Results from financial transactions Pillar 3

Accounting policy on results from financial transactions

Results from financial transactions include gains and losses on the sale of non-trading financial assets and liabilities, ineffectiveness of hedging programmes, the change in fair value of derivatives used for hedging purposes that are not included in hedge accounting relationships, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in ABN AMRO credit spreads. Dividend income from non-trading equity investments is recognised when entitlement is established.

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

Result on Available-for-sale debt securities increased due to the sale of government bonds in 2013, mainly US Treasury Bills, German and Austrian bonds.

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

Following the decision to close down the activities in Curaçao a loss of EUR 4 million incurred on the sale of the loan portfolio.

Result on Other equity investments resulted in a loss of EUR 20 million (2012: gain EUR 20 million). The decline was mainly caused by negative Fair Market Value adjustments of the participations in 2013 whereas 2012 recorded favourable revaluations.

Dividends decreased as a result of the termination of specific financing deals (2013: EUR 0 million, 2012: EUR 14 million). This result was partly offset by dividends from equity accounted investments (2013: EUR 7 million, 2012: EUR 4 million).

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

Net result on risk mitigants includes the positive result related to the ineffectiveness of specific hedge accounting programmes. More details on the hedge accounting are provided in note Note 40, Hedge accounting.

Other includes economic hedges (e.g. hedges not qualified for hedge accounting according to IFRS (EU)) amounted to a loss of EUR 13 million (2012: loss EUR 11 million). Revaluation of the funding by Private Investment Products, as far as they form part of the trading portfolio, resulted in a loss of EUR 29 million for 2013 (2012: loss EUR 109 million) due to developments in liquidity spread. Exchange rate changes resulted in a profit of EUR 53 million (2012: gain EUR 76 million). Sales and buyback losses of EUR 42 million were mainly generated by a Guaranteed Government Bond tender in 2012.

8 Other income Pillar 3

Accounting policy for Other income

Other income includes all other banking activities such as leasing activities and results on the disposal of assets.

(in millions)	2013	2012
Leasing activities	21	19
Disposal of operating activities and equity accounted investments	28	34
Other	112	333
Total other income	**161**	**386**

Other income decreased due to the positive impact of releases from the Credit Umbrella and the EC Remedy-related provisions in 2012 (EUR 215 million). Lower results on divestments had an impact of EUR 10 million. These decreases were partly offset by the sale of premises of EUR 22 million.

9 Personnel expenses

Accounting policy for 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.

The accounting policies for pensions and other post-retirement benefits are included in note 30.

(in millions)	2013	2012
Salaries and wages	1,661	1,692
Social security charges	227	214
Pension expenses relating to defined benefit plans[1]	224	31
Defined contribution plan expenses	33	35
Other	212	179
Total personnel expenses	**2,357**	**2,151**

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension standard IAS 19.

Total personnel expenses increased by EUR 206 million to EUR 2,357 million.

The decrease of EUR 18 million in salaries and wages and social security charges was mainly due to the reduction of the number of employees by 770 FTEs, partly offset by wage inflation caused by the collective labour agreement.

Pension expenses rose sharply by EUR 193 million, mainly due to an increase in the discount rate. ABN AMRO adopted the amended pension accounting standard IAS 19 as from 1 January 2013.

Note 30 contains further details on post-employment benefits and other long-term employee benefits, including pension costs related to defined benefit plans and defined contribution plans.

Other increased by EUR 33 million, mainly due to additional restructuring provisions for the planned reorganisation in Retail & Private Banking (EUR 30 million) and Commercial & Merchant Banking (EUR 38 million) and EUR 18 million higher expenses for defined benefit obligations and other staff related expenses. These increases were offset by a release of other post-employment plans due to the increase of the retirement age to 67 years (EUR 11 million), a release of EUR 20 million due to lower outflow of IT staff and higher expenses in 2012 of EUR 25 million regarding IT outsourcing.

10 General and administrative expenses

Accounting policy for general and administrative expenses

Costs are recognised in the period in which the services were provided and to which the payment relates.

(in millions)	2013	2012
Agency staff, Contractors and Consultancy costs	537	612
Staff related costs	81	92
Information technology costs	848	899
Housing	200	211
Post, telephone and transport	77	93
Marketing and public relations costs	123	136
Dutch bank tax	106	112
Other	199	114
Total general and administrative expenses	**2,171**	**2,269**

General and administrative expense decreased by EUR 98 million. The decrease in Agency staff, Contractors and Concultancy costs was mainly due to fewer projects thanks to the completion of integration activities and the decrease in information technology costs related to lower maintenance costs.

Other includes additions of EUR 11 million in legal provisions in 2013 (2012: release of EUR 3 million). In addition, expenses in 2012 included compensation from a service level agreement related to the EC Remedy which was terminated during 2012, which resulted in an increase of EUR 80 million.

Fees paid to KPMG are included under Agency staff, Contractors and Consultancy costs. These fees are specified in the following table.

	2013	2012
Financial statements audit fees	6	6
Audit related fees	4	4
Other fees		1
Total auditor's fee	**10**	**11**

11 Depreciation and amortisation

The accounting policy for depreciation and amortisation is described in Note 19.

(in millions)	2013	2012
Depreciation on tangible assets		
Land and buildings held for own use	50	73
Leasehold improvements	40	18
Equipment	90	80
Other	1	1
Amortisation on intangible assets		
Purchased software	40	63
Internally developed software	5	12
Other intangible assets	3	4
Impairment losses on tangible assets		
Land and buildings held for own use (incl. held for sale)	13	14
Equipment		1
Total depreciation and amortisation	**242**	**266**

Total depreciation and amortisation decreased by EUR 24 million in 2013.

Residual value and useful life of an asset are reviewed at least annually to take into account any change in circumstances. ABN AMRO revised the estimated useful life of buildings, equipment and leasehold improvements in 2013. The revisions were accounted for as a change in accounting estimates as of 1 January 2013 and, as a result, depreciation charges for 2013 increased by EUR 42 million.

Depreciation on Land and buildings held for own use decreased by EUR 23 million. The shortening of the estimated useful life in 2013 led to an additional increase in depreciations of EUR 4 million. Extra depreciations related to projects led to higher depreciation costs of EUR 26 million in 2012.

Depreciation on Leasehold improvements increased by EUR 22 million. This was mainly due to the shortening of the estimated useful life.

Depreciation on Equipment increased by EUR 10 million. This was mainly due to the shortening of the estimated useful life amounting to EUR 16 million extra depreciation together with an extra depreciation for desktops of EUR 4 million. The remainder of the EUR 10 million decrease was mainly due to decommissioning of IT systems.

Amortisation of purchased software decreased by EUR 24 million.

Amortisation of Internally developed software decreased by EUR 7 million. This was mainly due to decommissioning of software.

Impairment losses on Land and buildings held for own use include an impairment amount of EUR 4 million (2012: EUR 8 million) for assets held for sale.

12 Income tax expenses

Accounting policy for income taxes

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

(in millions)	2013	2012
Recognised in income statement:		
Current tax expenses for the current period	11	-93
Adjustments recognised in the period for current tax of prior periods	7	60
Previously unrecognised tax losses, tax credits and temporary differences increasing (reducing) current tax expenses	2	
Total current tax expense	**20**	**-33**
Deferred tax arising from the current period[1]	399	308
Deferred tax arising from the write-down or reversal of a write-down of a deferred tax asset	-6	53
Previously unrecognised tax losses, tax credits and temporary differences reducing deferred tax expense	-2	-57
Total deferred tax expense	**391**	**304**
Total income tax expense	**411**	**271**

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

Reconciliation of the total tax charge

The effective rate was 26.2% in 2013 (2012: 19.0%) and differs from the theoretical rate that would arise using the statutory tax rate of the Netherlands. This difference is explained as follows:

(in millions)	2013	2012
Profit / (loss) before taxation	1,571	1,424
Applicable tax rate	25.0%	25.0%
Expected income tax expense	393	356
Increase / (decrease) in taxes resulting from:		
Tax exempt income	-37	-92
Share in result of associates and joint ventures	-6	-8
Non deductable Dutch bank tax	26	28
Other non deductable expenses	8	-46
Previously unrecognised tax losses and temporary differences	4	-64
Write-down and reversal of write-down of deferred tax assets	-6	49
Foreign tax rate differential	25	-16
Adjustments for current tax of prior years	7	60
Other	-3	4
Actual income tax expense	**411**	**271**

ABN AMRO's effective tax rate in 2013 was mainly affected by profits and losses outside the Netherlands taxed against different corporate income tax rates than in the Netherlands, non-taxable gains and income, and a significant amount of non-deductible bank tax.

More details on the tax assets and liabilities are provided in note 23.

notes to the consolidated statement of financial position

13 Cash and balances at central banks

This item includes cash on hand and available demand balances with central banks in countries in which the bank has a presence. Mandatory reserve deposits are recorded in note 16 Loans and receivables – banks.

(in millions)	31 December 2013	31 December 2012
Cash on hand and other cash equivalents	596	591
Balances with central banks readily convertible in cash other than mandatory reserve deposits	8,927	9,205
Total cash and balances at central banks	**9,523**	**9,796**

Cash and balances at central banks decreased by EUR 273 million to EUR 9.5 billion, predominantly due to the decrease in overnight positions placed at DNB.

14 Financial assets and liabilities held for trading

Accounting policy for financial assets and liabilities held for trading

In accordance with IAS 39, all assets and liabilities held for trading are held at fair value with gains and losses in the changes in fair value taken to the income statement in Net trading income.

Trading assets and trading liabilities mainly include assets and liabilities that are classified under IFRS as 'Trading' but are closely related to facilitating the needs of ABN AMRO's clients.
A significant part of the derivatives in the trading portfolio is related to servicing corporate clients in their risk management to hedge, for example, currency or interest rate exposures. Furthermore, ABN AMRO offers institutional and corporate clients and governments products that are traded on the financial markets. Trading assets and liabilities held for the bank's own risk are very limited. From a risk perspective, the gross amount of trading assets must be associated together with

the gross amount of trading liabilities, which are presented separately on the balance sheet. However, IFRS does not allow netting of these positions in the balance sheet.

Financial assets held for trading

The following table shows the composition of assets held for trading.

(in millions)	31 December 2013	31 December 2012
Trading securities:		
Government bonds	2,906	2,127
Corporate debt securities	873	799
Equity securities	6,471	2,539
Total trading securities	**10,250**	**5,465**
Derivatives held for trading:		
Over the counter (OTC)	11,702	16,964
Exchange traded	146	290
Total derivatives held for trading	**11,848**	**17,254**
Trading book loans	1,032	1,118
Commodities	737	506
Total assets held for trading	**23,867**	**24,343**

Financial assets held for trading decreased mainly due to the lower fair value of the over-the-counter (OTC) interest rate derivatives portfolio as a result of a significant upward movement of the market interest rate curve (EUR 5.2 billion). The decrease was also caused by the termination of the non-client-related equity derivative portfolios started at the end of 2012 (EUR 0.4 billion). This was partly offset by a higher volume of equity securities related to present and new clients respectively in the USA (EUR 1.3 billion) and in the Netherlands (EUR 1.2 billion) and by an increase in the client-related Asian equity portfolio (EUR 1.7 billion). The equity derivative positions were hedged using underlying securities rather than derivatives. Moreover this year ABN AMRO purchased, as primary dealer, a higher amount of Dutch government bonds in order to secure trading positions (EUR 0.8 billion), as this is a more convenient alternative to cash collateral.

As mentioned in the basis of preperation, the figures for 2012 have changed to align with the current presentation. The impact on Financial assets held for trading was an increase of EUR 1,539 million in 2012.

Financial liabilities held for trading

The following table shows the composition of liabilities held for trading.

(in millions)	31 December 2013	31 December 2012
Bonds	1,988	1,975
Equity securities	1,787	1,163
Total short security positions	**3,775**	**3,138**
Derivatives held for trading:		
Over the counter (OTC)	9,703	15,859
Exchange traded	146	517
Total derivatives held for trading	**9,849**	**16,376**
Other liabilities held for trading	624	584
Total liabilities held for trading	**14,248**	**20,098**

Financial liabilities held for trading decreased mainly because of the lower fair value of the OTC interest rate derivatives held for trading as a consequence of the increase in the market interest rate in 2013 (EUR 6.1 billion). The decrease was also driven by the gradual wind-down of the non-client-related equity derivative portfolios started at the end of 2012 (EUR 0.3 billion). These negative components were partly offset by a slight increase in the short security positions which was caused by a higher volume of equity securities related to existing and new clients in the US (EUR 0.9 billion).

The fair value of assets pledged as security is shown in note 37 Pledged and encumbered assets.

As mentioned in the basis of preparation the figures for 2012 have been adjusted to align with the current presentation. The impact on Financial liabilities held for trading was EUR 1,316 million in 2012.

Derivatives held for trading

Derivatives held for trading comprise the following:

(in millions)		31 December 2013			31 December 2012		
		Notional amount		Fair values	Notional amount		Fair values
			Assets	Liabilities		Assets	Liabilities
Interest rate derivatives:							
OTC	Swaps	719,216	9,730	7,564	709,627	15,213	13,518
	Forwards		8		20,341	1	1
	Options	19,979	890	1,149	19,408	912	1,370
Exchange	Futures	115	2	2	1	4	2
	Subtotal	**739,310**	**10,630**	**8,715**	**749,377**	**16,130**	**14,891**
Currency derivatives:							
OTC	Swaps	65,487	714	566	38,866	461	564
	Forwards	10,452	128	93	8,607	80	85
	Options	4,645	78	108	4,203	55	96
Exchange	Futures	7		1	223	7	1
	Options	9			28		
	Subtotal	**80,600**	**920**	**768**	**51,927**	**603**	**746**
Other:							
OTC	Swaps	7,874	106	175	11,941	212	179
	Forwards	470			960	7	
	Options	2,145	48	48	1,605	23	46
Exchange	Futures	8	1		1,628	1	
	Options	204	143	143	1,594	278	514
	Subtotal	**10,701**	**298**	**366**	**17,728**	**521**	**739**
	Other				**10**		
Balance as at 31 December		**830,611**	**11,848**	**9,849**	**819,042**	**17,254**	**16,376**
Over the counter (OTC)		830,268	11,702	9,703	815,568	16,964	15,859
Exchange traded		343	146	146	3,474	290	517
Total derivatives held for trading		**830,611**	**11,848**	**9,849**	**819,042**	**17,254**	**16,376**

The notional amounts related to the Derivatives held for trading increased slightly due mainly to the higher notional amount of the OTC Currency derivatives. This was mainly determined by a higher volume of these derivative portfolios as a result of new trades ABN AMRO entered into in 2013. This increase was partly offset by lower notional of interest rate derivatives.

15 Financial investments Pillar 3

Financial investments are held at available for sale and at fair value through profit and loss.

Accounting policy for available for sale investments

Available-for-sale assets are held at fair value with unrealised gains and losses recognised directly in Other comprehensive income, net of applicable taxes. Interest earned, premiums, discounts and qualifying transaction costs of interest-earning available-for-sale assets are amortised to income on an effective interest rate basis. When available-for-sale assets are sold, collected or impaired, the cumulative gain or loss recognised in Other comprehensive income is transferred to Results from financial transactions in the income statement.

Accounting policy for assets designated through profit and loss

Financial investments managed on a fair value through profit and loss basis are designated at fair value through profit and loss when the instruments are held to reduce an accounting mismatch or include terms that have substantive derivative characteristics in nature.

The composition of Financial investments is as follows:

(in millions)	31 December 2013	31 December 2012
Financial investments:		
Available-for-sale	27,596	21,374
Held at fair value through profit or loss	530	375
Total, gross	**28,126**	**21,749**
Less: Available-for-sale impairment allowance	15	19
Total financial investments	**28,111**	**21,730**

The fair value of transferred assets is shown in note 37 Pledged and encumbered assets.

Investments available for sale

The fair value of ABN AMRO's available-for-sale investments (including gross unrealised gains and losses) is specified as follows:

(in millions)	31 December 2013	31 December 2012
Interest-earning securities:		
Dutch government	5,666	5,401
US Treasury and US government	1,495	1,548
Other OECD government	13,449	6,784
Non OECD government	201	117
European Union[1]	1,282	1,004
Mortgage and other asset-backed securities	3,544	3,731
Financial institutions[2]	1,657	2,470
Non financial institutions	89	123
Subtotal	**27,383**	**21,178**
Equity instruments	213	196
Total investment available-for-sale	**27,596**	**21,374**

1 In 2013, EUR 1.3 billion bonds of the European Union were reported separately. In 2012, the EUR 1.0 billion investment in European Union bonds was reported on the line Other OECD government.
2 In 2013, an investment of EUR 0.6 billion (2012: EUR 0 billion) in bonds of the European Stability Mechanism was reported on the line Financial institutions. In 2012 a government-guaranteed ING bond of EUR 1.0 billion was reported in Financial institutions in 2012. This bond was sold during 2013.

Most of these instruments are part of the liquidity buffer and are held for liquidity contingency purposes. For this reason, the changes in the portfolio are mainly due to active management of the liquidity buffer.

The liquidity buffer increased to EUR 75.9 billion, up from EUR 68.0 billion. More information is provided in the Liquidity & Funding chapter.

Government bonds by country of origin

The government bonds by country of origin for 2013 and 2012 were as follows at 31 December:

(in millions)	31 December 2013			31 December 2012		
	Gross unrealised gains (losses) and fair value hedges gains (losses)[1]	Impairments	Fair value	Gross unrealised gains (losses) and fair value hedges gains (losses)[1]	Impairments	Fair value
Dutch national government	369		5,666	742		5,401
French national government	184		4,734	204		2,220
Belgian national government	110		2,006	23		139
Italian national government	29		534	14		370
German national government	208		1,654	325		1,305
Great Britain national government	28		245	50		235
Austrian national government	251		1,562	320		1,454
USA national government	9		1,495	28		1,548
European Union bonds	82		1,282	90		1,004
Irish national government						
Finnish national government	25		1,044	62		678
Greek national government						
Portuguese national government						
Spanish national government			75			
Swiss national government			245			
Danish national government			205			3
Polish national government	54		345	60		350
Japanese national government			519			18
Canada			107			
Other national governments[2]			375			129
Total government bonds	**1,349**		**22,093**	**1,918**		**14,854**

[1] Of the total gross unrealised gains (losses), fair value hedge accounting was applied for an amount of EUR 1.3 billion as at 31 December 2013 (2012: EUR 1.9 billion). Losses of EUR 61 million (2012: loss EUR 22 million) were recognised in Equity (Available-for-sale column in the specification of Other comprehensive income).

[2] Other national governments of EUR 374 million included Hong Kong bonds (EUR 76 million) and Singapore bonds (EUR 61 million), Luxembourg bonds (EUR 81 million with gross unrealised losses and fair value hedge losses of EUR 1 million, Brazilian bonds (EUR 63 million) and Swedish bonds (EUR 93 million).
For 2012 the Other national governments of EUR 129 million included Swedish bonds (EUR 3 million), Luxembourg bonds (EUR 3 million), Australian bonds (EUR 5 million), Hong Kong bonds (EUR 39 million) and Singapore bonds (EUR 78 million).

No impairment charges were recorded on these government bonds.

More information on country risk positions is provided in the Risk management section of this Annual Report.

Critical accounting estimates and judgements

Interest-bearing securities and equities classified as available-for-sale investments are assessed at each reporting date to determine whether they are impaired. For equities this review considers factors such as the credit standing and prospects of the issuer, any reduction in fair value below cost, its direction and whether the reduction is significant or prolonged. In general, ABN AMRO uses 20% and 9 months as triggers for a significant or prolonged decline in the fair value below cost. An interest-bearing security is impaired and an impairment loss incurred if there is objective evidence that an event since initial recognition of the asset has adversely affected the amount or timing of future cash flows from the asset.
If, in a subsequent period, the fair value of a debt security classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the income statement.

Impairment losses recognised on equity instruments can never be reversed through the income statement.

Impairments on investments available for sale

(in millions of euros)	2013	2012
Balance as at 1 January	**19**	**16**
Increase in impairments	3	4
Reversal on sale/disposal	-7	-1
Balance as at 31 December	**15**	**19**

Investments designated at fair value through profit or loss

The following table provides information at 31 December about the investments that are held at fair value and for which unrealised gains or losses are recorded through profit or loss.

(in millions)	31 December 2013	31 December 2012
Government bonds	214	208
Corporate debt securities	13	5
Private equities and venture capital	121	134
Equity securities	182	28
Total investments held at fair value through profit or loss	**530**	**375**

In Merchant Banking, some private equity investments are measured at fair value through profit or loss, reflecting the business of investing in financial assets to benefit from their total return in the form of interest or dividend and changes in fair value.

16 Loans and receivables – banks

The accounting policy for loans and receivables is included in note 17.

(in millions)	31 December 2013	31 December 2012
Interest-bearing deposits	15,971	21,483
Loans and advances	7,621	10,219
Professional securities transactions	7,267	14,306
Mandatory reserve deposits with central banks	221	287
Other	154	194
Total	**31,234**	**46,489**
Less: loan impairment allowance	24	28
Loans and receivables - banks	**31,210**	**46,461**

Loans and receivables – banks decreased by EUR 15.3 billion, mainly as a result of lower volumes in professional securities transactions (EUR 7.0 billion) and interest-bearing deposits (EUR 5.6 billion). Loans and advances decreased by EUR 2.6 billion, due mainly to lower cash collateral with respect to the derivative positions.

The EUR 7.0 billion decrease in professional securities transactions was due to a decline of Reverse repurchase agreements by EUR 4.7 billion and a decrease of Security borrowing transactions by EUR 2.3 billion. A breakdown of the Professional securities transactions can be found in note 35 Professional securities transactions.

The excess balance on the Mandatory reserve deposits with central banks is included in Cash and balances at central banks. Mandatory reserve deposits with central banks are not available for use in the bank's day-to-day operations.

Details on loan impairments are provided in the Risk management section.

17 Loans and receivables – customers

Accounting policy for Loans and receivables from banks and customers

According to IAS 39 Financial Instruments, Loans and receivables from banks and customers are held at amortised cost, i.e. fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

Finance lease receivables are recognised in line with IAS 17. When ABN AMRO transfers to the lessee substantially all the risks and rewards resulting from ownership of an asset, the bank acts as a lessor and the finance lease receivable represents the discounted minimum lease payments receivable under the terms of the contract. The leased asset is not held on the balance sheet. Where ABN AMRO is the lessee, the leased asset is recognised in Property and equipment.

(in millions)	31 December 2013	31 December 2012
Government and official institutions	768	1,330
Residential mortgages	150,493	154,129
Fair value adjustment from hedge accounting on residential mortgages	3,531	4,906
Consumer loans	16,241	16,645
Commercial loans	83,462	85,592
Fair value adjustment from hedge accounting on commercial loans	868	1,135
Professional securities transactions	11,119	14,515
Financial lease receivables	3,184	3,045
Factoring	1,403	1,182
Other loans	2,053	
Total	**273,122**	**282,479**
Less: loan impairment allowance	4,975	5,512
Loans and receivables - customers	**268,147**	**276,967**

Loans and receivables – customers decreased by EUR 8.8 billion, due to a decrease in the Residential mortgages and Professional securities transactions.

Residential mortgages decreased by EUR 3.8 billion due to a higher amount of repayment of mortgages by EUR 9.3 billion and production of EUR 6.4 billion.

The decrease in the reverse repurchase agreements by EUR 3.8 billion was due to lower positions at year end. A specification of the professional securities transactions can be found in note 35 Professional securities transactions.

Commercial loans decreased by EUR 1.8 billion mainly as a result of lower volumes (EUR 1.3 billion), the sale of Greek loans (EUR 0.8 billion), a decrease of the Madoff loan (EUR 0.4 billion) and an increase (EUR 1.3 billion) in commodities and securities non-banking client trading receivables.

The bulk of the loan book is generated in the Netherlands (88%), reflecting the fact that the majority of ABN AMRO's business is located in the Netherlands.

The increase in Other loans (EUR 2.1 billion) was due to the reclassification of Cash collateral with Central Counterparties within the clearing activities. In 2012, these types of funds were reported as Loans and receivables – banks for an amount of EUR 1.0 billion (interest-bearing deposits for EUR 867 million and securities borrowing transactions for EUR 167 million).

Details on loan impairments are provided in the Risk management section. See note 40 for details on fair value from hedge accounting.

Financial lease receivables

Receivables related to financial lease agreements at 31 December consisted of:

(in millions)	Minimum lease payments		Present value of the minimum lease payments receivable	
	2013	2012	2013	2012
Gross investment in financial leases:				
Not later than 3 months	214	247	208	246
Later than 3 months and not later than 1 year	323	204	306	199
Later than 1 year and not later than 5 years	2,163	2,184	1,982	1,979
Later than 5 years	797	744	688	621
Total financial lease receivables	**3,497**	**3,379**	**3,184**	**3,045**
Unearned finance income	313	334		

In 2012, commercial loans related to financial leases were reported under financial lease receivables.

18 Equity accounted investments Pillar 3

Accounting policy for Equity-accounted investments

Equity-accounted investments comprise associates and joint ventures. Associates are those entities in which ABN AMRO has significant influence (this is generally assumed when ABN AMRO holds between 20% and 50% of the voting rights), but no control or joint control over the operating and financial policies. Joint ventures are contractual agreements whereby ABN AMRO and other parties undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures, including ABN AMRO's strategic investments, are accounted for using the equity method. Under this method the investment is initially recorded at cost and subsequently increased (or decreased) for post-acquisition net income (or loss), other movements impacting the equity of the investee and any adjustments required for impairment. ABN AMRO's share of the profit or loss of the investee is recognised in Result financial transactions in the income statement. When ABN AMRO's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to zero, including any other unsecured receivables, and recognition of further losses is discontinued except if ABN AMRO has incurred obligations or made payments on behalf of the investee.

Equity investments held without significant influence which are not held for trading or not designated at fair value through profit or loss are classified as available for sale.

The activities conducted through joint ventures include cash transfer, insurance, finance and leasing. The following table provides an overview of the most significant investments in associates and joint ventures at 31 December.

(in millions)		31 December 2013		31 December 2012
	% of ownership	Carrying amount	% of ownership	Carrying amount
Joint ventures:				
Neuflize Vie	60%	206	60%	200
Car Carriers Management B.V.	50%	37	50%	45
Richmond Preferente Aandelen C. B.V.	50%	25		
Aline Holding S.A.	50%	20	50%	17
CM Bulk Ltd.	50%	14	50%	14
Bethmann Liegenschaft K.G.	50%	5	50%	5
Associates:				
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	252	49%	248
Alma Maritime Ltd.	39%	74	38%	81
Equens S.E.	18%	62	18%	57
Alcover A.G.	34%	52	34%	50
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	20%	45	20%	43
Safe Ship Inv. Comp. S.C.A. SICAR	48%	24	49%	29
Poseidon Containers LLC	6%	21		
Edda Accomodations DIS	20%	15	20%	12
European Merchant Services B.V.	49%	15	49%	14
Cofiloisirs S.A.	44%	11	45%	8
Currence Holding B.V.	36%	9	36%	12
Geldservice Nederland B.V.	33%	8	33%	11
Graig MCI Ltd.	49%	8	49%	9
BassDrill Alpha Ltd.	26%	4	26%	8
PJW 3000 LLC			33%	26
Private Equity Investments		128		102
Other		47		20
Total equity accounted investments		**1,082**		**1,011**

Neuflize Vie S.A. is a joint venture whereby the power to govern the financial and operating policies of the economic activity is subject to joint control.

Although ABN AMRO has an 18% interest in Equens S.E., ABN AMRO has significant influence in Equens S.E. because of representation in the Supervisory Board. ABN AMRO therefore accounts for Equens S.E. as an associate.

Although ABN AMRO has a 6% interest in Poseidon Containers LLC, ABN AMRO has significant influence in Poseidon Containers LLC because of representation in the Board of Directors. ABN AMRO therefore accounts for Poseidon Containers LLC as an associate.

Impairments on equity-accounted investments

The following table shows the changes in impairments on equity-accounted investments.

(in millions)	2013	2012
Balance as at 1 January	**11**	**12**
Increase in impairments	7	8
Reversal of impairment allowances	-11	
Other	-7	-9
Balance as at 31 December	**0**	**11**

The majority of the Group's equity-accounted investments are regulated entities. Their ability to transfer funds to the Group is therefore subject to regulatory approval.

The line Reversal of impairment allowances relates to an additional capital deposit of EUR 11 million. The line Other represents the provision related to the increase of impairments to avoid a negative value of the respective participation.

The combined financial information of the joint ventures and associates include the following assets and liabilities, income and expenses, and represent the proportionate share:

(in millions)	31 December 2013		31 December 2012	
	Associates	Jointly controlled	Associates	Jointly controlled
Assets				
Financial assets held for trading	2,916		2,989	
Financial investments	2,603	6,321	4,579	5,464
Loans and receivables-banks and customers	932	166	1,072	158
Property and equipment	527	200	394	104
Accrued income and prepaid expenses	184	74	140	57
Other assets	344	24	233	2
Total assets	**7,506**	**6,785**	**9,407**	**5,785**
Liabilities				
Financial liabilities held for trading	24	24	30	
Due to banks and customers	3,423	206	5,642	53
Provisions	2,652	3,407	2,702	3,062
Other Liabilities	596	2,851	303	2,389
Total liabilities	**6,695**	**6,488**	**8,677**	**5,504**
Total operating income	452	43	737	40
Operating expenses	395	28	649	23
Operating profit/(loss)	**57**	**15**	**88**	**17**
Income tax expense	10	9	15	7
Profit/(loss) for the period	**47**	**6**	**73**	**10**

The decrease in assets and liabilities was due to the sale of equity associates.

19 Property and equipment

Accounting policy for property and equipment

Property and equipment is stated at cost less accumulated depreciation and any amount for impairment. At each balance sheet date an assessment is performed to determine whether there is any indication of impairment. If an item of property and equipment is comprised of several major components with different useful lives, each component is accounted for separately. Additions and subsequent expenditures (including accrued interest) are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment, and of major components that are accounted for separately. ABN AMRO generally uses the following estimated useful lives:

- Land: not depreciated;
- Buildings: 30 years (2012: 50 years);
- Equipment: 5 years (2012: 10 years);
- Leasehold improvements: 10 years (2012: 25 years);
- Computer installations: 2 to 5 years (2012: 2 to 5 years).

Impairment losses are recognised in the income statement as a component of depreciation and amortisation expense. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.
Depreciation rates and residual values are reviewed at least annually to take into account any change in circumstances. Capitalised leasehold improvements are depreciated in a manner that takes into account the term and renewal conditions of the related lease.
Assets for which the bank acts as a lessor in an operational lease contract are included in Property and equipment. The asset is depreciated on a straight-line basis over its useful life to its estimated residual value.

The following table shows the carrying amount for each category of Property and equipment at 31 December.

(in millions)	31 December 2013	31 December 2012
Land and buildings held for own use	852	895
Leasehold improvements	38	70
Equipment	505	523
Other	31	31
Total property and equipment	**1,426**	**1,519**

Total Property and equipment decreased by EUR 93 million in 2013.

Residual value and useful life of an asset are reviewed at least annually to take into account any change in circumstances. ABN AMRO revised the estimated useful life of buildings, equipment and leasehold improvements in 2013. The revisions were accounted for as a change in accounting estimates as of 1 January 2013 and as a result, the depreciation charges for 2013 increased by EUR 42 million.

Land and buildings held for own use decreased by EUR 43 million, mainly due to disposals.

Leasehold improvements decreased by EUR 32 million, mainly due to the shortening of the estimated useful life.

Equipment decreased by EUR 18 million, mainly due to the shortening of the estimated useful life.

The book value of Property and equipment changed as follows for the years 2013 and 2012:

(in millions)					2013
	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total
Acquisition costs as at 1 January	**1,790**	**201**	**1,405**	**34**	**3,430**
Acquisitions/divestments of subsidiaries			-1		-1
Additions	35	7	196		238
Reversal of cost due to disposals	-88	-8	-200		-296
Foreign exchange differences	-1	-1	-4		-6
Other	23	2	-2		23
Acquisition costs as at 31 December	**1,759**	**201**	**1,394**	**34**	**3,388**
Accumulated depreciation as at 1 January	**-873**	**-131**	**-880**	**-3**	**-1,887**
Acquisitions/divestments of subsidiaries			1		1
Depreciation	-50	-40	-166	-1	-257
Reversal of depreciation due to disposals	46	7	153		206
Foreign exchange differences		1	2		3
Other	-3		3	1	1
Accumulated depreciation as at 31 December	**-880**	**-163**	**-887**	**-3**	**-1,933**
Impairments as at 1 January	**-22**		**-2**		**-24**
Increase of impairments charged to the income statement	-9				-9
Reversal of impairments due to disposals	5				5
Other	-1				-1
Impairments as at 31 December	**-27**		**-2**		**-29**
Property and equipment as at 31 December	**852**	**38**	**505**	**31**	**1,426**

(in millions)					2012
	Land and Buildings held for own use	Leasehold improvements	Equipment	Other property and equipment	Total
Acquisition costs as at 1 January	**1,817**	**232**	**1,393**	**34**	**3,476**
Additions	27	11	230		268
Reversal of cost due to disposals	-75	-21	-164		-260
Foreign exchange differences	1			1	2
Other	20	-21	-54	-1	-56
Acquisition costs as at 31 December	**1,790**	**201**	**1,405**	**34**	**3,430**
Accumulated depreciation as at 1 January	**-833**	**-141**	**-851**	**-2**	**-1,827**
Depreciation	-73	-18	-158	-1	-250
Reversal of depreciation due to disposals	50	16	116		182
Other	-17	12	13		8
Accumulated depreciation as at 31 December	**-873**	**-131**	**-880**	**-3**	**-1,887**
Impairments as at 1 January	**-32**	**-5**	**-3**		**-40**
Increase of impairments charged to the income statement	-6		-1		-7
Reversal of impairments credited to the income statement	1				1
Reversal of impairments due to disposals	9	5	3		17
Other	6		-1		5
Impairments as at 31 December	**-22**		**-2**		**-24**
Property and equipment as at 31 December	**895**	**70**	**523**	**31**	**1,519**

The fair value of Land and buildings held for own use is estimated at EUR 936 million at 31 December 2013. Of this fair value, 90% is based on external valuations performed in 2013 or 2012 and 10% is based on Dutch local government property tax valuations with a discount of 20% to reflect the current market situation. Some properties have a lower fair value than the recorded carrying value. No impairment is recorded because these properties are considered corporate assets. The value in use for the cash-generating units within ABN AMRO Group is sufficient to cover the total value of all these assets.

Additions in acquisition costs decreased by EUR 30 million, mainly due to lower investments in Equipment.

Reversal of cost due to disposals increased by EUR 37 million, due to sales and decommissioning, mainly in operating lease equipment included in Equipment.

Other acquisition costs increased by EUR 80 million, mainly due to the fact that 2012 contained deconsolidation of entities, resulting in a lower amount for Equipment of EUR 60 million.

Information regarding depreciation is provided in note 11.

Lessor

In its capacity as lessor, ABN AMRO leases out various assets, included in Equipment, under operating leases. Future minimum lease receipts under non-cancellable operating lease are as follows:

(in millions)	31 December 2013	31 December 2012
Not later than 1 year	20	13
Later than 1 year and not later than 5 years	187	194
Later than 5 years	70	69
Total property rented out under operating lease	**277**	**276**

During the year ended 31 December 2013, EUR 97 million (2012: EUR 98 million) was recognised as rental income in the income statement and EUR 76 million (2012: EUR 78 million) in respect of directly related expenses recorded as negative other income. The increase of EUR 7 million in maturity Not later than 1 year is due to new additions in property rented out under operating lease.

The decrease of EUR 7 million in maturity Later than 1 year and not later than 5 years was due to disposals of equipment.

20 Goodwill and other intangible assets

Accounting policy for intangible assets

Goodwill

Goodwill is determined in accordance with IFRS 3 Business Combinations and IAS 36 Impairments of Assets. Goodwill is capitalised and stated at cost, being the excess of the consideration paid over the fair value of ABN AMRO's share of the acquired entity's net identifiable assets at the date of acquisition, less any accumulated impairment losses. For the purpose of calculating goodwill, the fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. If recognition of the assessed fair value of acquired assets and liabilities at the time of acquisition took place on the basis of provisional amounts, any changes in the assessed fair value of acquired assets and liabilities at the time of acquisition identified within one year following the acquisition are corrected against goodwill. Any revisions identified after one year are recorded in income. Goodwill is not amortised. Goodwill is reviewed annually for impairment or more frequently if there are indications that impairment may have occurred. In the test the carrying amount of goodwill is compared with the recoverable amount. The recoverable amount is the highest of its fair value less costs to sell and its value in use, being the present value of the cash flows discounted at a pre-tax discount rate that reflects the risk of the cash generating unit to which the goodwill relates. Impairment losses are recognised in the income statement as depreciation and amortisation expense. An impairment loss for goodwill is not reversible.

Software and other intangible assets

The accounting policy for software and other intangible assets is determined by IAS 38 Intangible assets. Software is amortised over a period of three years unless the software is classified as core application software, which is depreciated over its estimated useful lifetime set at a maximum of seven years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances. Costs associated with maintaining computer software programs are recognised as expenses when incurred.

Internally developed software includes large-scale administrative and organisational investment projects that introduce or replace an important business platform or model.

Other intangible assets include separately identifiable items arising from acquisition of subsidiaries, such as customer relationships, and certain purchased trademarks and similar items. In general the estimated useful life does not exceed ten years. Amortisation rates and residual values are reviewed at least annually to take into account any change in circumstances.

Goodwill and other intangible assets at 31 December were as follows:

(in millions)	31 December 2013	31 December 2012
Goodwill	138	134
Purchased software	39	62
Internally developed software	8	14
Other	10	13
Total goodwill and other intangible assets	**195**	**223**

Changes in goodwill and other intangible assets for the years 2013 and 2012 were as follows:

(in millions)					2013
	Goodwill	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition costs as at 1 January	**161**	**711**	**360**	**18**	**1,250**
Acquisitions/divestments of subsidiaries	1	-1			
Additions	5	16			21
Reversal of cost due to disposals		-11	-11	-2	-24
Foreign exchange differences	-3	-1			-4
Other		1		-1	
Acquisition costs as at 31 December	**164**	**715**	**349**	**15**	**1,243**
Accumulated amortisation as at 1 January		-645	-332	-4	-981
Acquisitions/divestments of subsidiaries		1			1
Amortisation expense		-40	-5	-3	-48
Reversal of amortisation due to disposals		11	11	2	24
Foreign exchange differences		1			1
Accumulated amortisation as at 31 December		**-672**	**-326**	**-5**	**-1,003**
Impairments as at 1 January	-27	-4	-14	-1	-46
Foreign exchange differences	1				1
Other			-1	1	
Impairments as at 31 December	**-26**	**-4**	**-15**		**-45**
Goodwill and other intangible assets as at 31 December	**138**	**39**	**8**	**10**	**195**

In 2013 the goodwill impairment test did not result in the recognition of an impairment. The increase of goodwill was mainly due to the acquisition of Banco ABN AMRO S.A. (EUR 4 million).

Purchased software decreased mainly due to regular amortisation.

Internally developed software and other intangible assets were lower as a result of regular depreciations and disposals.

(in millions)					2012
	Goodwill	Purchased software	Internally developed software	Other intangible assets	Total
Acquisition costs as at 1 January	**159**	**785**	**372**	**20**	**1,336**
Acquisitions/divestments of subsidiaries			-2		-2
Additions		24			24
Reversal of cost due to disposals		-98	-13	-2	-113
Foreign exchange differences	2				2
Other			3		3
Acquisition costs as at 31 December	**161**	**711**	**360**	**18**	**1,250**
Accumulated amortisation as at 1 January		**-679**	**-332**	**-3**	**-1,014**
Acquisitions/divestments of subsidiaries			1		1
Amortisation expense		-63	-12	-4	-79
Reversal of amortisation due to disposals		98	12	2	112
Other		-1	-1	1	-1
Accumulated amortisation as at 31 December		**-645**	**-332**	**-4**	**-981**
Impairments as at 1 January	**-27**	**-4**	**-15**		**-46**
Other			1	-1	
Impairments as at 31 December	**-27**	**-4**	**-14**	**-1**	**-46**
Goodwill and other intangible assets as at 31 December	**134**	**62**	**14**	**13**	**223**

In 2012, Purchased software was partly derecognised and fully amortised after review by the IT department since specific applications were no longer in use (EUR 95 million). Furthermore, some licences were purchased in 2012.

Impairment of goodwill

Impairment testing on goodwill is performed at least annually by comparing the recoverable amount of the cash-generating units (CGU) to their carrying amount. The CGU is the smallest identifiable group of assets that:

- generate cash inflows from continuing use; and
- are largely independent of the cash inflows from other assets or groups of assets.

Identification of an asset's cash-generating unit involves judgement. If the recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows. The recoverable amount is determined by the highest of the value in use or fair value less costs to sell. The type of the acquired entity determines the definition of the type of CGU.

The recoverable amount of a CGU is assessed through a discounted cash flow model of the anticipated future cash flows of the CGU. The discounted cash flow model uses assumptions which depend on various financial and economic variables, including the risk-free rate in a given country and a premium to reflect the inherent risk of the entity being evaluated. The values assigned to each key assumption reflect past experience that was modified based on management's expectation for the future and are consistent with external sources of information.

Besides the discount rates stated in the following table, calculation of the value in use was also based on cash flows, projected on past experience, actual operating results and the 5-year budget plan. Cash flows for a further 5-year period were extrapolated using the long-term growth rate stated for the CGU.

(in millions)						31 December 2013	31 December 2012
Entity	Segment	Method used for recoverable amount	Discount rate	Long term growth rate	Impairment charges	Goodwill	Goodwill
Bethmann Bank	Private Banking	Value in use	10.7%	1.5%		64	64
ABN AMRO (Guernsey)	Private Banking	Value in use	10.7%	1.5%		48	49
ABN AMRO Commercial Finance Holding	Commercial Banking	Value in use	10.7%	0.0%		10	10
Banque Neuflize	Private Banking	Value in use	10.7%	0.0%		6	6
Banco ABN AMRO S.A.	Merchant Banking	Value in use	10.7%	0.0%		4	
Other						6	5
Total goodwill and impairment charges						**138**	**134**

21 Assets held for sale

Accounting policy for non-current assets held for sale (IFRS 5)

Non-current assets and/or businesses are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction planned to occur within 12 months, rather than through continuing use. Held-for-sale assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities of a business held for sale are presented separately. Businesses that may be transferred to shareholders by means of a distribution will not be presented as businesses held for sale.

As part of the integration, several bank premises and bank shops were put up for sale. The held-for-sale property is valued at the lower of fair value less cost to sell and the carrying value.

The total held-for-sale amount was EUR 29 million at 31 December 2013 (2012: EUR 55 million). A total impairment of EUR 4 million (2012: EUR 8 million) was charged to the income statement. The sale of held-for-sale offices resulted in a EUR 25 million gain in 2013 (2012: gain of EUR 3 million).

The fair value of these premises was EUR 47 million at year-end 2013 (2012: EUR 103 million). This value is based on external valuations.

22 Accrued income and prepaid expenses

The following table shows the components of Accrued income and prepaid expenses at 31 December.

(in millions)	31 December 2013	31 December 2012
Accrued other income	698	776
Prepaid expenses	24	23
Total accrued income and prepaid expenses	**722**	**799**

The presentation of the consolidated statement of financial position has been changed to provide more relevant information or better align with the current period presentation. The amount for 2012 has been adjusted accordingly. The impact on accrued income and prepaid expenses was a decrease of EUR 3,141 million for 2012.

23 Tax assets and tax liabilities

Accounting policy for income taxes

ABN AMRO applies IAS 12 Income Taxes in accounting for taxes on income.
Deferred tax is recognised for qualifying temporary differences. Temporary differences represent the difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset on the balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to taxes levied by the same taxation authority.

The most significant temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, allowances for loan impairments, provisions for pensions and business combinations.

The following table summarises the tax position at 31 December.

(in millions)	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Current tax	165	69	278	99
Deferred tax	745	21	1,241	47
Total tax assets and liabilities	**910**	**90**	**1,519**	**146**

The significant components and annual movements of deferred tax assets and deferred tax liabilities at 31 December are shown in the following table.

(in millions)	As at 1 January 2013	Income statement	Equity	Other	As at 31 December 2013
Deferred tax assets:					
Assets held for trading and derivatives	643	1	-143		501
Investments (Available-for-sale)	43		-16	-1	26
Property and equipment	18	1			19
Intangible assets (excluding goodwill)	1				1
Loans and receivables - customers	2	1		1	4
Impairments on loans	66	-41			25
Issued debt and subordinated liabilities		1			1
Provisions for pensions and post-retirement benefits	396	-352	73	1	118
Accrued expenses and deferred income	77	-34			43
Unused tax losses and unused tax credits	271	-237		4	38
Other	38	-11	5	-1	31
Total deferred tax assets before offsetting	**1,555**	**-671**	**-81**	**4**	**807**
Offsetting DTA	314				62
Total deferred tax assets	**1,241**				**745**
Deferred tax liabilities related to:					
Assets held for trading and derivatives	2			1	3
Investments (Available-for-sale)	49		1		50
Property and equipment		3			3
Intangible assets (excluding goodwill)	3				3
Loans and receivables - customers	11				11
Issued debt and subordinated liabilities	16	-15			1
Provisions for pensions and post-retirement benefits	225	-225			
Deferred policy acquisition costs	1	1	-1		1
Other	54	-44		1	11
Total deferred tax liabilities before offsetting	**361**	**-280**		**2**	**83**
Offsetting DTL	314				62
Total deferred tax liabilities	**47**				**21**
Net deferred tax	1,194				724
Deferred tax through income statement and equity		391	81		

(in millions)	As at 1 January 2012	Income statement	Equity	Other	As at 31 December 2012
Deferred tax assets:					
Assets held for trading and derivatives	558	12	61	12	643
Investments (Available-for-sale)	126	-1	-78	-4	43
Property and equipment	16	1		1	18
Intangible assets (excluding goodwill)	2	-1			1
Loans and receivables - customers	6	-4			2
Impairments on loans	32	42		-8	66
Provisions for pensions and post-retirement benefits	19	-76	453		396
Accrued expenses and deferred income	6	71			77
Unused tax losses and unused tax credits	582	-304		-7	271
Other	-69	110		-3	38
Total deferred tax assets before offsetting	**1,278**	**-150**	**436**	**-9**	**1,555**
Offsetting DTA	139				314
Total deferred tax assets	**1,139**				**1,241**
Deferred tax liabilities related to:					
Assets held for trading and derivatives		2			2
Investments (Available-for-sale)	29	-3	22	1	49
Property and equipment	2	-2			
Intangible assets (excluding goodwill)		3			3
Loans and receivables - customers	15	-4			11
Impairments on loans	3	-3			
Issued debt and subordinated liabilities	9	7			16
Provisions for pensions and post-retirement benefits	86	139			225
Deferred policy acquisition costs	2	-1			1
Deferred expense and accrued income	2	-2			
Other	32	18		4	54
Total deferred tax liabilities before offsetting	**180**	**154**	**22**	**5**	**361**
Offsetting DTL	139				314
Total deferred tax liabilities	**41**				**47**
Net deferred tax	1,098				1,194
Deferred tax through income statement and equity		304	-414		

Results on financial instruments are fiscally recognised in accordance with IFRS. Deferred taxes are therefore recognised on fair value movements reported directly in OCI.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of sufficient taxable income by jurisdiction in which ABN AMRO operates, available tax planning opportunities, and the period over which deferred tax assets are recoverable. Management considers this more likely than not. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that ABN AMRO may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact ABN AMRO's financial position and net profit.

Tax losses

The total accumulated losses available for carry forward at 31 December 2013 amounted to EUR 1,337 million (2012: EUR 2,087million), of which EUR 112 million (2012: EUR 793 million) could be recognised for future tax benefits. The recorded deferred tax asset for tax losses carried forward amounted to EUR 38 million (2012: EUR 202 million).

Unrecognised tax assets

Deferred tax assets of EUR 224 million (2012: EUR 237 million) have not been recognised in respect of gross tax losses of EUR 1,225 million (2012: EUR 1,294 million) because taxable profits are not considered probable.

Tax credits

ABN AMRO had carry-forward tax credits of EUR 5 million at 31 December 2013 (2012: EUR 286 million), of which EUR 2 million (2012: EUR 283 million) could be recognised to offset future tax benefits. The recorded deferred tax assets amounted to EUR 0.4 million (2012: EUR 71 million).

Unrecognised tax credits

Unrecognised tax credits, where offset to future tax benefits is not expected, amounted to EUR 3 million (2012: EUR 3 million).

The tables below show when the operating losses and tax credits as at 31 December 2013 will expire.

Loss carry forward for 2013

(in millions)	2014	2015	2016	2017	2018	After 5 years	No expiration	Total
Loss carry forward recognised						2	110	112
Loss carry forward not recognised				1		2	1,222	1,225
Total tax losses carry forward (gross)				**1**		**4**	**1,332**	**1,337**

Tax credits 2013

(in millions)	2014	2015	2016	2017	2018	After 5 years	No expiration	Total
Tax credits recognised							2	2
Tax credits not recognised						2	1	3
Total tax credits carry forward (gross)						**2**	**3**	**5**

As of 31 December 2013, ABN AMRO recognised net deferred tax assets of EUR 709 million (2012: EUR 752 million) that exceed deferred tax liabilities in entities which suffered a loss in either 2013 or 2012.

Tax related to each component of other comprehensive income and tax related to equity can be found in the Consolidated statement of comprehensive income and in the consolidated statements of changes in equity. As a result of the amended pension accounting standard IAS 19, the total deferred tax impact on equity is not equal to the tax impact on Other comprehensive income as shown in the Consolidated statement of comprehensive income. More information is provided in note 30 Pension and other post-retirement employee benefits.

Income tax consequences of dividend

The Managing Board proposes, subject to the approval of the Supervisory Board, to declare a final dividend of EUR 200 million for the ordinary shares. The dividend will be subjected to a withholding tax of EUR 30 million.

24 Other assets

Other assets can be specified as follows:

(in millions)	31 December 2013	31 December 2012
Non-trading derivative assets	2,423	4,095
Unit-linked investments	2,171	2,170
Reinsurers share, trade and other receivables	1,460	1,496
Other	746	1,574
Total other assets	**6,800**	**9,335**

Non-trading derivative assets include the positive fair value of all derivatives qualifying as hedging instruments in fair value hedges and in cash flow hedges as well as the positive fair value of derivatives related to assets and liabilities designated as fair value through profit or loss. A hedging instrument, for hedge accounting purposes, is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A non-derivative financial asset or liability may be designated as a hedging instrument for hedge accounting purposes only if it hedges the risk of changes in foreign currency exchange rates.

Non-trading derivative assets decreased due to the higher fair value of the net fixed payer swap positions. This is the result of the increase of the yield curve during 2013 compared with 2012. The decrease was also driven by the unwinding of existing swaps.

The hedging strategies are further explained in note 40.

Unit-linked investments are investments on behalf of insurance contract policyholders who bear the investment risk. Minimum guaranteed rates are agreed for certain contracts.

Reinsurers share, trade and other receivables include the amount of the receivables purchased by ABN AMRO (the factor) from its clients under contracts of non-recourse factoring.

Other assets in 2013 include a net receivable or EUR 379 million mainly related to the bankruptcy of DSB Bank (2012: EUR 433 million).

25 Due to banks

The accounting policy for Due to banks is included in note 26.

This item is comprised of amounts due to banking institutions, including central banks and multilateral development banks.

(in millions)	31 December 2013	31 December 2012
Deposits from banks:		
Demand deposits	2,769	2,762
Time deposits	5,013	9,449
Other deposits	3,795	4,673
Total deposits	**11,577**	**16,884**
Professional securities transactions	4,207	4,369
Other	49	51
Total due to banks	**15,833**	**21,304**

Due to banks decreased by EUR 5.5 billion, mainly related to time deposits due to decreased and matured balances (EUR 4.0 billion). Other deposits decreased by EUR 1.0 billion due to lower deposits at central banks.

Details of professional securities transactions can be found in note 35 Professional securities transactions.

26 Due to customers

Accounting policy for Due to banks and Due to customers

According to IAS 39 Financial Instruments, amounts due to banks and customers are held at amortised cost. That is, fair value at initial recognition adjusted for repayment and amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

This item is comprised of amounts due to non-banking customers.

(in millions)	31 December 2013	31 December 2012
Demand deposits	79,215	73,723
Saving deposits	87,448	81,384
Time deposits	19,638	26,196
Other deposits	20,936	19,959
Total deposits	**207,237**	**201,262**
Professional securities transactions	8,059	15,152
Other borrowings	347	343
Total due to customers	**215,643**	**216,757**

Due to customers decreased by EUR 1.1 billion as a result of an increase in the deposits by EUR 6.0 billion and a decrease in Professional securities transactions by EUR 7.1 billion.

Demand deposits increased by EUR 5.5 billion mainly due to the increase of the current accounts of private firms and other non-financial institutions.

Saving deposits were EUR 6.1 billion higher mainly as a result of an increase in MoneYou Germany and Belgium (EUR 3.1 billion) and higher saving volumes in the Netherlands (EUR 2 billion).

Time deposits were EUR 6.6 billion lower due to lower volumes and matured contracts for insurance, pension funds and other financial institutions.

The decrease in Professional securities transactions was due to lower positions at year-end.

Details of Professional securities transactions can be found in note 35 Professional securities transactions.

27 Issued debt

Accounting policy for issued debt

Issued debt securities are recorded at amortised cost using the effective interest rate method, unless they are of a hybrid or structured nature and irrevocably designated at initial recognition to be held at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

ABN AMRO applies IAS 32 Financial Instruments: Presentation to determine whether funding is either a financial liability or equity. Issued financial instruments or their components are classified as financial liabilities where the substance of the contractual arrangement results in ABN AMRO having a present obligation to deliver either cash or another financial asset or to satisfy the obligation other than by the exchange of a fixed number of equity shares. Preference shares that carry a non-discretionary coupon or are redeemable on a specific date or, at the option of the holder, are classified as liabilities. The dividends and fees on preference shares classified as a liability are recognised as interest expense.

The measurement of liabilities held at fair value includes the effect of changes in own credit spreads. The change in fair value applies to those financial liabilities designated at fair value where ABN AMRO's own credit risk would be considered by market participants. Exchange traded own debt at fair value through profit or loss is valued against market prices.

The fair value changes are calculated based on a yield curve generated from observed external pricing for funding and quoted CDS spreads.

The following table shows the types of debt certificates issued by ABN AMRO and the amounts outstanding at 31 December.

(in millions)	31 December 2013	31 December 2012
Bonds and notes issued	70,649	70,960
Certificates of deposit and commercial paper	15,610	21,063
Saving certificates	352	704
Total at amortised cost	**86,611**	**92,727**
Designated at fair value through profit or loss	2,071	2,321
Total issued debt	**88,682**	**95,048**
- of which matures within one year	30,719	35,481

Total issued debt decreased by EUR 6.4 billion mainly due to the redemption of Certificates of deposits and commercial paper exceeding newly issued notes. This portfolio has been reduced for liquidity management purposes.

The amounts of Issued debt issued and redeemed during the period are provided in the Consolidated statement of cash flows.

As mentioned in the basis of preparation, the figures for 2012 have been adjusted to align with the current presentation. The impact on Issued debt was EUR 1,005 million in 2012.

Further details of the funding programmes are provided in the Liquidity and funding section.

Financial liabilities designated at fair value through profit or loss

(in millions)	31 December 2013	31 December 2012
Cumulative change in fair value of the structured notes attributable to changes in credit risk	-3	-10
Change during the year in fair value of the structured notes attributable to changes in credit risk	7	29

Own credit adjustment is based on independent quotes from market participants for the debt issuance spreads above average interbank rates (at a range of tenors) which the market would demand when purchasing new senior or sub-debt issuance from ABN AMRO. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices. ABN AMRO anticipates that gains and losses arising from changes in ABN AMRO's own credit spread will reverse over the life of the instrument unless repurchased.

For all financial liabilities designated at fair value through profit or loss, the amount that ABN AMRO would contractually be required to pay at maturity was EUR 2,211 million (2012: EUR 2,415 million). This is EUR 140 million (2012: EUR 94 million) more than the carrying amount at 31 December 2013.

28 Subordinated liabilities

Accounting policy for subordinated liabilities

Subordinated liabilities are measured at amortised costs using the effective interest method unless they are of a hybrid or structured nature and irrevocably designated at initial recognition to be held at fair value through profit or loss. The latter is applied when the instruments are held to reduce an accounting mismatch, are managed on the basis of its fair value or include terms that have substantive derivative characteristics in nature.

Issued liabilities qualify as subordinated debt if claims by the holders are subordinated to all other current and future liabilities of ABN AMRO and its subsidiaries.

The following table specifies the issued and outstanding subordinated liabilities at 31 December.

(in millions)	31 December 2013	31 December 2012
Perpetual loans	1,303	1,215
Other subordinated liabilities	6,614	8,521
Total subordinated liabilities	**7,917**	**9,736**

Subordinated liabilities decreased by EUR 1,819 million, mainly resulting from EUR 1,497 million called and terminated loans. The called loans consist of two euro loans and one dollar loan. The remainder of the change was mainly related to the foreign exchange impact.

Total subordinated liabilities include EUR 1,000 million (2012: EUR 997 million) which qualifies as Tier 1 capital for capital adequacy purposes with the Dutch central bank (DNB), when taking into account remaining maturities.

The Capital management section provides more information on the impact of Basel III on the capital position of ABN AMRO.

The following table lists the subordinated liabilities.

(in millions)	Maturity date	First possible call date	31 December 2013 Subordinated liabilities	31 December 2012 Subordinated liabilities
EUR 1,000 million 4,31% per annum	Perpetual	March 2016	1,103	1,003
GBP 150 million (originally GBP 750 million) 5.00% per annum	Perpetual	February 2016	200	212
EUR 1,650 million (originally EUR 2,000 million)	October 2017	October 2012	1,654	1,654
EUR 1,228 million 6.375% per annum	April 2021		1,443	1,508
USD 595 million 6.250% per annum	April 2022		462	530
EUR 1,000 million 7,125% per annum	July 2022		1,024	1,063
USD 1,500 million 6,25% per annum	September 2022	September 2017	1,094	1,147
SGD 1,000 million 4,7% per annum	October 2022	October 2017	569	747
USD 113 million 7.75% per annum	May 2023		83	95
EUR various smaller instruments	2015 - 2025		285	315
EUR 377 million (originally EUR 499 million)	June 2015	March 2013		377
EUR 440 million (originally EUR 1,000 million)	September 2016	March 2013		440
USD 457 million (originally USD 1,000 million)	January 2017	April 2013		345
EUR 238 million (originally EUR 500 million)	May 2018	May 2013		237
USD various smaller instruments	2015			63
Total other subordinated liabilities			**7,917**	**9,736**

More information regarding subordinated liabilities qualifying as capital instruments can be found in the Capital management section.

Changes in subordinated liabilities are shown in the following table.

(in millions)	
Balance as at 1 January 2012	**8,814**
Issuance	2,794
Redemption	-23
Conversion mandatory convertible notes into common equity	-2,000
Other	151
Balance as at 31 December 2012	**9,736**
Redemption	-1,497
Other	-322
Balance as at 31 December 2013	**7,917**

Other includes currency translation loss of EUR 114 million.

Other subordinated liabilities

Other subordinated liabilities comprise a loan held by the Dutch State. This loan (EUR 1,650 million) has an interest rate of 1.18% and matures in 2017. This subordinated loan is also part of the related parties mentioned in note 41.

29 Provisions

Accounting policy for provisions

A provision is recognised in the balance sheet when ABN AMRO has a legal or constructive obligation as a result of a past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when an obligation exists. An obligation exists when ABN AMRO has approved a detailed plan and has raised a valid expectation in those affected by the plan by starting to implement the plan or by announcing its main features. Future operating costs are not provided for. Provisions for insurance risks are determined by actuarial methods, which include the use of statistics, interest rate data and settlement cost expectations.

Provisions are established for certain guarantee contracts for which ABN AMRO is responsible to pay upon default of payment.

The following table shows the breakdown of provisions at 31 December.

(in millions)	31 December 2013	31 December 2012
Insurance fund liabilities	380	401
Provision for pension commitments[1]	418	560
Restructuring	262	360
Other staff provision	174	182
Other	316	412
Total provisions	**1,550**	**1,915**

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19 (see note 30).

Insurance fund liabilities include the actuarial reserves, the premium and claims reserves of insurance companies. The expected cash outflow for 2014 is approximately EUR 16 million and for the period 2015 – 2018 approximately EUR 125 million.

Restructuring provisions cover the costs of restructuring plans for which implementation has been formally announced. Restructuring provisions are related to the integration and to further streamlining of the organisation and infrastructure. Restructuring provisions include allowances for staff and other operating expenses. The restructuring provisions will be used until the end of 2014.

Other staff provisions relate in particular to disability and other post-employee benefits, except early retirement benefits payable to non-active employees which are included in Provision for pension commitments.

Other provisions include provisions for tax litigation and legal litigation. The tax litigation and legal litigation provisions are based on best estimates available at year end and taking into account the opinion of legal and tax specialists. The timing of the outflow of cash related to these provisions is by nature uncertain given the unpredictability of the outcome and the time involved in concluding litigations.

Other provisions include credit commitments amounting to EUR 1 million (2012: EUR 1 million). Provisions for credit commitments are allowances covering credit risk on credit commitments recorded in off-balance sheet items that have been identified individually or on a portfolio basis as impaired. The amount of the impairment is the present value of the cash flows which ABN AMRO expects to be required to settle its commitment.

Changes in provisions during the year are as follows:

(in millions)	Restructuring	Other staff provisions	Other[1]	Total
At 1 January 2012	**467**	**191**	**988**	**1,646**
Increase of provisions	84	3	86	173
Reversal of unused provisions	-67	-9	-114	-190
Utilised during the year	-151	-3	-106	-260
Accretion of interest	5		2	7
Foreign exchange differences			1	1
Other	22		516	538
At 31 December 2012	**360**	**182**	**1,373**	**1,915**
Increase of provisions	120	12	47	179
Reversal of unused provisions	-58	-2	-55	-115
Utilised during the year	-166	-16	-126	-308
Accretion of interest	2		1	3
Foreign exchange differences			-1	-1
Other	4	-2	-125	-123
At 31 December 2013	**262**	**174**	**1,114**	**1,550**

[1] The 2012 figures have been adjusted for comparison purposes following the adoption of the amended pension accounting standard IAS 19.

The change in the restructuring provision was mainly caused by the release of unused provisions due to recalibration of existing provisions and utilisation of the Customer Excellence programme provisions. This decrease was partly offset by additions to provisions related to new reorganisations in Retail & Private Banking and Commercial & Merchant Banking.

The decrease of the other provisions was mainly due to the Legal provisions, Remedy guarantees, Provisions for tax litigation, Contractual engagement provisions, Pension commitments, Insurance fund liabilities and the closing of business in Curaçao.

Other includes remeasurement of post-employment plans. Further details are provided in note 30 Pensions.

30 Pension and other post-retirement employee benefits

Accounting policy for pension and other post-retirement benefits

ABN AMRO sponsors a number of pension and early retirement ('VUT') schemes in the Netherlands and abroad. These schemes are mainly defined benefit plans. The majority of the beneficiaries of the benefit plans are located in the Netherlands.
In the case of defined contribution plans, contributions are recognised directly in the income statement in the year to which they relate.

Net defined benefit liability / (asset)

For defined benefit schemes, the pension obligation is calculated by independent actuaries in accordance with the projected unit credit method of actuarial cost allocation.
The net obligations under defined benefit plans are regarded as ABN AMRO's own commitments regardless of whether these are administered by a pension fund or in some other manner. The net obligation of each plan is determined as the difference between the present value of the defined benefit obligations and the fair value of plan assets.

ABN AMRO Group does not have contingent liabilities as a result of pension plans.

The actuarial assumptions used in calculating the present value of the defined benefit obligation are:

- Demographic assumptions such as:
  - Mortality assumptions calculated by the actuaries based on its best estimate of the mortality of plan members both during and after employment, including expected changes in mortality;
  - Rates of employee turnover and the proportion of plan members with dependents who will be eligible for benefits.
- Financial assumptions based on market expectations at the end of the reporting period. Financial assumptions includes the following:
  - Discount rate, to be determined by reference to market yields on high-quality corporate bonds (AA-rated, eurozone as calculated using Towers Watson Rate);
  - Inflation rate;
  - Future salary increases;
  - Contributions from employees that reduce the service cost.

Plan assets are netted against the pension liability. When the fair value of plan assets is netted against the present value of the obligation of a defined benefit plan, the resulting amount could be negative (an asset). In this case, the recognised asset cannot exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Pension costs

Pension costs for the year are established at the beginning of the year based on the expected service cost and net interest costs (i.e. interest on the net defined benefit liability), plus the impact of any current period curtailments or plan changes. Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Differences between the pension costs and the contributions payable are accounted for as provisions or prepayments.

The past service costs resulting from a plan amendment or curtailment is recognised as a pension expense in the earlier date when the plan amendment or curtailment occurs, and when the related restructuring costs and termination benefits are recognised. Administration costs for managing the pension fund are recognised in the income statement as incurred.

Contributions by employees increases the plan assets and the defined benefit obligation.

Remeasurements

Remeasurements of the net defined benefit liability (asset) are actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments (i.e. unexpectedly high or low rates of employee turnover) and are recognised in Other comprehensive income and will not be recycled to profit or loss in later periods.

In determining the actual return on plan assets, the costs of managing the plan assets and any tax payable by the plan itself are deducted.

Other post-retirement benefits

Some group companies provide post-retirement benefits to their retirees such as long-term service benefits, and discounts on banking products. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology used for defined benefit pension plans. These obligations are calculated annually.

There is one pension fund in the Netherlands, ABN AMRO Pensioenfonds, for the average salary plan of all Dutch employees.
On 1 January 2013, the former Pensioenfonds Fortis Bank Nederland merged with ABN AMRO Pensioenfonds. All accrued rights included in Pensioenfonds Fortis Bank Nederland were transfered to ABN AMRO Pensioenfonds. ABN AMRO has safeguarded both pension funds against a negative impact the transfer might have.

According to the pension laws in the Netherlands *(Pensioenwet)*, Dutch pension funds are required to comply with the Financial Assessment Framework (FTK). The FTK requires a minimum funding level of 104%. Plans in all countries comply with applicable local regulations concerning investments and minimum funding levels.

Impact of amended IAS 19 Employee Benefits

The opening statements of financial position at 1 January 2012 have been adjusted for the adoption of the amended IAS 19 Employees Benefits in accordance with the transitional provisions. The amended IAS 19 had a negative impact (net of tax) of EUR 1,154 million on total equity at 31 December 2012. Furthermore, the net result for the year 2012 would have been EUR 205 million higher. The tables below provide more details of the impact of the amended IAS 19.

The effect on the balance sheet of 2012 is as follows:

(in millions)	Net defined pension asset	Deferred tax liability	Equity
Balance as per 1 January 2012	**674**	**41**	**11,420**
Effect of IAS 19 adoption (as revised in 2011)	2,566	641	1,925
Adjusted balance at 1 January 2012	**3,240**	**682**	**13,345**
Balance as per 31 December 2012	**979**	**47**	**14,037**
Effect of IAS 19 adoption (as revised in 2011)	2,566	641	1,925
Effect on profit/(loss) for the year	273	68	205
Effect on Other comprehensive income for the year	-4,378	-1,094	-3,284
Adjusted balance at 31 December 2012	**-560**	**-338**	**12,883**

The effect on the income statement for 2012 is as follows;

(in millions)	2012
Effect on pension expenses	-273
Effect on income tax expense	68
Increase/(decrease) of profit for the year	**205**

The effect on the statement of comprehensive income for 2012 is as follows:

(in millions)	2012
Remeasurement of defined benefit obligation	-4,378
(Increase)/decrease of income tax relating to components of other comprehensive income	1,094
Increase of profit/(loss) for the year	205
Increase/(decrease) of total comprehensive income for the year after taxation	**-3,079**

Amounts recognised in the income statement

(in millions)	2013	2012
Current service cost	228	107
Interest cost	616	647
Interest income	-608	-844
Administrative expenses impacting defined benefit obligations		1
Administrative expenses impacting plan assets	13	16
Past service cost	-18	151
Losses / (gains) on settlements and curtailment	-8	
Other	1	-47
Pension expenses relating to defined benefit plans	**224**	**31**
Defined contribution plans	33	35
Total Pension expenses	**257**	**66**

The decrease in discount rate from 5.6% to 3.5% resulted in higher Current service cost and lower Interest income. The Past service cost in 2012 of EUR 151 million was caused by the merger of the two Dutch pension funds.

Past service cost in 2013 of EUR 18 million was due to the pension plan change as from January 2014 regarding the change in accrual rate (from 2.2% to 2.1%) and change in retirement age (from 65 to 67 years).

Reconciliation to the statement of financial position and other comprehensive income

(in millions)	2013	2012
Present value of defined benefit obligations - funded	18,125	17,875
Fair value of plan assets	17,719	17,281
	406	**594**
Present value of unfunded obligations	12	6
Other		-40
Net recognised liabilities/(assets) at 31 December	**418**	**560**
Remeasurements arising from changes in demographic assumptions DBO	-159	-67
Remeasurements arising from changes in financial assumptions DBO	294	-5,478
Remeasurements arising from changes in financial assumptions Plan assets	-392	1,167
Other	1	-1
Remeasurements in Other comprehensive income	**-256**	**-4,379**

Change in defined benefit obligations

(in millions)	2013	2012
Defined benefit obligation as at 1 January	**17,881**	**11,781**
Current service cost	228	107
Interest cost	616	647
Past service cost	-18	151
Administrative expenses impacting defined benefit obligations		1
Participants' contributions	57	59
Benefits paid	-466	-448
Remeasurements arising from changes in demographic assumptions defined benefit obligation	159	67
Remeasurements arising from changes in financial assumptions defined benefit obligation	-294	5,478
Acquisitions and disposals of subsidiaries	-14	-7
Foreign exchange differences	-1	1
Other	-11	44
Defined benefit obligation as at 31 December	**18,137**	**17,881**

The remeasurement gain of EUR 294 million arising from changes in financial assumptions was mainly a result of the increase in the discount rate from 3.5% to 3.6%.
The remeasurement loss of EUR 159 million arising from changes in demographic assumptions was due to indexation of 3% instead of the anticipated 1.8%.

The discount rate consists of a risk-free interest rate and a credit spread on AA-rated corporate bonds. The investment policy of the pension fund is to hedge the majority of the effects of a change in the risk-free interest rate. Therefore, the impact of a change in the risk-free rate on the net defined benefit liability is mitigated.

The following table presents a breakdown of the defined benefit obligation between amounts owing to active members, deferred members and pensioners.

Benefit obligations per member group

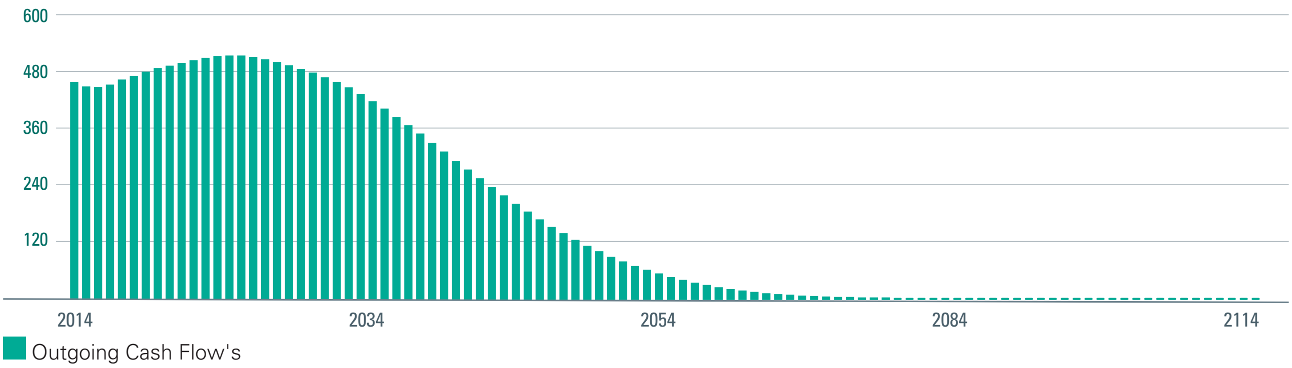
(in %)	2013	2012
Defined benefit obligation owed to active members	31%	32%
Defined benefit obligation owed to deferred members	33%	34%
Defined benefit obligation owed to pensioners	36%	34%
Total	**100%**	**100%**

The weighted average duration of the defined benefit obligation is 19.6 years (2012: 19.7 years).

The graph below shows the expected maturity analysis of the benefit payments.

Pension maturity

(in millions)



Change in fair value of plan assets

(in millions)	2013	2012
Fair value of plan assets as at 1 January	**17,281**	**15,022**
Interest Income	608	844
Remeasurements arising from changes in financial assumptions plan assets	-392	1,167
Employer's contributions	649	625
Participants' contributions	60	60
Direct payments	-1	
Administrative expenses impacting defined plan assets	-13	-16
Benefits paid	-466	-447
Acquisitions and disposals of subsidiaries	-9	-6
Foreign exchange differences	-2	
Other	4	32
Fair value of plan assets as at 31 December	**17,719**	**17,281**

The remeasurement loss arising from changes in financial assumptions plan assets was the result of a higher discount rate, which is incorporated in interest income, than the realised return on plan assets.

Contributions are mainly determined by:

- Service costs calculated with a risk-free rate and with the assumption of 2% indexation;
- An extra premium of 1/15th of the shortfall in case of a funding ratio below 112%;
- Extra premiums, if necessary, to ensure that the funding ratio is above 104% within 3 years.

The funding level at 31 December 2013 was 118%, based on the ultimate forward rate.

Plan participants' contributions amounted to EUR 58 million in 2013 (2012: EUR 59 million). The compensating employer contribution of EUR 41 million (2012: EUR 41 million) is included in Salaries and wages.

Expected contributions by the employer to post-employment benefit plans for the year ending 31 December 2014 amounts to EUR 346 million, i.e. the aggregate of (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) non-cash contributions.

Principal actuarial assumptions

	2013	2012
Discount rate	3.6%	3.5%
Indexation rate	1.8%	1.8%
Expected return on plan assets as at 31 December	3.6%	3.4%
Future salary increases	2.5%	2.5%

Asset liability matching strategy of ABN AMRO Pensioenfonds:

- An analysis based on Asset Liability Management of the strategic investment policies is performed annually. Following this analysis, the board of the pension fund sets the strategic investment policy for the year;
- The investment portfolio is split into a matching portfolio and a return portfolio;
- The (re-)distribution between both portfolios depends on the rebalancing strategy as stated in the yearly investment policy;
- The goal of the redistribution between the matching portfolio and the return portfolio is to achieve a rate of return which is sufficient to realise indexation of the pension rights within an acceptable risk level. The actual realised return is compared with the return on the expected benefit payments including expected inflation.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

(in millions)	2013		2012	
	Fair value	Percentage	Fair value	Percentage
Assets with quoted market prices in active markets				
Equity securities	7,297	41.2%	6,176	35.7%
Debt securities	2,946	16.6%	3,695	21.4%
Assets with no quoted market prices in active markets				
Equity securities	223	1.3%	512	3.0%
Debt securities	10,653	60.1%	10,147	58.7%
Real estate	328	1.8%	399	2.3%
Other	-3,728	-21.0%	-3,648	-21.1%
Breakdown of plan assets as at 31 December	**17,719**	**100.0%**	**17,281**	**100.0%**

Sensitivity analysis

The remeasurements are highly volatile by nature. Changes in the discount rate and in the indexation rate influence the net defined benefit liability.

The following table shows the change in the defined benefit obligation, the plan assets and the net defined benefit liability resulting from a change in the risk-free interest rate, holding all other assumptions fixed. As the pension fund hedges most of the risk-free rate, the impact on the net defined benefit liability is relatively limited.

	Defined benefit obligation	Plan assets	Net defined benefit (liability)/asset
Change in risk free rate			
0.50%	16,539	16,634	95
0.00%	18,137	17,719	-418
-0.50%	19,972	18,900	-1,072

The following table shows the change in the defined benefit obligation, the plan assets and the net defined benefit liability resulting from a change in the credit spread, holding all other assumptions fixed.

	Defined benefit obligation	Plan assets	Net defined benefit (liability)/asset
Change in credit spread			
0.50%	16,539	17,719	1,180
0.00%	18,137	17,719	-418
-0.50%	19,972	17,719	-2,253

The following table shows the change in the defined benefit obligation, the plan assets and the net defined benefit liability resulting from a change in the expected indexation, holding all other assumptions fixed.

	Defined benefit obligation	Plan assets	Net defined benefit (liability)/asset
Expected indexation			
0.50%	19,934	17,719	-2,215
0.00%	18,137	17,719	-418
-0.50%	16,608	17,719	1,111

31 Accrued expenses and deferred income

The composition of Accrued expenses and deferred income at 31 December was as follows:

(in millions)	31 December 2013	31 December 2012
Accrued other expenses	1,303	1,458
Total accrued expenses and deferred income	**1,303**	**1,458**

Accrued other expenses contain deferred income amounting to EUR 49 million (2012: EUR 49 million).

The presentation of the Consolidated statement of financial position has been changed to provide more relevant information or better align with the current period presentation. The amount for 2012 has been adjusted accordingly.

32 Other liabilities

The composition of Other liabilities at 31 December was as follows:

(in millions)	31 December 2013	31 December 2012
Non-trading derivative liabilities	7,378	11,132
Liability to unit-linked policyholders	2,171	2,170
Other borrowings		5
Sundry liabilities and other payables	3,639	1,106
Total other liabilities	**13,188**	**14,413**

Non-trading derivative liabilities include mainly the negative fair value of three kinds of derivative instruments: derivatives qualifying as hedging instruments in Fair value hedge, derivatives qualifying as hedging instruments in Cash flow hedge and the negative fair value of derivatives related to assets and liabilities designated at fair value through profit or loss.

Non-trading derivative liabilities decreased due to the higher fair value of the net fixed payer swap positions. This is the result of the increase of the yield curve during 2013 compared with 2012. The decrease was also driven by the unwinding of existing swaps.

The hedging strategies are further explained in note 40 Hedge accounting.

Obligations to policyholders, whose return is dependent on the return of unit-linked investments recognised in the balance sheet, are measured at fair value with changes through income.

Sundry liabilities and other payables increased as a result of larger volumes of securities transactions that were still to be settled as per 31 December 2013.

33 Equity attributable to shareholders of the parent company

Share capital and other components of equity

Preference shares

Preference shares which are non-redeemable and upon which dividends are declared at the discretion of the Company are classified as equity.

Compound financial instruments

Components of compound financial instruments (liability and equity parts) are classified in their respective area of the statement of financial position.

Other reserves

The other reserves mainly comprise retained earnings, the profit for the period and legal reserves.

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the translation of the net investment in foreign operations, net of the effect of hedging.

Available–for–sale reserve

In this component, gains and losses arising from a change in the fair value of available-for-sale assets are recognised, net of taxes, excluding impairment losses recognised in the income statement and gains and losses on hedged financial instruments. When the relevant assets are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve

The cash flow hedging reserve is comprised of the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that will be recycled to the income statement when the hedged transactions affect profit or loss.

Net investment hedging reserve

The net investment hedging reserve is comprised of the currency translation differences arising on translation of the currency of these instruments to euros, insofar as they are effective.

Dividends

Dividends on ordinary shares and preference shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

The following table shows the composition of Equity attributable to shareholders of the parent company at 31 December 2013 and 31 December 2012.

(in millions)	31 December 2013	31 December 2012
Share capital	940	1,015
Share premium	12,970	13,105
Other reserves (incl. retained earnings / profit for the period)	4,554	3,811
Other components of equity	-4,909	-5,067
Equity attributable to shareholders of the parent company	**13,555**	**12,864**

At 31 December 2013, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 3,751 million distributed over 3,750,000,000 ordinary shares and 100,000,000 class B ordinary shares. Ordinary shares have a nominal value of EUR 1.00 each and class B ordinary shares have a nominal value of EUR 0.01 each.

Each ordinary share entitles the shareholder to one hundred votes. Each class B ordinary share entitles the shareholder to one vote.

At 31 December 2013, issued and paid-up capital by ABN AMRO Group N.V. consisted of 940,000,001 class A ordinary shares (EUR 940 million).

As described in the Consolidated statement of changes in equity, 75,000,000 class A non-cumulative shares were repurchased and cancelled in 2013, resulting in a decline in share capital and share premium of EUR 75 million and EUR 135 million respectively.

In 2013, a final dividend of EUR 250 million for the year 2012 was paid to ordinary shareholders and EUR 12 million to holders of preference shares A. An interim dividend of EUR 150 million for 2013 was paid to ordinary shareholders.

The 2012 movements in Share capital and Share premium were all due to the conversion of the Mandatory Convertible Securities (EUR 2.0 billion) and the settlement with Ageas (EUR 400 million) as described at the Consolidated statement of changes in equity.

In 2012, a final dividend of EUR 50 million for the year 2011 was paid to ordinary shareholders and EUR 13 million to holders of preference shares A.

The following table shows the number of outstanding shares:

	Class A ordinary shares	Non-cumulative class A preference shares	Total shares outstanding
Number of shares at 1 January 2012	940,000,000	75,000,000	1,015,000,000
Issued during the year	1		1
Number of shares at 31 December 2012	940,000,001	75,000,000	1,015,000,001
Repurchased and cancelled during the year		-75,000,000	-75,000,000
Number of shares at 31 December 2013	**940,000,001**		**940,000,001**

In connection with the MCS conversion, ABN AMRO Group N.V. issued one class A ordinary share (nominal value of EUR 1.00) to NLFI in 2012.

34 Additional cash flow information

Accounting policy for cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, freely available balances with central banks and other banks, and net credit balances on current accounts with other banks, with less than three months maturity from the date of acquisition.

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in, and sales of, subsidiaries and associates, property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities.

The following table shows the determination of cash and cash equivalents at 31 December.

(in millions)	31 December 2013	31 December 2012
Cash and balances at central banks	9,523	9,796
Loans and receivables banks (less than 3 months)[1]	5,796	4,295
Total cash and cash equivalents	**15,319**	**14,091**

[1] Loans and receivables banks with a maturity of less than 3 months is included in Loans and receivables - banks, see note 16.

35 Professional securities transactions

Accounting policy for transactions with professional counterparties

Transactions with professional counterparties consist of securities borrowing and lending and sale and repurchase transactions. Securities borrowing and securities lending transactions are generally entered into on a collateralised basis, with securities usually advanced or received as collateral. The transfer of the securities themselves is not reflected in the balance sheet unless the risks and rewards of ownership are also transferred. If cash is advanced or received, securities borrowing and lending activities are recorded at the amount of cash advanced (included in loans and receivables) or received (Due to banks or customers). The market value of the securities borrowed and lent is monitored on a daily basis, and the collateral levels are adjusted in accordance with the underlying transactions. Fees and interest received or paid are recognised on an effective interest basis and recorded as interest income or interest expense.

Sale and repurchase transactions involve purchases (or sales) of investments with agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans and receivables to either banks or customers and are shown as collateralised by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the balance sheet. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase price is recognised over the period of the transaction and recorded as interest income or interest expense, using the effective interest method. If borrowed securities are sold to third parties, the proceeds from the sale and a liability for the obligation to return the collateral are recorded at fair value.

(in millions)	31 December 2013		31 December 2012	
	Banks	Customers	Banks	Customers
Assets				
Reverse repurchase agreements	2,374	3,558	7,092	7,349
Securities borrowing transactions	4,594	5,710	6,512	4,552
Unsettled securities transactions	299	1,851	702	2,614
Total	**7,267**	**11,119**	**14,306**	**14,515**
Liabilities				
Repurchase agreements	3,032	5,500	3,097	12,148
Securities lending transactions	779	1,690	1,129	2,527
Unsettled securities transactions	396	869	143	477
Total	**4,207**	**8,059**	**4,369**	**15,152**

Professional securities transactions include balances relating to reverse repurchase activities and cash collateral on securities borrowed. ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to ABN AMRO when deemed necessary.

The decrease in professional securities is due to counterparties reducing their balance sheet exposure at year-end.

Items of professional securities transactions which ABN AMRO can repledge or resell are contained in note 37 Pledged and encumbered assets.

36 Transferred financial assets

Transferred assets are arrangements/transactions where ABN AMRO has:

1. transferred the contractual rights to receive the cash flows of the financial asset to a third party;
2. retained the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to a third party;
3. alternatively, a financial asset has also been transferred by ABN AMRO when the counterparty has the right to re-pledge or to re-sell the asset.

This disclosure provides insight into the relationship between these transferred assets and associated liabilities in order to understand which risks the bank is exposed to when the assets are transferred.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety.

(in millions)		31 December 2013				31 December 2012
Financial assets	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total	Loans and receivables (at amortised cost)	Financial assets held for trading (at fair value through profit and loss)	Total
Securitisations						
Carrying amount Transferred assets	12,043		12,043	15,851		15,851
Carrying amount Associated liabilities	12,285		12,285	15,964		15,964
For those liabilities that have recourse only to the transferred assets						
Fair value of assets	12,316		12,316	15,826		15,826
Fair value of associated liabilities	12,347		12,347	16,010		16,010
Net position	**-31**		**-31**	**-184**		**-184**
Professional securities transactions						
Carrying amount Transferred assets		4,000	4,000		1,447	1,447
Carrying amount Associated liabilities		4,000	4,000		1,447	1,447
For those liabilities that have recourse only to the transferred assets						
Fair value of assets		4,000	4,000		1,447	1,447
Fair value of associated liabilities		4,000	4,000		1,447	1,447
Net position						
Other						
Carrying amount Transferred assets		382	382		136	136
Carrying amount Associated liabilities		383	383		126	126
For those liabilities that have recourse only to the transferred assets						
Fair value of assets		382	382		136	136
Fair value of associated liabilities		383	383		126	126
Net position		**-1**	**-1**		**10**	**10**
Totals						
Carrying amount Transferred assets	12,043	4,382	16,425	15,851	1,583	17,434
Carrying amount Associated liabilities	12,285	4,383	16,668	15,964	1,573	17,537
For those liabilities that have recourse only to the transferred assets						
Fair value of assets	12,316	4,382	16,698	15,826	1,583	17,409
Fair value of associated liabilities	12,347	4,383	16,730	16,010	1,573	17,583
Net position	**-31**	**-1**	**-32**	**-184**	**10**	**-174**

Securitisations

The bank uses securitisations as a source of funding whereby the SPE issues debt securities. Pursuant to securitisation transaction with true sale mechanics, the bank transfers the title of the assets to Special Purpose Entities (SPEs). As control is held by ABN AMRO Group, the assets (mainly residential mortgage loans) are considered to be transferred in accordance with IFRS.

Professional securities transactions

Securities financing transactions are entered into on a collateralised basis to mitigate the bank's credit risk exposure. In repurchase agreements and securities lending transactions, ABN AMRO gets the securities returned at maturity. The counterparty in the transactions holds the securities as collateral, but has no recourse to other assets of ABN AMRO. ABN AMRO transfers the securities and if the counterparty has the right to re-sell or re-pledge them, the bank considers these assets transferred assets.

Continuing involvement in transferred financial assets that are derecognised in their entirety

The bank does not have any material transferred assets that are derecognised in their entirety, but in wich ABN AMRO has continuing involvement.

37 Pledged and encumbered assets EDTF 19

The objective of this disclosure is to differentiate which assets at the statement of financial position date were used or restricted to secure, credit-enhance or collateralise a transaction.

Pledged assets are assets given as security to guarantee payment of a debt or fulfillment of an obligation. The following activities conducted by ABN AMRO give rise to pledged assets:

- Cash and securities provided as collateral to secure trading and other liabilities, mainly derivatives;
- Cash and interest-earning securities pledged to secure credit lines and deposits from central banks;
- Cash pledged to secure lending in reverse repurchase transactions and securities borrowing transactions;
- Mortgages and SME loans pledged to secure funding transactions such as covered bonds and securitisations;
- Securities lent as part of repurchase and securities lending transactions;
- Assets pledged as security to comply with the contractual terms regarding the cross liability resulting from the sale of EC Remedy. Further information is provided in note 38 Commitments and contingent liabilities.

Encumbered assets are those that are pledged or other assets which ABN AMRO believes to be restricted to secure, credit-enhance or collateralise a transaction. In principle, pledged assets are encumbered assets. The following differences apply to ABN AMRO:

- Encumbered assets include mandatory reserve requirements with central banks and unit-linked investments (see note 24 Other assets);
- Encumbered assets exclude assets pledged for unused credit facilities with central banks at the statement of financial position date, i.e. mainly retained mortgage-backed securities.

The following table provides an overview of assets pledged as security and encumbered assets.

(in millions)	31 December 2013	31 December 2012
Assets pledged		
Cash and balances at central banks	253	292
Financial assets held for trading	4,446	1,584
Financial investments available-for-sale	160	162
Financial investments held at fair value through profit or loss		
Financial investments held to maturity		
Loans and receivables - banks		
- Professional securities transactions	6,967	13,604
- Interest bearing deposits	7,193	10,219
Loans and receivables - customers		
- Professional securities transactions	9,268	11,891
- Residential mortgages	111,596	110,956
- Commercial loans	6,208	6,795
Total assets pledged as security	**146,091**	**155,503**
Differences between pledged and encumbered assets		
Loans and receivables - banks[1]	221	287
Loans and receivables - customers[2]	-61,298	-56,085
Other assets[3]	2,171	2,170
Total differences between pledged and encumbered assets	**-58,906**	**-53,628**
Total encumbered assets	**87,185**	**101,875**
Total assets	**372,022**	**393,758**
Total encumbered assets as percentage of total assets	23.4%	25.9%

1 Includes mandatory reserve deposits.
2 Excludes mainly mortgage-backed securities.
3 Includes unit-linked investments.

The encumbered assets decreased by EUR 14.7 billion, due mainly to a decline in professional securities transactions.

Off-balance sheet collateral held as security for assets

Mainly as part of professional securities transactions, ABN AMRO obtains securities on terms which permit it to repledge or resell the securities to others. These transactions are conducted under terms that are usual and customary to standard professional securities transactions.

ABN AMRO controls credit risk associated with these activities by monitoring counterparty credit exposure and collateral value on a daily basis and requiring additional collateral to be deposited with or returned to the Group when deemed necessary.

(in millions)	31 December 2013	31 December 2012
Fair value of securities received which can be sold or repledged	31,223	45,235
- *of which:* fair value of securities repledged/sold to others	25,002	45,235

ABN AMRO has an obligation to return the securities accepted as collateral to its counterparties.

38 Commitments and contingent liabilities EDTF 32

Accounting policy for off-balance sheet items

Commitments

Loan commitments that allow for draw-down of a loan within the timeframe generally established by regulation or convention in the marketplace are not recognised as derivative financial instruments. Acceptances comprise undertakings by ABN AMRO to pay bills of exchange drawn on customers. ABN AMRO expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances are not recognised in the balance sheet and are disclosed as commitments.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

Committed credit facilities

Commitments to extend credit take the form of approved but undrawn loans, overdraft revolving and underwriting facilities. New loan offers have a commitment period that does not extend beyond the normal underwriting and settlement period.

Guarantees and other commitments

ABN AMRO provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These transactions have fixed limits and generally extend for periods of up to 5 years. Expirations are not concentrated in any particular period. ABN AMRO also provides guarantees by acting as a settlement agent in securities borrowing and lending transactions. In addition, ABN AMRO has entered into transactions to guarantee various liabilities with respect to insurance-related regulatory reserve financing transactions.

The contractual amounts of commitments and contingent liabilities are set out by category in the following table. The amounts stated in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the relevant contract parties completely failed to perform as contracted.

Many of the contingent liabilities and commitments are expected to expire without being advanced in whole or in part. This means that the amounts stated do not represent expected future cash flows. Additionally, guarantees and letters of credit are supported by varying levels of collateral.

Aside from the items which are included in Guarantees and other commitments, non-quantified guarantees have been given for ABN AMRO's securities custody operations and for interbank bodies and institutions. ABN AMRO or Group companies participate in collective guarantee schemes (e.g. deposit guarantees) applicable or mandatory in various countries. Furthermore, statements of liability within the meaning of Article 403 Book 2 of the Dutch Civil Code have been issued for a number of Group companies, including ABN AMRO Bank N.V.

The committed credit facilities, guarantees and other commitments at 31 December 2013 and 2012 are summarised below.

(in millions)					Payments due by period
	Less than one year	Between one and three years	Between three and five years	After five years	Total
31 December 2013					
Committed credit facilities	5,623	3,110	2,268	2,763	13,764
Guarantees and other commitments:					
Guarantees granted	440	1,091	102	1,901	3,534
Irrevocable letters of credit	4,125	772	186	332	5,415
Recourse risks arising from discounted bills	6,983	133	13	25	7,154
Total guarantees and other commitments	**11,548**	**1,996**	**301**	**2,258**	**16,103**
Total commitments and contingent liabilities	**17,171**	**5,106**	**2,569**	**5,021**	**29,867**
31 December 2012					
Committed credit facilities	10,559	2,351	2,321	2,404	17,635
Guarantees and other commitments:					
Guarantees granted	732	1,153	30	1,902	3,817
Irrevocable letters of credit	4,203	568	155	548	5,474
Recourse risks arising from discounted bills	7,383	89	6	8	7,486
Total guarantees and other commitments	**12,318**	**1,810**	**191**	**2,458**	**16,777**
Total commitments and contingent liabilities	**22,877**	**4,161**	**2,512**	**4,862**	**34,412**

The decrease in Committed credit facilities was mainly due to the utilisation of irrevocable credit lines during the second half of 2013.

Leasing

ABN AMRO mainly enters into leases classified as operating leases (including property rental). The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. If it is decided that an operating lease will be terminated or vacated before the lease period has expired, the lesser of any penalty payments required and the remaining payments due once vacated (less sub-leasing income) is recognised as an expense. If the lease agreement transfers substantially all the risks and rewards inherent to ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised.

An analysis of the impact of leasing transactions on the balance sheet and income statement is as follows.

Operating lease commitments

ABN AMRO leases various offices and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. ABN AMRO also leases equipment under non-cancellable lease arrangements.

Where ABN AMRO is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

(in millions)	2013	2012
Not more than one year	116	117
Longer than 1 year and not later than 5 years	267	269
Longer than 5 years	74	93
Total operating lease agreements	**457**	**479**

Transactions involving the legal form of a lease

ABN AMRO has entered into IT outsourcing arrangements that involve leases in form but not in substance. The contract periods of the arrangements vary between one and five years. The total amount of the lease payments was EUR 503 million for 2013 (2012: EUR 504 million).

Other contingencies

ABN AMRO is involved in a number of legal proceedings in the ordinary course of business in a number of jurisdictions. In presenting consolidated financial information, management makes estimates regarding the outcome of legal, regulatory and arbitration matters, and takes a charge to income when losses with respect to such matters are more likely than not. Charges, other than those taken periodically for costs of defence, are not established for matters when losses cannot be reasonably estimated.

On the basis of information currently available, and having taken legal counsel with legal advisors, ABN AMRO is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated result of ABN AMRO.

In particular:

- In 2009, Ageas initiated legal proceedings against ABN AMRO Capital Finance Ltd, ABN AMRO Bank and the Dutch State claiming EUR 363 million compensation for which Ageas was liable on the cash settlement date. Furthermore, on 7 December 2010 and in accordance with the transaction documentation, the EUR 2 billion of 8.75% Mandatory Convertible Securities converted into ordinary Ageas shares and the final (semi-annual) coupon was paid. Ageas claimed it was entitled to receive EUR 2 billion of ABN AMRO ordinary shares by way of compensation. On 28 June 2012, however, ABN AMRO Group, ABN AMRO Bank and Ageas agreed to settle all disputes, including the proceedings initiated by Ageas regarding the two aforementioned claims, between ABN AMRO Group, ABN AMRO Bank, the Dutch State and Ageas in relation to the equity transactions which resulted in the takeover of the Dutch activities of the former Fortis group by the Dutch State on 3 October 2008. Previously, the EUR 2.0 billion liability resulting from the MCS was retained in the balance sheet, of which EUR 1.75 billion continued to qualify as Tier 1 capital. Under IFRS this obligation was required to be classified as a liability instead of equity since the number of shares to be issued by ABN AMRO, if any, for the conversion of the liability was unclear as the contract did not stipulate a fixed amount of shares to be delivered. After the settlement, core Tier 1 capital increased by EUR 1.6 billion, being the sum of the EUR 2.0 billion liability and the one-off settlement amount of EUR 400 million as paid by ABN AMRO to Ageas. As a result, Tier 1 and total capital decreased by EUR 150 million.
- The MCS-related Hedge Fund Claims of EUR 1.75 billion plus 8.75% coupon until 7 December 2030 are not included in the settlement. The related proceedings initiated by certain hedge funds in Belgium against the four issuers of the MCS are still pending. On 23 March 2012, the Commercial Court in Brussels (Belgium) rejected all claims of the hedgefunds. This verdict underlines the verdict in the summary proceedings (kort geding) of November 2010 that the MCS holders could not unilaterally amend the terms and conditions of the contract. Certain hedge funds have filed an appeal against the verdict. ABN AMRO remains confident that the MCS holders do not have the unilateral power to amend the terms and conditions of the MCS and therefore also continues to be positive about the outcome of the appeal proceedings.
- As previously reported, ABN AMRO Bank, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. In some instances, ABN AMRO Bank and/or a subsidiary made collateralised loans to client funds that had indirect exposure to Bernard L. Madoff Investment Securities (BLMIS). In other instances, a subsidiary of ABN AMRO Bank entered into total return swap transactions with client funds that were indirectly exposed to BLMIS, and also purchased reference portfolio interests in funds that were exposed to BLMIS. If those BLMIS exposed funds remain impaired, ABN AMRO Bank estimates that its and its subsidiaries' losses could amount to EUR 922 million as provisionally provided for in 2008. In addition, certain subsidiaries of ABN AMRO Bank provided other services (including custodial and administration services) to client funds that had exposure to BLMIS. Provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. ABN AMRO Bank subsidiaries are defending themselves in these proceedings to which they are defendants. In light of the preliminary status of those claims and other arrangements that may mitigate litigation exposure, it is not possible to estimate the total amount of ABN AMRO Bank subsidiaries' potential liability, if any. ABN AMRO Bank and its relevant subsidiaries are continuing to investigate and

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

Cross liability

Article 2:334t of the Dutch Civil Code requires that in the event of an entity being divided into two or more parts through a legal demerger, each part remains liable to the creditors of the other demerged part. Such liabilities relate only to obligations existing as at the date of the Legal Demerger. The total amount of the liability is limited to the equity of the divided part on demerger. The cross liabilities will cease to exist upon expiration of the obligations.

On 6 February 2010, the old ABN AMRO Bank N.V. demerged into two entities: RBS N.V. (formerly ABN AMRO Bank N.V.) and ABN AMRO Bank N.V. (formerly ABN AMRO II N.V.). In principle, creditors now only have recourse to the entity to which the relevant assets and liabilities have been transferred. However, under Article 2:334t of the Dutch Civil Code, ABN AMRO Bank N.V. remains liable to the creditors of RBS N.V. in the event that RBS N.V. cannot meet its obligations to those creditors in respect of obligations that existed at the date of the demerger. Similarly, RBS N.V. remains liable to the creditors which transferred from RBS N.V. to ABN AMRO Bank N.V. on the date of the Legal Demerger in the event that ABN AMRO Bank N.V. cannot meet its obligation to those creditors in respect of obligations that existed at the date of 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 Legal Demerger, which amounted to EUR 1.8 billion. At 31 December 2013 this amount remained unchanged. The RBS N.V. contingent liability is limited to the equity it retained at the Legal Demerger, amounting to EUR 4.0 billion.

ABN AMRO Bank N.V. has put in place arrangements to mitigate the risks of the contingent liability to the creditors which transferred to RBS N.V. upon the Legal Demerger. Due to a restructuring at RBS N.V., ABN AMRO Bank N.V. received collateral from RBS Plc for an amount of EUR 943 million (2012: EUR 579 million). ABN AMRO Bank N.V. did not post collateral with RBS N.V. or RBS Plc.

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 cross liabilities in the event that New HBU II N.V. fails to meet its obligations. ABN AMRO Bank N.V. remains liable to their creditors in respect of obligations that existed at the New HBU II N.V. demerger date. At 31 December 2013, this contingent liability was estimated at EUR 98 million (2012: EUR 174 million).

In the event that RBS N.V. or ABN AMRO Bank N.V. fail to meet their obligations, New HBU II N.V. remains liable to these creditors in respect of obligations that existed at the New HBU II N.V. demerger date. New HBU II N.V.'s contingent liability in this regard is capped at EUR 950 million under the provisions of Article 2:334t. In respect of these cross liabilities, ABN AMRO Bank N.V. and New HBU II N.V. have entered into cross indemnification and collateral arrangements for a period of five years starting 1 April 2010. In this respect, ABN AMRO Bank N.V. has indemnified New HBU II N.V. for losses that it might incur as a result of cross liability claims from creditors of ABN AMRO Bank N.V. or RBS N.V. The Dutch State, however, has provided ABN AMRO Bank N.V. with a counter-indemnity, capped at EUR 950 million for any losses incurred for RBS N.V. customers only.

At 31 December 2013, ABN AMRO Bank N.V. had placed collateral with a fair value of EUR 160 million (2012: EUR 162 million) with New HBU II N.V. and New HBU II N.V. had placed collateral with a fair value of EUR 51 million (2012: EUR 90 million) with ABN AMRO Bank N.V.

At 31 December 2013, ABN AMRO Bank N.V. held regulatory capital agreed with the Dutch central bank for any residual risks.

39 Fair value of financial instruments

Accounting policy for fair value of financial instruments

Fair value is defined as the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

If portfolios of financial assets and liabilities are measured on the basis of the net exposure to market risks, then judgements are applied in determining appropriate portfolio level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when portfolios of financial assets and liabilities are measured on the basis of the net exposure to the credit risk of a particular counterparty, then it takes into account any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

For financial instruments that are actively traded and for which quoted market prices or market parameters are readily available, there is high objectivity in the determination of fair value. However, when observable market prices and parameters do not exist, management judgement is necessary to estimate fair value.

For financial instruments where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculation or option pricing models (e.g. Black Scholes).

Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data. The difference between the transaction price and the internal valuation at inception, calculated using a model, is reserved and amortised to income at appropriate points over the life of the instrument, typically taking account of the ability to obtain reliable external data, the passage of time and the use of offsetting transactions. If inputs to the valuation of a new transaction cannot be reliably sourced from external providers, the transaction is initially recognised at its transaction price. Subsequent changes in fair value as calculated by the valuation model are reported as profit or loss or in equity.

In order to determine a reliable fair value, where appropriate, management applies valuation adjustments to the pricing information derived from the above sources. These adjustments reflect management's assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the information from the above sources. The main valuation adjustments required to arrive at a fair value are as follows:
- Bid-ask adjustments. Bid-ask prices are derived from market sources, such as broker data;
- Credit and debit valuation adjustments. In addition to credit valuation for loans valued as at fair value through profit or loss, credit valuation adjustments and debit valuation adjustments are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and ABN AMROs' own credit quality respectively;
- Own credit adjustment. An own credit adjustment is applied to positions where it is believed that counterparties will consider ABN AMRO's creditworthiness when pricing trades;
- Model valuation adjustments for any known limitations. Management assesses the appropriateness of any model used on an ongoing basis. To the extent that the price provided by internal models does not represent the fair value of the instrument, for instance in highly stressed market conditions, management makes adjustments to the model valuation to calibrate to other available pricing sources.

We believe our estimates of fair value are adequate. However, the use of different models or assumptions could result in changes in our reported results.

Internal controls over fair valuation

ABN AMRO has designated controls and processes for the determination of the fair value of financial instruments. A process has been designed to ensure there are formalised review protocols for independent review and validation of fair values separate from those businesses entering into the transactions. This includes specific controls to ensure consistent pricing policies and procedures, incorporating disciplined price verification for both market and counterparty risk trades.

The business entering into the transaction is responsible for the initial determination and recording of the fair value of the transaction. There are daily controls over the profit or loss recorded by trading and treasury front-office staff.

A key element of the control environment, segregated from the recording of the transaction's valuation, is the independent price verification process. Valuations are first calculated by the business. Such valuations may be current bid or offer prices in an active market, or may be derived using a model and variable model inputs. These valuations are reviewed, and if necessary amended, by the independent price verification process. This process involves a team independent of those trading the financial instruments performing a review of valuations in the light of available pricing evidence. Independent price verification is frequently performed by matching the business valuations with independent data sources. For liquid instruments the process is performed daily. The minimum frequency of review is monthly for trading positions, and six monthly for non-trading positions. The independent price verification control includes formalised reporting and escalation to management of any valuation differences in breach of defined thresholds. When models are used to value products, those models are subject to a model review process. This process requires different levels of model documentation, testing and review, depending on the complexity of the model and the size of ABN AMRO's exposure to the model.

Valuation techniques

ABN AMRO uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available.

Values between and beyond available data points are obtained by interpolation and/or extrapolation. When using valuation techniques, the fair value can be significantly impacted by the choice of valuation model and underlying assumptions made concerning factors such as the amounts and timing of cash flows, discount rates and credit risk. The principal inputs to these valuation techniques are listed below:

- bond prices – quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products;
- credit spreads – where available, these are derived from prices of credit default swaps (CDS) or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services;
- interest rates – these are principally benchmark interest rates such as the interbank rates and quoted interest rates in the swap, bond and futures markets;
- foreign currency exchange rates – there are observable markets both for spot and forward contracts and futures in the world's major currencies;
- equity and equity index prices – quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares;
- commodity prices – many commodities are actively traded in spot and forward contracts and futures on exchanges in London, New York and other commercial centres;
- price volatilities and correlations – volatility is a measure of the tendency of a price to change with time. Correlation measures the degree to which two or more prices or other variables are observed to move together. If they move in the same direction there is positive correlation; if they move in opposite directions there is negative correlation. Volatility is a key input in valuing options and the valuation of certain products such as derivatives with more than one underlying variable that are correlation dependent. Volatility and correlation values are obtained from broker quotations, pricing services or derived from option prices;
- prepayment rates – the fair value of a financial instrument that can be prepaid by the issuer or borrower differs from that of an instrument that cannot be prepaid. In valuing pre-payable instruments that are not quoted in active markets, ABN AMRO considers the value of the prepayment option;
- counterparty credit spreads – adjustments are made to market prices (or parameters) when the creditworthiness of the counterparty differs from that of the assumed counterparty in the market price (or parameters);
- recovery rates / loss given default - these are used as an input to valuation models and reserves for asset-backed securities as an indicator of severity of losses on default. Recovery rates are primarily sourced from market data providers or inferred from observable credit spreads.

ABN AMRO refines and modifies its valuation techniques as markets and products develop and as the pricing for individual products becomes more or less readily available. While ABN AMRO believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of fair value at the balance sheet date.

Fair value hierarchy

ABN AMRO analyses financial instruments held at fair value into the three categories as described below.

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following table presents the valuation methods used in determining the fair values of financial instruments carried at fair value.

(in millions)				31 December 2013
	Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs	Total fair value
Assets				
Financial assets held for trading	11,133	12,734		23,867
- of which Government bonds and Corporate debt securities	3,779			3,779
- of which Equity securities	6,471			6,471
- of which Derivatives held for trading	146	11,702		11,848
- of which Other financial assets held for trading	737	1,032		1,769
Available-for-sale interest earning securities	25,734	586	1,063	27,383
Available-for-sale equities	119	17	62	198
Financial investments designated at fair value through profit or loss	409		121	530
Derivatives not held for trading		2,348	75	2,423
Unit-linked investments	1,557	614		2,171
Total financial assets	**38,952**	**16,299**	**1,321**	**56,572**
Liabilities				
Financial liabilities held for trading	3,921	10,327		14,248
- of which Bonds	1,988			1,988
- of which Equity securities	1,787			1,787
- of which Derivatives held for trading	146	9,703		9,849
- of which Other financial liabilities held for trading		624		624
Issued debt		2,071		2,071
Derivatives not held for trading		7,305	73	7,378
Unit-linked for policyholders	1,557	614		2,171
Total financial liabilities	**5,478**	**20,317**	**73**	**25,868**

(in millions)				31 December 2012
	Quoted market prices in active markets[1]	Valuation techniques -observable inputs[1]	Valuation techniques -significant unobservable inputs[1]	Total fair value
Assets				
Financial assets held for trading	6,261	18,082		24,343
- of which Government bonds and Corporate debt securities	2,926			2,926
- of which Equity securities	2,539			2,539
- of which Derivatives held for trading	290	16,964		17,254
- of which Other financial assets held for trading	506	1,118		1,624
Available-for-sale interest earning securities	18,542	1,592	1,044	21,178
Available-for-sale equities	116	27	34	177
Financial investments designated at fair value through profit or loss	241		134	375
Derivatives not held for trading		3,992	103	4,095
Unit-linked investments	1,478	692		2,170
Total financial assets	**26,638**	**24,385**	**1,315**	**52,338**
Liabilities				
Financial liabilities held for trading	3,661	16,437		20,098
- of which Bonds	1,975			1,975
- of which Equity securities	1,163			1,163
- of which Derivatives held for trading	517	15,859		16,376
- of which Other financial liabilities held for trading	6	578		584
Issued debt		2,321		2,321
Derivatives not held for trading		11,032	100	11,132
Unit-linked for policyholders	1,478	692		2,170
Total financial liabilities	**5,139**	**30,482**	**100**	**35,721**

[1] Following the implementation of IFRS 13 ABN AMRO performed a detailed review of the fair value hierarchy. The 2012 comparative information has been adjusted to improve the comparability to the 2013 information presented (from level 2 to level 1 government bonds EUR 1.1 billion, Available-for-sale interest earning securities EUR 4.7 billion, Unit-linked investment EUR 0.9 billion. Adjustment from level 2 to level 3 Available-for-sale interest earning securities EUR 1.0 billion).

Transfers between levels 1 and 2

There were no material transfers between levels 1 and 2.

Transfers from levels 1 and 2 into level 3

There were no material transfers from levels 1 and 2 to level 3 in 2013.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets that are recorded at fair value.

(in millions)				2013				2012
			Assets	Liabilities			Assets	Liabilities
	Financial investments available for sale	Financial investments designated at fair value through profit or loss	Derivatives not held for trading	Derivatives not held for trading	Financial investments available for sale	Financial investments designated at fair value through profit or loss	Derivatives not held for trading	Derivatives not held for trading
Opening balance	**1,078**	**134**	**103**	**100**	**1,106**	**113**	**55**	**52**
Purchases	6	21			5	2		
Sales		-7			-31			
Redemptions	-8							
Gains/(losses) recorded in profit and loss[1]					-1	-4		
Unrealised gains/(losses)	26	-27	-28	-27	4	12	48	48
Other movements	23				-5	11		
Closing balance	**1,125**	**121**	**75**	**73**	**1,078**	**134**	**103**	**100**

[1] Included in Results from financial transactions. All assets were held at balance sheet date.

Level 3 sensitivity information

The following tables present the level 3 financial instruments carried at fair value as at the balance sheet date for which fair value is measured in full or in part using valuation techniques based on assumptions that are not supported by market observable inputs. There may be uncertainty about a valuation resulting from the choice of the valuation technique or model used, the assumptions embedded in those models, the extent to which inputs are not market observable, or as a result of other elements affecting the valuation technique or model. At 31 December 2013 and 2012, ABN AMRO performed a sensitivity analysis to assess the range of reasonably possible alternative assumptions that would have a significant impact (i.e. increase or decrease) on the fair value of the instrument.

(in millions)	Valuation technique	Main assumptions	Carrying value	Reasonably possible alternative assumptions	
				Increase in fair value	Decrease in fair value
31 December 2013					
Equity shares	Private equity - valuation	EBITDA multiples	183	21	-21
Interest earnings securities	Discounted cash flow	Interest curve	1,063	34	-34
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Interest curve	2	2	-2
31 December 2012					
Equity shares	Private equity - valuation	EBITDA multiples	168	20	-20
Interest earnings securities	Discounted cash flow	Interest curve	1,044	34	-34
Derivatives not held for trading - assets/liabilities (net)	Discounted cash flow	Interest curve	3	3	-3

Equities designated at fair value through income

Equities designated at fair value through profit and loss classified as level 3 mainly comprise private equity investments. In general, private equity investments cannot be valued directly from quoted market prices or by using valuation techniques supported by observable market prices or other market data. The fair value is determined using a valuation technique applied in accordance with the European Private Equity and Venture Capitalist Association (EVCA) guidelines.

The EBITDA multiples, the main assumption for calculation of the fair value, had a range between 5.0 and 10.0 at 31 December 2013 (31 December 2012: 6.1 and 10.3).

The fair value of the private equity investments is calculated by using company-specific data and (listed) peer company data. As a consequence, the fair value calculation of an investment is strongly linked with movements on the public (share) markets. In general, if the public markets on average go up by 20% this would have a positive effect on the fair value of the private equity investments of EUR 25 million. The opposite is true if the public markets go down by 20%; this would have a negative fair value impact of EUR 25 million.

Interest earning securities and derivatives not held for trading

Fair value for non-listed RMBS notes is determined using a discounted cash flow methodology. The expected cash flows on the notes are discounted using an appropriate interest curve, to which a discount spread is added which is derived from RMBS transactions of similar credit risk and maturity.

Interest rate swaps related to RMBS transactions are valued based on assumptions about the behaviour of the underlying mortgage portfolio and the characteristics of the transaction. Cash flows are forecasted and discounted using appropriate forward- and discount curves.

Financial assets and liabilities not carried at fair value

The following methods and significant assumptions have been applied to estimate the fair values on behalf of the notes disclosures of financial instruments carried at cost:

- The fair value of variable rate financial instruments and financial instruments with a fixed rate maturing within six months of the balance sheet date are assumed to approximate their carrying amounts. The fair value estimate of these financial instruments does not reflect changes in credit quality, as the main impact of credit risk is already recognised separately through the deduction of the allowances for credit losses from the carrying amounts. Neither does the fair value of these financial instruments reflect changes in liquidity spreads or bid-ask adjustments;
- The fair value of fixed-rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The prepayment options are not included in the fair value;
- The fair value of demand deposits and savings accounts (both included under Due to customers) with no specific maturity is assumed to be the amount payable on demand at the balance sheet date.
- The fair value of the other loans to customers and loans to banks is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The carrying amount equals the fair value;
- The fair value of issued debt securities and subordinated liabilities is based on quoted prices. If these are not available, fair value is based on independent quotes from market participants for the debt issuance spreads above average interbank offered rates (at a range of tenors) which the market would demand when purchasing new senior or sub debt issuances from ABN AMRO. Where necessary, these quotes are interpolated using a curve shape derived from CDS prices.

The following table presents, on the one hand, the valuation methods used in determining the fair values of financial instruments carried at amortised cost and on the other hand, the carrying amount of financial assets and liabilities recorded at amortised cost to their estimated fair value, based on the abovementioned assumptions.

(in millions)						31 December 2013
	Carrying value				Total fair value	Difference
		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	9,523		9,523		9,523	
Loans and receivables - banks	31,210			31,210	31,210	
Loans and receivables - customers	268,147			272,050	272,050	3,903
Total	**308,880**		**9,523**	**303,260**	**312,783**	**3,903**
Liabilities						
Due to banks	15,833			15,833	15,833	
Due to customers	215,643			215,643	215,643	
Issued debt	86,611	38,475	48,811		87,286	-675
Subordinated liabilities	7,917	6,023	2,418		8,441	-524
Total	**326,004**	**44,498**	**51,229**	**231,476**	**327,203**	**-1,199**

(in millions)						31 December 2012
	Carrying value				Total fair value	Difference
		Quoted market prices in active markets	Valuation techniques -observable inputs	Valuation techniques -significant unobservable inputs		
Assets						
Cash and balances at central banks	9,796		9,796		9,796	
Loans and receivables - banks	46,461			46,461	46,461	
Loans and receivables - customers	276,967			279,270	279,270	2,303
Total	**333,224**		**9,796**	**325,731**	**335,527**	**2,303**
Liabilities						
Due to banks	21,304			21,304	21,304	
Due to customers	216,757			216,757	216,757	
Issued debt	92,727	39,473	53,675		93,148	-421
Subordinated liabilities	9,736	5,925	3,611		9,536	200
Total	**340,524**	**45,398**	**57,286**	**238,061**	**340,745**	**-221**

40 Hedge accounting

Accounting policy for hedge accounting (IAS 39)

ABN AMRO enters into various derivative and non-derivative instrument transactions with external parties to hedge risks on assets, liabilities, forecasted cash flows and net investments. The accounting treatment of the hedged item and the hedging instrument is dependent on whether the hedge relationship qualifies for hedge accounting. Qualifying hedges may be designated as either fair value hedges, cash flow hedges or hedges of net investments.

The hedged item can be an asset, liability, highly probable forecasted transaction or net investment in a foreign operation that (a) exposes the entity to risk of changes in fair value or future cash flows and (b) is designated as being hedged. The risks being hedged (the hedged risks) are typically changes in interest rates or foreign currency rates. ABN AMRO may also enter into credit risk derivatives (sometimes referred to as credit default swaps) for managing portfolio credit risk. However, these are generally not included in hedge accounting relationships.

Both at the inception of the hedge and on an ongoing basis, ABN AMRO formally assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of the hedged item, by assessing and measuring whether changes in the fair value or cash flows of the hedged item are offset by the changes in the fair value or cash flows of the hedging instrument.

Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in Results from financial transactions. ABN AMRO discontinues hedge accounting when the hedge relationship has ceased to be effective or is no longer expected to be effective, or when the derivative or hedged item is sold or otherwise terminated.

Adoption of EU carved out version of IAS 39

Micro fair value hedges is hedging of separate hedging instruments which can be assets and liabilities. For micro fair value hedging, ABN AMRO uses the carve out version of IAS 39 as adopted by the European Union, which means that negative credit spreads are included in the hedge relationship for micro fair value hedging.
Macro fair value hedging implies that a group of financial assets is reviewed in combination and jointly designated as the hedged item. However the portfolio may, for risk management purposes, include assets and liabilities. In this context, the starting difference between the fair value and the carrying value of the hedged item at the designation of the hedging relationship is amortised over the remaining life of the hedged item. For macro fair value hedging, ABN AMRO uses the 'carved out' version of IAS 39 as adopted by the European Union, which removes some of the limitations on fair value hedges and the strict requirements on the effectiveness of those hedges. In this context, the impact of changes in the estimates of the repricing dates is only considered ineffective if it leads to over-hedging.

Fair value hedges

When a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, the hedged item is adjusted in relation to the risk being hedged. Gains or losses on re-measurement of both the hedging instrument and the hedged item are recognised in the income statement within Results from financial transactions. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in the fair value of the hedging instrument are different from changes in the fair value of the hedged item. When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to income over the original designated hedging period, or taken directly to income if the hedged item is derecognised.

Cash flow hedges

When a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, the effective part of any gain or loss on re-measurement of the hedging instrument is recognised directly in equity. Hedge effectiveness for cash flow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cash flow in the cash flow hedge. Any ineffective part of the cash flow hedge is recognised in the profit and loss account immediately. When a cash flow hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity.

The cumulative gains or losses recognised in equity is transferred to the income statement at the time when the hedged transaction affects net profit or loss and is included in the same line item as the hedged transaction. In the exceptional case that the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recognised in the income statement immediately.

Hedging of net investments in foreign operations

ABN AMRO may enter into foreign currency derivatives and currency borrowings to hedge various net investments in foreign operations. For such hedges, currency translation differences arising on translation of the currency of these instruments to euros are recognised directly in the currency translation reserve in equity, insofar as they are effective. Hedge effectiveness is measured as the amount by which the changes in the fair value of the hedged item are in excess of change in the value of a net investment in a foreign hedge. The cumulative gain or loss recognised in equity is transferred to the income statement on the disposal of the foreign operation.

Forecasted transactions

When the hedge of a forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of that non-financial asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as profit or loss in the periods during which the hedged firm commitment or forecasted transaction affects the income statement. If the hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, but the hedged forecasted transactions or firm commitments are still expected to occur, hedge accounting is discontinued prospectively. If the hedged forecasted transactions or firm commitments are no longer expected to occur, the amounts deferred in equity are transferred to the income statement directly.

Hedges not qualifying for hedge accounting

The fair value changes of derivative transactions used to hedge against economic risk exposures that do not qualify for hedge accounting, or for which it is not cost beneficial to apply hedge accounting, are recognised directly through income.

Derivatives designated and accounted for as hedging instruments

The following results are recognised in Results from financial transactions:

(in millions)	2013	2012
Fair value hedges	-5	1
Cash flow hedges	9	-16
Net investment hedging	1	-1
Total hedging results	**5**	**-16**

Fair value hedge accounting

ABN AMRO applies fair value hedge accounting on individual hedged items (micro fair value hedging) as well as on a portfolio of hedged items (macro fair value hedging).

Micro fair value hedge accounting

Hedging instruments designated in individual fair value hedge relations principally consist of interest rate swaps, interest rate options and cross-currency interest rate swaps (only in 2012) that are used to protect against changes in the fair value of fixed rate assets and fixed rate liabilities due to changes in market interest rates.

For qualifying fair value hedges, all changes in the fair value of the derivative and in the fair value of the hedged item for the risk being hedged are recognised in the income statement.

Net effect of gains / (losses) arising from fair value hedge accounting:

(in millions)	2013	2012
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-870	997
Gains/(losses) on hedging instruments used for the hedged assets	848	-995
Gains/(losses) on the hedged liabilities attributable to the fair value hedged risk	1,427	-2,173
Gains/(losses) on hedging instruments used for the hedged liabilities	-1,427	2,176
Net effect fair value hedge	**-22**	**5**

Macro fair value hedge accounting

ABN AMRO hedges interest rate exposures of fixed-rate mortgages on a portfolio basis using interest rate swaps. ABN AMRO applies a portfolio fair value hedge ('macro fair value hedge accounting') in which it designates interest rate swaps as hedging instruments and fixed-rate mortgages as hedged items. The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated.

As a result of the hedge, changes in the hedged item's fair value due to changes in the appropriate benchmark interest rate will be booked to the income statement and will be offset by changes in the fair value of the hedging derivative financial instrument.

Hedged mortgages are pre-payable fixed-rate mortgages with the following features:

- denominated in local currency (euro);
- fixed term to maturity or re-pricing;
- pre-payable amortising or fixed principal amounts;
- fixed interest payment dates;
- no interest rate options;
- accounted for on an amortised cost basis.

Mortgages with these features form a portfolio of which the hedged item is designated in a fair value hedge accounting relationship. More than one group (or portfolio) of mortgages can be identified as the hedged item within the fixed-rate mortgage portfolio. Hedged items are designated on a monthly basis to maintain an effective hedge accounting relationship.

Mortgage cash flows are allocated to monthly time buckets based on expected maturity dates. ABN AMRO models the maturity dates of mortgages taking into account a prepayment rate applied to the contractual cash flows and maturity dates of the mortgage portfolio. When the swap notional exceed 95% of the expected mortgage notional in any given month, then mortgages that mature one month earlier or one month later are designated to the swap.

Changes in the fair value of mortgages which are attributable to the hedged interest rate risk are recorded under fair value adjustment from hedge accounting in order to adjust the carrying amount of the loan. The difference between the fair value attributable to the hedged interest rate risk and the carrying value of the hedged mortgages at de-designation of the hedge relationship is amortised over the remaining life of the hedged item.

(in millions)	2013	2012
Gains/(losses) on the hedged assets attributable to the fair value hedged risk	-1,200	1,056
Gains/(losses) on hedging instruments used for the hedged assets	1,217	-1,060
Net effect fair value hedge	**17**	**-4**

Cash flow hedge accounting

ABN AMRO applies macro cash flow hedge accounting by which it designates interest rate swaps as hedging instruments and future cash flows on non-trading assets and liabilities as hedged items. The hedge accounting relationship is reviewed on a monthly basis and the hedging instruments and hedged items are de-designated or re-designated if necessary to maintain an effective hedge accounting relationship.

Future cash flows are derived from the projected balance sheet. This projected balance sheet is produced by Asset and Liability Management models and forms the basis for the management of interest rate risk. The model behind the projected balance sheet takes the contractual terms and conditions of financial assets and liabilities and combines these with estimated prepayments, growth rates and interest scenarios, based on statistical market and client data and an economic outlook. The primary interest-sensitive positions in the balance sheet stemming from the non-trading book are: loans and receivables, liabilities due to banks and customers, and issued debt securities.

Within the projected balance sheet, new assets and liabilities and the future re-pricing of existing assets and liabilities are grouped based on their specific interest rate index on which they re-price (i.e. one month, three months, six months, one year). Per re-pricing index all assets and liabilities are allocated to monthly clusters in which they re-price up until their maturity. Interest rate swaps are designated to these clusters based on their re-pricing index and maturity.

The notional amounts of pay- or receive-floating swaps are designated to re-pricing all or part of current and forecasted assets and liabilities, respectively, in the clusters described above. These swap transactions are designated for hedge accounting purposes as a hedge of a gross position of a cluster of projected cash flows. Also, the swap will only hedge the applicable floating swap rate portion of the interest re-pricing and re-investment risk of the cluster.

The longer the term of the hedge, the larger the excess of available cash flows from projected assets or liabilities in the clusters needed, since cash flow projections further into the future are inherently less certain. The availability of an excess of cash flows in the clusters and the increase of excess over time is evaluated on a monthly basis. Furthermore, back testing is performed on the interest rate risk sensitivity models. Historical data are used to review the assumptions applied.

Hedge accounting ineffectiveness recognised in the income statement related to cash flow hedging amounted to a profit of EUR 9 million in 2013 (2012: loss EUR 16 million).

The maturity profile of forecast principal balances designated in the cash flow hedge is as follows:

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Total
31 December 2013						
Assets			30	15,830		15,860
Liabilities			15,897		6,385	22,282
Net principal assets/(liabilities)			**-15,867**	**15,830**	**-6,385**	**-6,422**

(in millions)	Within 3 months	More than 3 months but within 1 year	More than 1 year but within 5 years	More than 5 years but within 10 years	More than 10 years	Total
31 December 2012[1]						
Assets		803	4,744	9,680	2,325	17,552
Liabilities		2,158	12,567	1,100	8,135	23,960
Net principal assets/(liabilities)		**-1,355**	**-7,823**	**8,580**	**-5,810**	**-6,408**

[1] The 2012 comparative information has been adjusted to improve the comparability to the 2013 information presented.

Net gains/(losses) on cash flow hedges transferred from equity to the income statement are as follows:

(in millions)	2013	2012
Interest income	134	120
Interest expense	259	232
Subtotal	**-125**	-112
Tax expense	-31	-28
Total gains/(losses) on cash flow hedges	**-94**	**-84**

Hedges of net investments in foreign operations

ABN AMRO limits its exposure to certain investments in foreign operations by hedging its net investment in its foreign operations with forward contracts.

For qualifying net investment hedges, changes in the fair value of the hedging instrument are recorded in the currency translation reserve within equity. In 2013 ABN AMRO recorded a profit of EUR 1 million (2012: loss EUR 1 million) relating to termination of the hedged position.

Overview of the fair value of hedging instruments

(in millions)	2013		2012	
	Positive	Negative	Positive	Negative
Hedges qualifying for hedge accounting				
Fair value hedges				
Interest rate contracts:				
Swaps	1,177	4,675	1,581	7,553
Options	13	444	5	540
Total	**1,190**	**5,119**	**1,586**	**8,093**
Foreign currency contracts:				
Interest and currency swaps	370	4	461	109
Cash flow hedges				
Interest rate contracts:				
Swaps	503	1,668	1,513	2,714
Net investment hedges			1	
Subtotal as at 31 December	**2,063**	**6,791**	**3,561**	**10,916**
Hedges not qualifying for hedge accounting	360	587	534	216
Balance as at 31 December	**2,423**	**7,378**	**4,095**	**11,132**

The net negative non-trading derivative position decreased. The value of the net payer swaps became less negative in 2013 compared with 2012 due to an increase in the yield curve. The decrease was also driven by the unwinding of existing swaps.

Notional amounts

(in millions)	31 December 2013	31 December 2012
Fair value hedges	54,043	62,081
Cash flow hedges	28,287	31,463
Net investment hedges	120	184

41 Related parties

Parties related to ABN AMRO include NLFI with control, the Dutch State with significant influence, associates, pension funds, joint ventures, the Managing Board, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. ABN AMRO has applied the partial exemption for government-related entities as described in IAS 24 paragraphs 25-27.

As part of its business operations, ABN AMRO frequently enters into transactions with related parties. Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships with the exception of items specifically disclosed in this note. Normal banking transactions relate to loans and deposits and are entered into under the same commercial and market terms that apply to non-related parties.

Total outstanding loans and advances to members of the Managing Board and Supervisory Board of ABN AMRO amounted to EUR 6.1 million in 2013 (2012: EUR 5.8 million). The outstanding loans and advances to members of the Managing Board and the Supervisory Board mainly consist of residential mortgages granted under standard personnel conditions. Other loans and advances are subject to client conditions (further information is provided in the Remuneration report and note 42).

Credits, loans and bank guarantees in the ordinary course of business may be granted by ABN AMRO companies to executive managers or to close family members of Board members and close family members of executive managers. At 31 December 2013, there were no outstanding credits, loans or bank guarantees, other than the ones included in the ordinary course of business noted above.

Balances with joint ventures, associates and other

(in millions)	31 December 2013				31 December 2012			
	Joint ventures	Associates	Other	Total	Joint ventures	Associates	Other	Total
Assets	13	372		385	12	167	987	1,166
Liabilities	178	2,156	357	2,691	88	1,853		1,941
Irrevocable facilities		22		22		15		15
Income received	34	46		80	34	56		90
Expenses paid	14	9	241	264	14	3	334	351

The column Other includes transactions related to the pension funds.

Balances with the Dutch State[1]

(in millions)	31 December 2013	31 December 2012
Assets:		
Financial assets held for trading	1,262	821
Financial investments - available for sale	5,666	5,401
Loans and receivables - customers	377	815
Other assets	30	
Liabilities:		
Due to customers[2]	2,247	2,111
Subordinated loans[2]	1,654	1,650

	2013	2012
Income statement:		
Interest income	142	160
Interest expense	112	130
Net trading income	64	297
Net fee and commission income	-26	-26

1 Excluding balances related to tax positions.
2 Part of Due to customers (EUR 2,100 million) and part of subordinated loans (EUR 1,650 million) are related to liabilities the Dutch State acquired from Ageas on 3 October 2008.

ABN AMRO has medium-term notes of EUR 1.4 billion (2012: EUR 2.7 billion) outstanding that are guaranteed by the Dutch State under the EUR 200 billion Government Bond Scheme.

RBS is still the legal owner of specific Consortium shared assets and liabilities. This means that these assets and liabilities are for the risk and reward of RBS, Santander and the Dutch State as shareholder of RFS Holdings B.V. On 1 April 2010 ABN AMRO signed an indemnity agreement with the Dutch State for a shortfall in capital above a certain amount related to specific assets and liabilities of RFS Holdings. ABN AMRO has assessed the risk for this shortfall and considers the risk to be remote.

As stated in note 38, ABN AMRO has taken over the cross-liability exposure for NEW HBU II N.V. on Royal Bank of Scotland N.V. for a period of five years. ABN AMRO has received an indemnity from the Dutch State for this exposure.

Transactions and balances related to taxation are included in note 12 Income tax expense and note 24 Tax assets and tax liabilities. Most of the tax items in the abovementioned notes consist of transactions and balances with the Dutch tax authorities.

42 Remuneration of Managing Board and Supervisory Board Pillar 3

Remuneration of Managing Board

ABN AMRO's remuneration policy has been formally approved by shareholders and adopted by the Supervisory Board.

The remuneration package for the Managing Board consists of the following components:

- annual base salary;
- variable remuneration consisting of short- and long-term components;
- benefits and other entitlements;
- severance payments.

The following statement summarises the income components for the individual Managing Board members for the year 2013.

(In thousands)	Base salary	Variable remuneration	Pension costs[1]	Severance payments	Total
2013					
G. Zalm	759		310		1,069
J.C.M. van Rutte[2]	253		82		335
J. van Hall	608		139		747
C. van Dijkhuizen[3]	405		172		577
C.E. Princen	608		213		821
W. Reehoorn	608		144		752
C.F.H.H. Vogelzang	608		149		757
J.G. Wijn	608		222		830
Total	**4,457**		**1,431**		**5,888**
2012					
G. Zalm	759		216		975
J.C.M. van Rutte	608		90		698
J. van Hall	608		81		689
C.E. Princen	608		114		722
W. Reehoorn	608		81		689
C.F.H.H. Vogelzang	608		82		690
J.G. Wijn	608		113		721
Total	**4,407**		**777**		**5,184**

1 Pension costs exclusively comprise service costs for the year computed on the basis of the amended pension accounting standard IAS 19.
2 Jan van Rutte stepped down as member of the Managing Board as of 31 May 2013.
3 Kees van Dijkhuizen was appointed to the Managing Board as of 1 May 2013.

In 2013, just as in 2012, the Dutch government imposed a wage tax *(crisisheffing)* payable by the employer for taxable wages above EUR 150,000 per employee. This tax is charged to the company and does not effect the remuneration of staff involved. This additional tax with respect to the Managing Board members amounted to EUR 0.5 million in 2012 (salary, pension cost and additional 16% tax amounted to EUR 5.7 million in 2012). The additional tax in 2013 amounted to EUR 0.5 million for all Managing Board members, resulting in a total amount of EUR 6.4 million in 2013.

Loans from ABN AMRO to Managing Board members

The following table summarises outstanding loans to the members of the Managing Board at 31 December 2013.

(In thousands)	2013		2012	
	Outstanding 31 December	Interest rate	Outstanding 31 December	Interest rate
J.C.M. van Rutte			451	3.0%
C. van Dijkhuizen	346	3.5%		
J. van Hall	69	3.5%	284	5.3%
C.E. Princen	827	3.3%	893	3.8%
W. Reehoorn	1,429	3.8%	1,588	3.8%
C.F.H.H. Vogelzang	1,438	2.1%	1,449	2.6%
J.G. Wijn	986	2.3%	1,093	2.7%

Remuneration of the Supervisory Board

The following statement summarises the income components for the individual Supervisory Board members.

Remuneration of the Supervisory Board of ABN AMRO for 2013

(In thousands)	2013	2012
J.H.M. Lindenbergh[1]	100	100
H.P. de Haan[1]	78	78
S. ten Have[1]	60	60
A. Meerstadt	63	63
M.J. Oudeman	60	60
J.M. Roobeek	63	63
D.J.G.M. van Slingelandt	88	88
P.N. Wakkie	75	75
Total	**587**	**587**

[1] Remuneration is excluding VAT.

Loans from ABN AMRO to Supervisory Board members

The following table summarises outstanding loans to the members of the Supervisory Board at 31 December 2013.

(In thousands)		2013		2012
	Outstanding 31 December	Interest rate	Outstanding 31 December	Interest rate
P.N. Wakkie	993	4.3%		

43 Employee share option and share purchase plans

No employee share option plans are in place for the years 2013 and 2012.

44 Statutory financial statements ABN AMRO Group N.V.

Accounting policies

The company financial statements of ABN AMRO Group N.V. have been prepared in accordance with the requirements in Title 9 Book 2 of the Dutch Civil Code. ABN AMRO Group N.V. prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). ABN AMRO Group N.V. applies the exemption as included in section 2:362 paragraph 8. Participating interests in group companies are valued at net asset value determined on the basis of EU-IFRS. The share in the results of participating interests in group companies is reported in accordance with the principles of valuation and profit determination that apply to the Consolidated Financial Statements. More information is provided in the accounting policies section in the Consolidated Financial Statements and the respective notes.

Basis of preparation

The financial statements are presented in euros, which is the presentation currency of the company, rounded to the nearest million (unless otherwise stated). The statement of comprehensive income has been drawn up in accordance with Section 402, Book 2 of the Dutch Civil Code.

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

Statement of comprehensive income ABN AMRO Group N.V.

(in millions)	2013	2012
Income:		
Share in result from participating interests after taxation[1]	1,162	1,153
Profit/(loss) for the period	**1,162**	**1,153**
Other comprehensive income[1]	154	-3,151
Total comprehensive income / expense for the year	**1,316**	**-1,998**

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

The share in result from participating interests increased by EUR 9 million in 2013.

Other comprehensive income showed a gain of EUR 154 million (2012: loss of EUR 3,151 million). The loss in 2012 was due to the amended pension accounting standard IAS 19. The gain in 2013 was mainly due to lower actuarial losses on defined benefit pension plans, higher cash flow hedge reserves (increase of EUR 588 million) partly offset by lower available-for-sale reserve (decrease of EUR 242 million).

Statement of financial position ABN AMRO Group N.V.

(before appropriation of profit)

(in millions)	31 December 2013	31 December 2012
Assets		
Participating interest in Group companies[1]	13,555	12,864
Total assets	**13,555**	**12,864**
Due to Group companies		
Total liabilities		
Equity		
Share capital	940	1,015
Share premium	12,970	13,105
Other reserves (incl. retained earnings / profit for the period)[1]	3,534	2,787
Reserve participation[1]	-3,889	-4,043
Total equity	**13,555**	**12,864**
Total liabilities and equity	**13,555**	**12,864**

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.

Statement of changes in equity ABN AMRO Group N.V.

(in millions)	Share capital	Share premium reserve	Other reserves including retained earnings	Reserve participation	Total
Balance at 31 December 2011	**1,015**	**11,505**	**-228**	**-892**	**11,400**
Impact IAS 19R adoption[1]			1,925		1,925
Balance at 1 January 2012	1,015	11,505	1,697	-892	13,325
Total comprehensive income			1,153	-3,151	-1,998
Dividend			-63		-63
Increase of capital	0[2]				
MCS Conversion		2,000			2,000
Ageas settlement		-400			-400
Balance at 31 December 2012	**1,015**	**13,105**	**2,787**	**-4,043**	**12,864**
Total comprehensive income			1,162	154	1,316
Dividend			-412		-412
Increase of capital	-75	-135	-3		-213
Other changes in equity					
Balance at 31 December 2013	**940**	**12,970**	**3,534**	**-3,889**	**13,555**

[1] The 2012 figures have been adjusted for comparison purposes following the amended pension accounting standard IAS 19.
[2] In connection with the MCS Conversion, ABN AMRO Group NV issued one class A ordinary share (nominal value of EUR 1.00) to NLFI.

Reserve participation includes currency translation reserve, available-for-sale reserve and cash flow hedge reserve, which are non-distributable reserves.

Other reserves including retained earnings also include a legal reserve for participating interests of EUR 106 million (2012: EUR 109 million) which relates to profits retained from participating interests. The legal reserve was calculated in accordance with the collective method.

The legal reserves also include a reserve for the positive revaluation of financial instruments through the income statement that are not traded on an active market, in accordance with Part 9, Book 2 of the Dutch Civil Code (BW 2, article 390(1)). If and to the extent that increases in the value of such assets must be included in a revaluation reserve, the net amount in unrealised changes in fair value as at December 2013 and 2012 did not give ABN AMRO Group N.V. reason to form a revaluation reserve.

ABN AMRO adopted the amended IAS 19 Employee Benefits as per 1 January 2013 and adjusted the 2012 figures accordingly.

Total comprehensive income include EUR 1,162 million profit for 2013.

In 2013 a final dividend of EUR 250 million for the year 2012 was paid to ordinary shareholders and EUR 12 million to holders of preference shares A. An interim dividend for 2013 of EUR 150 million was paid to ordinary shareholders.

In the first half of 2013, EUR 210 million of class A non-cumulative preference shares were repurchased and cancelled, resulting in declines in share capital and share premium of EUR 75 million and EUR 135 million respectively. In addition, EUR 3 million was paid to preference share A holders for accrued rights in the first half of 2013 due to the repurchase of the preference shares.

Due to the conversion of the EUR 2.0 billion Mandatory Convertible Securities (MCS Conversion), the share premium reserve increased by EUR 2.0 billion. In connection with the settlement, ABN AMRO Group N.V. issued one share (nominal value of EUR 1) to NLFI.

The settlement of all legal proceedings between ABN AMRO and the Dutch State on the one side and Ageas on the other side on 28 June 2012 led to a one-off cash payment by ABN AMRO to Ageas of EUR 400 million. As this transaction can be characterised as a shareholder's transaction under IFRS, the amount of EUR 400 million was charged directly to equity (deduction from the share premium reserve).

Participating interests in group companies

ABN AMRO Group N.V. has one subsidiary, ABN AMRO Bank N.V. ABN AMRO Group N.V. is the sole shareholder of ABN AMRO Bank N.V.

Movements in participating interests in group companies are shown in the following table.

(in millions)		2013		2012
Balance as at 1 January		**12,864**		**13,350**
Increase/(decrease) of capital		-213		
Result from participating interests		1,162		1,153
Dividend upstream		-412		-88
Actuarial gains / (losses) on defined benefit pension plans	-218		-3,284	
Currency translation	-69		-1	
Available for sale	35		277	
Cash flow hedge	406		-182	
Share of OCI of associates and joint ventures	4		61	
Other	-4		-22	
Other comprehensive income		154		-3,151
MCS Conversion				2,000
Ageas settlement				-400
Balance as at 31 December		**13,555**		**12,864**

Issued capital and reserves

Issued capital

At 31 December 2013, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 3,751 million distributed over 3,750,000,000 ordinary shares and 100,000,000 class B ordinary shares. The ordinary shares have a nominal value of EUR 1.00 each and the class B ordinary shares have a nominal value of EUR 0.01 each.

Each ordinary share entitles the shareholder to one hundred votes. Each class B ordinary share entitles the shareholder to one vote.

At 31 December 2013, issued and paid-up capital by ABN AMRO Group N.V. consisted of 940,000,001 class A ordinary shares (EUR 940 million).

As described in the Consolidated statement of changes in equity, 75,000,000 class A non-cumulative shares were repurchased and cancelled in 2013, resulting in declines in share capital and share premium of EUR 75 million and EUR 135 million respectively.

In 2013 a final dividend of EUR 250 million for the year 2012 was paid to ordinary shareholders and EUR 12 million to holders of preference shares A. An interim dividend for 2013 of EUR 150 million was paid to ordinary shareholders.

Issued guarantees

For a few group companies established in the Netherlands, general guarantees have been issued within the scope of Article 403, Book 2 of the Dutch Civil Code by ABN AMRO Group N.V. (see Other information for a list of the major subsidiaries and associated companies of ABN AMRO Group N.V. for which a general guarantee has been issued).

45 Post balance sheet events

There have been no significant events between the year-end and the date of approval of these accounts which would require a change to or disclosure in the accounts.

Other information

Major subsidiaries and participating interests

ABN AMRO Bank N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Arbo Services B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Bank (Luxembourg) S.A.		Luxembourg, Luxembourg
ABN AMRO Clearing Bank N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Clearing Chicago LLC		Chicago, USA
ABN AMRO Clearing Hong Kong Ltd		Hong Kong, China
ABN AMRO Clearing Singapore Pte Ltd		Singapore, Singapore
ABN AMRO Clearing Sydney Pty		Sydney, Australia
ABN AMRO Clearing Tokyo Ltd		Tokyo, Japan
ABN AMRO Commercial Finance N.V.[1]		's-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance Holding B.V.[1]		's-Hertogenbosch, The Netherlands
ABN AMRO Commercial Finance GmbH		Köln, Germany
ABN AMRO Commercial Finance S.A.		Paris, France
ABN AMRO Commercial Finance (UK) Ltd		Haywards Heath, United Kingdom
ABN AMRO Effecten Compagnie B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Funding USA LLC		New York, USA
ABN AMRO Groenbank B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Holding International AG		Zug, Switzerland
ABN AMRO Holdings USA LLC		New York, USA
ABN AMRO Hypotheken Groep B.V.[1]		Amersfoort, The Netherlands
ABN AMRO Investment Holding B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Investment Management B.V.		Amsterdam, The Netherlands
ABN AMRO Jonge Bedrijven Fonds B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Lease N.V.[1]		Utrecht, The Netherlands
ABN AMRO Life Capital Belgium N.V.	67%	Brussels, Belgium
ABN AMRO Life S.A.		Luxembourg, Luxembourg
ABN AMRO Participaties Fund I B.V.[1]		Amsterdam, The Netherlands
ABN AMRO Participaties NPE Fund N.V.[1]		Amsterdam, The Netherlands
ABN AMRO Securities USA LLC		New York, USA
ABN AMRO Social Impact Investments B.V.		Amsterdam, The Netherlands
ABN AMRO Social Impact Fund B.V.		Amsterdam, The Netherlands
ABN AMRO (Guernsey) Ltd		St Peter Port, Guernsey, Channel Islands
Alcover AG	34%	Zug, Switzerland
Aline Holding S.A.	50%	Majuro, Marshall Islands
ALFAM Holding N.V.[1]		Bunnik, The Netherlands
Alma Maritime Ltd	38%	Majuro, Marshall Islands
Attema B.V.	83%	Gorinchem, The Netherlands
Australian Multilateral Clearing Facility Pty Ltd.		Sydney, Australia
Banco ABN AMRO S.A.		São Paulo, Brasil
Banque Neuflize OBC S.A.	99.86%	Paris, France
Bass Drill Alpha Ltd	26%	Hamilton, Bermuda
Bethmann Bank A.G.		Frankfurt am Main, Germany
Bethmann Liegenschaft K.G.	50%	Frankfurt am Main, Germany
Car Carriers Management B.V.	50%	Breskens, The Netherlands
Currence Holding B.V.	36%	Amsterdam, The Netherlands
CM Bulk Ltd	50%	Nassau, Bahamas
Cofiloisirs S.A.	45%	Paris, France
Delta Lloyd ABN AMRO Verzekeringen Holding B.V.	49%	Zwolle, The Netherlands
Direktbank N.V.[1]		Amersfoort, The Netherlands
Edda Accommodation Holding AS	20%	Oslo, Norway

European Merchant Services B.V.	49%	Diemen, The Netherlands
European Multilateral Clearing Facility N.V.[1]	25%	Amsterdam, The Netherlands
Equens S.E.	18%	Utrecht, The Netherlands
Geldservices Nederland B.V.	33%	Amsterdam, The Netherlands
Graig MCI Ltd	49%	Cardiff, United Kingdom
Holland Clearing House N.V.		Amsterdam, The Netherlands
Holland Ventures B.V.	45%	Amsterdam, The Netherlands
Icestar B.V.		Rotterdam, The Netherlands
International Card Services B.V.[1]		Diemen, The Netherlands
Maas Capital Investments B.V.[1]		Rotterdam, The Netherlands
MeesPierson (Curaçao) N.V. (in liquidation)		Willemstad, Curaçao
MeesPierson (N.A.) N.V. (in liquidation)		Willemstad, Curaçao
MoneYou B.V.[1]		Amsterdam, The Netherlands
Nederlandse Financieringsmij voor Ontwikkelingslanden N.V.	20%	Den Haag, The Netherlands
NeSBIC Groep B.V.		Amsterdam, The Netherlands
Neuflize Vie S.A.	60%	Paris, France
Poseidon Containers LLC	6%	Majuro, Marshall Islands
Principal Finance Investments Holding B.V.[1]		Amsterdam, The Netherlands
Richmont Preferente aandelen C B.V.	50%	Amsterdam, The Netherlands
Safe Ship Investment Company S.C.A. SICAR	49%	Luxembourg, Luxembourg
Stater N.V.		Amersfoort, The Netherlands
Triodos MeesPierson Sustainable Investment Management B.V.	50%	Zeist, The Netherlands

Branches / Representative Offices

ABN AMRO Bank N.V. (Belgium) Branch	Berchem, Belgium
ABN AMRO Bank N.V. (UAE / DIFC) Branch	Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Frankfurt Branch	Frankfurt am Main, Germany
ABN AMRO Bank N.V. (Jersey) Branch	St Helier, Jersey, Channel Islands
ABN AMRO Bank N.V. (Hong Kong) Branch	Hong Kong, China
ABN AMRO Bank N.V. (UK) Branch	London, United Kingdom
ABN AMRO Bank N.V. (Norway) Branch	Oslo, Norway
ABN AMRO Bank N.V. (Singapore) Branch	Singapore, Singapore
ABN AMRO Bank N.V. (Money Lending Business)	Tokyo, Japan
ABN AMRO Bank N.V. Representative Office (Dubai Multi Commodities Centre)	Dubai, United Arabic Emirates
ABN AMRO Bank N.V. Representative Office Marbella	Marbella, Spain
ABN AMRO Bank N.V. Representative Office Moscow	Moscow, Russia
ABN AMRO Bank N.V. Representative Office New York	New York, USA
ABN AMRO Bank N.V. Representative Office Greece	Piraeus, Greece
ABN AMRO Bank N.V. Representative Office Shanghai	Shanghai, China
ABN AMRO Clearing Bank N.V. Frankfurt Branch	Frankfurt am Main, Germany
ABN AMRO Clearing Bank N.V. (UK) Branch	London, United Kingdom
ABN AMRO Clearing Bank N.V. (Singapore) Branch	Singapore, Singapore
International Card Services B.V. Branch Diegem	Diegem, Belgium
International Card Services B.V. Branch Deutschland	Düsseldorf, Germany

1 A statement of liability within the meaning of Article 403, subsection 1, paragraph f, Book 2 of the Dutch Civil Code has been issued for these companies.

The interest is 100% unless otherwise stated.

The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register.

Provisions of the Articles of Association concerning profit appropriation

These provisions are contained in Article 38. Taking into account the reserve and dividend policy and subject to the approval of the Supervisory Board, the Managing Board proposes to the General Meeting of Shareholders which part of the profit is to be reserved. The remainder of the profit shall be at the free disposal of the General Meeting of Shareholders, pursuant to a proposal to this end by the Management Board, subject to the approval of the Supervisory Board.

As stated in the Annual Report over 2012, ABN AMRO announced its dividend policy in March 2011, which targets a payout ratio of 40% of the reported net annual profit. Even though ABN AMRO remains well positioned for Basel III, as announced upon publication of the full-year 2013 results in March 2014, the bank would like to (further) build up its capital buffers in order to execute its strategic ambitions and to provide for the impact of other new regulations such as new accounting standards. For reasons of prudence and in close consultation with the shareholder, ABN AMRO has, as mentioned earlier in the 2012 Annual Report, adopted a temporary addition to the dividend policy which provides for a temporary reduction of the dividend payout ratio. Pursuant to this temporary addition to the dividend policy, the targeted payout ratio will gradually increase again to a 40% payout ratio over the full-year 2015 net profit. ABN AMRO intends to make an interim dividend payment if the interim results so allow. An interim dividend payment of EUR 150 million was made payable on 19 November 2013.

Any distribution of dividend remains discretionary and deviations from the above policy can be proposed by the bank.

In accordance with Article 38.4 of the Articles of Association, the Managing Board proposes, subject to the approval of the Supervisory Board, to declare a final dividend of EUR 200 million for the shares.

Independent auditor's report

To: the general meeting of shareholders of ABN AMRO Group N.V.

Report on the audit of the financial statements

Our opinion

In our opinion,

- the consolidated financial statements give a true and fair view of the financial position of ABN AMRO Group N.V. as at 31 December 2013, and of its results and its cash flows for the year 2013 in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code; and
- the company financial statements give a true and fair view of the financial position of ABN AMRO Group N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Our engagement

We have audited the financial statements 2013 of ABN AMRO Group N.V. ('the Group'). The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2013, the company statement of comprehensive income, statement of changes in equity for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section Our responsibility for the audit of the financial statements of our report.

We are independent of the Group within the meaning of the relevant Dutch ethical requirements as included in the *'Verordening op de gedrags- en beroepsregels accountants'* (VGBA) and the *'Verordening inzake de onafhankelijkheid van accountants*' (ViO) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The key audit matters from our audit

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Managing Board and the Supervisory Board of the Group but are not intended to represent all matters that were discussed with them.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Sensitivity with respect to impairment losses on loans and receivables

Impairments are made for loans and receivables if there is objective evidence that the Group will not be able to collect all amounts due in accordance with the contractual terms. As required by EU-IFRS, impairments are based on incurred losses at balance sheet date and not on expected losses or fair value. Certain aspects of the loan loss impairments process require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount. The use of different estimates and assumptions and changes of the economic conditions could result in different impairments for loan losses over time. The Group has comprehensive procedures and internal controls in place to determine impairments for loan losses.

Our audit included, among other things, comprehensive testing of the Group's credit management and credit monitoring procedures, with a focus on internal controls to ensure the timely recognition and measurement of impairments for loan losses. We examined a selection of individual loan exposures in detail, and challenged management's assessment of the recoverable amount. In selecting the loan exposures for our detailed inspection, we applied professional judgement with an emphasis on exposures to sectors that pose an increased uncertainty for recovery in the current market circumstances, for example commercial real estate, small and medium-sized entities and corporate exposures. We also tested the sufficiency of the models used by the Group to measure loan loss impairments for portfolios of loans with similar credit risk characteristics, including the mortgage portfolio. We also focused on the adequacy of the risk disclosures in the Managing Board Report which form part of our audit.

Sensitivity with respect to financial instruments measured at fair value

Financial instruments are measured either at cost or at fair value. Financial instruments such as derivatives, trading positions and available-for-sale investments are measured at fair value. For actively traded financial instruments for which quoted market prices or market parameters are available, there is high objectivity in the determination of fair values.

However, when observable market prices or market parameters are not available the fair value is subject to estimation uncertainty – as significant judgement is applied to estimate fair values. The Group uses its own models to determine the fair value for illiquid instruments. As disclosed in note 39, the level 3 based valuations are relatively small to the Group as a whole.

As part of our audit, we have tested the level 1 fair values by comparing the fair values with publicly available market data. For model based valuations (level 2 and level 3), we tested the appropriateness of the models used and challenged the underlying assumptions and the reliability of the data used as input to these models. In testing all fair values we have placed specific emphasis on the appropriate application of Credit Value and Debit Value Adjustments that form an integral part of fair values. We also focused on the adequacy of the fair value disclosures in note 39.

Reliability and continuity of the electronic data processing

The Group is heavily dependent on its IT infrastructure for the continuity of its operations. The Group has significantly invested in its IT systems and processes as part of the integration of the two predecessor banks. The Group is continuously improving the efficiency and effectiveness of the IT infrastructure and the reliability and continuity of the electronic data processing, for example to remediate identified weaknesses and inefficiencies and to accommodate the ongoing regulatory changes imposed on the banking industry such as Basel III and CRD IV and external threats such as cybercrime.

We have assessed the reliability and continuity of the electronic data processing, to the extent as necessary within the scope of our audit. For that purpose we included IT auditors in our audit team. Our procedures included the assessment of developments in the IT domain and testing of the relevant internal controls with respect to IT systems and processes, insofar as relevant to our audit. We provided the Executive Board recommendations for further enhancements to the IT controls and data quality initiatives. More information is provided in the Supervisory Board report.

Going concern

The Group's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the Managing Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we concur with the Managing Board's use of the going concern basis of accounting in the preparation of the Group's financial statements.

We have noted that the Managing Board has not identified a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither the Managing Board nor we can guarantee the Group's ability to continue as a going concern.

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Managing Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Our responsibility for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Dutch Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the group audit.
We remain solely responsible for our audit opinion.

We have communicated with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

Report on the Managing Board Report and other information

Pursuant to the legal requirement under Part 9 of Book 2 of the Dutch Civil Code regarding our responsibility to report on the Managing Board's report and the other information:

- We have no deficiencies to report as a result of our examination whether the Managing Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the other information as required by Part 9 of Book 2 has been annexed.
- We report that the Managing Board Report, to the extent we can assess, is consistent with the financial statements.

Amstelveen, 7 March 2014

KPMG Accountants N.V.
D. Korf RA

other

composition of the Managing Board 19

Gerrit Zalm (1952)

- Chairman
- Male
- Dutch, 61
- First appointment former ABN AMRO Bank on 23 December 2008
- Appointed on 1 April 2010 (ABN AMRO Group)
- Present term expires in 2014

Affiliations

- Non-executive Director, Royal Dutch Shell
- Chairman of Advisory Council 'Wigo-4it', a cooperative effort of the social welfare organisations of the four largest cities in the Netherlands
- Member of Board, Dutch Banking Association
- Chairman, Board of Governors National Academy for Finance and Economics

Johan van Hall (1960)

- Chief Operating Officer / Vice-Chairman
- Male
- Dutch, 54
- First appointment former ABN AMRO Bank on 28 February 2009
- Appointed on 18 December 2009 (ABN AMRO Group)
- Present term expires in 2014

Affiliations

- Member of Supervisory Board, Equens SE (pan-European processor of payments and cards)
- Member of Board, Nyenrode Europe India Institute
- Member, Central Commission for Statistics (CCS)
- Chairman, ABN AMRO Support for SUPPORT Foundation

Kees van Dijkhuizen (1955)

- Chief Financial Officer
- Male
- Dutch, 58
- Appointed on 1 May 2013 (ABN AMRO Group)
- Present term expires in 2017

Affiliations

- Member of Board, Duisenberg School of Finance
- Member, AFM Capital Market Commission
- Chairman of Committee on Supervision of Dutch Banking Association
- Chairman of Government Committee on Export, Import and Investment guarantees
- Member of Supervisory Board, TNO
- Member of Board of Trustees, Museum Meermanno

Caroline Princen (1966)

- People, Regulations & Identity
- Female
- Dutch, 47
- Appointed on 1 April 2010 (ABN AMRO Group)
- Present term expires in 2014

Affiliations

- Member of Board, VUmc Alzheimercentrum
- Member of Supervisory Board, EYE Film Institute
- Member of Supervisory Board, WIFS (Women in Financial Services)
- Chairperson, ABN AMRO Foundation

Wietze Reehoorn (1962)

- Chief Risk Officer and Strategy
- Male
- Dutch, 51
- Appointed on 1 April 2010 (ABN AMRO Group)
- Present term expires in 2014

Affiliations

- Member of Supervisory Board, Rijksuniversiteit Groningen
- Member of Board, Abe Bonnema Stichting
- Member of Supervisory Board, Amsterdam Institute of Finance
- Member of Supervisory Board, Topsport Community

Chris Vogelzang (1962)

- Retail & Private Banking
- Male
- Dutch, 51
- First appointment former ABN AMRO Bank on 28 February 2009
- Appointed on 1 April 2010 (ABN AMRO Group)
- Present term expires in 2014

Affiliations

- Member of Board, Dutch Banking Association
- Member of Supervisory Board, Hespri Holding
- Member of Supervisory Board, Prins Bernhard Cultuurfonds
- Member of Board, Marketing Advisory Board, Rijksmuseum
- Treasurer, Stichting Fotografiemuseum (FOAM)

Joop Wijn (1969)

- Commercial & Merchant Banking
- Male
- Dutch, 44
- Appointed on 1 April 2010 (ABN AMRO Group)
- Present term expires in 2014

Affiliations

- Chairman of Board, Oranje Fonds
- Member of Supervisory Board, Schiphol Group
- Member of Board, VNO-NCW
- Member of Supervisory Board, Royal Jaarbeurs Utrecht
- Member of Supervisory Board, Stadsherstel Amsterdam

composition of the Supervisory Board 20

Hessel Lindenbergh (1943)

- Chairman
- Male
- Dutch, 70
- Appointed on 18 December 2009
- Present term expires in 2014
- Last position held: Member of the Managing Board of ING Group

Affiliations

- Chairman of Supervisory Board, Bank voor de Bouwnijverheid N.V.
- Chairman of Supervisory Board, Agendia B.V.
- Member of Supervisory Board, Royal HaskoningDHV B.V.
- Member of Board, Stichting Continuïteit Post NL, Stichting Vopak, Stichting Preferente Aandelen Wolters Kluwer, Stichting Administratiekantoor van Aandelen Telegraaf Media Groep N.V.

Rik van Slingelandt (1946)

- Vice-Chairman
- Male
- Dutch, 67
- Appointed on 27 October 2010
- Present term expires in 2015
- Last position held: Member of the Managing Board of Rabobank

Affiliations

- Supervisory Director, Kahn Scheepvaart B.V.
- Member of Board, Stichting Neijenburg
- Chairman, Save the Children Fund Netherlands

Hans de Haan (1944)

- Member
- Male
- Dutch, 69
- Appointed on 18 December 2009
- Present term expires in 2014
- Last position held: Chartered accountant and partner with Ernst & Young Accountants

Affiliations

- Member of Board, Stichting Trustee Achmea Hypotheekbank
- Chairman of Board, Stichting Lehman Brothers Treasury Co B.V.

Steven ten Have (1967)

- Member
- Male
- Dutch, 46
- Appointed on 30 March 2010
- Present term expires in 2014
- Current position: Partner with Ten Have Change Management and professor of Strategy & Change at Vrije Universiteit in Amsterdam

Affiliations

- Chairman of Supervisory Board, Cito B.V.
- Vice-Chairman of Supervisory Board, Stichting Cito Instituut voor Toetsontwikkeling (Cito Institute for Educational Testing Development)
- Chairman, Postgraduate study Change Management, Vrije Universiteit, Amsterdam
- Member of Board, Stichting INK (Institute for Netherlands Quality)
- Chairman, Foundation Center for Evidence Based Management

Bert Meerstadt (1961)

- Member
- Male
- Dutch, 52
- Appointed on 30 March 2010
- Present term expires in 2014
- Position: CEO (until October 2013) and advisor of the Board of N.V. Nederlandse Spoorwegen (NS Dutch Railways)

Affiliations

- Member of Supervisory Board, Lucas Bols
- Chairman of Board, Friends of Concertgebouw and Royal Concertgebouw Orchestra
- Chairman of Marketing Advisory Board Rijksmuseum
- Member of Board, Society for Prevention and Rescue of Drowning Victims
- Chairman of Board Blinden-Penning Foundation for the Blind and Visually Impaired

Marjan Oudeman (1958)

- Member
- Female
- Dutch, 55
- Appointed on 1 April 2010
- Present term expires in 2014
- Current Position: President of Executive Board of Utrecht University

Affiliations

- Member of Supervisory Board, Statoil ASA
- Member of Supervisory Board, Rijksmuseum
- Member of Supervisory Board of the Concertgebouw Foundation
- Member of Board of Nationaal Fonds 4 en 5 mei
- Member of Supervisory Board, Platform Bèta Techniek

Annemieke Roobeek (1958)

- Member
- Female
- Dutch, 55
- Appointed on 30 March 2010
- Present term expires in 2014
- Current position: Professor of Strategy and Transformation Management (Nyenrode University), director and owner of MeetingMoreMinds, Open Dialogue B.V. and XL Labs B.V.

Affiliations

- Member of Supervisory Board, Abbott Healthcare Products B.V.
- Member of Supervisory Board, KLM N.V.
- Member Advisory Board, Koninklijke Horeca Nederland
- Member, PGGM Advisory Board for Responsible Investment
- Chairperson, REFILL
- Chairperson of INSID, Institute for sustainable innovation & development, directed by His Royal Highness Prince Carlos de Bourbon Parma
- Member of Board, Foundation of the Medical Centre of Vrije Universiteit Amsterdam
- Member Raad van Eigen Wijzen CPI Governance
- Member, Sirius Leading Expert for Excellence in Higher Education

Peter Wakkie (1948)

- Member
- Male
- Dutch, 65
- Appointed on 18 December 2009
- Present term expires in 2014
- Current position: Partner at law firm Spinath & Wakkie B.V.

Affiliations

- Chairman of Supervisory Board, Wolters Kluwer N.V.
- Member of Supervisory Board, TomTom International B.V.
- Member of Supervisory Board, BCD Holdings N.V.
- Member of Board, Association for Corporate Litigation
- Member of Board, VEUO

Senior Managing Directors 21

The following provides an overview of the Senior Managing Directors at 31 December 2013.

Name	Responsibilities
Paulus de Wilt	Retail Banking
Frans van Lanschot	Private Banking Netherlands
Jos ter Avest	Private Banking Netherlands (succeeded Frans van Lanschot in December 2013)
Jeroen Rijpkema	Private Banking International
Hans Hanegraaf	Business Banking
Ruut Meijer	Corporate Clients
Rutger van Nouhuijs	Large Corporates & Merchant Banking
Rutger Schellens	Markets
Pieter van Mierlo	Central Risk Management
Daphne de Kluis	Financial Restructuring & Recovery
Fred Bos	IPO
Jeroen Dijst	ALM & Treasury
Frans Woelders	IT Solutions & Services
Frans van der Horst	Business Services
Hilde Garssen	Human Resources

Several changes took place in early 2014. Paulus de Wilt resigned as Senior Managing Director of Retail Banking. He was succeeded by Frans Woelders as from 1 February 2014.

Frans van der Horst was appointed to Frans Woelders' former position as Senior Managing Director of IT Solutions & Services as from 1 February 2014. Gert Jan Meppelink succeeded Frans van der Horst as Senior Managing Director of IT Solutions & Services and was appointed with effect from the same date.

Company Secretary

Ruud van Outersterp

definitions of important terms 22

ABN AMRO or the Group
ABN AMRO Group N.V. incorporated on 18 December 2009 ('ABN AMRO Group' or 'the Company') and its consolidated subsidiaries.

ABN AMRO Bank
ABN AMRO Bank N.V.
(formerly known as 'ABN AMRO II N.V.').

ABN AMRO Holding
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.

Absolute sensitivity
The absolute sensitivity adds up the different positions on the yield curve, regardless of whether they are positive or negative. It measures the absolute interest rate position.

Advanced Internal Ratings Based (AIRB)
The highest and most detailed level of credit risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

Advanced Measurement Approach (AMA)
The highest and most detailed level of operational risk calculation for determining capital adequacy levels under Basel II, based on the use of internal models to assess risk.

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

Asset-based lending
Asset-based lending is any kind of lending secured by an asset.

Asset Quality Review (AQR)
Extensive review of asset quality performed by the ECB as part of a comprehensive assessment.

Assets under Management (AuM)
Assets, including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result.

Basel I
The Basel Capital Accord is the 1988 agreement among the G10 central banks to apply common minimum capital standards to the banking industry.

Basel II
The Basel II Framework offers a new set of standards for establishing minimum capital requirements for banks. It was prepared by the Basel Committee on Banking Supervision.

Basel III
The third set of Basel accords, which was developed in response to the financial crisis of the late 2000's. The Basel III standards include higher and better-quality capital, better risk coverage and the introduction of a maximum leverage ratio

Basis point (bp)
One hundredth of 1 percentage point.

Capital adequacy
Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.

Cash and balances at central banks
This item includes all cash and only credit balances with central banks that are available on demand.

Certificate of deposit (CD)
Certificate of deposit is an unsecured short-term funding instrument with maturities up to one year.

Clearing
Refers to the clearing businesses of ABN AMRO.

Commercial paper (CP)
Commercial paper is an unsecured short-term funding instrument with maturities up to one year.

Consortium
Refers to The Royal Bank of Scotland Group plc ('RBS Group'), Ageas and Banco Santander S.A. ('Santander'), which jointly acquired ABN AMRO Holding on 17 October 2007 through RFS Holdings B.V. ('RFS Holdings'). On 3 October 2008 the State of the Netherlands became the successor of Ageas.

Core Tier 1 ratio
The bank's core capital, excluding preference shares, expressed as a percentage of total risk-weighted assets.

Cost of risk
The cost of risk is defined as annualised impairment charges on loans and other receivables divided by average risk-weighted assets.

Counterparty valuation adjustment
Market value adjustment for counterparty credit risk.

Country risk
Country risk is part of credit risk and is defined as the risk of losses due to country-specific events or circumstances (political, social, economic) relevant for credit exposures that are cross-border in nature.

Coverage ratio
The coverage ratio shows to which extent the impaired exposures are covered by impairment allowances for identified credit risk.

Credit equivalent
Sum of the costs of replacement transactions (when counterparties fail to fulfil their obligations) and the potential future credit risk, reflected in a mark-up percentage on the principal of the contract. The mark-up percentage depends on the nature and remaining term of the contract.

Covered bonds
Covered bonds (CB) are secured long-term funding instruments. This type of bond differs from a standard bond by recourse to a pool of assets. In a default event, the bondholder has recourse to the issuer and this pool of assets.

Credit rating
Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.

Credit risk
Credit risk is the risk of a financial loss that occurs if a client or counterparty fails to meet the terms of a contract or otherwise fails to perform as agreed.

Credit Umbrella
Financial guarantee covering part of the potential credit losses on the portfolio that existed at the time of closing the sale under the EC Remedy.

Credit valuation adjustments
Market value adjustments for counterparty credit risk.

Customer Excellence
A new way of working being implemented at ABN AMRO, which is based on lean management principles.

Defaulted exposures
Exposures for which there are indicators that a counterparty may not be able to meet its contractual obligations and/or when an exposure is more than 90 days past due.

Derivatives
Financial instruments whose value is derived from the price of one or several underlying assets (e.g. currencies, securities, indices).

Duration of equity
Duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve. The targeted interest risk profile results in a limit of the duration of equity between 0 and 7 years.

Dutch State
Refers to the State of the Netherlands.

Dutch State-acquired businesses
Refers to the businesses of ABN AMRO Holding acquired by the Dutch State.

Economic capital
An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.

Economic profit
Net profit after tax less risk-adjusted cost of capital.

Economic value
The value of future economic profits discounted to the present.

EC Remedy
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. The EC Remedy Businesses consists of New HBU II N.V. and IFN Finance B.V.

EC Remedy Businesses
Refers to New HBU II N.V. and IFN Finance B.V.

Encumbered assets
Assets that were pledged or subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.

Exposure at Default (EAD)
EAD models estimate the expected exposure at the time of a counterparty default.

FBN
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.

Goodwill
The difference between the purchase price of a participation and the fair value of the individual net assets and liabilities.

Hedge
Protecting a financial position by going either long or short, often using derivatives.

Household
In Retail Banking, products and services are primarily administered by family/cohabitation cluster, which is called a financial household.

Impaired exposures
Exposures for which not all contractual cash flows are expected and/or exposures more than 90 days past due for which impairments are determined on a portfolio basis.

Impaired ratio
The impaired ratio shows which fraction of the gross carrying amount of a financial asset category consists of impaired exposures.

Impaired EAD ratio
The impaired EAD ratio shows which fraction of an EAD category consists of impaired exposures.

Impairment charges on loans and other receivables
Charge to the income statement to cover possible loan losses on non-performing loans.

International Financial Reporting Standards (IFRS)
IFRS, formerly known as International Accounting Standards, are drawn up and recommended by the International Accounting Standards Board. The European Union requires that IFRS be used by all exchange-listed companies in the EU starting from the financial year 2005.

Legal Demerger
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 held by RBS N.V. into ABN AMRO Bank Standalone.

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

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

Liquidity coverage ratio (LCR)
The LCR is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon. The LCR requires banks to hold sufficient highly-liquid assets equal to or greater than the net cash outflow during a thirty-day period.

Loan impairment allowance
Balance sheet allowance held against non-performing loans.

Market risk (banking book)
Market risk in the banking book, mainly interest rate risk, is the risk of yield curve development that is unfavourable for the bank. Other market risks are limited in the banking book either through hedging (foreign rate exchange risk) or in general (other market risk types).

Market risk (trading book)
Market risk in the trading book is the risk of loss resulting from unfavourable market price movements which can arise from trading or holding positions in financial instruments in the trading book.

Medium-term notes (MTN)
Medium-term notes are unsecured funding instruments with maturities up to ten years issued in several currencies.

Mergers & Acquisitions (M&A)
Activities in the fields of mergers, acquisitions, privatisations, advisory services and organisations.

Mismatch result
Interest rate mismatch is the difference in interest maturity between funds lent and funds borrowed.

Net Stable Funding Ratio (NSFR)
The objective of the NSFR is to promote resilience over a longer time horizon by creating additional incentives to fund activities with more stable sources of funding on an ongoing basis.

NII-at-Risk
The NII-at-Risk metric indicates the change in net interest income during the coming 12 months, comparing the NII calculated using a constant yield curve with the NII calculated using a yield curve that is gradually shifted to a total of 200 basis points. The net interest income is negatively impacted when rates rise.

NLFI
Stichting administratiekantoor beheer financiële instellingen (NL Financial Investments (foundation)).
On 29 September 2011 the Dutch State transferred its shares in ABN AMRO Group N.V. and in ABN AMRO Preferred Investments B.V. to NLFI. NLFI was set up as a means to avoid potential conflicting responsibilities that the Minister of Finance might otherwise face, as a shareholder and as a regulator, as well as to avoid political influence being exerted.

Notional amounts
The value of the principal of the underlying financial derivatives contracts.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events.

Options (shares and currencies)
Contractual right to buy (call option) or sell (put option) a specified amount of underlying shares or currency at a fixed price during a specified period or on a specified date.

Past due exposure
A financial asset is past due if a counterparty has failed to make a payment when contractually due, if it has exceeded an advised limit or if it has been advised of a limit lower than its current outstanding.

Past due ratio
The past due ratio shows which fraction of the gross carrying amount of a financial asset category is past due but not impaired.

Preference share
Share that receives a fixed rate of dividend prior to ordinary shares.

Qualifying revolving exposures
Qualifying revolving exposures are revolving, unsecured, and uncommitted exposures to private individuals that meet additional criteria specified in the CRD. These outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to a limit established by the bank.

RARORAC
A combination of two other measures: risk-adjusted return on capital (RAROC) and return on risk-adjusted capital (RORAC).

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

Regulatory capital adequacy
Measure of a bank's financial strength, often expressed in risk-bearing capital as a percentage of total risk-weighted assets.

Regulatory liquidity requirement
The regulatory liquidity requirement measures the one-month liquidity position in the scenario of a severe and short stress as defined by DNB. It requires the one-month liquidity position to exceed the minimum required regulatory level of zero.

Repo
A repo, also known as a repurchase agreement, is the sale of securities together with an agreement for the seller to buy back the securities at a later date.

Residential mortgage backed securities (RMBS)
Residential mortgage backed securities are secured long-term funding instruments. A pool of underlying assets, in this case own-originated residential mortgages, provides the cash flows to bondholders.

Return on average RWA
Annualised underlying profit for the period divided by average RWA.

Return on equity (ROE)
Net profit attributable to ordinary shareholders of the parent company divided by shareholders' equity.

Risk-weighted assets (RWA)
Total assets and off-balance sheet items calculated on the basis of the risks relating to the various balance sheet items.

Saving certificates
Saving certificates are non-exchange traded instruments with an annual coupon payment and have the same characteristics as bonds.

Savings mortgages
Savings mortgages are mortgages with a separate savings account whereby the balance of savings is used for redemption of the principal at maturity.

Securities financing transaction (also referred to as 'professional securities transaction')
A transaction whereby securities are temporarily transferred from a lender to a borrower, with the commitment to re-deliver the securities.

Securitisation
Restructuring credits in the form of marketable securities.

Standardised Approach (Basel II)
The standardised approach for credit risk measures credit risk in a standardised manner, supported by external credit assessments.

Stress testing
Method of testing the stability of a system or entity when exposed to exceptional conditions.

Structured finance
Global activity aimed at the extension of credits in specialised product/market combinations, development and marketing of complex financial solutions, export financing of capital goods and large-scale project finance.

Survival period
The survival period indicates for what period the Group's liquidity position will remain positive in a situation where stress is observed in wholesale funding markets, but funds attracted through retail and commercial clients remain stable.

Three lines of defence
ABN AMRO's approach to risk management.

Tier 1 ratio
Tier 1 capital of the bank expressed as a percentage of total risk-weighted assets.

Uniform Counterparty Rating (UCR)
The UCR is an obligor rating and refers to the probability of default by an obligor, i.e. the likelihood that a counterparty fails to pay interest and/or principal and/or other financial obligations to the bank.

Value-at-Risk banking book
Value-at-Risk banking book (VaR banking book) is used as a statistical measure for assessing interest risk exposure. It estimates potential losses and is defined as the predicted maximum loss that might be caused by changes in risk factors under normal circumstances, over a specified period of time, and at a specified level of statistical confidence. A VaR for changes in the interest rate for the banking book is calculated at a 99% confidence level and a two-month holding period.

Volatility
Statistical measure for the degree to which items (market rates, interests) fluctuate over time.

403-Declaration
Section 2:403 of the Dutch Civil Code, which states that companies part of a consolidating group entity may publish limited annual accounts if the parent company, among other things, assumes joint and several liability for all liabilities of the group company.

abbreviations 23

AA	ABN AMRO
AAC	ABN AMRO Clearing
AAHG	ABN AMRO Hypotheken Groep
AAL	ABN AMRO Lease
ACF	ABN AMRO Commercial Finance
ACM	Netherlands Authority for Consumers & Markets
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)
AFS	Available-for-sale
AIRB	Advanced Internal Ratings Based (Approach)
ALCO	(ABN AMRO's) Asset & Liability Committee
ALM	Asset & Liability Management
AMA	Advanced Measurement Approach
AQR	Asset Quality Review
AuM	Assets under Management
BIS	Bank for International Settlements
BLMIS	Bernard L Madoff Investment Securities
bn	Billion
bp(s)	Basis point(s)
BREEAM	Building Research Establishment Environmental Assessment Method
BRRD	Bank Recovery and Resolution Directive
CAO	Collectieve Arbeidsovereenkomst (collective labour agreement)
CAF	Cycle Adjustment Factor
CBS	Centraal Bureau voor de Statistiek (Statistics Netherlands)
CCC	(ABN AMRO's) Central Credit Committee
CD	Certificate of Deposit
CDO	Collateralised Debt Obligation
CDS	Credit Default Swap
CE	Customer Excellence
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CFTC	Commodity Futures Exchange Commission
CGU	Cash-Generating Units
CHF	Swiss Franc
CLO	Collateralised Loan Obligation
C&MB	(ABN AMRO's) Commercial & Merchant Banking
CP	Commercial Paper
CRA	Change Risk Management
CRD	(the EU's) Capital Requirements Directive
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Value Adjustment
CWC	Central Works Council
DGS	Deposit Guarantee Scheme
DIGH	Dutch International Guarantees for Housing
DNB	De Nederlandsche Bank N.V. (Dutch Central Bank)
DSTA	Dutch State Treasury Agency
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EAD	Exposure At Default
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	European Commission
ECAI	External credit assessment institutions
ECB	European Central Bank
ECT	(ABN AMRO's) Energy, Commodities & Transportation
EDTF	Enhanced Disclosure Task Force

EIF	European Investment Fund
ELCA	Entity Level Control Assessments
EMIR	European Market Infrastructure Regulation
ESM	European Stability Mechanism
EU	European Union
EUR	Euro
EVCA	European Private Equity and Venture Capitalist Association
FATCA	Foreign Account Tax Compliance Act
FBN	Fortis Bank Nederland
FCCM	Financial Collateral Comprehensive Method
FCF	Fortis Commercial Finance
FFI	Foreign Financial Institution
FIRB	Foundation Internal Ratings-Based (Approach)
FR&R	(ABN AMRO's) Financial Restructuring & Recovery
FTE	Full-Time Equivalent (a measurement of number of staff)
FTK	Financieel Toetsingskader (Financial Assessment Framework)
FX	Foreign exchange
G&I	(ABN AMRO's) Growth & Innovation desk
GBP	British pound
GDP	Gross Domestic Product
GfK	Gesellschaft für Konsumforschung (Society for Consumer Research)
GRC	(ABN AMRO's) Group Risk Committee
HNW	High Net Worth Individuals
HR	Human Resources
HRM	Human Resource Management
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNI	Incurred But Not Identified
ICS	International Card Services
ICB	Industry Classification Benchmark
ID&JG	(ABN AMRO's) International Diamond & Jewelry Group
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IGA	Intergovernmental Agreement
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Models Approach
INK	Institute for Netherlands Quality
INSEAD	Institut Européen d'Administration des Affaires (European Institute of Business Administration)
INSID	Institute for Sustainable Innovation and Development
IPO	Initial Public Offering
IRB	Internal Ratings-Based (Approach)
ISDA	International Swaps and Derivatives Association
ISO	Information Security Office
IT	Information Technology
ITCA	IT Control Assessment
KID	Key Information Document
KPI	Key Performance Indicator
L.a.	Left axis
LAD	Loss at Default
LC&MB	(ABN AMRO's) Large Corporates & Merchant Banking
LCP	Liquidity Contingency Plan
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LGT	Liechtenstein Global Trust
LIP	Loss Identification Period
LtD	Loan-to-Deposit (ratio)
LtMV	Loan-to-Market-Value
LTRO	Long-Term Refinancing Operations
LT2	Lower Tier 2
M	Million
M&A	Mergers & Acquisitions
MCI	Maas Capital Investment B.V.
MCS	Mandatory Convertible Securities
MCT	Mortgage Care Team
MiFID	(the EU's) Markets in Financial Instruments Directive
MiFIR	(the EU's) Markets in Financial Instruments Regulation
MTF	Multilateral Trading Facility
MtM	Mark-to-Market
MTN	Medium-Term Notes
NCWT	Netherlands Centre for Science and Technology
NHG	Nationale Hypotheek Garantie (Dutch State-guaranteed mortgages)
NII	Net Interest Income
NLFI	NL Financial Investments (foundation)
NSFR	Net Stable Funding Ratio
NYSE	New York Stock Exchange
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development

OOE	One Obligor Exposure
OTC	Over-The-Counter
OTF	Organised Trading Facility
PBNL	(ABN AMRO's) Private Banking Netherlands
PD	Probability of Default
PR&I	People, Regulations & Identity
PRIPS	Packaged Retail Investment Products
PWM	(ABN AMRO's) Private Wealth Management
QoQ	Quarter-on-quarter
R.a.	Right axis
RAROC	Risk-Adjusted Return On Capital
RARORAC	Risk-Adjusted Return On Risk-Adjusted Capital
RORAC	Return On Risk-Adjusted Capital
RBA	Ratings-Based Approach
RBB	Regeling Beheerst Beloningsbeleid Wft 2011 (Regulation on Sound Remuneration Policies Pursuant to the Financial Supervisor Act 2011)
RBS	The Royal Bank of Scotland plc
RSCA	Risk and control self-assessments
RFD	Raamovereenkomst Financiële Derivaten
RMBS	Residential Mortgage-Backed Security
RM&S	(ABN AMRO's) Risk Management & Strategy
ROE	Return on Equity
RoRWA	Return on Risk-Weighted Assets
R&PB	(ABN AMRO's) Retail & Private Banking
RWA	Risk-Weighted Assets
SA	Standardised Approach
SCE	Special Component of Equity
SEC	Securities and Exchange Commission
SEPA	Single Euro Payments Area
SGD	Singapore dollar
SiFi	Systematically important Financial institution
SMEs	Small and Medium-sized Enterprises
SPE	Special Purpose Entity
SPV	Special Purpose Vehicle
SR	Single Rulebook
SRI	Socially Responsible Investing
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
STP	Straight-Through Processing
SWOT	Strengths, Weaknesses, Opportunities and Threats
TCRC	(ABN AMRO's) Trading and Clearing Risk Committee
TOPS	(ABN AMRO's) Technology, Operations & Property Services
TSA	The Standardised Approach
UCR	Uniform Counterparty Rating
UHNW	Ultra High Net Worth Individuals
UNPRI	United Nations Principles for Responsible Investments
USD	US dollar
UT2	Upper Tier 2
VaR	Value-at-Risk
WIFS	Women in Financial Services
WSW	Waarborgfonds Sociale Woningbouw
YE	Year-end
YoY	Year-on-year

cautionary statement on forward-looking statements 24

The Group has included in this Annual Report, and from time to time may make certain statements in its public filings, press releases or other public statements that may constitute "forward-looking statements" within the meaning of the safe-harbour provisions of the United States Private Securities Litigation Reform Act of 1995. This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "aim", "desire", "strive", probability", "risk", "Value at Risk" ("VaR"), "target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations on such expressions. In particular, this document includes forward-looking statements relating, but not limited, to ABN AMRO's potential exposures to various types of operational, credit and market risk, such as counterparty risk, interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. These forward-looking statements are not historical facts and represent only ABN AMRO's beliefs regarding future events, many of which by their nature are inherently uncertain and beyond the bank's control.

Other factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this document include, but are not limited to:

- The extent and nature of future developments and continued volatility in the credit and financial markets and their impact on the financial industry in general and ABN AMRO in particular;
- The effect on ABN AMRO's capital of write-downs in respect of credit exposures;
- Risks related to ABN AMRO's merger, separation and integration process;
- General economic, social and political conditions in the Netherlands and in other countries in which ABN AMRO has significant business activities, investments or other exposures, including the impact of recessionary economic conditions on ABN AMRO's performance, liquidity and financial position;
- Macroeconomic and geopolitical risks;
- Reductions in ABN AMRO's credit ratings;
- Actions taken by the EC, governments and their agencies to support individual banks and the banking system;
- Monetary and interest rate policies of the ECB and G20 central banks;
- Inflation or deflation;
- Unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices;
- Liquidity risks and related market risk losses;
- Potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments, including systemic risk;

- Changes in Dutch and foreign laws, regulations, policies and taxes;
- Changes in competition and pricing environments;
- Inability to hedge certain risks economically;
- Adequacy of loss reserves and impairment allowances;
- Technological changes;
- Changes in consumer spending, investment and saving habits;
- Effective capital and liquidity management;
- The success of ABN AMRO in managing the risks involved in the foregoing.

The forward-looking statements made in this Annual Report are only applicable as from the date of publication of this document. ABN AMRO does not intend to publicly update or revise these forward-looking statements to reflect events or circumstances after the date of this report, and ABN AMRO does not assume any responsibility to do so. The reader should, however, take into account any further disclosures of a forward-looking nature that ABN AMRO may make in ABN AMRO's interim reports.

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Information on our websites does not form part of this Annual Report, unless expressly stated otherwise.

ABN·AMRO