**4 JULY 2017**

# ABN AMRO BANK N.V.

## REGISTRATION DOCUMENT

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# 1. INTRODUCTION

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

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

This Registration Document was approved on 4 July 2017 by The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, "**AFM**") as the competent authority under the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht)* implementing the Prospectus Directive.

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

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

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

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

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

come must inform themselves about, and observe, any such restrictions on the distribution of this Registration Document and the offering and sale of such securities.

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

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

## 2. RISK FACTORS

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

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

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

The outlook for the global economy over the near to medium term remains challenging. Results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; changes in consumer spending; investment and saving habits; monetary and interest rate policies of the European Central Bank ("**ECB**") and G7 central banks; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation or deflation; the stability and solvency of states, financial institutions and other companies; investor sentiment and confidence in the financial markets; or a combination of these or other factors. The business operations of the Issuer, its third party service providers and clients are also vulnerable to epidemics, weather or other forms of natural disasters, and other disasters caused by people which are wholly or partially beyond its control such as acts of terrorism, fire, acts of war, civil unrest and heightened geopolitical tension. These factors have resulted, or may in the future result in, a reduced demand for financial products and services, a deterioration in asset quality of the Issuer and increases in loan impairment charges. Moreover, a market downturn or a worsening of the Dutch, European or global economies may materially and adversely affect the value of the Issuer's assets, the ability of its clients to meet financial obligations and could cause the Issuer's loan impairment charges to rise, reduce the Issuer's fee and commission income or cause the Issuer to incur further mark-to-market losses which could have a material adverse effect on the Issuer's business, financial position and results of operation.

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

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

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

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

The securities and other financial markets can experience sustained periods of high volatility, unpredictable market movements, severe market dislocations and illiquidity or other liquidity

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

In addition, under volatile market conditions, funding transactions, as well as hedging and other risk management strategies may not be as effective at mitigating trading risks as they would be under more normal market conditions. The Issuer uses common financial derivative measures, balance sheet steering and interest rate management as part of its risk management strategy and it may not be able to manage its exposures adequately through the use of such strategies as a result of modeling, sensitivity analysis or other risk assessment method failures or as a result of appropriate derivative products not being available.

Market conditions, and periods of high volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters or other similar events outside the Issuer's control. See also risk factor "*1. Conditions in the global financial markets and economy may materially adversely affect the Issuer's business financial position, results of operations and prospects*". There is no assurance that market volatility will not result in a prolonged market decline, or such market declines for other reasons will not occur in the future.

Severe market events have historically been difficult to predict, and could lead to the Issuer realizing significant losses if extreme market events were to persist for an extended period of time. Therefore market volatility, liquidity disruptions, or dislocations could have a material adverse effect on the Issuer's business, financial position and results of operations.

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

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

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

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

which could have a material adverse effect on the Issuer's business, financial position, results of operations and cash flows.

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

Liquidity risk is the risk that actual (and potential) payments or collateral posting and other obligations cannot be met on a timely basis. The Issuer discerns two types of liquidity risk. Funding liquidity risk is the risk of not being able to meet both expected and unexpected current and future cash outflows and collateral needs without affecting either daily operations or the financial position of the bank. Market liquidity risk is the risk that the bank cannot sell an asset without significantly affecting the market price due to (i) insufficient market depth (insufficient supply and demand), (ii) market disruption, (iii) changes in the applicable haircuts and market value or (iv) uncertainty about the time required to realise the liquidity value of the assets. See also the risk factor "*2. Volatility in, and the position of, financial markets, liquidity disruptions or market dislocations can adversely affect the Issuer's banking and funding activities*" above.

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

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

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

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

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

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

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

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

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

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

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

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

When expanding its business to other jurisdictions or offering new products in jurisdictions in which the Issuer is already active, the Issuer may become subject to other and additional legislation and regulatory requirements. The local businesses will not only need to comply with the local laws and regulations, but also with certain laws and regulations with worldwide application, including certain European legislation and the U.S. Foreign Account Tax Compliance ("**FATCA**") regime (for a description of FATCA, see also the risk factor "*7. The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" and "*The Issuer—1. ABN AMRO Bank N.V. —1.7 Regulation*"). The above requires the businesses to liaise in a timely manner with the Issuer's central legal and compliance departments.

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

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

these liabilities and requirements, which could have an adverse effect on the Issuer's business, financial position and results of operations.

The Dutch Central Bank (*De Nederlandsche Bank N.V.*, "**DNB**"), for instance, has a legal mandate to exercise integrity supervision. DNB expects banks to have a solid systematic integrity risk analysis in place and to translate results of this analysis into actual integrity policies and control measures. Banks are in general required to devote attention to inherent integrity risks such as money laundering, financing of terrorism, sanctions, bribery and corruption, conflicts of interest, fraud and tax risks. By adequately and periodically analysing and discussing these integrity risks at board and senior management level, banks should be able to formulate dedicated integrity policies and implement appropriate measures and procedures to manage these risks.

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

The transition of prudential supervision from DNB to ECB has led and may lead to more intensified supervision of the Issuer. The ECB, as the new prudential supervisory authority, has collected and adopted best practices in the Eurozone and is expected to continue to do so. This practice has already resulted in changes in the interpretation of regulations which may further impact and change local practices as they currently exist. No assurance can be given that adopted practices will not differ from current practices and interpretation. As the relationship between the Issuer and the ECB is different from the Issuer's relationship with DNB, the Issuer will continue to invest in resources to familiarise the new supervisory authority with the Issuer's business and financial position and to adapt to the new supervisory approach.

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

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

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

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

In pursuit of a broad reform and restructuring of financial services regulation, national and supra-national legislatures and supervisory authorities, predominantly in Europe and in the United States but also elsewhere, continue to introduce and implement a wide range of proposals that could result in major changes to the way the Issuer's global operations are regulated and could have adverse consequences for its business, business model, financial position, results of

operations, reputation and prospects. These changes could materially impact the profitability of the Issuer's businesses, the value of its assets or the collateral available for its loans, require changes to business practices or force the Issuer to discontinue businesses and expose the Issuer to additional costs, taxes, liabilities, enforcement actions and reputational risk and are likely to have a material impact on the Issuer. Recent and ongoing prudential, conduct of business and more general regulatory initiatives include:

- Regulatory capital requirements proposed by the Basel Committee on Banking Supervision (the "**Basel Committee**"), including its proposals set out in its paper released on 16 December 2010 (revised in June 2011) and press release of 13 January 2011 (the "**Basel III Final Recommendations**"), which are being implemented in the European Union through the Capital Requirements Directive (2013/36/EU) known as "**CRD IV**" and Capital Requirements Regulation ((EU) No 575/2013) known as "**CRR**", resulting, inter alia, in the Issuer becoming subject to stricter capital and liquidity requirements and will also affect the scope, coverage, or calculation of capital. See also the risk factor "*8. As a result of capital and/or liquidity requirements, the Issuer may not be able to manage its capital and liquidity effectively, which may adversely affect its business performance*" below.

  In addition, at the end of 2015 and following a first consultative document published in December 2014, the Basel Committee published a second consultative document concerning revisions to the standardised approaches for credit, operational and market risk, and the introduction of capital floors. The revisions form part of the Basel Committee's broader review of the capital framework to balance simplicity and risk sensitivity, and to promote comparability by reducing variability in risk-weighted assets across banks and jurisdictions. Of these proposals, the introduction of the standardised credit risk RWA (REA) floor would have the most significant impact on the Issuer. The proposals for the initial 2014 consultative document concerned new standardised credit risk RWA (REA) calculation rules, which included (i) introduction of new risk drivers, (ii) introduction of higher risk weights, and (iii) removal of external ratings from the framework. In addition, the initial 2014 proposals required banks to apply advanced approaches to risk categories, applying the higher of (i) the RWA (REA) floor based on (new) standardised approaches and (ii) the RWA (REA) floor based on advanced approaches in the denominator of their ratios. Consistent with the 2014 proposals, the Basel Committee maintains its stance on the removal of some of the internal models and own estimates of haircuts for calculating capital requirements under the standardized approaches. However, as part of the revised 2015 proposals, the Basel Committee has decided, inter alia, to reintroduce the use of external ratings, in a non-mechanistic manner, for exposures to banks and corporates. The 2015 proposals also include alternative approaches for jurisdictions that do not allow the use of external ratings for regulatory purposes. Although timing for adoption, content and impact of these proposals remain subject to considerable uncertainty, the implementation of the standardized RWA (REA) floors would have a significant impact on the calculation of the Issuer's risk weighted assets due to the substantial difference in RWA (REA) calculated on the basis of advanced approaches and such calculation on the basis of new standardized rules for mortgages, and, to a lesser extent, exposures to corporates. In the first quarter of 2016 the Basel Committee published a consultative paper proposing changes to the internal ratings based approaches. The Basel Committee proposes, amongst others, to remove the option to use the IRB approaches for certain exposure classes, to introduce PD and LGD floors for exposure classes that are still permitted under IRB approach, a greater use of supervisory Credit Conversion Factors (CCF) and constraints on EAD estimation processes. In April 2016, the Basel Committee issued a consultative document on the revision to the Basel III leverage ratio framework. Among the areas subject to proposed revision in this consultative document are the change in the calculation of the derivative exposures and the credit conversion factors for off-balance sheet items. In April 2017 the Basel Committee published its final guidance on the definitions of two measures of asset quality – "non-performing exposures" and "forbearance". The Basel Committee's definitions of both terms are built on commonalities in the existing definitions and harmonise the quantitative and qualitative criteria used for asset categorisation.

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

- At the end of 2015, the ECB started a targeted review of internal models ("**TRIM**") to assess whether the internal models currently used by EU banks comply with regulatory requirements, and whether they are reliable and comparable. TRIM is expected to be finalised in 2019.

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

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

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

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

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

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

- The Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property adopted on 4 February 2014 (the "**Mortgage Credit Directive**") aiming to afford high level consumer protection throughout the EEA.

- A new payment services directive (Directive 2015/2366/EU, "**PSD 2**") which imposes additional requirements on the Issuer with respect to payment services in the EEA and supports the emergence of new players and the development of innovative mobile and internet payments in Europe.

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

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

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

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

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

- A proposal adopted by the European Commission on 29 January 2014 for a regulation which would give banks' supervisors the power to require banks to separate certain potentially risky trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability. In addition, the European Commission adopted an accompanying proposal for a regulation on reporting and transparency of securities financing transactions, which came into force on 12 January 2016 (Regulation (EU) 2015/2365).

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

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

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

*Deterioration or long-term persistence of a difficult economic environment could have a material adverse effect on the Issuer's results of operations and financial position*" below.

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

For further information on laws and regulation the Issuer is subject to, see chapter "*5. The Issuer—1. ABN AMRO Bank N.V. —1.7 Regulation*". The timing and full impact of new laws and regulations, including the initiatives described above, cannot be determined yet and are beyond the Issuer's control. The introduction of these and other new rules and requirements could significantly impact the manner in which the Issuer operates, particularly in situations where regulatory legislation can interfere with or even set aside national private law. New requirements may adversely affect the Issuer's business, capital and risk management strategies and may result in the Issuer deciding to modify its legal entity structure, capital and funding structures and business mix or exit certain business activities altogether or determine not to expand in certain business areas despite their otherwise attractive potential.

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

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

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

The Basel Committee has proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, strengthen the risk coverage of the capital framework in relation to derivative positions, and to introduce a new liquidity framework under which banks must gradually meet a liquidity coverage ratio and report on their net stable funding, and to introduce reporting requirements on leverage ratio. As a follow-up on the Basel III Final Recommendations, the Basel Committee proposed to introduce a requirement for banks to use stable sources of funding and meet a minimum leverage ratio. The envisaged required minimum percentage is currently 3% as proposed by the Basel Committee. However, the Dutch government aims for a higher percentage of 4% for institutions that have systemic relevance, and is lobbying for this higher percentage within the European Union. If the Issuer would become subject to a minimum leverage ratio of 4%, or more, the Issuer may be

required to raise additional regulatory capital to meet the required leverage ratio. See "*Annual Report 2016 - Risk, funding & capital*", which part has been incorporated by reference into this Registration Document, for information on the Issuer's capital and liquidity position under Basel III rules known as at 31 December 2016. The Basel III framework was implemented in the EEA through CRD IV and CRR. CRD IV replaced the preceding capital requirements directives (directives with numbers 2006/48/EC and 2006/49/EC ("**CRD I**"), amendment directive with number 2009/111/EC ("**CRD II**") and amendment directive with number 2010/76/EC ("**CRD III**")) and was transposed into Dutch law by the "Implementing law CRD IV and CRR *(Implementatiewet richtlijn en verordening kapitaalvereisten*)" and entered into force on 1 August 2014. CRR has been in effect since 1 January 2014, although particular requirements will be phased in over a period of time and proposals have already been published by the European Commission to make certain amendments to CRD IV and CRR by means of the EU Banking Reform Proposals, partly drawing from the Basel Committee further banking reform proposals (see also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above). The European Banking Authority ("**EBA**") has and will continue to propose detailed rules through binding technical standard for many areas.

There can be no assurance that the Basel Committee will not further amend or supplement the Basel III framework. For example, the Basel Committee has published proposals to further strengthen the risk-weighted capital framework, including in relation to credit risk, market risk and operational risk (see also the risk factor 7. "*The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*" above). Further, the Basel III framework may be implemented in a manner that is different from that which is currently envisaged or may impose more onerous requirements on the Issuer.

The Issuer has been designated by DNB as a financial institution with systemic relevance for The Netherlands. As a result, the Issuer will need to progressively build up extra capital buffers set by DNB. These buffers will become applicable in phases in the period from 2016 to and including 2019. The Issuer will be required to maintain this buffer on top of the minimum CET1 capital ratio of 4.5% it is required to meet, as well as a capital conservation buffer of 2.5%, and a counter-cyclical buffer ranging from 0 to, in principle, 2.5%. When the Issuer is subject to a systemic relevance buffer and a systemic risk buffer, either (i) the higher of these buffers applies or (ii) these buffers are cumulative, depending on the location of the exposures which the systemic buffer addresses. As at the date hereof, the combined buffer requirement ("**CBR**") is set at 5.5% of CET1 capital above the minimum regulatory CET1 requirement of 4.5% (or 10% in aggregate) on a full phase-in basis. However, in the future the Issuer may need to comply with a higher CBR. For example, the relevant regulator may impose a higher systemic risk buffer or introduce a countercyclical capital buffer. In case the Issuer fails to meet, partly or in full, the CBR, CRD IV requires that restrictions on distributions (including dividend payments) are imposed on the Issuer. Also, any increase by DNB of the systemic risk buffer may require the Issuer not only to increase its CET1 capital ratio but also its overall amount of MREL (see the risk factor *"9. Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding"* below).

In addition, under CRD IV competent supervisory authorities as a result of the common procedures and methodologies for the supervisory review and evaluation process ("**SREP**") may require additional capital to be maintained by a bank relating to elements of risks which are not fully covered by the Pillar 1 minimum own funds requirements ("**P1R**") described above or which address macro-prudential requirements (Pillar 2). The EBA issued guidelines on 19 December 2014 addressed to national supervisory authorities on the SREP which among other guidelines contain guidelines proposing a common approach to determine the amount and composition of additional capital requirements and which were required to be applied by the competent supervisory authorities as of 1 January 2016 (subject to certain transitional arrangements). Accordingly, a bank can be subject to (i) P1R (as referred to above), (ii) a CBR (as referred to above) and (iii) additional capital requirements as a result of the SREP. In July 2016, the ECB confirmed that SREP will for the first time comprise two elements: Pillar 2 requirements (which are binding and breach of which can have direct legal consequences for

banks) ("**P2R**") and Pillar 2 guidance (with which banks are expected to comply but breach of which does not automatically trigger any legal action) ("**P2G**"). Accordingly, in the capital stack of a bank, the P2G is in addition to (and "sits above") that bank's P1R, its P2R and its CBR. It follows that if a bank does not meet its P2G, supervisory authorities may specify supervisory measures but it is only if it fails to maintain its capital buffer requirement that the mandatory restrictions on discretionary payments (including payments on its CET1 and additional tier 1 instruments) based on its maximum distributable amount will apply. These changes are also reflected in the EU Banking Reform Proposals. However, there can be no assurance as to the relationship between the "Pillar 2" additional own funds requirements and the restrictions on discretionary payments and as to how and when effect will be given to the EBA's guidelines and/or the EU Banking Reform Proposals in The Netherlands, including as to the consequences for a bank of its capital levels falling below the minimum, buffer and additional requirements referred to above.

The Issuer's capital ratios are above the regulatory minimum requirements. At 31 December 2016 the Issuer had a phase-in CET1 capital ratio of 17.1% (fully loaded 17.0%), which is well above the 2017 SREP requirement. Pursuant to the 2017 SREP requirement, the Issuer is required to hold on a consolidated basis a minimum CET1 capital ratio of 9.0%, which is composed of 4,5% Pillar 1 minimum capital requirement, 1.75% P2R, a phase-in 1.25% capital conservation buffer and a phase-in 1.5% systemic risk buffer ("**SRB**"), excluding a countercyclical buffer. The SRB is expected to grow by 0.75 percentage point per annum up to 3.0% in 2019. Based on the current understanding of the applicable and pending regulations regarding leverage ratio, the Issuer aims for a leverage ratio equal or above 4% by 2018, which it aims to achieve through management of its exposure measure, the issuance of AT1 instruments and retained earnings. The Issuer is monitoring upcoming regulatory requirements in relation to MREL and TLAC and aims for equal or above 8% MREL by year-end 2018 and pre-position for TLAC. At 31 December 2016, ABN AMRO had fully-loaded leverage ratio of 3.9% and 7.4% MREL (solely based on own funds and other subordinated liabilities). The strong funding and liquidity profile is demonstrated by a growing client deposit base with low outflows, a diversified wholesale funding maturity profile and a commitment to comply with future regulatory liquidity requirements (liquidity coverage ratio and net stable funding ratio) before they will be in force. Future regulatory developments will have an impact on the Issuer's capital position.

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

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

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

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

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

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

*Dutch Intervention Act*

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

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

*BRRD*

On 12 June 2014, a directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (2014/59/EU, "**BRRD**") was published in the Official Journal of the European Union. The BRRD is currently in force and EU Member States were required to adopt and publish the laws, regulations and administrative provisions necessary to comply with the BRRD by 31 December 2014. The measures set out in the BRRD (including the Bail-in Tool) have been implemented in national law with effect from 26 November 2015.

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

*Single Resolution Mechanism*

The BRRD is complemented by the directly binding regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a

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

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

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

*Recovery and resolution plans*

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

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

*Early intervention*

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

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

*Non-viability and resolution measures*

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

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

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

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

*Resolution Fund*

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

*FSB Standard for Total Loss-Absorbing Capacity*

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

The TLAC standard requires all G-SIBs to maintain a minimum Pillar 1 level of TLAC eligible capital of 16% of risk exposure amount (in addition to minimum regulatory capital requirements and buffer requirements), and at a minimum of 6% of the Basel III leverage ratio denominator,

with effect from 1 January 2019 (18% and 6.75% respectively with effect from 1 January 2022). The TLAC standard states that G-SIBs will be required to pre-position such loss-absorbing capacity amongst "material sub-groups" on an intra-group basis. The FSB has also proposed that the minimum TLAC requirement should be satisfied before any surplus common equity is available to satisfy CRD IV buffers and the TLAC standard provides the possibility for local regulators to impose a Pillar II TLAC requirement over and above the Pillar 1 minimum. Based on the most recently updated FSB list of G-SIBs published in November 2016, ABN AMRO does not currently constitute a G-SIB. However, the EU or Dutch legislator could impose similar requirements on non-G-SIBs (see also the description of the EU Banking Reform Proposals referred to above).

According to the TLAC standard, TLAC may comprise Tier 1 and Tier 2 capital (for the purposes of CRD IV), along with other TLAC-eligible liabilities which can be effectively written down or converted into equity during the resolution of the G-SIB. All TLAC is required to be subordinated to "excluded liabilities", which includes insured deposits and any other liabilities that cannot be effectively written down or converted to equity by the relevant resolution authority. Similar requirements are also reflected in the EU Banking Reform Proposals (see also the risk factor "*7. The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects.*").

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

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

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

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

Based on the RTS and pending future revisions to MREL, the SRB took a mechanical approach to calculating an informative MREL target in 2016, consisting of a Loss Absorption Amount (total P1R + P2R + CBR), a Recapitalization Amount (total P1R + P2R) and a Market Confidence Charge (CBR minus 125 basis points). The SRB is expected in the future to refine its methodology to calculate binding MREL targets, taking into account resolution strategies, business models and other bank specific features, whereby it also could opt for a non-risk weighted measure. In case of the risk weighted basis of calculating MREL targets, any

fluctuation in RWAs (whether as a result of regulatory change or business environment) will not only have an impact on capital ratios but also on MREL ratios.

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

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

*Intended TLAC and MREL alignment*

The EBA Final MREL Report contains a number of recommendations to amend the current MREL framework and to implement the TLAC standard as an integral component of that framework. The EU Banking Reform Proposals contain the legislative proposal of the European Commission for the amendment of the MREL framework and the implementation of the TLAC standard. The EU Banking Reform Proposals propose the amendment of a number of aspects of the MREL framework to align it, *inter alia*, with the TLAC standard. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the EU Banking Reform Proposals also propose a number of changes to the MREL rules applicable to non-G-SIBs, including (without limitation) the criteria for the eligibility of liabilities for MREL. While the EU Banking Reform Proposals propose for a minimum harmonised or "Pillar 1" MREL requirement for G-SIBs, in the case of non-G-SIBs it is proposed that MREL requirements will be imposed on a bank-specific basis. The EU Banking Reform Proposals further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

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

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

*State Aid*

On 10 July 2013, the European Commission announced the adoption of its temporary state aid rules for assessing public support to financial institutions during the crisis (the "**Revised State Aid Guidelines**"). The Revised State Aid Guidelines impose stricter burden-sharing requirements, which require banks with capital needs to obtain additional contributions from equity holders and capital instrument holders before resorting to public recapitalizations or asset

protection measures. The European Commission has applied the principles set out in the Revised State Aid Guidelines from 1 August 2013. The European Commission has made it clear that any burden sharing imposed on subordinated debt holders will be made in line with principles and rules set out in BRRD.

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

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

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

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

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

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

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

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

create an unequal competitive environment. This unequal competitive environment can be reflected by the costs involved for banks, including costs and resources required for compliance with such regulatory requirements.

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

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

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

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

As of 31 December 2016, 80% of the Issuer's operating income was generated in The Netherlands and a majority of its aggregate credit exposure (as measured by 'Exposure at Default') is also located in The Netherlands (72.0% as of 31 December 2016). Accordingly, the Issuer is largely dependent upon the prevailing economic, political and social conditions in The Netherlands, particularly those which impact the mortgage market and small and medium business enterprises, which recently has been subject to major regulatory changes. Accordingly, deterioration or long-term persistence of the difficult economic environment in The Netherlands could have a negative effect on the Issuer's results of operations and financial position. Efforts by the Issuer to diversify, limit or hedge its portfolio against concentration risks may not be successful and any concentration risk could increase potential losses in its portfolio; this risk is mainly manifested through business and credit risk.

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

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

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

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

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

In view of the current global economic outlook, the Issuer may continue to see adverse changes in the credit quality of its borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness, with increasing delinquencies, defaults and insolvencies across a range of sectors (such as the personal, banking and financial institution sectors) and in a number of geographies. This trend has led to and may continue to lead to further impairment charges, higher costs, additional write-downs and losses for the Issuer.

The Issuer is one of a limited number of international lenders in the diamond and jewellery industry which has experienced reduced liquidity, with various banks leaving the industry or reducing their exposure. As of 2012, the Issuer also decided to reduce its exposure to this industry. To the extent that clients of the Issuer have insufficient access to liquidity, their creditworthiness may negatively be affected, which may adversely affect the quality of the Issuer's credit portfolio in this industry. Furthermore, the diamond and jewellery industry perceives the Issuer as a leading bank in financing of the industry given its previous exposure. Market participants and representative bodies in the industry might expect the Issuer to continue to provide liquidity to the market. If the Issuer does not provide this liquidity, this may damage the Issuer's reputation.

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

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

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

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

management uses its best efforts to establish the allowances for loan losses, that determination is subject to significant judgment which, along with the underlying risk management models and methods could be inaccurate and the Issuer may have to increase its allowances for loan losses in the future as a result of increases in non-performing assets or for other reasons. Any increase in the allowances for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on the Issuer's results of operations, profitability and financial position.

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

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

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

Also, the Issuer has a monitoring duty in relation to transactions outstanding, including on client positions being either in-the-money or out-of-the-money, or the amount having been borrowed by clients being lower or higher than the value of property or security or the corresponding derivative. This monitoring allows the Issuer, amongst other things, to take appropriate commercial decisions and to verify continued suitability of the product for certain retail clients and compliance with legal requirements of the Issuer. Monitoring a large number of different products, including discontinued products that are still outstanding, is complex and it could become more difficult or even impossible if the Issuer should fail to properly document transactions or archive documentation. The risk is further exacerbated by the increased use of technology and modern media for interacting with clients. Employees may take client orders in violation of policies, including taking orders over a mobile telephone line which conversations are not recorded or it may prove impossible or very difficult to find the relevant discussion from among a large number of recordings. The Issuer conducted an internal review into transaction reporting to the AFM and found that it had not accurately reported or had omitted to report a significant number of financial markets transactions. ABN AMRO informed the AFM about the results of its internal reviews. In December 2016 the AFM notified ABN AMRO that it intends to impose fines on ABN AMRO for having failed to report a significant number of transactions. It is expected that the AFM will announce its decisions in the third quarter of 2017 (see also "*The Issuer - 1. ABN AMRO Bank N.V. - 1.9 Legal and arbitration proceedings - Transaction reporting").*

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

Technical limitations, end of lifecycles, erroneous operational decisions, inadequate policies, human mistakes, outdated computer systems and programs for the storage of older data, system failures, system decommissioning and underperforming third party service providers (including where the business continuity and data security of such third parties proves to be inadequate),

may all lead to incomplete or inappropriate documentation, or the loss or inaccessibility of documentation. Following an internal review, shortcomings in documentation were uncovered and due to the large number of client files, more may be uncovered in the future which has caused and may cause in the future, the Issuer to pay out compensation to clients. The fact that the constituent parts of the Issuer have historically documented legal acts and transactions with clients differently, and, in consequence, different procedures, models and IT systems have been applied to similar transactions, increases this risk. If legal acts or transactions are not properly documented or the paperwork is inadequately stored, this could lead to failure to comply with legal and regulatory requirements on administrative and other record keeping requirements, delays in accessing data required to comply with regulatory requests and requirements, inability to and for making the right commercial decisions and could have an impact on providing information or evidence in regulatory and other investigations, procedures or litigation in which the Issuer may be involved.

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

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

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

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

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

Issuer's reputation, results of operations, financial position and prospects, it is not possible to reliably estimate or quantify the Issuer's exposure at this time.

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

European and national regulations, for example, increasingly require financial institutions to provide elaborate disclosure to clients on services and products, such as through a key investor information document, to permit clients to more reliably assess the service or product and to enable them to compare it with similar services or products offered by other providers. Increased price transparency rules have entered into force or are envisaged by proposed European regulations for various services and products, such as those based on MiFID II and the PRIIPs Regulation (Regulation 1286/2014). In the Dutch market, the AFM and Dutch banks have agreed upon providing (non-professional) clients increased price transparency as of 1 January 2015 in anticipation of similar rules set forth in MiFID II. These rules impose obligations on financial institutions to make clear to potential clients what a service or product costs and when prices may be changed.

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

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

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

As required by and in consultation with the AFM, the Issuer has reviewed its SMEs interest rate derivative portfolio. In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to arrive at a uniform solution for all clients and banks. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a panel of independent experts. On 5 July 2016 this committee of independent experts published its advice on the reassessment of SME and middle market interest rate derivatives. ABN AMRO is adhering to this advice. The Issuer consulted with the panel of independent experts to determine how this advice affected the Issuer's review process in practice. The final recovery framework was published on 19 December 2016. In the first quarter of 2017 the Issuer began reassessments of around 6,800 clients with some 9,000 interest rate derivatives. At various

points in the process the reassessments will be checked by an independent external file reviewer – in ABN AMRO's case, audit firm PwC. However, no assurance can be given that the AFM and other (supervisory) authorities may take further measures against or impose fines on the parties involved, including the Issuer.

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

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

ICS, the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio and its internal processes and IT systems. ICS allowed credit limits to a number of its clients above their lending capacities. ICS has prepared a redress scheme that contains remedial measures for affected clients. ICS started the implementation of this scheme in March 2017. ICS reported these issues to the AFM. On 15 June 2017, the AFM announced that it is imposing a fine of EUR 2.4 million on ICS for excessive credit limits.

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

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

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

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

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

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

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

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

There is currently no critical client data stored in applications of third parties, but it cannot be excluded that this will change in the future. Subject to strict rules, some third party providers have access to, or are given, privacy sensitive client or employee information. The Issuer is

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

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

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

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

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

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

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

The legislation, rules and regulations which establish sanctions regimes are often broad in scope and complex, and in recent years, governments have increased and strengthened such regimes. As a consequence, the Issuer may be forced to restrict certain business operations or unwind

certain ongoing transactions or services, which may cause material losses and affect the Issuer's ability to expand.

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

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

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

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

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

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

may be classified at fair value through profit or loss. An increase in loan loss provisions, and the potential for greater pro-cyclicality on provisioning, could have an impact on lending activities due to implementation of IFRS 9. These and further changes in financial reporting standards or policies, including as a result of choices made by the Issuer, could have a material adverse effect on the Issuer's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

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

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

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

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

In the ordinary course of business the Issuer is involved in a number of legal proceedings. The Issuer's business is subject to the risk of litigation by customers, borrowers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. It is inherently difficult to predict or quantify the outcome of many of the litigations, regulatory proceedings and other adversarial proceedings involving the Issuer and its businesses. The cost to defend current and future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of the Issuer's services, regardless of whether the allegations are valid or whether the Issuer is ultimately found liable. Examples are the failure or perceived failure to comply with legal and regulatory rules, laws, regulations and other requirements, principles, guidelines (including but not limited to guidelines addressing possible ecological, social and ethical risks) or codes of conduct (including but not limited to the code of conduct on sustainability) by the Issuer, its customers, or other third parties linked to the Issuer, anti-money laundering, bribery or anti-corruption measures, anti-terrorist financing procedures, tax evasion or avoidance by clients, the quality and transparency of products sold to clients, the manner in which the Issuer protects its legitimate interest upon a client default or a margin obligation arising or the conduct of its employees. See also the risk factor "*16. The Issuer is exposed to regulatory scrutiny and potentially significant claims for violation of the duty of care owed by it to clients and third parties*" above and the risk factor "*23. The Issuer is subject to reputational risk*" below. As a result, litigation may adversely affect the Issuer's business. See "*The Issuer—1. ABN AMRO Bank N.V. —1.9 Legal and arbitration proceedings*".

In presenting the consolidated annual financial statements, management may make estimates regarding the outcome of legal, regulatory and arbitration matters and takes a charge to income when losses with respect to such matters are probable and can be reasonably estimated. If the provisions made turn out not to be sufficient, the Issuer is at risk of incurring losses that have not

or not sufficiently been provided for. Such losses may occur potentially years after the event that caused them. Changes in estimates may have an adverse effect on the Issuer's business, financial position, results of operations and prospects.

**23. The Issuer is subject to reputational risk.**

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

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

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

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

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

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

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

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

hire or retain the most qualified employees in the jurisdictions or markets where it operates or intends to operate.

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

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

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

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

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

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

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

ABN AMRO Clearing offers its clients global execution services. This means that clients are provided with direct market access and as such can use ABN AMRO Clearing's memberships, which enables them to place orders directly on certain markets and stock exchanges in the name

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

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

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

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

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

ABN AMRO Clearing is a global clearer and therefore it is always exploring the possibilities of doing business in countries where it currently has no presence. ABN AMRO Clearing has a banking license in The Netherlands, but local registration, license requirements and regulatory requirements can vary for different types of investors and services. Furthermore, as long as ABN AMRO Clearing is not locally registered or has obtained a licence, restrictions might apply with

respect to marketing activities. ABN AMRO Clearing risks incurring regulatory fines if it breaches any local requirements, among other things, related to soliciting business and such breach may have a reputational impact.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

sovereign state or political or administrative subdivisions thereof defaults on its financial obligations.

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

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

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

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

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

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

Furthermore, the Issuer may strive to achieve its strategy through acquisitions and/or divestments of businesses, operations, assets and/or entities. Acquisitions and divestment transactions may

involve complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may therefore not be achieved or be delayed. Furthermore, the Issuer may incur unforeseen liabilities from former and future acquisitions and divestments.

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

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

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

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

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

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

The high number of change initiatives currently present within the Issuer's organisation could potentially endanger its business objectives. The Issuer considers change initiatives necessary in

order to remain competitive. However, such initiatives also involve a heavy workload for the Issuer's entire organisation and limit the availability of staff and specific resources.

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

The Issuer holds an indirect non-controlling 49% interest in ABN AMRO Verzekeringen. NN Group Bidco B.V. (**NN Bidco**), a direct wholly-owned subsidiary of NN Group N.V. (**NN Group**), holds the remaining 51% in this joint venture. Previously Delta Lloyd N.V. (**Delta Lloyd**) held the remaining 51% in this joint venture. However, following NN Group's public offer for all the outstanding shares in Delta Lloyd through its subsidiary NN Bidco, Delta Lloyd merged into NN Bidco by way of legal merger (*juridische fusie*). With this legal merger that became effective on 1 June 2017 Delta Lloyd ceased to exist.

Upon a change of control in the Issuer, NN Bidco has the right to request that the Issuer buys its shares in ABN AMRO Verzekeringen at a price to be determined pursuant to a mechanism provided for in the shareholders' agreement. The current ultimate holding company of the Issuer is NLFI. A change of control includes a disposal by NLFI as a result of which NLFI would no longer hold a majority interest in the Issuer.

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

## 3. DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued on or prior to the date hereof shall be deemed to be incorporated in, and to form part of, this Registration Document:

(a) The articles of association of the Issuer;

(b) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2015 as set out on pages 330 to 337 in relation to the financial statements 2015, including the notes to the financial statements as set out on pages 338 to 461 and the statutory financial statements as set out on pages 457 to 460, pages 124 to 269 (certain information in the Risk, funding & capital Report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 465 to 471, all as included in ABN AMRO Group N.V.'s Annual Report 2015 (the "**Annual Report 2015**") (the "**Consolidated Annual Financial Statements 2015 ABN AMRO Group N.V.**");

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

(d) ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2016 as set out on pages 249 to 368 in relation to the financial statements 2016, including the notes to the financial statements as set out on pages 257 to 360 and the statutory financial statements as set out on pages 361 to 365, pages 91 to 204 (certain information in the Risk, funding & capital report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 370 to 376, all as included in ABN AMRO Group N.V.'s Integrated Annual Report 2016 (the "**Annual Report 2016**") (the "**Consolidated Annual Financial Statements 2016 ABN AMRO Group N.V.**" and together with the Consolidated Annual Financial Statements 2015 ABN AMRO Group N.V., the "**Consolidated Annual Financial Statements ABN AMRO Group N.V.**");

(e) the Section "*Financial Review*" of the Business report on pages 50 to 56, the Risk, funding & capital report on pages 91 to 204, the Section "*Definitions of important terms*" on pages 380 to 385, the Section "*Abbreviations*" on pages 386 to 387 and the Section "*Cautionary statements*" on page 388, all as included in the Annual Report 2016;

(f) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2015, as set out on pages 162 to 170 in relation to the financial statements 2015, including the notes to the financial statements as set out on pages 171 to 289 and the statutory financial statements as set out on pages 290 to 305, pages 36 to 132 (certain information in the Risk, funding & capital Report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 306 to 312, all as included in ABN AMRO Bank N.V.'s Annual Report 2015;

(g) the Section "*Definitions of important terms*" on pages 314 to 318, the Section "*Abbreviations*" on pages 319 to 320 and the Section "*Cautionary statements on forward-looking statements*" on page 322, all as included in AMRO Bank N.V.'s Annual Report 2015;

(h) ABN AMRO Bank N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2016, as set out on pages 158 to 293 in relation to the financial statements 2016, including the notes to the financial statements as set out on pages 167 to 270 and the statutory financial statements as set out on pages 271 to 290, pages 36 to 132 (certain information in the Risk, funding & capital report labelled as "audited" in the respective headings), and the auditor's report thereon on pages 295 to 301, all as included in ABN AMRO Bank N.V.'s Annual Report 2016;

(i) the Section "*Definitions of important terms*" on pages 302 to 307, the Section "*Abbreviations*" on pages 308 to 309 and the Section "*Cautionary statements on forward-looking statements*" on page 311, all as included in AMRO Bank N.V.'s Annual Report 2016;

(j) the quarterly report titled "*Quarterly Report First quarter 2017*" dated 17 May 2017 excluding the specific chapter titled "*Message from the CEO*". The information set out therein is unaudited,

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

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

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

The Issuer will provide, without charge, to each person to whom a copy of this Registration Document has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference. Requests for such documents should be directed to the Issuer (at its registered office at: Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands, by telephone: +31 20 6282282 or by e-mail: investorrelations@nl.abnamro.com). This Registration Document and copies of documents incorporated by reference in this Registration Document can also be obtained from https://www.abnamro.com/en/investor-relations/index.html. The other information stated on or linked to through this website or any other website referred to in any document incorporated by reference into this Registration Document is not a part of this Registration Document.

## 4. SELECTED DEFINITIONS AND ABBREVIATIONS

**Definitions**

In this Registration Document, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Annual Report 2016**" refers to ABN AMRO Group N.V.'s Integrated Annual Report 2016.

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

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

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

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

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

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

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

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

"**Consolidated Annual Financial Statements ABN AMRO Group N.V.**" refers to the Consolidated Annual Financial Statements 2015 ABN AMRO Group N.V. together with the Consolidated Annual Financial Statements 2016 ABN AMRO Group N.V.

"**Consolidated Annual Financial Statements 2015 ABN AMRO Group N.V.**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2015 as set out on pages 330 to 337 in relation to the financial statements 2015, including the notes to the financial statements as set out on pages 338 to 461 and the statutory financial statements as set out on pages 457 to 460, pages 124 to 269 (certain information in the Risk, funding & capital Report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 465 to 471, all as included in ABN AMRO Group N.V.'s Annual Report 2015.

"**Consolidated Annual Financial Statements 2016 ABN AMRO Group N.V.**" refers to ABN AMRO Group N.V.'s publicly available audited consolidated annual financial statements for the financial year ended 31 December 2016 as set out on pages 249 to 368 in relation to the financial statements 2016, including the notes to the financial statements as set out on pages 257 to 360 and the statutory financial statements as set out on pages 361 to 365, pages 91 to 204 (certain information in the Risk, funding & capital report labelled as "audited" in the respective headings), and the auditors' report thereon on pages 370 to 376, all as included in ABN AMRO Group N.V.'s Integrated Annual Report 2016.

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

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

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

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

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

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

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

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

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

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

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

"**EBA Final MREL Report**" refers to EBA's final report on the implementation and design of the MREL framework of 14 December 2016.

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

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

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

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

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

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

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

"**EU Banking Reform Proposals**" refers to the European Commission's legislative proposals to amend and supplement certain provisions of, *inter alia*, CRD IV, CRR, the Bank Recovery and Resolution Directive (2014/59/EU) and the Single Resolution Mechanism Regulation ((EU) No 806/2014) that were published on 23 November 2016.

"**Executive Board**" refers to the executive board (*bestuur*) of ABN AMRO.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 5. THE ISSUER

### 1. ABN AMRO BANK N.V.

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

All results are presented on an underlying basis for 2016, 2015 and 2014.

### 1.1 History and recent developments

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

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

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

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

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

On 17 November 2016 Stichting Administratiekantoor Beheer Financiële Instellingen (NL Financial Investments, "**NLFI**"), on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 77% to 70%. Following the settlement, the Stichting Administratiekantoor Continuïteit ABN AMRO Group (the "**STAK AAG**") held 30% of the shares.

On 28 June 2017 NLFI, on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 70% to 63%. The STAK AAG subsequently holds 37% of the shares.

### 1.2 Business description

ABN AMRO was organised into Retail Banking, Private Banking, Corporate Banking and Group Functions. This segmentation was implemented during the course of 2014. Currently ABN AMRO is in a state of transition whereby it is amending its segmentation. On 6 February 2017 ABN AMRO announced a new management structure. This new management structure will include an Executive Board at both ABN AMRO Group N.V. and ABN AMRO Bank N.V. levels and an Executive Committee at ABN AMRO Bank N.V. level. Under this new management structure ABN AMRO will be organised into Retail Banking, Commercial Banking, Corporate & Institutional Banking, Private Banking, Finance, Risk Management, Technology & Innovation and HR & Transformation. This structure will become formally

operational once the approvals for the appointments – to the extent required – are received from the regulators. See section 1.11 (*Recent Developments*). With the Q1 2017 Report, ABN AMRO changed its reporting structure in line with the new management structure. ABN AMRO now has five reporting segments: Retail Banking, Private Banking, Commercial Banking, Corporate & Institutional Banking and Group Functions (as described below).

## 1.3 Retail Banking

***Business scope and clients***

Retail Banking renders services to approximately five million retail clients in The Netherlands with investable assets of up to EUR 500,000 (this threshold was lowered from EUR 1 million in 2016) and approximately 300,000 small businesses with an annual turnover of up to EUR 1 million.

Retail Banking offers a wide variety of banking and insurance products and services through the Issuer's branch network, online, via contact centers and through subsidiaries.

***Main subsidiaries***

The Retail Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive)[1]:

*ABN AMRO Hypotheken Groep*

ABN AMRO Hypotheken Groep B.V. ("**AAHG**") offers all ABN AMRO labelled residential mortgage products, including Direktbank, Florius and MoneYou brands.

*MoneYou*

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

*Alfam*

Alfam Holding N.V. ("**Alfam**") provides consumer loans via intermediaries under four different labels: Alpha Credit Nederland, Credivance, Defam and GreenLoans.

*International Card Services*

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

*ABN AMRO Verzekeringen*

Delta Lloyd ABN AMRO Verzekeringen Holding B.V. ("**ABN AMRO Verzekeringen**") is an associate of ABN AMRO Bank N.V. (49%). NN Group Bidco B.V., a direct wholly-owned subsidiary of NN Group N.V., holds the remaining 51% in this joint venture. Previously Delta Lloyd N.V. held the remaining 51% in this joint venture. ABN AMRO Verzekeringen offers life and non-life insurance products to consumers and commercial clients under the ABN AMRO brand. ABN AMRO acts as an intermediary for ABN AMRO Verzekeringen by selling and providing advice on a comprehensive range of life and non-life insurance products, for which ABN AMRO receives commission payments. ABN AMRO Verzekeringen is able to offer a complete package of insurance products to clients.

ABN AMRO Verzekeringen, through its subsidiaries, acts as an insurer and intermediary for life-and non-life insurances. Retail Banking receives commission payments for the sale of damage insurance. ABN AMRO acts as an intermediary for ABN AMRO Verzekeringen. Based on a contract between ABN AMRO Pensions (defined below) and the employer, ABN AMRO Pensions collects payment on a monthly basis from employers for the benefit of pension accrual for their individual employees. The defined contribution per employee is invested in lifecycle investment funds (the base case situation), or in

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

a small range of investment funds (depending on the preference of the individual employee and based on his or her risk profile). In addition, ABN AMRO Pensions facilitates term life insurance and disability pensions. These products are distributed through individual actuarial advisers. ABN AMRO Pensions services nearly 200 corporate clients.

*ABN AMRO Pensions*

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

## 1.4 Private Banking

***Business scope and clients***

Private Banking offers fully-integrated financial advice and a broad array of services focused on wealth structuring, wealth protection and wealth transfer. Private Banking operates under the brand name ABN AMRO MeesPierson in The Netherlands and internationally under ABN AMRO Private Banking and local brands such as Banque Neuflize OBC in France and Bethmann Bank AG ("**Bethmann**") in Germany.

Private Banking globally managed EUR 204.9 billion Client Assets at year-end 2016, primarily in the eurozone.

ABN AMRO offers private banking services in The Netherlands to clients with freely investable assets exceeding EUR 500,000 (this threshold was lowered from EUR 1 million to EUR 500,000 in 2016). Main client segments of Private Banking are:

- **Families**: helping individuals organise and manage their wealth, e.g. how and when to involve children in inherited wealth issues;
- **Entrepreneurs**: integrated services to support entrepreneurs in private and business-related matters;
- **Private Wealth Management**: dedicated teams for ultra high net worth (UNHW) clients and family offices with assets exceeding EUR 25 million;
- **Institutions & Charities**: dedicated teams with know-how and expertise required to support institutions and charities, including advice on setting up a charity and support in formulating a vision or financial strategy.

***Main subsidiaries***

The Private Banking business of ABN AMRO is supported in France and Germany by the following subsidiaries (this list is not exhaustive)[2]:

*Banque Neuflize OBC*

Banque Neuflize OBC S.A. offers a private banking model based on an integrated approach to private and commercial wealth articulated around dedicated advisory and product offers.

*Bethmann Bank*

Bethmann Bank is a private bank and enjoys a strong local heritage and brand recognition in the German market. Bethmann covers all major regions of Germany and offers all Private Banking and Private Wealth Management related services.

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

*Neuflize Vie*

Neuflize Vie S.A. is a joint venture of Banque Neuflize OBC (60%) and AXA (40%). Neuflize Vie S.A. 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.

## 1.5 Commercial Banking

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

Internationally, Commercial Banking services its domestic client base through local Dutch Desks in selected markets and through cooperation with partner banks. Commercial Banking has a client and capability-led international strategy with a focus on asset based financing (consisting of commercial finance and lease).

Commercial Banking serves business clients with revenues from EUR 1 million up to EUR 250 million, and clients active in Commercial Real Estate (excluding publicly listed companies, which are served by Corporate & Institutional Banking). ABN AMRO's Lease and Commercial Finance activities are also included in Commercial Banking.

***Main subsidiaries***

The Commercial Banking business of ABN AMRO is supported by the following subsidiaries (this list is not exhaustive)[3]:

*ABN AMRO Lease*

ABN AMRO Lease N.V. ("**ABN AMRO Lease**") delivers asset-based solutions (equipment lease and finance) and is active in The Netherlands, Belgium, Germany and the United Kingdom.

*ABN AMRO Commercial Finance*

ABN AMRO Commercial Finance Holding B.V. ("**AACF**") provides working capital funding on debtors and inventory. AACF is active via subsidiaries in The Netherlands, France, Germany and the United Kingdom.

## 1.6 Corporate & Institutional Banking (CIB)

***Business scope and clients***

CIB has a strong position in the Netherlands where it offers business clients a broad range of standard and tailor-made products and services based on in-depth client and sector knowledge.

CIB is internationally active in various countries with multiple locations. CIB has a client and capability-led international strategy focusing on specialities in which it operates in selective markets worldwide: (i) servicing clients that are active in the sectors Natural Resources, Commodities, Transportation and Food, (ii) clearing activities and (iii) Financial Institutions.

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

Within the Netherlands CIB serves business clients with revenues exceeding EUR 250 million. Outside the Netherlands CIB serves clients with revenues exceeding EUR 100 million. CIB is active in the sectors Consumer, Services, Manufacturing, Financial Institutions, B2B and Natural Resources. CIB also serves

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

clients by providing products and services related to financial markets. CIB includes ABN AMRO Clearing and Private Equity.

***Main subsidiaries***

The CIB business of ABN AMRO is supported by the following subsidiary (this list is not exhaustive)[4]:

*ABN AMRO Clearing Bank*

ABN AMRO Clearing Bank N.V. is a global leader in derivatives and equity clearing. It is one of the few players currently able to offer global market access and clearing services on more than 85 of the world's leading exchanges and operates from several locations across the globe.

## 1.7 **Group Functions**

Group Functions supports ABN AMRO's businesses by delivering services in the areas of audit, corporate governance, finance, risk, human resources, legal, compliance, communication, change management, technology, operations, property management, strategy, sustainability, and housing. The four main areas in Group Functions are Technology & Innovation, Finance, Risk Management and HR & Transformation.

***Technology & Innovation***

Technology & Innovation supports ABN AMRO's business by providing services in the areas of IT (software and hardware), operations, facility management, information security, procurement, and programme and project management in The Netherlands and internationally.

***Finance***

Finance ("**Finance**") helps keep ABN AMRO's business on track to achieve the goals defined in its long-term strategy. Finance is the primary supplier of management and reporting information to ABN AMRO's internal and external stakeholders. It plays an independent role in delivering management information and challenging business decisions. Finance provides a financial control environment and ensures compliance with accounting standards and requirements set by the regulatory authorities.

***Risk Management***

A strong sustainable bank relies on sound risk management. The responsibility of Risk Management ("**Risk**") is to help securing a sound risk/return ratio based on a moderate risk profile. The bank-wide risk appetite determines ABN AMRO's moderate risk profile. All different events or risk types to which ABN AMRO is exposed are defined and categorised in the risk taxonomy. Risk Management identifies and manages all the risk types classified in the risk taxonomy.

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

***HR & Transformation***

HR & Transformation supports ABN AMRO's business by delivering services in the areas of human resources and change management.

## 1.8 **Regulation**

***Regulation and supervision in the European Union***

The European Union is working on a broad range of measures aimed at bringing more stability and transparency to the European financial sector. Major developments include Basel III/CRD IV, the creation of a banking union, the European Market Infrastructure Regulation (EMIR), the revised Markets

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

in Financial Instruments Directive and Markets in Financial Instruments Regulation (together, MiFID II), the Bank Recovery and Resolution Directive (BRRD), a renewed Deposit Guarantee Scheme Directive (DGS), the Packaged Retail Investment Products (PRIIPS) Regulation, the Mortgage Credit Directive, the proposed new Payment Services Directive (PSD 2), the Data Protection Regulation and the EU Banking Reform Proposals.

New proposals are continuously being introduced at global, European and national level. Regulations are becoming more stringent and supervision stricter. Implementing the new laws and regulations may be costly and could have an impact on ABN AMRO's business. ABN AMRO will need to allocate a significant amount of resources to prepare for these changes.

***Solvency Supervision***

ABN AMRO is subject to an evolving regulatory landscape with respect to the supervision of its solvency and capital adequacy.

*Capital adequacy framework (Basel)*

In 2004, the Basel Committee endorsed the publication of the "International Convergence of Capital Measurement and Capital Standards: a Revised Framework", commonly referred to as Basel II. The Capital Requirements Directive, representing the translation of Basel II to EU legislation, was approved by the European Parliament in 2005. This acceptance by the European Parliament cleared the way for the implementation of the Capital Requirements Directive in Europe, with a published compliance date of 1 January 2007. The process of implementing Basel II into Dutch legislation (through the Wft) and regulation was completed in December 2006, when DNB published its supervisory rules.

Basel II provides for three approaches of increasing sophistication for the calculation of credit risk capital: the Standardized Approach; the Internal Ratings Based Foundation Approach; and the Advanced Internal Ratings Based Approach. Basel II also introduced capital requirements for operational risk for the first time.

Basel II is structured around three "pillars":

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

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

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

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

*Basel II Pillar 1*

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

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

ABN AMRO has implemented the Internal Models Approach ("**IMA**") for calculating market risk capital for the trading book and submitted the application for IMA to the regulator for approval. ABN AMRO

obtained formal approval from the regulator for the use of the IMA approach for calculating regulatory capital in February 2016.

ABN AMRO currently applies the SA to calculate regulatory capital for operational risk. Over the past few years, ABN AMRO has implemented the Advanced Measurement Approach ("**AMA**") model. The application for the AMA status has been submitted to the ECB.

*Basel II Pillar 2*

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

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

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

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

ABN AMRO's Group Risk & Compliance Committee is extensively involved in bank-wide stress testing. The Group Risk & Compliance Committee discusses and decides on scenario development, impact determination and management actions. As part of the overall risk management framework, ABN AMRO performs internal stress tests to assess the capital and liquidity adequacy based on internally developed stress testing scenarios and identified risk factors. In the stress scenario, it has been assumed that the economy is hit by several shocks simultaneously. The scenario variables include, amongst others, GDP, unemployment rate, property prices, interest rates, inflation and equity prices.

Based on the stress test results no additional capital actions were required in 2014. The stress test results have been incorporated into capital planning by taking into account the minimum capital levels under stress. Besides bank-wide stress testing, ABN AMRO performs stress testing by focusing on specific portfolios or business lines. Furthermore, ABN AMRO participates in *ad hoc* stress test exercises as requested by regulatory bodies, such as DNB and EBA.

*Basel II Pillar 3*

Since 2012 ABN AMRO integrates the Pillar 3 report in its Annual Report.

*New Basel regulation*

The bank has implemented CRD III (the European Union implementation of Basel 2.5). The impact on capital has been limited as the bank currently applies the standardized approach to the large majority of market risk.

CRD IV (the European Union implementation of Basel III) has led to an increase in RWA (REA), mainly due to an increase in the capital requirement for the treatment of mark-to-market counterparty risk losses through the Credit Value Adjustment (CVA) capital charge.

*CRD*

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

In response to the global crisis, the Basel Committee on Banking Supervision has implemented a number of changes to the Basel II framework. These changes are implemented in the EU through modifications to the CRD.

*CRD II*

The first modifying directive, CRD II, was adopted in 2009, and the changes became effective in The Netherlands in December 2010. CRD II included changes regarding the classification of hybrid capital instruments, the introduction of a retention requirement for own securitizations, new requirements for liquidity risk management, and technical changes of the credit risk requirement.

*CRD III*

The second modifying directive, CRD III, was adopted by the European Union on 14 December 2010. CRD III includes changes to remuneration rules, increased capital requirements for the trading book, increased capital requirements for re-securitization (securitizations that have underlying securitization positions), enhanced disclosure of securitization exposures and other technical amendments.

*Basel III/CRD IV*

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

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

The Basel Committee proposed a number of reforms to the regulatory capital and the liquidity framework for internationally active banks, the principal elements of which are set out in the Basel III Final Recommendations. Most notably these reforms are intended to increase the quality and quantity of capital, to build up additional capital buffers in good times that can be drawn upon in periods of stress, to impose (temporary) systemic risk buffers, to strengthen the risk coverage of the capital framework in relation to derivative positions and to introduce a new liquidity framework and a leverage ratio. The Basel Committee has subsequently introduced several amendments and refinements to Basel III, particularly in respect of its liquidity requirements, capital requirements and other areas. The Basel Committee has indicated that it continues to consider potential revisions to the Basel III regime. The Basel Committee has published proposals to further strengthen the risk-weighted capital framework, including in relation to credit risk, market risk and operational risk. For example, at the end of 2015 and following a first consultative document published in December 2014, the Basel Committee published a second consultative document concerning revisions to the standardised approaches for credit, operational and market risk, and the introduction of capital floors. The revisions form part of the Basel Committee's broader review of the capital framework to balance simplicity and risk sensitivity, and to promote

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

The changes to capital adequacy and liquidity requirements in the jurisdictions in which it operates described above or any future changes may also require the Issuer to raise additional regulatory capital or hold additional liquidity buffers. Furthermore, the variety of capital and liquidity requirements of regulators in different jurisdictions may prevent the Issuer from managing its capital and liquidity positions in a centralized manner, which may impact the efficiency of its capital and liquidity management. If the Issuer is unable to raise the requisite regulatory capital, it may be required to further reduce the amount of its risk exposure amount or business levels, restrict certain activities or engage in the disposition of core and other non-core businesses, which may not occur on a timely basis or at prices which would otherwise be attractive to the Issuer. If the Issuer is unable to adequately manage its liquidity position, this may prevent it from meeting its short-term financial obligations.

***Banking Union***

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

- *Single Supervisory Mechanism*

Under the SSM, the ECB has become the primary supervisor for the prudential supervision of credit institutions in participating Member States that qualify as "significant credit institutions" as of 4 November 2014. In the European Union, around 125 credit institutions are identified as significant banks, and ABN AMRO is one of them. The ECB will be responsible for market access, among other things, and will supervise capital requirements and governance.

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

- *Single Resolution Mechanism*

On 19 August 2014, the European Regulation (EU) No 86/2014 establishing uniform rules and a uniform procedure for the resolution of banks and certain investment firms in the framework of the Single Resolution Mechanism and a Single Resolution Fund (the "**SRM**") entered into force. The SRM provides for a single resolution framework, a single resolution board ("**Resolution Board**") and a single resolution fund ("**Resolution Fund**").

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

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

The Issuer will only be eligible for contribution to loss absorption by the Resolution Fund after a resolution action is taken if shareholders or the holders of relevant capital instruments and other eligible liabilities have made a contribution (by means of a write-down, conversion or otherwise) to loss absorption and recapitalization equal to an amount not less than 8% of the total liabilities (including own funds and measured at the time of the resolution action). See for further information on the Resolution Fund "*6. Operating and Financial Review - 6.2 Key factors affecting results of operations*".

- *Single Rule Book*

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

  - *CRD IV*

    CRD IV transposes the Basel III Final Recommendations into the EU legal framework. CRD IV applies from 1 January 2014 and sets stronger prudential requirements for banks. The new rules will make EU banks more solid and will strengthen their capacity to adequately manage the risks linked to their activities and absorb losses they may incur in doing business. Furthermore, these new rules will strengthen the requirements regarding banks' corporate governance arrangements and processes, for example regarding diversity within management and rules on bonuses. The Issuer expects the European Banking Authority (EBA) to continue to introduce a large number of technical standards, guidelines and recommendations in the course of 2017, further defining EU banks' obligations. In addition, on 23 November 2016, the European Commission published the EU Banking Reform Proposals which are wide-ranging and cover multiple areas, including the Pillar 2 framework, a binding 3% leverage ratio, the introduction of a binding detailed NSFR, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, the MREL framework, the integration of the TLAC standard into EU legislation (see below under "FSB Standard for Total Loss-Absorbing Capacity") and the transposition of the fundamental review of the trading book (FRTB) conclusions into EU legislation. See also the risk factor 7. "The financial services industry is subject to intensive regulation.

Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects" above.

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

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

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

- *Banks Recovery and Resolution Directive*

On 12 June 2014, a directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (2014/59/EU, "**BRRD**") was published in the Official Journal of the European Union. EU Member States were required to adopt and publish the laws, regulations and administrative provisions necessary to implement the BRRD by 31 December 2014 and to apply their implementing measures from 1 January 2015, with the Bail-in Tool for other eligible liabilities to apply from 1 January 2016, at the latest. The measures as set out in the BRRD (including the Bail-in Tool) have been implemented into national law with effect from 26 November 2015.

The BRRD sets out a common European recovery and resolution framework which is composed of three pillars: preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), early intervention powers and resolution powers. The stated aim of BRRD is, similar to the Dutch Intervention Act, to

provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses. It also provides for a national, prefunded resolution fund that each Member State will have to establish and build up. All banks will have to pay into these funds, and contributions will be higher for banks that take more risks.

On 23 November 2016, the European Commission published the EU Banking Reform Proposals which propose to make certain amendments to, amongst others, the BRRD. See also the risk factor "7. *The financial services industry is subject to intensive regulation. Major changes in laws and regulations as well as enforcement action could adversely affect the Issuer's business, financial position, results of operations and prospects*".

*Recovery and resolution plans*

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

The resolution authorities responsible for a resolution in relation to the Issuer will draw up the Issuer's resolution plan providing for resolution actions it may take if the Issuer would fail or would be likely to fail. In drawing up the Issuer's resolution plan, the resolution authorities will identify any material impediments to the Issuer's resolvability. Where necessary, the resolution authorities may require the Issuer to remove such impediments. This may lead to mandatory legal restructuring of the Issuer, which could lead to high transaction costs, or could make the Issuer's business operations or its funding mix to become less optimally composed or more expensive. The resolution authority may also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities (MREL) subject to write-down and conversion powers which the Issuer will be required to meet at all times. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits and its ability to pay dividends. For further information on recovery and resolution plans applicable to the Issuer see the risk factor "*9. Resolution regimes may lead to fewer assets of the Issuer being available to investors for recourse for their claims, and may lead to lower credit ratings and possibly higher cost of funding.*".

*Early intervention*

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

*Resolution measures*

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

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

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

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

***MiFID II***

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

On 15 April 2014 the European Parliament adopted updated rules for investment firms and markets in financial instruments, after an agreement in principle was reached with the Council on 14 January 2014. The new rules, which were published in the Official Journal of the European Union on 12 June 2014, consist of a Directive ("**MiFID II Directive**") and a Regulation with direct force in the EU ("**MiFIR**") (together: "**MiFID II**"). The rules of the MiFID II Directive were initially required to be transposed into EU Member State law by 3 July 2016 and the EU Member States were initially required to apply most of these rules as from 3 January 2017. However, the European legislature has extended the application and transposition dates for most of these MiFID II Directive rules with one year. The new deadline for application of most of these rules of the MiFID II Directive is 3 January 2018. The update covers topics such as market infrastructure, more robust investor protection and strengthened supervisory powers. MiFID II increases equity market transparency and, for the first time, establishes a principle of transparency for non-equity instruments such as bonds and derivatives. Investment firms operating an internal matching system which executes client orders in financial instruments on a multilateral basis may in future be required to seek authorisation as a Multilateral Trading Facility or Organised Trading Facility, a new category of multilateral trading venue through which transactions in non-equity instruments may be executed. To meet the G20 commitments, MiFID II provides for strengthened supervisory powers and a harmonised position limits regime for commodity derivatives to improve transparency, support orderly pricing and prevent market abuse. A new framework will improve conditions for competition in the trading and clearing of financial instruments. MiFID II introduces trading controls for algorithmic trading activities. Stronger investor protection is achieved by introducing better organisational requirements, such as client asset protection or product governance. MiFID II strengthens the existing regime to ensure effective and harmonised administrative sanctions. A harmonised regime for granting access to EU markets for firms from third countries is based on an equivalence assessment of third country jurisdictions by the European Commission. As MiFID II significantly extends not only the scope but also the detail of existing (MiFID) regulations, the Issuer will have to review existing activities and, where necessary, may need to adjust the manner in which it operates. The Issuer is also likely to have to provide more information to its clients, such as about the costs and charges involved in providing investment services.

***EMIR***

Regulation (EU) 648/2012 of 4 July 2012, the European Market Infrastructure Regulation ("**EMIR**"), on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories entered into force on 16 August 2012. Regulatory technical standards supplementing EMIR entered into force on 15 March and 15 September 2013. Further regulatory technical standards supplementing EMIR are to be expected. EMIR introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR also establishes common organisational, conduct of business and prudential standards for central counterparties ("**CCPs**") and trade repositories. The main obligations relevant for ABN AMRO under EMIR are (i) central clearing for certain classes of OTC derivatives, (ii) the application of risk mitigation techniques for non-centrally cleared OTC derivatives and (iii) reporting of both exchange traded and OTC derivatives transactions. EMIR will apply directly to any entity (financial as well as non-financial) established in the EU that has entered into a derivative contract, and applies indirectly to non-EU counterparties trading with EU parties.

For non-centrally cleared OTC derivatives, ABN AMRO will need to comply with certain operational risk management requirements, including timely confirmation, portfolio reconciliation, record keeping and (in future) the increased exchange of collateral. The implementation of EMIR increases ABN AMRO's reporting requirements on outstanding and new derivative contracts. As from 12 February 2014, ABN AMRO is obliged to report both exchange traded and OTC derivative transactions to an authorised or recognised trade repository or (where no trade repository is available to record the details of a derivative contract) to ESMA.

***Packaged Retail and Insurance-based Investment Products***

Packaged Retail and Insurance-based Investment Products ("**PRIIPS**") are investment products offered to retail clients in 'packaged' form, which are exposed to investment risks irrespective of whether the products in question are securities, insurance or banking-based. Investors do not invest directly in the underlying investment products; instead, the provider of the investment product combines, includes or groups together different assets in the packaged product. Such packaged products can be complex for investors to understand. Those selling these products can also face conflicts of interest since they are often remunerated by the product manufacturers rather than directly by the retail investors. A complex patchwork of regulation has developed to address these risks, and inconsistencies and gaps in the patchwork have raised concerns as to the overall effectiveness of the regulatory regime, both in relation to its capacity to protect investors and its ability to ensure the markets work efficiently. These concerns have been further heightened by the impact of the financial crisis.

A regulation on key information documents for packaged retail and insurance-based investment products (Regulation 1286/2014, the "**PRIIPS Regulation**") requires a key information document ("**KID**") to be provided when offering PRIIPS to certain clients. This document must include information on the features, risks and costs. The PRIIPS Regulation covers, among other products, insurance-based investment products, structured investment products and collective investment schemes. The PRIIPS Regulation entered into force on 29 December 2014 and it will apply directly in all Member States from 1 January 2018.

***Mortgage Credit Directive***

The European Parliament has adopted new mortgage lending rules: the Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property adopted on 4 February 2014 (the "**Mortgage Credit Directive**"). The Mortgage Credit Directive aims to afford high level consumer protection throughout the EEA. The directive applies to secured credit and home loans. The main provisions of the directive include consumer information requirements. In the pre-contractual phase, certain standardised information must be included in any advertising for credit agreements detailing information on the interest rate or indicating figures relating to costs. In addition, banks are required to ensure that consumers are provided with personalised information needed to compare mortgage products available in the market. The directive would oblige banks to conduct a documented creditworthiness assessment before granting the loan. The directive also imposes requirements on early repayment. Consumers must have the right to discharge fully or partially their obligations under a credit agreement prior to its expiry. In such cases, the consumer shall be entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract. The changes referred to above may adversely impact the Issuer's business model and may force

the Issuer to make substantial investments to meet the above requirements. The rules pursuant to the Mortgage Credit Directive entered into force on 14 July 2016.

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

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

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

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

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

***Data Protection Regulation***

In 2012 the European Commission presented its proposal to reform the general EU legal framework on the protection of personal data. The main policy objectives in this reform are to: (i) modernise the EU legal system for the protection of personal data, in particular to meet the challenges resulting from globalisation and the use of new technologies, (ii) strengthen individuals' rights and at the same time reduce administrative formalities to ensure a free flow of personal data within the EU and beyond, (iii) improve the clarity and coherence of the EU rules for personal data protection and achieve consistent and effective implementation of the privacy rules and application of the fundamental right to the protection of personal data in all areas of the EU's activities. The European Commission intends to achieve this by substituting the current EU Data Protection Directive of 1995 for a new EU general data protection regulation that will apply directly and uniformly throughout the European Union. This reform will have a major impact on the private sector and provides for significant fines, with fines that could amount to 4% of the worldwide turnover of a company or EUR 20 million, whichever one is higher. The Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**") was adopted on 27 April 2016 and will apply from 25 May 2018. The GDPR, despite being a regulation and not a directive, allows member states to further enact local legislation on a number of aspects. This means that local implementation legislation may be enacted throughout Europe. In The Netherlands, a draft has been published and shortly been open for consultation in which the local legislator makes use of such possibility. It is uncertain when this act will be officially adopted. It is expected to enter into force on 25 May 2018. In parallel with EU legislative amendments to strengthen privacy protection, there are a number of Dutch initiatives in this field that entered into force on 1 January 2016: (i) an amendment of the Dutch Data Protection Act imposing the obligation to report data leaks, with fines up to EUR 450,000 for non-compliance, and (ii) the new power of the Dutch privacy regulator to impose fines of up to EUR 810,000 or 10% of the annual turnover per infringement.

In addition to this, on 10 January 2017 the European Commission published a draft regulation concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (the "**E-Privacy Regulation**"). The E-Privacy Regulation affects in principle only the telecommunications sector, however all other sectors are affected by it to the extent they make use of electronic communication means such as e-mail or telephone, or cookies or other similar techniques for commercial purposes. The fines for infringing the E-Privacy Regulation are the same as those of the GDPR. The text is not yet final and the impact on the industry still needs to be determined. The European Commission, the European Parliament and Council will first need to enter into the tripartite negotiations on the final text. The European Commission urges however the European Parliament and the Council to work swiftly and to ensure its smooth adoption by 25 May 2018, the date as from which the GDPR will apply.

***Financial Transaction Tax***

In February 2013, the EC published a proposed directive for a common Financial Transaction Tax ("**FTT**") to be implemented in 10 participating Member States, being Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the FTT-zone. As at the date of this Prospectus, it has not been proposed that The Netherlands become a participating Member State. On 27 January 2015 ministers of 11 EU Member States (still excluding The Netherlands) issued a joint statement in which they reiterated their commitment to reach an agreement on a financial transaction tax, but no further details were provided. The proposed directive has a very broad scope. Under the proposed directive, the FTT could if introduced in the form proposed in February 2013, *inter alia*, levy a tax on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the FTT-zone. A financial institution may be, or be deemed to be, established in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. Joint statements issued by the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives. However, full details are not yet available. Furthermore, on 8 December 2015 Estonia stated that it will not participate. As of the date of this Prospectus, it is unclear when the FTT will come into force, if at all, and it is unclear what the scope of the FTT would be. If the FTT were to come into force and to the extent the FTT were to apply, the Issuer could incur significant additional costs.

***Other***

Other developments include a proposal adopted by the European Commission on 29 January 2014 for a regulation which would give banks' supervisors the power to require banks to separate certain potentially risky trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability. In addition, the European Commission has adopted an accompanying proposal for a regulation on reporting and transparency of securities financing transactions. This securities financing transaction regulation came into force on 12 January 2016 (Regulation (EU) 2015/2365).

***Supervision of insurance activities***

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

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

insurers to undertake a self-assessment of their risks, corresponding solvency requirements, and adequacy of own funds. The third pillar introduces a greater level of transparency than currently, requiring extensive reporting to supervisory authorities and a solvency and financial condition report to be made public.

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

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

***Insurance brokerage***

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

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

***UCITS V/AIFM Directive/MMFR***

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

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

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

The proposed Money Market Funds Regulation ("**MMFR**") introduces new rules aimed at making money market funds ("**MMFs**") more resilient to crises and at the same time securing their financing role for the

economy. MMFs are either UCITS or AIFs that invest in short-term financial instruments and have specific objectives. The MMFR aims to make MMFs safer and provide for more transparency, investor information and investor protection by requiring MMFs to diversify their asset portfolios, invest in higher-quality assets, follow strict liquidity and concentration requirements and have sound stress testing processes in place. The MMFR is currently in the European legislative process whereas provisional agreement with the European Parliament was reached on 14 November 2016.

***4th EU AML/CFT Directive***

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

**Regulation and supervision in The Netherlands**

***General***

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

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

***Prudential Supervision***

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

***Supervision by DNB***

DNB is required to assist the ECB with the preparation and implementation of any acts relating to the supervisory tasks of the ECB and must follow instructions given by the ECB in that respect. In addition, DNB has remained the competent authority in respect of prudential requirements not having a basis in EU law such as the requirements in respect of customer due diligence and the liquidity requirements other than the liquidity coverage ratio and net stable funding requirements provided for by the CRR. DNB has

also remained the competent authority under other supervisory laws and regulations relevant to ABN AMRO's business, such as anti-money laundering legislation.

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

***Emergencies***

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

***Dutch Intervention Act***

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

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

***Financial Markets Amendment Act 2016***

A consultation document for the Financial Markets Amendment Act 2016 was published on 26 June 2014 and a consultation document for the Financial Markets Amendment Decree 2016 was published on 31 March 2015. The 2016 Amendment Act and Decree entered into force on 1 January 2016. Three of the important changes relate to the introduction of early intervention powers to temporarily dismiss board members of financial institutions should there be doubts about their suitability, the introduction of protection for derivatives transactions counterparties against bankruptcy of intermediaries and the implementation of the conclusions of a review of the Dutch Intervention Act.

***Financial Markets Amendment Decree 2017***

A consultation document for the Financial Markets Amendment Decree 2017 was published on 27 July 2016. The 2017 Amendment Decree is expected to enter into force on 1 July 2017. Two of important changes relate to (i) the extension of the inducement ban for advisors and intermediaries advising on investments in investment funds with a prohibition for such advisors and intermediaries to be paid a fee by the client that is directly debited from the investment account of the client and (ii) the introduction of a requirement for financial institutions providing automated advice to have procedures in place to ensure compliance with the same laws and regulations that apply to advice given in person.

***Mortgage Lending Rules***

In The Netherlands, additional restrictions apply to the principal residence mortgage loan market for individuals. These restrictions have been introduced against the background of a stagnant Dutch economy and in an environment of decreasing house prices and a significant reduction in the volume of houses sold. The maximum loan amount for government-guaranteed mortgage loans (*Nationale Hypotheekgarantie*, "**NHG**") was capped at EUR 245,000 for the year 2016. As per 1 January 2017, the cap is related to the average value of houses. In addition, the Dutch government has further restricted the maximum permissible amount of a mortgage loan to 101% (including 2% transfer tax) of the value of the property as from 1 January 2017 and this maximum will gradually be reduced further by 1% per year to 100% as from 1 January 2018. The lowering of this loan-to-value rate is expected to put further downward pressure on the total outstanding volume of mortgages in The Netherlands which could decrease the size of the Issuer's mortgage portfolio.

In The Netherlands, subject to a number of conditions, mortgage loan interest payments used to be fully deductible from the income of the borrower for income tax purposes. However, new legislation on tax deductibility of new mortgages loans took effect on 1 January 2013. To be eligible for tax deductibility, new mortgage loans must be redeemed fully (100%) during the term of the loan based on an annuity or linear scheme. Existing mortgage loans are not impacted. However, for all mortgage loans, new and existing, tax deductibility will be gradually reduced by 0.5% per year from the current maximum of 50% to a maximum of 38% in 2042. This percentage will however not be reduced below the third bracket (which is 40.80% in 2017) for income tax purposes in any given year. Changes to the deductibility of interest payments may, amongst other things, have an effect on the house prices and the rate of economic recovery on mortgage loans for mortgage loan providers (such as the Issuer) and may result in an increase of defaults, prepayments and repayments of mortgage loans.

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

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

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

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

***Conduct of business supervision***

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

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

***Dutch bank tax***

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

Due to the introduction of the bank tax, ABN AMRO incurred a EUR 112 million surcharge in 2012, a EUR 106 million surcharge in 2013, a EUR 91 million surcharge in 2014, a EUR 98 million surcharge in 2015 and a EUR 98 million surcharge in 2016, increasing expenses and the cost/income ratio. This measure will lead to costs in subsequent years.

***Regulation in the rest of the world***

ABN AMRO's operations elsewhere in the world are subject to regulation and control by local supervisory authorities, and its offices, branches and subsidiaries in such jurisdictions are subject to certain reserve, reporting and control and other requirements imposed by the relevant central banks and regulatory authorities.

***Dodd-Frank Act***

The Dodd-Frank Act covers a broad spectrum of issues ranging from systemic supervision, changes in the regulation of investment advisers and OTC derivatives markets, to measures aimed at improving consumer protection. Most of the impact on ABN AMRO's businesses results from the rules on OTC derivatives that are primarily used in the Markets business. For example, various provisions, such as mandatory clearing of swaps, trade execution through swap execution facilities, and reporting of OTC derivatives, apply to the Issuer when transacting with U.S. persons. Other provisions apply only if ABN AMRO is required to register as a swap entity with the applicable U.S. regulator.

The U.S. Commodity Futures Exchange Commission ("**CFTC**") and the SEC continue to issue regulations to implement the OTC derivatives provisions of the Dodd-Frank Act. The CFTC has issued all of its implementing rules; the SEC has adopted some of its implementing rules, while others have not yet been finalised. The major remaining outstanding rules of the CFTC are those relating to capital of registered swap entities and margin for uncleared swaps. Based on the information gathered to date, the Issuer has not registered as a swap dealer with the CFTC. In August 2015, the SEC adopted final rules and forms for the registration of security-based swap dealers and major security-based swap participants, which became effective in October 2015. The Issuer is monitoring legal developments and OTC derivatives volumes to determine the need for registration.

***FATCA***

FATCA was enacted by U.S. authorities in March 2010. The objective of FATCA is to increase the ability to detect U.S. persons evading tax by holding accounts with non-U.S. (foreign) financial institutions ("**FFI**"). Based on sections 1471-1474 of the Code and Treasury Regulations thereunder, FATCA imposes a 30% withholding tax on U.S. source payments to an FFI, unless the FFI either concludes an agreement with the United States Internal Revenue Service (the "**IRS**"), under which an FFI agrees to comply with certain reporting, client due diligence and withholding requirements (an "**FFI Agreement**") or is based in certain so-called IGA jurisdictions, where the local government has concluded an inter-governmental agreement with the U.S. to facilitate the implementation of FATCA (an "**IGA**"). On 18 December 2013, the U.S. and The Netherlands entered into an IGA. All jurisdictions in which the Issuer operates have substantially concluded an IGA with the U.S.

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

***Information exchange and reporting***

There are various international and EU initiatives on automatic exchange of information for tax purposes (such as the OECD Common Reporting Standard and the amended EU Directive on Administrative Cooperation). These initiatives call on jurisdictions to obtain information from financial institutions such as the Issuer. The information so obtained will be automatically exchanged with other jurisdictions. These initiatives have had and will continue to have considerable impact on client on-boarding and administrative processes of the Issuer. Increasingly, countries in which the Issuer operates request the Issuer to report information in greater detail than had been required, including information related to deposits held, and dividends and interests received, by clients. The manner and detail of reporting requirements differs from country to country. Accordingly, an increasing number of requests are made to the Issuer and entering into relationships with new clients is becoming more complex. Therefore, the Issuer may be required to make significant investments in money and time in order to be able to continue to operate in all countries where it operates.

***Sanctions***

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

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

## 1.9 Legal and arbitration proceedings

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

***Settlement with Ageas***

In 2009, Ageas SA/NV (formerly known as "**Fortis SA/NV**") and ageas N.V. (formerly known as "**Fortis N.V.**") (together, "**Ageas**") initiated legal proceedings against ABN AMRO Capital Finance Ltd, ABN AMRO Bank and the Dutch State claiming EUR 363 million compensation for which Ageas was liable on the cash settlement date. Furthermore, on 7 December 2010 and in accordance with the transaction

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

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

***Madoff fraud***

ABN AMRO Bank, certain of its subsidiaries and some of their client funds had exposure to funds that suffered losses (in some cases, significant losses) as a result of the Madoff fraud. In some instances, ABN AMRO Bank and/or a subsidiary made collateralized loans to client funds that had indirect exposure to Bernard L. Madoff Investment Securities ("**BLMIS**"). In other instances, a subsidiary of ABN AMRO Bank entered into total return swap transactions with client funds that were indirectly exposed to BLMIS, and also purchased reference portfolio interests in funds that were exposed to BLMIS. If those BLMIS exposed funds remain impaired, ABN AMRO Bank estimates that its and its subsidiaries' losses could amount to EUR 922 million as provisionally provided for in 2008. In addition, certain subsidiaries of ABN AMRO Bank provided other services (including custodial and administration services) to client funds that had exposure to BLMIS. The provision of the custodial services has resulted in a number of legal claims, including by BLMIS' trustee in bankruptcy (Irving Picard), and liquidators of certain funds, as they pursue legal actions in attempts to recover payments made as a result of the Madoff fraud and/or to make good their alleged losses. ABN AMRO Bank subsidiaries are defending themselves in these proceedings to which they are defendants. In light of the preliminary status of those 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 collateralized loans and total return swap transactions referred to above. These sales resulted in proceeds of EUR 52 million, EUR 78 million and EUR 253 million, respectively, and an equivalent amount provided for in 2008 was subsequently released.

***Sale of interest rate derivatives***

The sale of derivatives to SME clients has led to complaints and to court cases against financial institutions that sold the derivatives, including ABN AMRO. Multiple lawsuits on the subject are pending or have resulted in settlements or court decisions and Kifid rulings. ABN AMRO is currently involved in a class action that relates to the sale of interest rate derivatives to SMEs. Clients of ABN AMRO have claimed, among other things that the risks relating to the products sold to them were not, or not sufficiently, disclosed, that the products sold to them were not suited for their circumstances, and/or that ABN AMRO owed them a duty of care which ABN AMRO had breached and/or that ABN AMRO was

restricted in exercising their contractual right to increase margin on loans covered by an interest rate swap. The significant losses incurred by Vestia in connection with a substantial derivatives portfolio have for example been prominently reported in the media and multiple proceedings are ongoing to recover losses and other damages from ABN AMRO.

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

For example, the review revealed cases of mismatch between the loan and the interest rate derivative. This could be caused by an early prepayment of the loan or mismatches in other features of the loan and the interest rate derivative. A mismatch could lead to the relevant SME client being overhedged. As a result, these SME clients are faced with a risk exposure which is in most cases equal to the difference between the floating interest rate to be received and the fixed interest rate to be paid in the interest rate derivative, to the extent of the overhedge. To resolve the overhedge situation, the interest rate derivative has to be (partially) unwound. However, as a result of the declining floating interest rates, the interest rate derivative has a negative mark-to-market value. Pursuant to the terms of the interest rate derivatives contract, the mark-to-market value has to be settled by the parties when unwinding interest rate derivatives. This settlement results in a payment obligation by the SME client, which is similar to the penalty paid upon early repayment of an equivalent fixed interest rate loan. ABN AMRO has proactively engaged with all of its SMEs interest rate derivative portfolio clients to discuss the outcome of the review and, if necessary, offer such clients an alternative product or another solution. ABN AMRO has in a number of SME client files agreed to (i) (partially) unwind the interest rate swap and/or (ii) partly compensate the SME clients.

Current proceedings are pending and their outcome, as well as the outcome of any threatened proceedings, is uncertain, as is the timing of reaching any finality on these legal claims and proceedings. The AFM reviewed five client files of non-professional SMEs that bought interest rate derivatives between October 2010 and January 2013. The AFM concluded with respect to these files that ABN AMRO has insufficiently looked after the interests of its clients (breach of duty of care) and that the recordkeeping of ABN AMRO with respect to these files was inadequate. The AFM imposed two fines in relation to these findings. One fine, made public on 23 October 2015, was with respect to recordkeeping and was in the amount of EUR 2 million. The second fine related to the AFM's finding that ABN AMRO had not sufficiently looked after the interests of its clients by not complying with the duty of care provisions relating to investment services set out in the Wft and was in the amount of EUR 750,000. With the publication of the recovery framework for interest rate derivatives on 19 December 2016 (see below), in which ABN AMRO is one of the participants, the AFM has decided to withdraw this second fine as it no longer considers imposition of such fine to be appropriate. Fines such as those mentioned above could lead to increased litigation in respect of interest rate derivatives sold to SMEs.

In December 2015 the AFM concluded that some aspects of the reviews banks were conducting would need to be amended. The AFM instituted a taskforce with the objective to arrive at a uniform solution for all clients and banks. On 1 March 2016, the AFM published a press release and a letter addressed to the Dutch Minister of Finance advising him to appoint a committee of independent experts. On 5 July 2016 this committee of independent experts published its advice on the reassessment of SME and middle market interest rate derivatives and on 19 December 2016 published the final recovery framework. ABN AMRO is adhering to this advice and is participating in the recovery framework. As a result, ABN AMRO increased the provision charged to the results in the second quarter of 2016 by around EUR 360 million (this increase was exclusive of implementation costs). The provision was increased mainly to cover an additional consideration and an expanded scope of the reassessment. Originally, all SME and middle market clients with a current interest rate derivative at 1 April 2014 were in scope of the reassessment. The new recovery framework includes clients who had one or more interest rate derivatives between 1 April 2011 and 1 April 2014. This is a total of around 6,800 clients with some 9,000 derivatives. In addition, clients who had older interest rate derivatives, but terminated them prematurely,

can ask ABN AMRO to be considered for a reassessment provided, among other things, that the interest rate derivative contract was concluded after 1 January 2005 and had an initial contractual expiry date after 1 April 2011.

***DNB thematic review of customer due diligence***

In April 2014, DNB conducted a thematic review into the management of integrity risks and compliance with anti-money laundering laws and regulations at Private Banking in The Netherlands, focusing on customers from countries with a high risk of money laundering. In its inspection of customer files at Private Banking in The Netherlands, DNB found that, in a number of client acceptance files and reviews, the identification and verification of ultimate beneficial owners, source of wealth and/or analysis of tax risks were not documented adequately. ABN AMRO immediately initiated a programme called Vertrouwd en Verantwoord Bankieren (Reliable and Responsible Banking) in The Netherlands aiming to upgrade relevant client acceptance and anti-money laundering policies, to raise awareness amongst staff and to improve the quality of the documentation in customer due diligence files and the risk assessment thereof. DNB imposed an order requesting the remediation of approximately 100,000 customer due diligence files at Private Banking in the Netherlands. Upon completion of the remediation DNB lifted this order in March 2017.

***Dubai branch irregularities***

In October 2015, DNB imposed a fine of EUR 625,000 because ABN AMRO did not comply with its obligation pursuant to article 2 of the Dutch Anti-Money Laundering and Counter-Terrorist Financing Act to make sure that its branch in Dubai would carry out customer due diligence equivalent to the customer due diligence set out in the Dutch Anti-Money Laundering and Counter-Terrorist Financing Act. ABN AMRO's Head Office oversight of the branch was insufficient as it was based on an insufficient identification of inherent money laundering risks at the Dubai branch in relation to its Private Banking clients. As a result ABN AMRO took measures to further strengthen its international governance, in part by tightening reporting lines and escalation procedures to ABN AMRO's head office in Amsterdam.

In November 2015, the Dubai Financial Services Authority ("**DFSA**") imposed a related fine of USD 640,000. The DFSA imposed a fine because it found, amongst other things, that the Dubai branch, over the period January 2013 to December 2014, had not adequately identified and assessed the money laundering risk to which its business was exposed, did not maintain effective policies, systems and controls to prevent money laundering, did not adequately monitor and detect suspicious activity, document customer risk assessments and did not adequately undertake adequate customer due diligence for every customer, including the determination of the source of wealth and funds and enhanced due diligence for customers with a high risk rating. The DFSA directed the Dubai branch to complete its ongoing remediation of its systems and controls related to anti-money laundering and of the customer risk assessment and customer due diligence information it holds for all of its Private Banking clients and to certify the completion of the remediation to the DFSA. ABN AMRO executed a remediation programme to reassess the client portfolio of Private Banking at the Dubai branch aiming to ensure that the customer due diligence files met ABN AMRO's policies and local requirements. In October 2016 the Dubai Branch reported the completion of its remediation programme to the DBSFA.

***Intertrust***

In connection with the sale of ABN AMRO’s 75% share of a trust business to Intertrust N.V. in 2009, ABN AMRO has, in the share purchase agreement, given certain indemnities to Intertrust N.V. Since 2013, litigation has been threatened, but not brought, against the Swiss part of the trust business by one of the latter's clients in connection with an alleged loss of value of certain assets that were allegedly transferred late by the Swiss part of the trust business to this client. The client would have suffered a loss of approximately CHF 62 million excluding interest. In 2014, Intertrust N.V. brought litigation against ABN AMRO and the other seller under the SPA to establish that any damages that Intertrust N.V. might suffer as a result of any claim by the client fall within the scope of the indemnification given by ABN AMRO. As the client has not commenced formal proceedings, Intertrust N.V. and ABN AMRO and the other seller have agreed in 2015 to suspend, for the time being, the proceedings on the scope of the indemnity.

***Adjustment of margin charge on mortgage loans with floating interest rates***

ABN AMRO has sold mortgage loans with floating, often EURIBOR-based, interest rates (close to 1% of the total mortgage portfolio). An important element of the pricing model of these mortgage loans is the ability for ABN AMRO to charge costs - allocated and unallocated - on to its clients by adjusting the margin charge on top of the prevailing floating interest rate. In many of these products, ABN AMRO has structured its ability to do so in provisions in its terms and conditions that allow it to unilaterally adjust pricing or contract terms. As the external funding costs (spread on top of EURIBOR) of ABN AMRO has gone up and ABN AMRO has adjusted the margin charge upward in many cases, ABN AMRO is faced by clients contesting the ability of ABN AMRO to do so. The complaints are based on a number of specific and general legal principles. In 2012, a class action was brought by two foundations (*stichtingen*), Stichting Stop de Banken and Stichting Euribar, in relation to mortgage agreements with a floating interest rate based on EURIBOR, alleging that ABN AMRO was contractually not allowed to unilaterally increase the level of the applicable margin and violated its duty of care. On the same subject, ABN AMRO was found to have violated its duty of care with respect to an individual out of court settlement proceeding by the appeals commission of Kifid. In the meantime, multiple individual proceedings and an additional class action have been initiated against ABN AMRO. In the class action case, the Amsterdam court reached a verdict on 11 November 2015. The court ruled that the various clauses in the conditions pertaining to amendments (amongst others 'the bank is authorised to change the surcharge' or 'the bank is authorised to change the interest rate') are unfair and has quashed these provisions. ABN AMRO was not allowed to unilaterally increase the level of the applicable margin. The court ruled that provisions in the contract relating to the margin adjustments were unfair in light of the EU Directive on unfair terms in consumer contracs. ABN AMRO filed its statement of appeal in February 2016. The foundations filed their (separate) statements of defence in June 2016. The (combined) appeal court hearing took place in January 2017. Both ABN AMRO as well as the two foundations defended their points of view in this matter and the appeal court asked several questions to all parties. The appeal court indicated that their decision is expected in August 2017. ABN AMRO took a provision for Euribor related claims. However, ABN AMRO is unable to accurately assess potential exposures as a result of further potential litigation in reaction of the appeal court's decision. In June 2017 Kifid ruled that an increase of the margin charge of a EURIBOR-based foreign mortgage (based on other general conditions) was not permitted as the condition to amend this margin charge was considered unfair in the light of the same EU Directive. This ruling might have an impact on the appeal court's ruling and might create a precedent for other clients. ABN AMRO is considering its position in regard of this new ruling.

***Transaction reporting***

ABN AMRO conducted an internal review into transaction reporting to the AFM and found that it had not accurately reported or had omitted to report a significant number of financial markets transactions. Transaction reporting is the submission of data to the AFM about financial market transactions which includes details of the product traded, the trade counterparty and the trade characteristics such as buy/sell, price and the quantity concerned. ABN AMRO informed the AFM about the results of its review and back reported the related transactions. In December 2016, the AFM notified ABN AMRO that it intends to impose fines on ABN AMRO for having failed to report a significant number of transactions. It is expected that the AFM will announce its decisions in Q3 2017.

***Imtech***

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

***Stichting Havensteder***

In 2015, housing corporation Stichting Havensteder ("**Havensteder**") wrote a letter to the Issuer containing allegations regarding two loans granted by the Issuer to a legal predecessor of Havensteder. Pursuant to the terms of the two loans, the Issuer has the right to extend the maturity of the loans at a certain date against a certain fixed interest rate. The relevant loans are co-signed and guaranteed by semi-public institution WSW (*Waarborgfonds Sociale Woningbouw*). Havensteder claims that the loans are void on the basis of (*inter alia*) error and abuse of circumstances. In addition, Havensteder holds the Issuer liable for consequential damages as a result of, among other things, an alleged breach of duty of care. Havensteder claims an amount of EUR 60 million, being the alleged actual termination value of the relevant loans.

***Partner Logistics***

In August 2016, the Issuer received a writ of summons from an indirect shareholder of the Issuer's former clients Partner Logistics Group B.V. and Partner Logistics Europe B.V. Both companies declared bankruptcy in the course of 2012. The indirect shareholder now alleges that the Issuer has acted wrongfully in the context of the bankruptcy of both companies and claims damages allegedly suffered by it in the amount of EUR 200 million. In response to the writ of summons, the Issuer filed its statement of defence with the Amsterdam court on 18 January 2017. The court has ordered another round of pleadings. The indirect shareholders will have to file their statement of reply in the course of August 2017 after which ABN AMRO will have to file its statement of rejoinder in the course of September or October 2017.

***Etesco Millennium – Trese***

Nazca Floatel B.V. ("**Nazca**"), an indirect subsidiary of ABN AMRO, owned Etesco Millennium ("**EM**"), an offshore accommodation platform Nazca acquired legal ownership of EM as a result of collateral execution in connection with a loan granted to the previous owner of EM. Nazca let EM out as a bareboat charter to Trese, a Mexican company. After Trese defaulted on multiple occasions on its payments, Nazca terminated the bareboat charter on 5 February 2015. Trese initiated arbitration proceedings against Nazca before the London Court of International Arbitration for a claim in an amount in excess of USD 65 million due, inter alia, to an alleged unlawful termination of the bareboat charter. Nazca has filed a counterclaim in the arbitration proceedings in an amount in excess of USD 75 million. Nazca and Trese settled the disputes on 7 October 2016, and the arbitration proceedings have been terminated.

***Claims relating to the history of ABN AMRO***

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

In December 2016 ABN AMRO and RBS agreed that ABN AMRO should be released from the arbitration proceedings with costs to be paid to ABN AMRO. The proceedings will continue against the Dutch State and Ageas. A consent order has been issued by the arbitral tribunal and ABN AMRO has now been formally released. Similarly, in the Belgian court proceedings, ABN AMRO has been released from the proceedings with costs to be paid to ABN AMRO.

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

***Discussions with tax authorities in Switzerland and Germany***

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

In Germany, a subsidiary previously owned by a subsidiary of FBNH sold shares in a Luxembourg entity by way of a management buy-out, which held the shares in a different German company (referred to, for purposes of this section, as the "**German company**"). ABN AMRO assumed the German company's tax liabilities in the merger with FBNH. In 2012, the German tax authorities issued notices to the German company of intent to reclaim dividend withholding tax amounts claimed by the German company in the years 2007 through 2009. ABN AMRO has filed objections against these notices, which are still subject to discussion. ABN AMRO has paid amounts in relation to these notices in the first quarter of 2017. ABN AMRO understands investigations are currently being conducted by German authorities into equity arbitrage trading extending over dividend record dates by various banks and other parties. ABN AMRO has received information requests from authorities in respect of such customer dealings in the past, and it cannot be excluded that ABN AMRO might be affected by official investigations in the future. ABN AMRO could become subject to requests to pay taxes and interest, as well as possible other sanctions, which may be material.

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

***Sentinel***

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

***Ciccolella***

ABN AMRO had granted credit facilities to Ciccolella Holding International B.V. and its subsidiaries, which were active in the flower trade business. As Ciccolella Holding International B.V. made losses and had liquidity issues, ABN AMRO terminated the facilities. Ciccolella Holding International B.V. and its subsidiaries were declared bankrupt in February 2013. The listed parent company of Ciccolella Holding International B.V. and one of its subsidiaries have brought proceedings against ABN AMRO and certain other parties on the basis of tort law principles. ABN AMRO would have contributed to the liquidity crisis as a result of not granting sufficient credit under the credit facilities. The amounts claimed are substantial. ABN AMRO was summoned before an Italian District Court. In May 2016 the Italian Supreme Court judged that the Italian Courts have no jurisdiction in this matter. The Issuer views the possibility of ABN AMRO being summoned before a Dutch court as remote.

***Indemnity to the Dutch State***

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

***ICS***

ICS, the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio and its internal processes and IT systems. ICS allowed credit limits to a number of its clients above their lending capacities. ICS has prepared a redress scheme that contains remedial measures for affected clients. ICS started the implementation of this scheme in March 2017. ICS has taken provisions for this redress scheme in the fourth quarter of 2016. ICS reported these issues to the AFM. On 15 June 2017 the AFM announced that it is imposing a fine of EUR 2.4 on ICS for excessive credit limits.

### 1.10 Material Agreements

The following agreement has been entered into by ABN AMRO other than in the ordinary course of business and is material to ABN AMRO's business operations as of the date of this Registration Document.

***IBM Global Master Services Agreement***

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

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

### 1.11 Recent developments

ABN AMRO was previously organised into Retail Banking, Private Banking, Corporate Banking and Group Functions. This segmentation was implemented during the course of 2014. Currently ABN AMRO is in a state of transition whereby it is amending its segmentation. On 6 February 2017 ABN AMRO announced a new management structure. This new management structure includes an Executive Board at both ABN AMRO Group N.V. and ABN AMRO Bank N.V. levels and an Executive Committee at ABN AMRO Bank N.V. level. Under this new management structure ABN AMRO is organized into Retail Banking, Commercial Banking, Corporate & Institutional Banking, Private Banking, Finance, Risk Management, Technology & Innovation and HR & Transformation. This structure will become formally operational once the approvals for the relevant appointments – to the extent required – are received from the regulators.

At the start, the Executive Board consists of Mr Kees van Dijkhuizen as CEO, Mr Johan van Hall as Vice Chairman, Mr Wietze Reehoorn as CRO and the CFO to be appointed (see also the paragraph below). Mr Johan van Hall will also be responsible for the portfolio Technology & Innovation. The statutory Executive Board in its final form will consist of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO).

ABN AMRO Bank N.V.'s Executive Committee consists of the members of the Executive Board together with six other members, and is chaired by the CEO. In the Executive Committee structure the number of represented business lines is doubled (Retail Banking, Commercial Banking, Corporate & Institutional Banking and Private Banking) and also includes two roles with bank-wide responsibilities (Technology & Innovation and HR & Transformation).

On 15 May 2017 ABN AMRO announced that it intends to appoint Mr Clifford Abrahams as member of the Executive Board and CFO of ABN AMRO effective 1 September 2017. On 15 May 2017 ABN AMRO also announced its intention to appoint Ms Tanja Cuppen as member of the Executive Board effective 1 October 2017. Following a hand-over period with Mr Wietze Reehoorn, ABN AMRO's Supervisory Board intends to appoint Ms Cuppen as the new CRO of ABN AMRO, effective 1 November 2017. Mr Wietze Reehoorn has agreed to resign from the Executive Board that same date. The nominations of Mr Abrahams and Ms Cuppen are subject to approval by the ECB and advice from ABN AMRO's employee council.

The following persons have been appointed to the Executive Committee:

- CEO Retail Banking: Mr Frans van der Horst
- CEO Commercial Banking: Ms Daphne de Kluis
- CEO Corporate & Institutional Banking: Mr Rutger van Nouhuijs
- CEO Private Banking: Mr Pieter van Mierlo
- Chief HR & Transformation; Mr Gert-Jan Meppelink

## 2. SHAREHOLDER, GROUP AND CONTROL

### 2.1 Shareholder

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

As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by two foundations: NLFI and STAK AAG. NLFI holds 63% and STAK AAG holds 37% of the

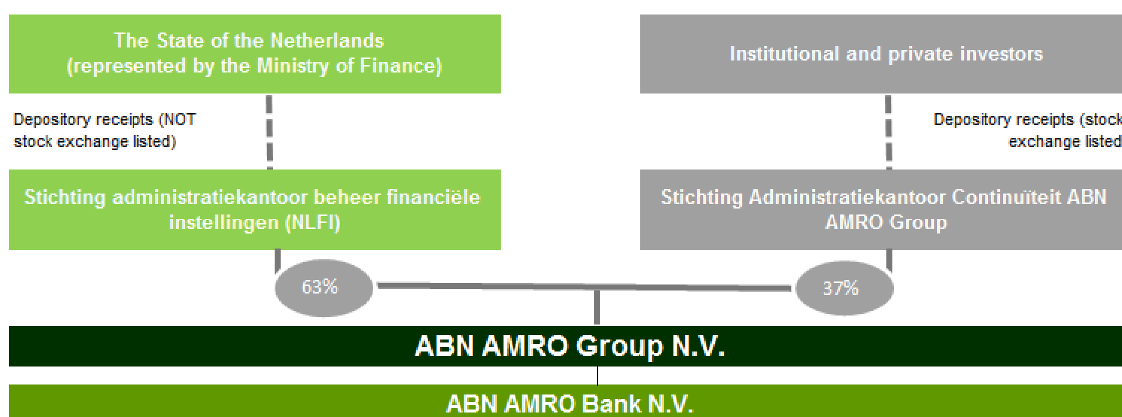
shares in the issued capital of ABN AMRO Group N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Group N.V. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group N.V. and traded on Euronext Amsterdam.

As of the date of this Registration Document, 63% of the shares in the capital of ABN AMRO Group N.V. are held by NLFI. As such NLFI holds a total voting interest of 63% in ABN AMRO Group N.V. NLFI is responsible for managing these shares representing 63% of the shares in the capital of ABN AMRO Group N.V. and exercising its rights associated with these shares under Dutch law, including voting rights. Material or principal decisions require the prior approval of the Dutch Minister of Finance, who can also give binding voting instructions with respect to such decisions. NLFI is not permitted to dispose of or encumber the shares, except pursuant to an authorization from and on behalf of the Dutch Minister of Finance.

NLFI issued exchangeable depositary receipts for 63% of the shares (without the cooperation of ABN AMRO Group N.V.) to the Dutch State. As holder of 63% of the exchangeable depositary receipts, the Dutch State holds an indirect economic interest of 63% in ABN AMRO Group N.V.

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

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

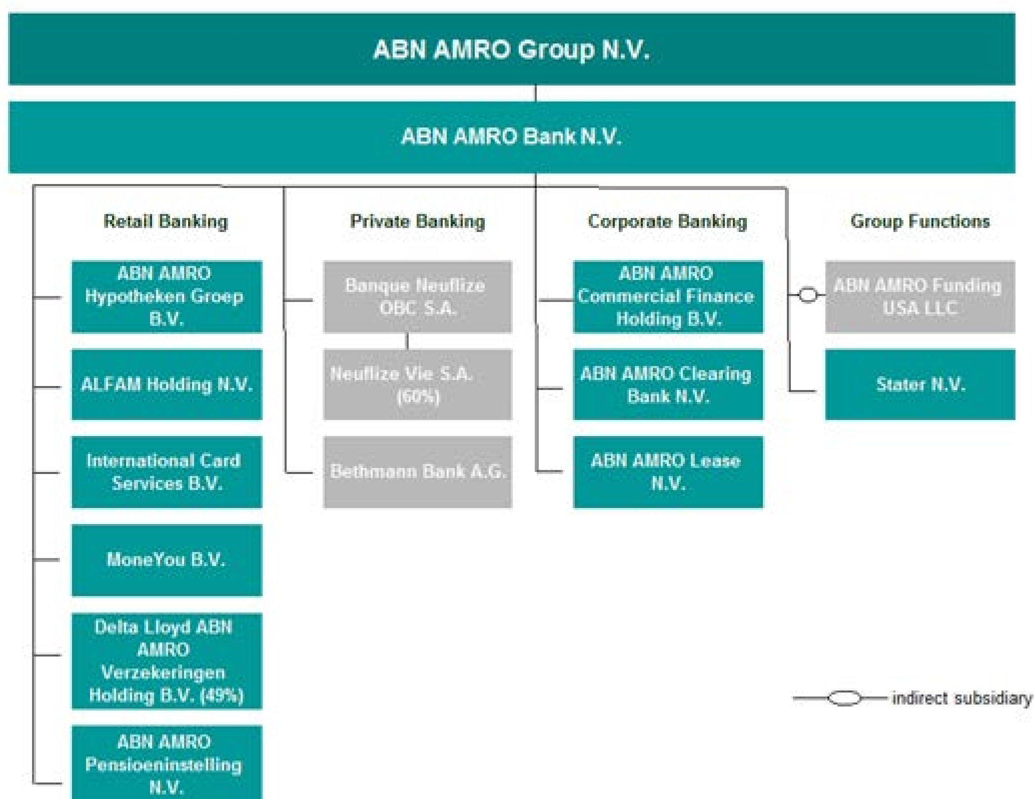



## 2.2 Group Governance

ABN AMRO Group N.V. is a public company with limited liability incorporated on 18 December 2009 under the laws of The Netherlands. The company has a two-tier board consisting of a Supervisory Board and an Executive Board. As noted in "*5. The Issuer— 1. ABN AMRO Bank N.V. - 3. Management and Governance*", the memberships of the Supervisory Boards of ABN AMRO Group N.V. and ABN AMRO Bank are the same as are the memberships of the Executive Boards of ABN AMRO Group N.V. and ABN AMRO Bank and the committees of these boards.

## 2.3 Structure

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




## 2.4 Control

Until 29 September 2011, the Dutch State had direct control over ABN AMRO. On 29 September 2011, all shares in the capital of ABN AMRO Group N.V. held by the Dutch State were transferred to NLFI, as described above. The Dutch State is not involved in the day-to-day management of ABN AMRO.

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

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

On 17 November 2016 NLFI, on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 77% to 70%. Following the settlement, the STAK AAG held 30% of the shares.

On 28 June 2017 NLFI, on behalf of the Dutch state, agreed to sell additional depositary receipts representing shares in ABN AMRO Group N.V. Following the settlement, the stake of NLFI declined from 70% to 63%. The STAK AAG subsequently holds 37% of the shares.

The Minister of Finance remains responsible for selling the shares held by NLFI. NLFI's objects therefore exclude disposing of and encumbering the shares, except pursuant to authorization from the Minister of Finance. One of NLFI's objects is to advise the Minister of Finance on the Dutch State's sale of the shares.

In addition, pursuant to the articles of association of NLFI, the Minister of Finance establishes the conditions for administration and custody of the shares. Any principal and material decisions of NLFI require the prior approval of the Minister of Finance. The Minister of Finance is able to provide binding voting instructions with respect to material and principal decisions.

### 2.5 Share capital of ABN AMRO Group N.V.

As at 31 December 2016, the authorised share capital of ABN AMRO Group N.V. amounted to EUR 4.7 billion distributed over 4,500,000,000 ordinary shares and 200,000,000 class B ordinary shares.

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

As at 31 December 2016, issued and paid-up capital by ABN AMRO Group N.V. consisted of 940,000,001 ordinary shares (EUR 940 million).

## 3. MANAGEMENT AND GOVERNANCE

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

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

***Responsibilities of the Supervisory Board***

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

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

**Composition of the Supervisory Board**

The following persons are appointed as members of the Supervisory Board, (an overview of their principal activities outside of ABN AMRO is included)[5]:

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

| Name | Appointment date | Positions held | Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO |
|---|---|---|---|
| Olga Zoutendijk, *Chairman* | 1 July 2014 | *Last position: Member of the Wholesale Banking global executive committee, Senior Managing Director and Group Head of Wholesale Banking, Asia at Standard Chartered Bank.* | *Supervisory position:* Member of Supervisory Council, Universiteit Leiden |
| Steven ten Have<br><br>*Vice-Chairman* | 30 March 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Current position:* Partner with Ten Have Change Management and full professor of Strategy & Change Management/ Director of the Msc.-programme Change Management at Vrije Universiteit Amsterdam. | *Supervisory position:* Chairman of Supervisory Board, Software Improvement Group (SIG) B.V.<br><br>*Other positions:*Member of the Education Council of The Netherlands<br><br>Chairman of Stichting "Center for Evidenced Based Management"<br><br>Deputy expert member of Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal) |
| Arjen Dorland | 18 May 2016 | *Last position:* Executive Vice President of Technical and Competitive IT, Royal Dutch Shell. | *Supervisory position:* Member of Supervisory Council, Stichting Naturalis Biodiversity Center |
| Frederieke Leeflang | 18 May 2016 | *Current position:* Lawyer, Competition and European law at Boekel N.V. | *Supervisory positions:* Member (vice chairperson) of Supervisory Council, Onderwijsstichting Zelfstandige Gymnasia (Educational Foundation of Independent Gymnasia)<br><br>Member of Supervisory Council, Stichting KWF Kankerbestrijding (Dutch Cancer Society)<br><br>Member of Audit Advisory Committee of the Dutch Court of Audit (Algemene Rekenkamer) |

| Name | Appointment date | Positions held | Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO |
|---|---|---|---|
| | | | *Other positions:* Chairperson of Advisory Council, Centrum Indicatiestelling Zorg (CIZ, Care Assessment Centre)<br><br>Board member of De Amsterdamse Kring<br><br>Board member (vice chairperson) of Amsterdam Diner Foundation<br><br>Various lectureships at the Nederlandse Orde van Advocaten (Dutch Bar Association), Elsevier, Kluwer and OSR |
| Annemieke Roobeek | 30 March 2010<br><br>Reappointed on 30 May 2017 for such period until the new member shall be appointed (such period, for the avoidance of doubt, in any event not being longer than 4 years) | *Current position:* Professor of Strategy and Transformation Management at (Nyenrode Business Universiteit) and director and owner of MeetingMoreMinds B.V., owner of Open Dialogue B.V. and co-owner of XL Labs B.V. | *Supervisory positions*: Member of Supervisory Board, Abbott Healthcare Products B.V.<br><br>Member of Supervisory Board, KLM N.V.<br><br>*Other positions:* Chairperson of PGGM Advisory Board for Responsible Investment<br><br>Chairperson of Stichting INSID, Institute for sustainable innovation & development directed by His Royal Highness Prince Carlos de Bourbon Parme<br><br>Member "Raad van Eigen Wijzen" CPI Governance<br><br>Member, International Advisory Board of Howaldt & Co, Hamburg, Germany |
| Jurgen Stegmann | 12 August 2016 | *Current position:* Director and owner Stegmanagement B.V.<br><br>*Last position:* Chief Financial Officer at Robeco Groep N.V. | *Supervisory positions:* Member Supervisory Board, Stichting Woonstad Rotterdam<br><br>Member Supervisory Board, Janssen de Jong Groep B.V. |
| Tjalling Tiemstra | 18 May 2016 | *Current position:* Director and owner, Drs J.S.T. Tiemstra | *Supervisory positions:* Member Supervisory Board, DKG |

| Name | Appointment date | Positions held | Principal affiliations outside ABN AMRO which are significant with respect to ABN AMRO |
|---|---|---|---|
| | | Management Services B.V.<br><br>*Last position:* Chief Financial Officer of Hagemeyer N.V. | Holding B.V.<br><br>Member Supervisory Board, Stichting Reinier de Graaf HAGA Groep<br><br>Member Supervisory Board, Royal Haskoning DHV B.V.<br><br>*Other positions:* Board member, Stichting Continuïteit KBW N.V. (Continuity Foundation Koninklijke Boskalis Westminster)<br><br>Board member, Stichting Preferente Aandelen (Preference Shares) Wolters Kluwer<br><br>Board member, Stichting Administratie Kantoor van Aandelen N.V. Twentsche Kabel Holding (Administration Office for Shares)<br><br>Member Advisory Board, Dienst Uitvoering Onderwijs (DUO) (Education Executive Agency of the Dutch Ministry of Education, Culture and Science<br><br>Member Monitoringcommissie Code Pensioenfondsen (Monitoring Committee Dutch Pension Funds Code)<br><br>Member Advisory Board, Court of Justice of Rotterdam<br><br>Deputy expert member, Ondernemingskamer Gerechtshof Amsterdam (Court of Enterprise at the Amsterdam Court of Appeal)<br><br>Chairman, Governance, Risk & Compliance Committee of Nederlandse Beroepsorganisatie van Accountants (NBA) (Dutch Institute of Chartered Accountants) |

***Activities of the Supervisory Board***

The Supervisory Board of ABN AMRO has three committees:

*Audit Committee*

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

*Remuneration, Selection & Nomination Committee*

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

*Risk & Capital Committee*

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

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

***Responsibilities of the Executive Board***

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

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

*Composition of the Executive Board*

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

| Name | Date of Appointment | Principal activities performed outside ABN AMRO which are significant with respect to ABN AMRO |
|---|---|---|
| Kees van Dijkhuizen, *CEO and Chairman* | 1 May 2013 | *Other positions:* Chairman, Government Committee on Export, Import and Investment Guarantees<br><br>Member, AFM Capital Market Committee<br><br>Board Member, Dutch Banking Association |
| Johan van Hall, *Chief Operating Officer & Vice-Chairman* | 18 December 2009<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Supervisory positions:* Member of Supervisory Board, equensWorldline (pan-European payment processor)<br><br>Vice-chairman, Advisory Committee of Centraal Bureau voor de Statistiek CBS (Statistics Netherlands)<br><br>Member Supervisory Council School, Christelijk Voortgezet Onderwijs Baarn/Soest<br><br>*Other positions:* Board member, Nyenrode International Advisory Board<br><br>Member NBA Signaleringsraad (Dutch professional organisation for accountants)<br><br>Chairman, Stichting ABN "AMRO Support for India" |
| Wietze Reehoorn, *Chief Risk Officer* | 1 April 2010<br><br>Reappointed on 10 April 2014 for a period of 4 years | *Supervisory positions:* Member of Supervisory Council, Rijksuniversiteit Groningen<br><br>Member of Supervisory Board, Stichting Amsterdam Institute of Finance (AIF)<br><br>Member Supervisory Council, Stichting Topsport Community<br><br>Member Supervisory Council, Frans Halsmuseum<br><br>*Other positions:* Board member, Abe Bonnema Stichting |

## 3.3 Conflict of interest and address information

There are no actual or potential conflicts of interest between the duties to ABN AMRO Group N.V. and/or ABN AMRO Bank of the members of the Executive Board and the Supervisory Board set out

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

above and their private interests and/or duties which are of material significance to ABN AMRO Group N.V. and/or ABN AMRO Bank and any of such members.

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

# 6. OPERATING AND FINANCIAL REVIEW

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

*Results of operations are presented based on underlying results. Underlying results are non-IFRS measures and have not been audited or reviewed. Management believes these underlying results provide a better understanding of the underlying trends in financial performance. The underlying results have been derived by adjusting the reported results, which are reported in accordance with IFRS, for defined Special Items.*

*These non-IFRS financial measures are not measures of financial performance under IFRS and should not be considered as an alternative to any IFRS financial measure. In addition, such measures, as defined by ABN AMRO, may not be comparable to other similarly titled measures used by other companies, because the abovementioned non-IFRS financial measures are not uniformly defined and other companies may calculate them in a different manner than ABN AMRO does, limiting their usefulness as comparative measures. ABN AMRO believes that these non-IFRS measures are important in order to understand ABN AMRO's performance and capital position.*

*The reported results for the years ended as at 31 December 2016, 2015 and 2014 which are included in this Operating and Financial Review are derived from the audited financial statements.*

*Prior to the implementation of the new management structure as announced on 6 February 2017 (see section 1.11 "Recent developments"), ABN AMRO was organised into Retail Banking, Private Banking, Corporate Banking and Group Functions. Corporate Banking comprised of three business lines: Commercial Clients, International Clients, and Capital Market Solutions. The reported and underlying results for the years ended as at 31 December 2016, 2015 and 2014 which are included in this Operating and Financial Review reflect ABN AMRO's segmentation as at 31 December 2016.*

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

## 6.1 Presentation of Financial Information

***Consolidated Annual Financial Statements 2016 and 2015***

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

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

The Consolidated Annual Financial Statements of ABN AMRO Group N.V. are prepared on the going concern assumption. The Annual Financial Statements are presented in euros, which is the reporting currency of ABN AMRO, rounded to the nearest million (unless otherwise stated).

***Changes in accounting policies 2016***

During 2016 ABN AMRO adopted the following amendments and interpretations:

- IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements;
- IAS 1 Presentation of Financial Statements: Disclosure Initiative;
- Annual Improvements to IFRSs 2012-2014 Cycle;
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation;
- IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.

Implementation of these amendments has no, or no material effect on the Annual Financial Statements of ABN AMRO Group.

***New standards, amendments and interpretations not yet effective***

The following amendments to IFRSs are issued by the IASB and endorsed by the EU, but are not yet effective. The amendments are required to be applied as from 1 January 2018. Note that only the amendments to IFRSs that are relevant for ABN AMRO are discussed below.

In June 2016 the IASB issued amendments to IFRS 2 Share-based Payments: Classification and Measurement of Share-based Payment Transactions. The issuance consists of three amendments that clarify how to account for certain types of share-based payment transactions. Based on our initial analysis performed the amendments will not have any impact.

IFRS 9 financial instruments was endorsed by the EU in November 2016. This endorsement means that IFRS 9 will apply to ABN AMRO from 1 January 2018 onwards.

IFRS 9 will replace the current standard for recognition and measurement of financial instruments (IAS 39). ABN AMRO is well on its way in implementing IFRS 9. IFRS 9 will have an effect in two areas: classification and measurement of financial instruments and impairment. ABN AMRO has thus far chosen not to apply the IFRS 9 guidance on hedge accounting as this does not cover the majority ABN AMRO's hedging programmes (the so-called macro-hedge).

The impact on the financial statements is expected to be largest for the changes to the impairment model. IFRS 9 replaces the 'incurred loss' model with the 'expected credit loss model' which is designed to be more forward-looking. The result of this forward-looking approach will be higher loan loss impairments and corresponding lower equity. In 2016, ABN AMRO developed the key elements of the IFRS 9 expected loss calculation. Separate IFRS 9 expected loss models have been developed (mainly an expected loss model for instruments valued at amortised cost and an expected loss model for instruments valued at fair value through OCI). The IFRS 9 expected loss model is developed alongside the stress testing methodology and incorporates forward looking information based on the concepts of this methodology. In general, three different scenarios of future economic developments will be incorporated in a probability weighted manner into the IFRS 9 expected loss calculation. These scenarios will be approved by the Scenario and Stress Testing Committee. ABN AMRO has aligned its forward looking scenarios, with those used in the budgeting process. ABN AMRO also made key choices in determining when credit risk of financial assets has increased significantly. The probability of default and certain qualitative triggers will be used to determine if credit risk has increased significantly. Furthermore, in general ABN AMRO will apply backstop of 30 days overdue as a trigger of significantly increased credit risk. Further calibration of these triggers is still needed and ABN AMRO is using an IFRS 9 impact assessment tool to carry out this calibration.

The state of the economy and the related uncertainty at 1 January 2018 is relevant to the impact of IFRS 9 on the CET 1 ratio. With the implementation of IFRS 9, the currently expected loss shortfall of EUR 298

million as reported in fully-loaded CET1 is expected to dampen the impact of IFRS 9. With a fully-loaded CET1 ratio of 17.0%, ABN AMRO feels confident it is sufficiently capitalised for the implementation of IFRS 9. ABN AMRO is in favour of the debate to neutralise the impact of IFRS 9 on CET1 capital and supports the discussions on the development of the regulatory expected loss concept.

In 2016 ABN AMRO finalised its analysis for classification and measurement. Reclassifications of financial instruments are limited and mainly result in a transfer of specific assets from amortised cost measurement to fair value through profit or loss measurement. The impact of these revised classifications on the CET1 ratio is expected to be limited. ABN AMRO has thus far chosen to continue to measure its current available-for-sale bonds portfolio at fair value through equity (other comprehensive income). The reported available-for-sale reserve of EUR 557 million will therefore continue to be reported as part of equity under IFRS 9 and hence will not impact CET1 ratios.

In 2017, ABN AMRO will focus on finalising the interaction of the IFRS 9 impairment model components, finalising the appropriate governance structure going forward, transferring the IFRS 9 implementation from the IFRS 9 project to business as usual and perform a parallel run.

IFRS 15 Revenue from contracts with customers. This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. It is effective for annual periods beginning on or after 1 January 2018. ABN AMRO is currently assessing the impact of the new standard.

***Offsetting treatment of notional cash pool agreements and bank saving mortgages***

As a result of an IFRIC rejection notice of 6 April 2016, ABN AMRO adjusted its accounting policy for offsetting. ABN AMRO offsets balances if it is legally entitled to set off the recognised amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

The IFRIC rejection notice provides additional offsetting guidance for cash pooling agreements. The adjusted offsetting policy is applied consistently to all assets and liabilities, if applicable. In order to meet the revised offsetting requirements, ABN AMRO adjusted the offsetting procedures for most notional cash pooling agreements throughout 2016. Historic figures have been adjusted accordingly. Some agreements were replaced with alternative arrangements. As a result, notional cash pooling balances that cannot be supported with a settlement of those balances closely after the reporting date are presented gross. At year-end 2016 this resulted in an increase of EUR 1.7 billion in the loans and receivables - customers balance and the due to customers balance (2015: EUR 15.5 billion). The majority of the EUR 13.8 billion decrease in loans and receivables - customers and due to customers over 2016 can be explained by adjusted offsetting procedures.

In addition to the offsetting changes on notional cash pooling, ABN AMRO concluded that offsetting is no longer applied to bank saving mortgages. As a result, bank saving mortgages are presented gross. Historic figures have been adjusted accordingly. This resulted in an increase in the loans and receivables - customers balance and the due to customers balance of EUR 1.8 billion at 31 December 2016 (2015: EUR 1.5 billion).

***Changes in accounting policies 2015***

In 2015 ABN AMRO adopted the following amendments to IFRS:

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

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

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

## 6.2. Key factors affecting results of operations

### Drivers of Profitability

The profitability of ABN AMRO is mainly affected by the following key income and expense drivers as well as loan impairments, as specified below.

***Key drivers of operating income***

The Group's operating income mainly results from interest-based business and fee and commission-based business.

***Interest-based business***

Interest-based revenue is the largest contributor to ABN AMRO's operating income generating 73% of total operating income in 2016 and 72% of total operating income in 2015. The Group earns interest (Interest income) on assets such as residential mortgages, consumer loans, commercial loans and other assets. The Group pays interest (Interest expense) on its liabilities to depositors and other creditors. Net interest income is the difference between interest income and interest expenses. In 2016, Retail Banking generated 53% of ABN AMRO's net interest income, Corporate Banking 36% and Private Banking 10%. In 2015, Retail Banking generated 54% of ABN AMRO's net interest income, Corporate Banking 35%, Private Banking 10% and Group Functions 1%.

The Group's net interest income is driven by the combination of the proceeds of lending and the cost of funding (through deposits and wholesale funding). The asset side of the balance sheet is generally less sensitive to changes in interest rates compared to the liability side of the balance sheet. This is due to the fact that a significant proportion of the assets have a longer term fixed interest and maturity whereas liabilities typically have a shorter term or no maturity and variable interest rates, and thus re-price quickly in reaction to a change in market interest rates. Interest increases will therefore initially have a negative effect on net interest income. The net interest income can be analysed by two components: the net interest income generated through business activities and the ALM mismatch result.

Net interest income from business activities comprises the business margin as well as capital[7] and indirect liquidity[8] costs. The business margin is defined as the margin the business makes on granting loans to or taking in deposits from clients as well as interest related fees, for example commitment fees charged on current accounts. The business margin should cover the required return on allocated equity and all remaining operational and risk costs borne by the business. To be able to determine the business margin, the related cost of funding is needed. ALM charges (in case of an asset) or compensates (in case of a liability) the cost of funds to the business, which is done through the funds transfer pricing (FTP) methodology. The Group's policy is that interest rate risk and liquidity risk related to the interest-based business is managed centrally by ALM within Group Functions and that the business is responsible for the business margin. To enable ALM to manage these risks, the risks are transferred from the business to ALM by application of the FTP methodology. This means that these risks taken by the businesses need to be transferred to ALM in order to have a full overview of ABN AMRO's position. The FTP is comprised of an interest base rate (e.g. EURIBOR/LIBOR), based on the interest maturity of the transaction and a liquidity spread, based on the contractual or behavioural maturity of the transaction. Business segments either pay the FTP rate, for loans and other receivables, or receive the FTP rate, for deposits, to ALM. The mismatch in maturities between assets and liabilities is managed centrally by ALM and the resultant

[7] Capital costs are costs incurred by ALM for maintaining capital buffers on top of equity. These costs are not part of the FTP and are charged lump sum by ALM to the business.

[8] Indirect liquidity costs are costs incurred by ALM for maintaining a liquidity buffer. These costs are not part of the FTP and are charged lump sum by ALM to the business.

interest mismatch position is defined as the interest results recorded in ALM. Generally the steering of the interest mismatch position is done via hedging transactions, with the aim to reduce the sensitivity of the net interest income to future interest rates moves. From time-to-time, ABN AMRO could anticipate future interest rate moves and may try to enhance its interest income by taking certain positions in the swap market, for example.

***Fee and commission-based business***

The secondary contributor to ABN AMRO's operating income is its fee and commission-based business generating 20% of total Group operating income in 2016 and 22% of total Group operating income in 2015. Fee and commission income can arise as compensation for services provided by ABN AMRO to its clients. This income can arise from transaction services, asset management services, payment services or other services. The profitability of fee and commission-based businesses depends on fees and commissions charged to the client for providing these services and the related fee and commission expenses incurred by ABN AMRO. In 2016, Corporate Banking generated 43% of ABN AMRO's net fee and commission income, Private Banking 33%, Retail Banking 27% and Group Functions -3%. In 2015, Corporate Banking generated 41% of ABN AMRO's net fee and commission income, Private Banking 34%, Retail Banking 29% and Group Functions -4%.

Within ABN AMRO the main fee contributors are:

1. *Transaction fees on securities*

Transaction fees on securities are fees charged to clients for executing buying or selling securities by order of clients. The majority of these transaction fees on securities arises from ABN AMRO's Clearing activities and Private Banking.

2. *Payment services fees*

Payment services fees are generated from providing payment products and services to clients. These concern products and services facilitating efficient payment transactions, such as debit and credit cards, acceptance of cash and non-cash payments (e.g. cheque), granting of bank guarantees, and the offering of bank accounts. This type of fees arises mainly from Retail Banking and Corporate Banking Clients.

3. *Asset Management fees*

Asset Management fees arise mainly from discretionary portfolio management, where the client hands over all assets to be managed by ABN AMRO, and investment advisory, where ABN AMRO advises the client on how to manage his or her assets. The main contributor to asset management fees come from Private Banking:

- Discretionary portfolio management fees are generated from an all-in fee. An all-in fee means that no additional charges are levied on top of the fee paid for the investment services. The fee is a fixed percentage over the asset value. The percentage is based on the total asset value of the client and the risk profile of the client.

- Investment advisory fees arise from either an all-in fee or an advice fee. The main difference between all-in fee and advice fee is that transaction costs are included in the all-in fee and are charged separately as a transaction fee in the latter.

4. *Guarantees and commitment fees*

A guarantee given by ABN AMRO is mainly paid for by a one-off percentage of the guaranteed limit. A commitment fee is the pricing of the unutilized portion of a credit facility. These type of fees arise predominantly in Corporate Banking.

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

***Key drivers of operating expenses***

***Personnel expenses***

Banking is a human capital intensive business, as it is, for an important part, a relationship driven business with increasing compliance and risk management requirements. Therefore, personnel expenses contribute significantly to ABN AMRO's expenses and amounted to 49% of the Group's operating expenses in 2016 and 48% of the Group's operating expenses in 2015. This means that ABN AMRO is dependent on conditions and trends in local labour markets, primarily the Dutch market. Personnel expenses comprise of all expenses related to personnel on the payroll of ABN AMRO and consists of fixed salary, employer social security charges, employee benefits (e.g. pension premiums, jubilee benefits) and variable remuneration. Expenses related to personnel not on ABN AMRO's payroll, such as external consultants and temporary staff, are included in general and administrative expenses.

The majority of the Group's personnel expenses consist of salaries and wages in addition to pension expenses.

***General and administrative expenses***

Financial services companies typically have relatively large fixed operating costs related to automated product and transaction systems, that bear little to no direct relationship with the business volume. This means that an increase in the business volume may not be fully translated into expense growth, and vice versa. Expense savings mainly comes from the periodic improvement of the efficiency of administrative processes and systems.

The majority of General and administrative expenses relate to information technology followed by agency staff, contractors and consultancy costs. General and administrative expenses amounted to 47% of the ABN AMRO's operating expenses in 2016 and 49% of the ABN AMRO's operating expenses in 2015.

Regulatory charges have increased significantly in the period under review and are expected to increase further. Regulatory charges are all expenses directly charged by regulatory or supervisory institutions to ABN AMRO (see also "*Key Factors Affecting Financial Condition and Results of Operations"* and "*Regulatory Developments*" below). Regulatory charges mainly comprise of:

***Bank tax***

Following the 2008 financial crisis, several countries introduced additional charges to the financial services industry. These charges are commonly known as bank taxes. Bank taxes are paid to local tax authorities. The amount of Dutch Bank tax to be paid is based upon the preceding December adjusted IFRS consolidated balance sheet total of ABN AMRO. In addition to the Dutch Bank tax, ABN AMRO is liable to bank taxes in several other jurisdictions.

As from 2015 and beyond, the following additional regulatory charges are charged to ABN AMRO:

***Deposit Guarantee Scheme***

As of 1 July 2015, banks gathering guaranteed deposits under a Dutch banking license are required by law to fund the Dutch Deposit Guarantee Scheme. The contributions are based on the level of deposits guaranteed and the risk profile of ABN AMRO, as determined by the regulator. The contribution of ABN AMRO to the Dutch Deposit Guarantee Schema have to be paid quarterly. The Group is also subject to several deposit guarantee schemes outside the Netherlands. For countries other than the Netherlands, the contributions and terms and conditions can differ from the Dutch Deposit Guarantee Scheme.

***National Resolution Fund and Single Resolution Fund***

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

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

***European Central Bank***

As of 4 November 2014 the European Central Bank assumed supervisory oversight of ABN AMRO in a joint supervisory team with the Dutch Central Bank. Since 2015 onwards, ABN AMRO has been required to pay a yearly contribution for this supervision. In addition to the abovementioned regulatory charges, ABN AMRO has seen an increase of costs related to implementation and compliance with new regulations.

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

The Group's results of operations are also affected by the level of impairment charges on loans and other receivables. These impairment charges result from changes in the quality of assets, in particular in Retail Banking and Corporate Banking. The quality of assets are impacted by the economic developments in general and the housing market in particular, as the mortgage portfolio counts for more than 55% of ABN AMRO's loan book (as defined by total loans and receivables - customers) for the year ended 31 December 2016. Impairment charges on loans and other receivables are closely related to the interest-based business, as it is based on credit risk and compensation for credit risk is charged to the client as part of the business margin on interest-earning assets.

***Key Factors Affecting Financial Condition and Results of Operations***

The Group's business and performance, including its results of operations, are affected by Dutch, European and global economic and market conditions and future economic prospects, particularly in the Netherlands in which ABN AMRO's operating income is predominantly generated (80% for the year ended 31 December 2016 based on underlying results).

The Group's operations are also affected by the developments in the Dutch housing and mortgage market with 37% of total assets of ABN AMRO for the year ended 31 December 2016 consisting of residential mortgages. Finally, regulatory developments in Europe and the Netherlands have also had an impact on ABN AMRO's financial results and are expected to continue to affect the results of ABN AMRO in the near future.

**Economic developments**

The US economy strengthened during 2016 as the energy sector stabilised and there was a positive inventory cycle in the manufacturing sector. The Chinese economy also stabilized in 2016, in part due to fiscal stimulus. Global financial markets improved significantly towards the end of 2016, although the volatility of financial markets in 2016 was evidenced by the fluctuations in the Amsterdam Exchange index, moving between 383 and 482. Nevertheless, the improvement of financial markets in the latter half of 2016 suggested that markets were not greatly affected by the unexpected political unrest of 2016 (e.g. Brexit, US elections, Italian referendum).

The European Central Bank maintained a highly relaxed monetary policy in 2016. By contrast, the US Federal Reserve raised its federal funds rate by 25 basis points in December 2016.[9] Inflation in the US was still low, but the job market improved considerably. The Eurozone had fewer instances of domestic inflation, in part due to poor growth. Separately, yields in the capital markets rose in the Eurozone in the final months of the year under the influence of rising interest rates in the US.

The Dutch economy grew by 2.1% in 2016, as compared to growth of 1.9% in 2015. Both years saw growth in all areas of spending and Dutch exports performed well despite more modest growth in global trade. Fixed investment rose significantly, mainly because residential construction activity continued to increase sharply as a result of the continued recovery of the housing market. Corporate investment rose more than 4% in 2016. Household consumption rose by approximately 1.5% due in part to significant improvements in purchasing power and an increase in the number of employed people in 2016.[10]

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[9] https://www.federalreserve.gov/monetarypolicy/openmarket.htm

[10] Thomson Reuters Datastream.

The housing market continued its positive resurgence in 2016. The number of homes sold was 20%[11] higher in 2016 than it was in 2015. This growth was experienced in all provinces of the Netherlands and in several larger cities there were signs that demand was outpacing supply. National house prices rose by almost 7% between December 2015 and December 2016. At the end of 2016, the national price level was 14% higher than the low point in 2013. However, it was still 11% below the peak point in 2008. The steady decline in the number of homes for sale indicates an intensifying housing shortage. Low mortgage interest rates are largely responsible for this spike in demand and subsequent shortage but other factors that contributed to the increase in national house prices include macro-economic growth as well as backlog demand and rent increases of recent years.

The amount of outstanding loans to Dutch businesses by banks in the Netherlands has shrunk continuously since July 2013, perhaps due to large companies' preference for issuing bonds over borrowing on bank credit. The pace of the decline of total outstanding bank loans to businesses diminished during 2016. On the other hand, mortgage lending to households by banks has hovered around zero growth for the past three years. In this market, the market share of institutional investors has increased substantially.

**Regulatory developments**

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

## 6.3 Explanation of key income statement items

***Operating income***

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

***Net interest income***

ABN AMRO applies IAS 39 Financial Instruments: Recognition and Measurement. Interest income and expenses are recognised in the income statement on an accrual basis for all financial instruments using the effective interest rate method except for those financial instruments held for trading. The effective interest rate method allocates interest, amortisation of any discount or premium or other differences, including transaction costs and qualifying fees and commissions over the expected lives of the assets and liabilities. The effective interest rate 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 ABN AMRO's results or financial position. Interest income and expenses of trading balances are included in net trading income.

***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.

[11] Dutch Land Registry (*Kadaster*).

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

- The fees are realised, or realisable and earned;
- The earnings process is completed by performing according to the terms of the arrangements, not simply by originating a revenue-generating arrangement;
- If services are rendered or rights to use assets extend continuously over time (for example, interest or rent), and when reliable measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

***Other operating income***

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

***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 which are trading financial assets and liabilities, interest income and expenses related to trading financial assets and liabilities, dividends received from trading instruments and related funding costs. Dividend income from trading instruments is recognised when entitlement is established. Net trading income also includes changes in fair value arising from changes in counterparty credit spreads and changes in own credit spreads where these impact the value of our trading liabilities. The funding value adjustment incorporates the incremental cost of funding into the valuation of uncollateralised and partly collateralised derivatives.

***Share of result in equity accounted investments***

Share of result in equity accounted investments comprises ABN AMRO's share of the profit or loss of equity accounted investments.

***Other income***

Other income includes all other banking activities such as leasing activities and results on the disposal of assets. It also includes the change in fair value of derivatives used for risk management purposes that do not meet the requirements of IAS 39 for hedge accounting, ineffectiveness of hedging programmes, fair value changes relating to assets and liabilities designated at fair value through profit or loss, and changes in the value of any related derivatives. For liabilities designated at fair value through profit or loss, it includes changes in own credit spreads. Dividend income from non-trading equity investments is recognised when entitlement is established.

***Operating expenses***

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

***Personnel expenses***

Salaries and wages, social security charges and other salary-related costs are recognised over the period in which the employees provide the services to which the payments relate.

***Other expenses***

Other expenses comprises general and administrative expenses and depreciation and amortisation of tangible and intangible assets. General and administrative expenses includes, among other items, agency staff, contractors, consultancy, staff related, IT, housing, post, telephone, transportation and marketing costs. Regulatory charges, including Dutch bank tax is also included in general and administrative expenses. Depreciation and amortization of tangible and intangible assets includes depreciation on tangible assets, amortisation on intangible assets and impairment losses on tangible and intangible assets.

***Operating result***

Result from operating activities, defined as the net result of operating income and operating expenses.

***Impairment charges on loans and other receivables***

Impairment charges on loans and other receivables consist of impairment losses on loans and other receivables. These impairment losses are defined as the difference between the carrying amount of a loan classified as impaired and the present value of estimated future cash flows on the loan. Impairment losses on property and equipment, goodwill and other intangible assets, are not included under impairment charges on loans and other receivables but recognised in the income statement as depreciation and amortisation expense. For more information regarding impairment charges, please see "*Annual Report 2016 – Risk, funding & capital – Risk & capital management – Credit risk management*".

***Operating profit/(loss) before taxation***

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

***Income tax expense***

ABN AMRO is subject to income taxes in numerous jurisdictions. Income tax expense consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise.

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

Profit or loss for the period is defined as the profit or loss before tax less income tax expenses or credit.

## 6.4 Results of operations for the years ended 31 December 2016 and 2015

Unless otherwise stated, results of operations are presented based on underlying results, which are derived by adjusting the results reported in accordance with IFRS for defined Special Items, discussed below. Management believes these non-IFRS underlying results provide a better understanding of the underlying trends in financial performance as compared to results that have been prepared in accordance with IFRS. The tables below shows a reconciliation of ABN AMRO's reported and underlying results of operations for the years ended 31 December 2016 and 31 December 2015. Underlying results are non-IFRS measures and have not been audited.

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

| | **Year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2016** | | | **2015** | | |
| | **Reported** | **Special items** | **Underlying** | **Reported** | **Special items** | **Underlying** |
| | | | *(in millions of euros)* | | | |
| Net interest income | 6,267 | -10 | 6,277 | 6,076 | – | 6,076 |
| Net fee and commission income | 1,743 | | 1,743 | 1,829 | – | 1,829 |
| Other operating income | 217 | -351 | 568 | 550 | – | 550 |
| *Operating income* | *8,227* | *-361* | *8,558* | *8,455* | – | *8,455* |
| Personnel expenses | 2,777 | | 2,777 | 2,492 | - | 2,492 |
| Other expenses | 2,880 | | 2,880 | 2,736 | - | 2,736 |
| Operating expenses | 5,657 | | 5,657 | 5,228 | - | 5,228 |
| ***Operating result*** | ***2,570*** | ***-361*** | ***2,931*** | ***3,227*** | **-** | ***3,227*** |
| Impairment charges on loans and other receivables | 114 | | 114 | 505 | – | 505 |
| ***Operating profit/(loss) before taxation*** | ***2,**456 | ***-361*** | 2,817 | ***2,722*** | **-** | ***2,722*** |
| Income tax expense | 650 | -90 | 740 | 798 | - | 798 |
| **Profit/(loss) for the period** | **1,806** | **-271** | **2,076** | **1,924** | **-** | **1,924** |

### *Impact of Special Items*

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| **Operating income** | | |
| SME derivatives | -361 | |
| *Total impact on Operating income* | *-361* | |
| Operating expenses | — | |
| **Total impact on Operating expenses** | — | |
| **Total impact on Loan impairments** | | |
| **Loan impairments** | | |
| **Total impact on income tax expense** | **-90** | |
| **Total impact on result for the period** | **-271** | |

### *Selected consolidated Financial Information*

The table below summarizes the Group's results of operations on an underlying basis for the years ended 31 December 2016 and 31 December 2015.

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Net interest income | 6,277 | 6,076 |
| Net fee and commission income | 1,743 | 1,829 |
| Other operating income | 568 | 550 |
| *Operating income* | *8,588* | *8,455* |
| Personnel expenses | 2,777 | 2,492 |
| Other expenses | 2,880 | 2,736 |
| Operating expenses | 5,657 | 5,228 |
| ***Operating result*** | ***2,931*** | ***3,227*** |
| Impairment charges on loans and other receivables | 114 | 505 |
| ***Operating profit/(loss) before taxation*** | ***2,817*** | ***2,722*** |
| Income tax expense | 740 | 798 |
| **Underlying profit/(loss) for the period** | **2,076** | **1,924** |
| Special items | **-271** | - |
| ***Reported profit/(loss) for the period*** | ***1,806*** | ***1,924*** |
| Of which Non-controlling interests | **1** | 5 |

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Net interest margin (NIM) (in bps) [1] | 152 | 146 |
| Underlying cost/income ratio | 65.9% | 61.8% |
| Underlying cost of risk (in bps) [1][2] | 4 | 19 |
| Underlying return on average Equity[3] | 11.8% | 12.0% |
| Underlying earnings per share (in EUR)[4] | 2.16 | 2.03 |

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Client Assets[5] (in billions) | 322.7 | 313.5 |
| FTEs | 21,664 | 22,048 |

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

(2) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(3) Underlying profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.

(4) Underlying profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

(5) Clients Assets consist of assets including investment funds and assets of private individuals and institutions, which are professionally managed with the aim of maximising the investment result. Client Assets also include cash and securities of clients held on accounts with ABN AMRO.

*Underlying profit/(loss) for the period*

ABN AMRO's underlying profit for 2016 was EUR 2,076 million, an increase of EUR 152 million compared with 2015. Significantly lower impairment charges and higher operating income were partly offset by higher expenses, mainly related to restructuring provisions in Q3 and Q4 2016.

*Reported profit/(loss) for the period*

Reported profit for 2016 amounted to EUR 1,806 million and includes an addition to the provision for SME derivatives related issues of EUR 271 million net of tax, recorded in Q2 2016. The difference between underlying and reported results is shown in the table Reconciliation from underlying to reported results.

In December 2016 a final version of the settlement for SME derivatives-related issues was presented by the committee of independent experts. A new element in the Uniform Recovery Framework is that all files and client compensation proposals must be reviewed by independent external parties. This additional review will lead to higher-than-expected execution costs for which we recorded a provision of EUR 55 million in 2016 (in other expenses of Corporate Banking). In addition, the existing provision for compensation has been increased throughout 2016 by EUR 35 million (EUR 10 million in net interest income and EUR 25 million in other operating income of Corporate Banking). The total provision for compensation for SME derivatives-related issues taken in 2015 and 2016 amounts to EUR 520 million. This was recorded primarily in other operating income and, to a lesser extent, Net interest income. In Q2 2016, the addition to the provision of EUR 361 million was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the Uniform Recovery Framework.

International Card Services (ICS), the credit card business of ABN AMRO, has identified certain issues in its credit lending portfolio. A number of clients were given a credit facility above their lending capacity. This has been reported to the AFM, and the clients who were affected will be compensated. A provision of EUR 47 million was recorded in Q4 2016 (in net interest income). In addition to the compensation, a provision of EUR 16 million has been recorded (in other expenses) for execution costs. ICS is part of Retail Banking.

The underlying return on equity (ROE) decreased slightly to 11.8% in 2016 as compared with 12.0% in 2015; 2016 included higher restructuring costs as well as lower impairments.

*Operating income*

Operating income was EUR 8,588 million in 2016 compared with EUR 8,455 million in 2015. The increase in net interest income was partly offset by lower net fee and commission income.

*Net interest income*

Net interest income went up by EUR 201 million to EUR 6,277 million in 2016. The increase was recorded in all business segments and was primarily due to improved margins on residential mortgages, corporate loans and deposits (as well as higher volumes). Moreover, 2016 was not impacted as strongly by negative incidental items as 2015 was. Consumer loans saw lower volumes and margins.

*Net fee and commission income*

Net fee and commission income, at EUR 1,743 million in 2016, was EUR 86 million lower than in 2015. This was mainly related to uncertainty and volatility in the financial markets which negatively impacted Private Banking in particular and, to a lesser extent, Retail Banking. The decline in fee income at Retail Banking was also caused by a reduction of client rates for payment packages in 2016.

*Other operating income*

Other operating income came to EUR 568 million in 2016, up from EUR 550 million in 2015. This was partly due to book profits/revaluation gains on stakes in Visa Europe (EUR 116 million) and Equens (EUR 52 million). Both years included provisions for SME derivatives-related issues as well as tax-exempt provisions related to the part of securities financing activities discontinued in 2009. CVA/DVA/FVA results (EUR 2 million negative in 2016 versus EUR 76 million positive in 2015), Equity Participations results (EUR 13 million in 2016 versus EUR 98 million in 2015) and hedge accounting-related results (EUR 39 million in 2016 versus EUR 182 million in 2015) were all lower.

*Personnel expenses*

Personnel expenses were EUR 2,777 million in 2016 an increase of EUR 285 million compared with 2015. The increase was due to EUR 321 million of restructuring provisions related to the announced reorganisation of the control and support activities (Q3 2016) and digitalisation and process optimisation (Q4 2016). This was partly offset by several smaller restructuring provisions recorded in 2015.

*Other expenses*

Other expenses rose by EUR 144 million to EUR 2,880 million in 2016. The increase was partly related to EUR 33 million higher regulatory levies booked in 2016. Regulatory levies amounted to a total of EUR 253 million in 2016 consisting of EUR 66 million for the Single Resolution Fund (including a EUR 32 million refund on the 2015 payment), EUR 98 million for the bank tax and EUR 90 million for the Deposit Guarantee Scheme. A total of approximately EUR 295 million of regulatory levies is expected for 2017.

Excluding regulatory levies, other expenses increased by EUR 111 million. The increase was largely due to provisions for SME derivatives-related issues (EUR 55 million), ICS (EUR 16 million) and restructuring provision for office space (EUR 27 million). This was partly offset by strict cost control and the favourable settlement of an insurance claim at Private Banking (EUR 24 million).

Last year included a EUR 35 million favourable release related to DSB and a VAT return, partly offset by a final settlement (EUR 55 million) with Vestia (a Dutch housing corporation).

*Operating result*

The operating result decreased by EUR 296 million compared with 2015 and the cost/income ratio deteriorated by 4.1 percentage points to 65.9% in 2016 from 61.8% in 2015. Excluding the EUR 348 million restructuring provisions related to the cost saving initiatives the underlying cost/income ratio ended at 61.8%, which is similar to 2015.

*Impairment charges on loans and other receivables*

Impairment charges on loans and other receivables were EUR 114 million in 2016 compared with EUR 505 million in 2015. Continued improvement of economic conditions in the Netherlands resulted in EUR 210 million lower additions and EUR 185 million higher releases of impairments previously taken. Both years recorded significant IBNI releases. Impairment charges on residential mortgages were limited in 2016 but higher than in 2015 due to considerable IBNI releases in 2015. The cost of risk for mortgages was 4bps in 2016. Impairment charges on corporate loans decreased in 2016. Commercial Clients recorded releases while International Clients had higher impairment charges, mainly in ECT Clients (EUR 209 million in 2016 versus EUR 128 million in 2015).

*The cost of risk*

The cost of risk was 4 bps in 2016, down from 19 bps in 2015.

*Income tax expenses*

The effective tax rate in 2016 was 26% versus 29% in 2015. The effective tax rate in 2015 was negatively impacted by a reassessment of our tax position.

***Selected Consolidated Balance Sheet Movements***

| | As at 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Assets: | | |
| Cash and balances at central banks | 21,861 | 26,195 |
| Financial assets held for trading | 1,607 | 1,706 |
| Derivatives | 14,384 | 19,138 |
| Financial investments | 45,497 | 40,542 |
| Securities financing[(1)] | 17,589 | 20,062 |
| Loans and receivables – banks | 13,485 | 15,680 |
| Loans and receivables – customers[(2)] | 267,679 | 276,375 |
| Other | 12,380 | 7,676 |
| **Total assets[(2)]** | **394,482** | **407,373** |
| Liabilities: | | |
| Financial liabilities held for trading | 791 | 459 |
| Derivatives | 14,526 | 22,425 |
| Securities financing[(1)] | 11,625 | 11,372 |
| Due to banks | 13,419 | 14,630 |
| Due to customers[(2)] | 228,758 | 247,353 |
| Issued debt | 81,278 | 76,207 |
| Subordinated liabilities | 11,171 | 9,708 |
| Other | 13,976 | 7,635 |
| *Total liabilities[(2)]* | *375,544* | *389,789* |
| Equity: | | |
| Equity attributable to owners of the parent company | 17,939 | 16,575 |
| Capital securities | 993 | 993 |
| Equity attributable to non-controlling interests | 5 | 17 |
| *Total equity[(2)]* | *18,937* | *17,584* |
| **Total liabilities and equity[(2)]** | **394,482** | **407,373** |
| Committed credit facilities | 27,299 | 21,559 |
| Guarantees and other commitments | 15,873 | 13,868 |

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

(2) These figures have been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

*Total assets*

Total assets decreased by EUR 12.9 billion to EUR 394.5 billion at 31 December 2016 from EUR 407.4 billion at 31 December 2015. Excluding netting adjustments, total assets increased by EUR 0.7 billion. This was mainly due to an increase in loans and receivables - customers and financial investments, partly offset by lower derivative assets and cash and balances with central banks.

*Cash and balances at central banks*

Cash and balances at central banks decreased by EUR 4.3 billion to EUR 21.9 billion at 31 December 2016 from EUR 26.2 billion at 31 December 2015. This reflected a shift to financial investments (higher yields).

*Financial assets held for trading*

Financial assets held for trading decreased to EUR 1.6 billion at 31 December 2016 from EUR 1.7 billion at 31 December 2015.

*Derivative assets*

Derivatives decreased by EUR 4.8 billion to EUR 14.4 billion (of which EUR 11.5 billion trading and EUR 2.9 billion non-trading) at 31 December 2016 from EUR 19.1 billion at 31 December 2015 on the back of mid- to long-term interest rate movements impacting the fair value of derivatives. This is also observed in derivative liabilities.

*Financial investments*

Financial investments increased by EUR 5.0 billion to EUR 45.5 billion at 31 December 2016 from EUR 40.5 billion at 31 December 2015. After a period of lack of new short-term bonds with a yield higher than the overnight ECB deposit rate, a shift from cash into financial investments took place as of March 2016.

*Securities financing*

Securities financing decreased by EUR 2.5 billion to EUR 17.6 billion at 31 December 2016 from EUR 20.1 billion at 31 December 2015.

*Loans and receivables – banks*

Loans and receivables – banks decreased by EUR 2.2 billion to EUR 13.5 billion at 31 December 2016 from EUR 15.7 billion at 31 December 2015.

*Loans and receivables – customers*

Loans and receivables – customers decreased by EUR 8.7 billion to EUR 267.7 billion at 31 December 2016 compared to EUR 276.4 billion at 31 December 2015. Excluding netting adjustments, loans and receivables – customers increased by EUR 4.9 billion. Following the announcement in December on the intended sale of private banking activities in Asia and the Middle East,

these client assets are classified as held for sale (other assets). This has an impact on client loans (loans and receivables - customers) of EUR 3.4 billion negative (EUR 1.6 billion negative consumer loans and EUR 1.8 billion negative corporate loans) at 31 December 2016. All further remarks are based on the table below (excluding netting adjustments, including the held for sale reclassification).

Residential mortgages increased by EUR 0.5 billion. New mortgage production grew on the back of low mortgage interest rates, insufficient residential construction activity and more favourable economic conditions in the Netherlands. The market share in new production increased to 21.9%[12] (2015: 19.9%). Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Consumer loans decreased by EUR 2.6 billion to EUR 12.5 billion at 31 December 2016, of which EUR 1.6 billion outflow related to the reclassification of the private banking activities in Asia and the Middle East, compared to EUR 15.1 billion at 31 December 2015.

Corporate loans to clients (excluding netting adjustments) increased by EUR 4.4 billion to EUR 82.6 billion at 31 December 2016 compared to EUR 78.2 billion at 31 December 2015, largely due to an increase in loans at International Clients (mainly ECT Clients). Growth over 2016, especially in the fourth quarter, was supported by an increase in oil prices, leading to higher utilisation of credit lines for commodity clients, and the strengthening of the US dollar.

*Other assets*

Other assets increased by EUR 4.7 billion to EUR 12.4 billion following the held for sale reclassification.

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[12] Dutch Land Registry (*Kadaster*)

***Loans and receivables – customers***

| | As at 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Residential mortgages[1] | 147,472 | 146,932 |
| Consumer loans | 12,539 | 15,147 |
| Corporate loans to clients (excluding netting adjustment) [1] [2] | 82,640 | 78,195 |
| *Total client loans (excluding netting adjustment)* [1] [3] | *242,651* | *240,274* |
| Netting adjustment | 3,505 | 17,056 |
| Total client loans[3] | 246,156 | 257,330 |
| Loans to professional counterparties | 12,947 | 12,194 |
| Other loans[4] | 7,448 | 6,356 |
| *Total loans and receivables*[2] | *266,551* | *275,881* |
| Fair value adjustments from hedge accounting | 4,794 | 4,850 |
| Less: loan impairment allowance | 3,666 | 4,355 |
| **Total loans and receivables – customers** | **267,679** | **276,375** |

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".
(2) Corporate loans excluding loans to professional counterparties
(3) Gross carrying amount excluding fair value adjustment from hedge accounting.
(4) Other loans consists of loans and receivables to government, official institutions and financial markets parties.

*Total liabilities*

Total liabilities decreased by EUR 14.2 billion to EUR 375.5 billion at 31 December 2016 compared with EUR 389.8 billion at 31 December 2015. Excluding netting adjustments, total liabilities decreased by EUR 0.7 billion. The decrease in due to customers and derivatives was partly offset by higher issued debt and other liabilities.

*Financial liabilities held for trading*

Financial liabilities held for trading increased by EUR 332 million to EUR 791 million at 31 December 2016 from EUR 459 million at 31 December 2015.

*Derivative liabilities*

Derivatives decreased by EUR 7.9 billion to EUR 14.5 billion (of which EUR 9.5 billion trading and EUR 5.0 billion non-trading) at 31 December 2016 from EUR 22.4 billion at 31 December 2015. This was caused by mid- to long-term interest and FX rates movements impacting the valuation of derivatives. This is also observed in derivative assets.

*Securities financing*

Securities financing increased by EUR 0.2 billion to EUR 11.6 billion at 31 December 2016 from EUR 11.4 billion at 31 December 2015.

*Due to banks*

Due to banks decreased by EUR 1.2 billion to EUR 13.4 billion at 31 December 2016 from EUR 14.6 billion at 31 December 2015.

*Due to customers*

Due to customers decreased by EUR 18.6 billion to EUR 228.8 billion at 31 December 2016 from EUR 247.4 billion at 31 December 2015. Excluding netting adjustments, Due to customers decreased by EUR 5.0 billion to EUR 225.3 billion. A decline was recorded at Private Banking, largely due to a reclassification of the private banking activities in Asia and the Middle East to other liabilities, that impacted due to customers by EUR 5.7 billion negative. Due to customers at Corporate Banking

decreased by EUR 2.2 billion, partly due to charging negative rates to a wider range of clients compared with 2015. Furthermore, due to customers at Corporate Banking is more volatile by nature due to third-party banking clients. Both were partly offset by an increase in due to customers at Retail Banking of EUR 2.3 billion, partly related to an increase in deposits at MoneYou.

***Due to customers***

| | As at 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Retail Banking[1] | 100,967 | 98,674 |
| Private Banking | 61,825 | 66,465 |
| Corporate Banking[1] | 60,653 | 62,850 |
| Group Functions | 1,808 | 2,308 |
| ***Total Due to customers (excluding netting adjustment)*** [1] | ***225,253*** | ***230,296*** |
| Netting adjustment | 3,505 | 17,056 |
| **Total Due to customers** | **228,758** | **247,353** |

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

*Issued debt*

Issued debt increased by EUR 5.1 billion to EUR 81.3 billion at 31 December 2016 compared with EUR 76.2 billion at 31 December 2015 as short-term funding increased, partly offset by lower long-term funding.

*Subordinated liabilities*

Subordinated liabilities increased by EUR 1.5 billion to EUR 11.2 billion at 31 December 2016 from EUR 9.7 billion at 31 December 2015 as a result of three Tier 2 capital issuances of in total EUR 2.4 billion in 2016.

*Total equity*

Total equity increased by EUR 1.4 billion to EUR 18.9 billion at 31 December 2016 as compared with EUR 17.6 billion at 31 December 2015 mainly due to the inclusion of reported profit for 2016, partly offset by dividend payments.

## Results of Operations by Segment for the Years Ended 31 December 2016 and 2015

The sections below summarises ABN AMRO's results of operations by segment for the years ended 31 December 2016 and 31 December 2015.

***Retail Banking***

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

The table below summarises the Retail Banking segment's results for the years ended 31 December 2016 and 31 December 2015.

***Retail Banking: Selected Financial Information***

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Net interest income | 3,355 | 3,302 |
| Net fee and commission income | 463 | 527 |
| Other operating income | 140 | 25 |
| *Operating income* | *3,959* | *3,853* |
| Personnel expenses | 470 | 487 |
| Other expenses | 1,741 | 1,619 |
| Operating expenses | 2,211 | 2,106 |
| ***Operating result*** | ***1,747*** | ***1,748*** |
| Impairment charges on loans and other receivables | 79 | 99 |
| ***Operating profit/(loss) before taxation*** | ***1,669*** | ***1,649*** |
| Income tax expense | 422 | 423 |
| **Underlying profit/(loss) for the period** | **1,247** | **1,226** |
| Special items | | – |
| **Reported profit/(loss) for the period** | **1,247** | **1,226** |

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Underlying cost/income ratio | 55.9% | 54.6% |
| Underlying cost of risk[1,2] (in bps) | 5 | 6 |

(1) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(2) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Loan-to-Deposit ratio[1] | 152% | 152% |
| Loans and receivables – customers (excluding netting adjustment, in billions) [1] | 154.5 | 154.2 |
| Due to customers (excluding netting adjustment, in billions) [1] | 101.0 | 98.7 |
| Risk-weighted assets (risk exposure amount; in billions) | 31.8 | 34.8 |
| FTEs (in bps) | 5,266 | 5,844 |

(1) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

*Underlying profit/(loss) for the period*

Retail Banking's underlying profit increased by EUR 21 million to EUR 1,247 million in 2016. This increase was mainly the result of the gain on the sale of Visa Europe and lower impairment charges, partly offset by higher regulatory levies and higher (allocated) project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme).

*Net interest income*

Net interest income increased by EUR 53 million to EUR 3,355 million in 2016 as compared with 2015. This improvement can largely be attributed to a provision for inconsistencies in interest calculations between ABN AMRO and its business partners regarding one of the mortgage products which was booked in 2015 (EUR 29 million) and partly released in 2016. Net interest income in 2016 was negatively

impacted by a provision for ICS (EUR 47 million) while 2015 included a provision for Euribor mortgages (EUR 41 million).

Margins on residential mortgages continued to improve in 2016 as the impact of repricing of the mortgage book in recent years continued to benefit net interest income. Net interest income on consumer loans decreased due to lower average loan volumes and decreased margins. Net interest income on deposits increased compared with 2015 due to higher margins and higher average deposit volumes.

*Net fee and commission income*

Net fee and commission income decreased by EUR 64 million compared with 2015, due in part to a reduction of fees charged for payment packages. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact as well.

*Other operating income*

Other operating income increased by EUR 115 million, to EUR 140 million in 2016 when compared to 2015. This was mainly due to a profit (EUR 101 million) related to the gain on the sale of Visa Europe.

*Personnel expenses*

Personnel expenses decreased to EUR 470 million in 2016 compared with EUR 487 million in 2015. The number of FTEs in Retail Banking decreased in 2016 due to a reduction in the number of branches and a transfer of employees to Private Banking related to the lower threshold for Private Banking clients.

*Other expenses*

Other expenses increased to EUR 1,741 million in 2016. This was largely due to an increase in regulatory levies (EUR 136 million in 2016 compared with EUR 87 million in 2015) and higher (allocated) project costs related to the continuous improvement of products, services and IT processes (including the Retail Digitalisation programme). The execution costs provision for ICS in 2016 (EUR 16 million) was offset by stricter cost control.

*Operating result*

Operating result decreased by EUR 1 million, to EUR 1,747 million in 2016 as compared to 2015. The underlying cost/income ratio deteriorated by 1.3 percentage points to 55.9% as both operating income and operating expenses increased compared with 2015.

*Impairment charges*

Impairment charges on loans and other receivables were limited in 2016 and EUR 20 million below the 2015 level. Both years included significant IBNI releases, although these were higher in 2015. An IBNI release of EUR 81 million was recorded in 2016, of which EUR 32 million was due to a reclassification to impairments. The reclassification has no impact on overall impairment charges and was carried out to align the definitions of defaulted and impaired loans. The IBNI release in 2015 amounted to EUR 85 million. The Dutch economy recovered further and confidence in the housing market improved in 2016. Both contributed to lower impairment charges for mortgages (excluding IBNI releases). Consumer loans also benefited from further improved economic conditions and active risk management of the portfolio of clients in arrears, leading to lower loan impairments with higher IBNI releases.

*Loans and receivables – customers (excluding netting adjustment)*

Loans and receivables - customers grew by EUR 0.3 billion to EUR 154.5 billion at 31 December 2016, including EUR 144.5 billion in residential mortgages. The Retail Banking mortgage portfolio increased by EUR 0.7 billion in 2016. New mortgage production grew on the back of low mortgage interest rates, insufficient residential construction activity and more favourable economic conditions in the Netherlands. The market share in new production increased to 21.9%[13] (2015: 19.9%). Other redemptions remained high due to refinancing and relocation. Low interest rates on savings and enhanced awareness among homeowners of the possibility of residual debt are still incentives for extra repayments.

[13] Dutch Land Registry (*Kadaster*)

*Due to customers (excluding netting adjustment)*

Due to customers increased by EUR 2.3 billion to EUR 101.0 billion at 31 December 2016, partly related to an increase in deposits at MoneYou.

***Private Banking***

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

The table below summarises the Private Banking segment's results for the years ended 31 December 2016 and 31 December 2015.

***Private Banking: Selected Financial Information***

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | *(in millions of euros)* | |
| Net interest income | 645 | 589 |
| Net fee and commission income | 580 | 619 |
| Other operating income | 89 | 101 |
| *Operating income* | *1,315* | *1,310* |
| Personnel expenses | 501 | 501 |
| Other expenses | 544 | 549 |
| Operating expenses | 1,045 | 1,050 |
| ***Operating result*** | ***269*** | ***260*** |
| Impairment charges on loans and other receivables | 20 | -4 |
| ***Operating profit/(loss) before taxation*** | ***249*** | ***264*** |
| Income tax expense | 50 | 49 |
| **Underlying profit/(loss) for the period** | **199** | **214** |
| Special items | | – |
| **Reported profit/(loss) for the period** | **199** | **214** |

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Underlying cost/income ratio (in %) | 79.5% | 80.2% |
| Underlying cost of risk[(1)] (in bps) | 13 | -2 |
| Gross margin on client assets (in bps) | 67 | 65 |

(1) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

| | As at 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Loan-to-Deposit ratio (in %) | 20% | 25% |
| Loans and receivables customers – customers (in EUR billion) | 12.1 | 16.6 |
| Due to customers (in EUR billion) | 61.8 | 66.5 |
| Risk weighted assets (in EUR billion) | 7.7 | 8.2 |
| FTEs | 3,844 | 3,722 |

*Underlying profit/(loss) for the period*

Private Banking's underlying profit decreased by EUR 15 million to 199 million in 2016. The decline was the result of higher impairment charges, partly offset by an increased operating result.

*Net interest income*

Net interest income increased by EUR 56 million, to EUR 645 million in 2016 as compared to 2015. This was mainly the result from higher margins on deposits, partly offset by lower average lending volumes.

*Net fee and commission income*

Net fee and commission income decreased by EUR 39 million. Uncertainty and volatility in the financial markets, especially in the first half of 2016, had a negative impact on the stock markets. This led to lower average client assets and a decline in transaction volumes.

*Other operating income*

Other operating income decreased to EUR 89 million (2015: EUR 101 million). The decline was mainly due to lower trading income. The 2016 provision release related to the sale of the Swiss private banking activities in 2011 (EUR 21 million) was offset by the sale of premises in 2015 and negative one-offs in 2016.

*Personnel expenses*

Personnel expenses remained stable at EUR 501 million compared with 2015. Lower personnel expenses in the international activities were offset by higher personnel expenses in the domestic activities. The number of FTEs employed in Private Banking's domestic activities increased in 2016 due to a transfer of employees from Retail Banking.

*Other expenses*

Other expenses decreased to EUR 544 million (2015: EUR 549 million). The decline was mainly due to the favourable settlement of an insurance claim in 2016 (EUR 24 million), several smaller provision releases and strict cost control. This was partly offset by higher regulatory levies (EUR 18 million in 2016 versus EUR 11 million in 2015) and higher allocated project costs for the continuous improvement of products, services and IT processes.

*Operating result*

The operating result increased by EUR 9 million to EUR 269 million in 2016 as compared to 2015. The underlying cost/income ratio decreased by 0.7 percentage points to 79.5%.

*Impairment charges*

Impairment charges on loans and other receivables amounted to EUR 20 million compared with a EUR 4 million release in 2015. This was partly due to lower IBNI releases (EUR 3 million in 2016 versus EUR 12 million in 2015) and specific additions in 2016 compared with a specific release in 2015.

*Loans and receivables – customers*

Loans and receivables – customers decreased by EUR 4.5 billion in 2016 as compared to 2015. Of this decrease, EUR 3.4 billion was related to the reclassification of private banking activities in Asia and the Middle East to held for sale. Excluding the reclassification, the decrease related to both the domestic and international activities.

*Due to customers*

Due to customers decreased by EUR 4.7 billion to EUR 61.8 billion at 31 December 2016. Of this decrease, EUR 5.7 billion was related to the reclassification of private banking activities. Excluding the reclassification, growth was mainly achieved in the Netherlands partly related to internal client transfers from Retail Banking to Private Banking based on the lower threshold.

***Private Banking: Client assets***

| | As at 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in billions of euros)* | |
| *Opening balance as at 1 January* | *199.2* | *190.6* |
| Net new assets (excl sales/acquisitions) | 0.6 | 1.5 |
| Market performance | 5.0 | 7.1 |
| **Closing Balance at 31 December** | **204.9** | **199.2** |
| Breakdown by assets type: | | |
| Cash | 67.6 | 66.5 |
| Securities | 137.2 | 132.8 |
| - *Of which custody* | 35.4 | 35.0 |
| Breakdown by geography: | | |
| The Netherlands (in %) | 48% | 48% |
| The rest of Europe (in %) | 44% | 44% |
| The rest of the world (in %) | 9% | 8% |

*Client assets*

Client assets grew to EUR 204.9 billion at 31 December 2016. This was mainly due to a positive market performance in 2016, especially in the second half of the year. Total client assets includes EUR 17.9 billion related to the private banking portfolio in Asia and the Middle East (held for sale).

Net new assets[14] amounted to EUR 0.6 billion in 2016 compared with EUR 1.5 billion in 2015. Net inflow in the international activities was partly offset by net outflow in the Netherlands. In 2016 an amount of EUR 0.9 billion was due to internal client transfers from Retail Banking to Private Banking based on the lower threshold of EUR 500,000 in investable assets. The threshold in the Netherlands was lowered to open up services to a broader client group and to enable us to gain further market share. Clients are gradually being transferred to Private Banking.

***Corporate Banking***

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

The table below summarises the Corporate Banking segment's results for the years ended 31 December 2016 and 31 December 2015.

***Corporate Banking: Selected Financial Information***

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Net interest income | 2,280 | 2,142 |
| Net fee and commission income | 751 | 751 |
| Other operating income | 175 | 227 |
| *Operating income* | *3,207* | *3,120* |
| Personnel expenses | 680 | 676 |

[14] Net new assets include client transfers from Retail Banking and referrals from Corporate Banking.

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | *(in millions of euros)* | |
| Other expenses | 1,316 | 1,264 |
| Operating expenses | 1,995 | 1,940 |
| ***Operating result*** | ***1,211*** | ***1,180*** |
| Impairment charges on loans and other receivables | 31 | 419 |
| ***Operating profit/(loss) before taxation*** | ***1,180*** | ***762*** |
| Income tax expense | 305 | 165 |
| **Underlying profit/(loss) for the period** | **876** | **596** |
| Special items | -271 | – |
| **Reported profit/(loss) for the period** | **605** | **596** |

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Underlying cost/income ratio (in %) | 62.2% | 62.2% |
| Underlying cost of risk[1][2] (in bps) | 3 | 47 |

(1) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

(2) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

| | As at 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Loan-to-Deposit ratio[1] (in %) | 137% | 121% |
| Loans and receivables customers – customers[1] (excluding netting adjustment, in EUR billion) | 89.8 | 80.6 |
| Due to customers[1] (excluding netting adjustment, in EUR billion) | 60.7 | 62.9 |
| Risk weighted assets (in EUR billion) | 54.9 | 55.1 |
| FTEs | 5,138 | 4,959 |

(1) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

*Underlying profit/(loss) for the period*

Corporate Banking's underlying net profit increased by EUR 280 million to EUR 876 million in 2016. The key drivers for the improvement were a rise in operating income and a sharp decrease in impairment charges. This was partly offset by increased operating expenses including an execution costs provision for SME derivatives-related issues (gross amount of EUR 55 million).

Commercial Clients and International Clients contributed EUR 694 million and EUR 196 million respectively to the underlying profit of Corporate Banking. Capital Markets Solutions made an underlying loss of EUR 14 million.

Corporate Banking's reported net profit increased by EUR 9 million to EUR 605 million in 2016. In Q2 2016, the addition to the provision for SMEs with derivative-related issues of EUR 361 million gross (EUR 271 million net of tax) was classified as a special item. This provision was taken based on ABN AMRO's decision to adhere to the advice of the committee of independent experts on the reassessment of SME interest rate derivatives.

*Net interest income*

Net interest income increased by EUR 138 million to EUR 2,280 million. The improvement was recorded in all segments. Commercial Clients posted a modest rise in net interest income of EUR 44 million to EUR 1,349 million. Margins on loans and deposits increased as well as average deposit volumes. Average

loan volumes were lower compared with 2015 due to a reallocation of a portfolio to Group Functions in Q4 2015. Both years were impacted by the provision for SME derivatives-related issues.

Net interest income in International Clients increased by EUR 35 million to EUR 744 million, benefiting from growth in the ECT Clients loan portfolio (mainly international). This was partly offset by lower margins on deposits. Net interest income in Capital Markets Solutions improved by EUR 59 million to EUR 186 million, mainly at Sales & Trading (partly due to favourable one-offs as a result of collateral management).

*Net fee and commission income*

Net fee and commission income remained flat at EUR 751 million. Higher fees due to more cleared volumes at Capital Markets Solutions were offset by lower fees at International Clients.

*Other operating income*

Other operating income went down by EUR 52 million to EUR 175 million in 2016. The decrease was driven by lower tax-exempt results on the Equity Participations portfolio due to less favourable market conditions (including the ongoing low oil price). Moreover, the CVA/DVA/FVA results were EUR 51 million lower compared with 2015 (EUR 2 million negative in 2016 versus EUR 49 million positive in 2015). This was partly offset by lower additions to the provision for SME derivatives-related issues current year.

*Personnel expenses*

Personnel expenses amounted to EUR 680 million in 2016, up by EUR 4 million compared with 2015. Personnel expenses increased due to higher pension expenses and a growth in the number of FTEs, partly offset by lower restructuring provisions in 2016.

*Other expenses*

Other expenses grew by EUR 52 million compared with 2015 due to a provision at Capital Markets Solutions for SME derivatives-related issues (EUR 55 million) and higher project costs for continuous improvement of products, services and IT processes (including TOPS 2020). This was partly offset by EUR 27 million lower regulatory levies (EUR 96 million in 2016 versus EUR 122 million in 2015) and several smaller favourable one-offs in 2016.

*Operating result*

The operating result went up by EUR 31 million to EUR 1,211 million in 2016. At 62.2%, the underlying cost/income ratio in 2016 remained flat compared to 2015.

*Impairment charges*

Impairment charges on loans and other receivables amounted to EUR 31 million, down by EUR 388 million compared with 2015. The decrease in impairment charges is fully recognised in Commercial Clients due to the further broad recovery of the Dutch economy. Slightly higher impairment charges in International Clients were offset by lower additions in Capital Markets Solutions. In 2016 an IBNI release of EUR 136 million was recorded for Corporate Banking, compared with a EUR 125 million release in 2015.

*Loans and receivables – customers (excluding netting adjustment)*

Loans and receivables – customers increased with EUR 9.2 billion to EUR 89.8 billion in 2016 as compared to EUR 80.6 billion in 2015.

*Due to customers (excluding netting adjustment)*

Due to customers decreased by EUR 2.2 billion, to EUR 60.7 billion in 2016 as compared to EUR 62.9 billion in 2015.

***Corporate Banking - Commercial Clients***

The table below summarises the Commercial Clients business results for the years ended 31 December 2016 and 31 December 2015.

***Corporate Banking - Commercial Clients: Selected Financial Information***

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Net interest income | 1,349 | 1,305 |
| Net fee and commission income | 202 | 205 |
| Other operating income | 57 | 13 |
| *Operating income* | *1,608* | *1,524* |
| Operating expenses | 859 | 861 |
| ***Operating result*** | ***749*** | ***663*** |
| Impairment charges on loans and other receivables | -179 | 213 |
| ***Operating profit/(loss) before taxation*** | ***928*** | ***450*** |
| Income tax expense | 234 | 121 |
| **Underlying profit/(loss) for the period** | **694** | **329** |
| Special items | -8 | – |
| **Reported profit/(loss) for the period** | **686** | **329** |

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Underlying cost/income ratio (in %) | 53.4% | 56.5% |
| Underlying cost of risk[1] [2] (in bps) | -46 | 53 |

(1) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

(2) Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(3)

| | As at 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Loans and receivables - customers (excluding netting adjustment, in billions) [1] | 36.4 | 35.3 |
| Due to customers (excluding netting adjustment, in billions) [1][2] | 34.0 | 34.8 |
| Risk weighted assets (risk exposure amount; in billions) | 20.6 | 21.5 |

(1) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

(2) Due to customers included an internal transfer of deposits from Commercial clients to Capital Markets Solutions (mainly Q1 2016).

***Corporate Banking - International Clients***

The table below summarises the International Clients business results for the years ended 31 December 2016 and 31 December 2015.

***Corporate Banking - International Clients: Selected Financial Information***

| | Year ended 31 December | |
|---|---|---|
| | **2016** | **2015** |
| | *(in millions of euros)* | |
| Net interest income | 744 | 709 |
| Net fee and commission income | 223 | 232 |

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | *(in millions of euros)* | |
| Other operating income | 9 | 104 |
| *Operating income* | *976* | *1,044* |
| Operating expenses | 516 | 522 |
| ***Operating result*** | ***460*** | ***522*** |
| Impairment charges on loans and other receivables | 211 | 191 |
| ***Operating profit/(loss) before taxation*** | ***249*** | ***331*** |
| Income tax expense | 53 | 40 |
| **Underlying profit/(loss) for the period** | **196** | **292** |
| Special items | | – |
| **Reported profit/(loss) for the period** | **196** | **292** |

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Underlying cost/income ratio | 52.8% | 50% |
| Underlying cost of risk[(1)(2)] (in bps) | 59 | 56 |

[(1)] Annualised impairment charges on loans and receivables - customers for the period divided by average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

[(2)] For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting.

| | As at 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Loans and receivables - customers (excluding netting adjustment, in billions) [(1)] | 38.1 | 32.2 |
| Due to customers (excluding netting adjustment, in billions) [(1)(2)] | 14.9 | 19.0 |
| Risk-weighted assets (in risk exposure amount, in billions) | 24.4 | 22.6 |

[(1)] For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

[(2)] Due to Customers included an internal transfer of deposits from International Clients to Capital Markets Solutions (mainly Q1 2016).

### *Capital Markets Solutions*

The table below summarises the Capital Markets Solutions business results for the years ended 31 December 2016 and 31 December 2015.

#### *Corporate Banking - Capital Markets Solutions: Selected Financial Information*

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | *(in millions of euros)* | |
| Net interest income | 186 | 127 |
| Net fee and commission income | 326 | 314 |
| Other operating income | 110 | 110 |
| *Operating income* | *622* | *551* |
| Operating expenses | 619 | 555 |
| ***Operating result*** | ***3*** | ***-3*** |
| Impairment charges on loans and other receivables | -2 | 15 |
| ***Operating profit/(loss) before taxation*** | ***4*** | ***-18*** |
| Income tax expense | 18 | 6 |
| **Underlying profit/(loss) for the period** | **-14** | **-24** |

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | (in millions of euros) | |
| Special items | -263 | – |
| **Reported profit/(loss) for the period** | **-277** | **-24** |

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Underlying cost/income ratio (in %) | 99,6% | 100,6% |
| Underlying cost of risk[(1)] (in bps) | -1 | 9 |

(1) Annualised impairment charges on loans and receivables – customers for the period divided by the average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

| | As at 31 December | |
|---|---|---|
| | 2016 | 2015 |
| Financial assets held for trading (in billions) | 1.6 | 1.7 |
| Loans and receivables customers (in billions) | 15.4 | 13.1 |
| Financial liabilities held for trading (in billions) | 0.8 | 0.5 |
| Due to customers[(1)] (in billions) | 11.7 | 9.1 |
| Risk weighted assets (risk exposure amount, in billions) | 9.9 | 11.0 |

(1) "Due to Customers included an internal transfer of both Commercial Clients and international Clients to Capital Markets Solutions (mainly Q1 2016).

### *Group Functions*

Group Functions consists of various departments that provide essential support to the business segments. Its departments include Finance, Risk Management, Strategy, Technology, Operations & Property Services ("**TOPS**"), Human Resources, Communications & Sustainability, Group Audit and the Corporate Office, among others. The majority of the costs of Group Functions are allocated to the business segments. Items not allocated to the business segments include operating results from specific (commercial) activities and specific one-off items (individually determined).

The table below summarises the Group Functions results for the years ended 31 December 2016 and 31 December 2015.

### *Group Functions: Selected financial information*

| | Year ended 31 December | |
|---|---|---|
| | 2016 | 2015 |
| | (in millions of euros) | |
| Net interest income | -2 | 44 |
| Net fee and commission income | -52 | -68 |
| Other operating income | 163 | 197 |
| *Operating income* | *108* | *172* |
| Personnel expenses | 1,125 | 828 |
| Other expenses | -720 | -695 |
| Operating expenses | 405 | 133 |
| ***Operating result*** | ***-297*** | ***39*** |
| Impairment charges on loans and other receivables | -15 | -8 |
| ***Operating profit/(loss) before taxation*** | ***-282*** | ***48*** |
| Income tax expense | -36 | 160 |
| **Underlying profit/(loss) for the period** | **-245** | **-112** |
| Special items | | |
| **Reported profit/(loss) for the period** | **-245** | **-112** |

| | As at 31 December | |
|---|---|---|
| | **2016** | **2015** |
| Securities financing – assets | 12.9 | 15.5 |
| Loans and receivables - customers (in billions) | 7.8 | 7.9 |
| Securities financing – liabilities | 10.5 | 10.2 |
| Due to customers (in billions) | 1.8 | 2.3 |
| Risk weighted assets (risk exposure amount; in billions) | 9.8 | 9.9 |
| FTEs | 7,416 | 7,522 |

*Underlying profit/(loss) for the period*

Group Functions' underlying result was EUR 245 million negative in 2016 compared with a loss in 2015 (where the underlying result was EUR 112 million negative in 2015). The loss in 2016 was due to EUR 348 million restructuring provisions related to the announced reorganisation of the control and support activities (Q3) and digitalisation and process optimisation (Q4 2016). In 2015 the loss was impacted by a tax-exempt provision related to the part of the Securities Financing activities discontinued in 2009.

*Net interest income*

Net interest income decreased by EUR 46 million compared with 2015 as the interest result came down, in line with the flattening of the yield curve (partly offset by ABN AMRO's duration strategy. Moreover, interest paid on cash deposits with the ECB increased due to higher average volumes and more unfavourable (negative) rates. Both were partly offset by lower funding costs on Dutch State funding

(Dutch State Treasury Agency) following a partial redemption in 2016. Lastly, both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

*Net fee and commission income*

Net fee and commission income increased by EUR 16 million, partly driven by lower fees paid to Capital Markets Solutions related to securities financing activities.

*Other operating income*

Other operating income decreased by EUR 34 million compared with 2015 primarily as lower hedge accounting-related results were recorded in 2016 (EUR 39 million in 2016 versus EUR 182 million in 2015). Moreover, no CVA/DVA results were recorded in 2016 compared with favourable CVA/DVA adjustments in 2015 (EUR 27 million positive). This was partly offset by profit/revaluation gains on stakes in Visa Europe (EUR 14 million) and Equens (EUR 52 million). Both years included tax-exempt provisions related to the part of the securities financing activities discontinued in 2009.

*Personnel expenses*

Personnel expenses, at EUR 1,125 million in 2016, went up by EUR 297 million compared with EUR 828 million in 2015. The increase was due to EUR 321 million of restructuring provisions related to the announced reorganisation of the control and support activities (EUR 144 million in Q3 2016) and digitalisation and process optimisation (EUR 177 million in Q4 2016). This was partly offset by several smaller restructuring provisions recorded in 2015.

*Other expenses*

Other expenses decreased by EUR 25 million to EUR -720 million in 2016, as more costs were allocated to the commercial segments, compared with EUR -695 million in 2015. Expenses increased by EUR 82 million as 2015 included some favourable incidentals, including a EUR 35 million release related to DSB and a VAT return, partly offset by a final settlement (EUR 55 million) with Vestia (a Dutch housing corporation). The year 2016 includes a EUR 13 million restructuring provision for office space (plus EUR 14 million accelerated depreciation) and higher projects costs for continuous improvement of products, services and IT processes (including the TOPS 2020 and Retail Digitalisation programmes).

*Income tax expense*

Income tax expense in both 2016 and 2015, the latter more severely, were negatively impacted by the reassessment of our tax position and the tax-exempt provision related to the part of the Securities financing activities discontinued in 2009.

## 6.5 Results of operations for the years ended 31 December 2015 and 2014

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

As a result of an IFRIC rejection notice of 6 April 2016, ABN AMRO adjusted its accounting policy for offsetting in 2016 (*Please see section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool* agreements *and bank saving* mortgages"). Accordingly, all 2015 figures for the line items Loans and receivables - customers and Due to customers as at 31 December 2015 have been adjusted retrospectively as a result of the change in accounting policy, unless otherwise stated. The figures for the line items Loans and receivables – customers and Due to customers as at 31 December 2014 have not been adjusted and may not be comparable to the line items Loans and receivables – customers and Due to customers as at 31 December 2015 and 2016.

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

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | |
| | Reported | Special items | Underlying | Reported | Special items | Underlying |
| | (in millions of euros) | | | | | |
| Net interest income | 6,076 | — | 6,076 | 6,023 | — | 6,023 |
| Net fee and commission income | 1,829 | — | 1,829 | 1,691 | — | 1,691 |
| Other operating income | 550 | — | 550 | 341 | — | 341 |
| Operating income | 8,455 | — | 8,455 | 8,055 | — | 8,055 |
| Personnel expenses | 2,492 | — | 2,492 | 2,684 | 288 | 2,396 |
| Other expenses | 2,736 | — | 2,736 | 2,654 | 201 | 2,453 |
| Operating expenses | 5,228 | — | 5,228 | 5,338 | 489 | 4,849 |
| ***Operating result*** | ***3,227*** | **—** | ***3,227*** | ***2,717*** | ***(489)*** | ***3,206*** |
| Impairment charges on loans and other receivables | 505 | — | 505 | 1,171 | — | 1,171 |
| ***Operating profit/(loss) before taxation*** | ***2,722*** | **—** | ***2,722*** | ***1,546*** | ***(489)*** | ***2,035*** |
| Income tax expense | 798 | — | 798 | 412 | (72) | 484 |
| **Profit/(loss) for the period** | **1,924** | **—** | **1,924** | **1,134** | **(417)** | **1,551** |

***Impact of Special Items***

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | (in millions of euros) | |
| **Operating expenses** | | |
| Pension settlement charge[(1)] | — | 288 |
| SNS levy[(2)] | — | 201 |
| *Total impact on operating expenses* | — | *489* |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| **Income tax expenses** | | |
| Total impact on income tax expenses | — | (72) |
| **Total impact on profit/(loss) for the period** | **—** | **(417)** |

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

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

### *Selected Consolidated Financial Information*

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| Net interest income | 6,076 | 6,023 |
| Net fee and commission income | 1,829 | 1,691 |
| Other operating income | 550 | 341 |
| *Operating income* | *8,455* | *8,055* |
| Personnel expenses | 2,492 | 2,396 |
| Other expenses | 2,736 | 2,453 |
| Operating expenses | 5,228 | 4,849 |
| Operating result | 3,227 | 3,206 |
| Impairment charges on loans and other receivables | 505 | 1,171 |
| ***Operating profit/(loss) before taxation*** | ***2,722*** | ***2,035*** |
| Income tax expense | 798 | 484 |
| **Underlying profit/(loss) for the period** | **1,924** | **1,551** |
| Special items | | -417 |
| **Reported profit/(loss) for the period** | **1,924** | **1,134** |
| *Of which Non-controlling interests* | *5* | — |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Net interest margin (NIM) (in bps) [1] | 146 | 153 |
| Underlying cost/income ratio (IFRS) | 61.8% | 60.2% |
| Underlying cost of risk (in bps) [1] [2] | 19 | 45 |
| Underlying return on average Equity[3] (in bps) | 12.0% | 10.9% |
| Underlying earnings per share[4] (in EUR) | 2.03 | 1.65 |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Client Assets[5](in EUR billion) | 313.5 | 302.5 |
| FTEs | 22,048 | 22,215 |

(1) For management view purposes, these 2015 figures have **not** been adjusted for the revised accounting relating to the netting.

(2) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(3) Underlying profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average equity attributable to the owners of the company.

(4) Underlying profit for the period excluding reserved coupons for AT 1 Capital securities (net of tax) and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.
(5) Clients Assets consists of the total liquidity volume and the total securities volume of the Group's clients, including restricted and custody shares.

*Underlying profit/(loss) for the period*

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

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

*Reported profit/(loss) for the period*

The reported profit/(loss) for the period for full-year 2015 was the same as the underlying profit for full year 2015 and amounted to 1,924 million. The reported profit/(loss) amounted to EUR 1,134 million in 2014.

*Operating income*

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

*Net interest income*

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

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

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

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

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

In combination with higher average total assets, this resulted in a lower net interest margin of 146bps in 2015 as compared to 2014.

*Net fee and commission income*

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

*Other operating income*

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

*Personnel expenses*

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

*Other expenses*

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

*Operating result*

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

*Impairment charges on loans and other receivables*

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

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

*The cost of risk*

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

*Operating profit/(loss) before taxation*

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

*Income tax expense*

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

***Selected Consolidated Balance Sheet Movements***

| | As at 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| Assets: | | |
| Cash and balances at central banks | 26,195 | 706 |
| Financial assets held for trading | 1,706 | 9,017 |
| Derivatives | 19,138 | 25,285 |
| Financial investments | 40,542 | 41,466 |
| Securities financing[(1)] | 20,062 | 18,511 |
| Loans and receivables – banks | 15,680 | 21,680 |
| Loans and receivables – customers[(2)] | 276,375 | 261,910 |
| Other | 7,676 | 8,292 |
| **Total assets[(2)]** | **407,373** | **386,867** |
| Liabilities: | | |
| Financial liabilities held for trading | 459 | 3,759 |
| Derivatives | 22,425 | 30,449 |
| Securities financing[(1)] | 11,372 | 13,918 |
| Due to banks | 14,630 | 15,744 |
| Due to customers[(2)] | 247,353 | 216,011 |
| Issued debt | 76,207 | 77,131 |
| Subordinated liabilities | 9,708 | 8,328 |
| Other | 7,635 | 6,652 |
| *Total liabilities[(2)]* | *389,789* | *371,990* |
| Equity: | | |
| Equity attributable to owners of the parent company | 16,575 | 14,865 |
| Capital securities | 993 | — |
| Equity attributable to non-controlling interests | 17 | 12 |
| *Total equity* | *17,584* | *14,877* |
| **Total liabilities and equity[(2)]** | **407,373** | **386,867** |
| Committed credit facilities | 21,559 | 16,164 |
| Guarantees and other commitments | 13,868 | 15,335 |

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

(2) These 2015 figures have been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages."

*Total assets*

Total assets increased by EUR 20.5 billion to EUR 407.4 billion at 31 December 2015 from EUR 386.9 billion at 31 December 2014. Specifically, Loans and receivables – customers figures for 31 December 2015 are not comparable with 31 December 2014 because a netting adjustment of EUR 17.1 billion is included in this line item for 31 December 2015. This adjustment is not included in the 2014 figures.

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

*Cash and balances at central banks*

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

*Financial assets held for trading*

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

*Derivative assets*

Derivatives decreased by EUR 6.1 billion to EUR 19.1 billion (of which EUR 15 billion trading and EUR 4 billion non-trading) at 31 December 2015 from EUR 25.3 billion at 31 December 2014 on the back of mid- to long-term interest rates and foreign exchange rates movements impacting the fair value of derivatives. This is also observed in the derivative liabilities.

*Financial investments*

Financial investments decreased by EUR 0.9 billion to EUR 40.5 billion at 31 December 2015 from EUR 41.5 billion at 31 December 2014.

*Securities financing*

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

*Loans and receivables – banks*

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

*Loans and receivables – customers*

Loans and receivables – customers increased by EUR 14.5 billion to EUR 276.4 billion at 31 December 2015 from EUR 261.9 billion at 31 December 2014. Loans and receivables – customers figures for 31 December 2015 are not comparable with 31 December 2014 because a netting adjustment of EUR 17.1 billion is included in this line item for 31 December 2015. This adjustment is not included in the 2014 figures.

Excluding netting adjustments, loans and receivables – customers decreased by EUR 2.6 billion to EUR 259.3 billion at 31 December 2015 from EUR 261.9 billion at 31 December 2014.

As presented in the following table, this decline was primarily the result of lower residential mortgage volume and lower consumer loans. The mortgage portfolio decreased by EUR 1.5 billion to EUR 146.9 billion at 31 December 2015 from EUR 148.4 billion at 31 December 2014, driven by fierce competition especially towards year-end on longer interest rate periods and redemptions.

Redemptions were higher due to increased refinancing, whereas extra repayments in 2015 returned to the same level as previous years. Low interest rates and increased awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Contractual repayments are gradually growing, following amended tax regulations. As a result, redemptions exceeded new mortgage production. The market share in new mortgage production was stable at 20% in 2015.[15]

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

***Loans and receivables – customers***

| | As at 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| Residential mortgages[(1)] | 146,932 | 148,402 |

[15] Calculated on the basis of information from the Dutch land register, Hypotheken Scan, January-December 2015.

| | As at 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | *(in millions of euros)* | |
| Consumer loans | 15,147 | 16,052 |
| Corporate loans to clients[(1) (2)] | 78,195 | 80,065 |
| *Total client loans (excluding netting adjustment)* [(1)(3)] | *240,274* | *244,519* |
| Netting adjustment[(4)] | 17,056 | |
| Total client loans[(3)] | 257,330 | 244,519 |
| Loans to professional counterparties | 12,194 | 9,635 |
| Other loans[(5)] | 6,357 | 6,777 |
| *Total loans and receivables*[(3)] | *275,881* | *260,931* |
| Fair value adjustments from hedge accounting | 4,849 | 5,739 |
| Less: loan impairment allowance | 4,355 | 4,761 |
| **Total loans and receivables – customers** | **276,375** | **261,910** |

(1) For management view purposes, these 2015 figures have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".
(2) Corporate loans excluding loans to professional counterparties.
(3) Gross carrying amount excluding fair value adjustment from hedge accounting.
(4) Netting adjustment is only applied to 2015 figures
(5) Other loans consists of loans and receivables to government, official institutions and financial markets parties.

*Total liabilities*

Total liabilities increased by EUR 17.8 billion to EUR 389.8 billion at 31 December 2015 from EUR 372.0 billion at 31 December 2014. Specifically, Due to customers figures for 31 December 2015 are not comparable with 31 December 2014 because a netting adjustment of EUR 17.1 billion is included in this line item for 31 December 2015. This adjustment is not included in the 2014 figures.

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

*Financial liabilities held for trading*

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

*Derivative liabilities*

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

*Securities financing*

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

*Due to banks*

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

*Due to customers*

Due to customers increased by EUR 31.3 billion to EUR 247.4 billion at 31 December 2015 from EUR 216.0 billion at 31 December 2014. Due to customers figures for 31 December 2015 are not comparable

with 31 December 2014 because a netting adjustment of EUR 17.1 billion is included in this line item for 31 December 2015. This adjustment is not included in the 2014 figures.

Excluding netting adjustments due to customers increased by EUR 14.3 billion to EUR 230.3 billion at 31 December 2015 from EUR 216.0 billion at 31 December 2014. Growth was recorded in all business segments and largely in demand deposits at Private Banking and Corporate Banking and savings deposits at Commercial Clients and Retail Banking. The combined market share[16] of 21% in retail deposits at Retail Banking and Private banking in The Netherlands at 31 December 2015 was stable compared with 31 December 2014.

***Due to customers***

| | As at 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| Retail Banking[(1)] | 98,674 | 95,915 |
| Private Banking | 66,465 | 62,902 |
| Corporate Banking[(1)] | 62,850 | 54,740 |
| Group Functions | 2,308 | 2,454 |
| ***Total Due to customers[(1)] (excluding netting adjustment)*** | ***230,296*** | ***216,011*** |
| Netting adjustment[(2)] | 17,056 | |
| **Total Due to customers** | **247,353** | **216,011** |

(1) For management view purposes, these 2015 figures have not been adjusted for the revised accounting relating to the netting. Further details are provided in section 4.1 "Presentation of financial information, Offsetting treatment of notional cash pool agreements and bank saving mortgages".

(2) Netting adjustment is only applied to the 2015 figures

*Issued debt*

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

*Subordinated liabilities*

Subordinated liabilities increased EUR 1.4 billion to EUR 9.7 billion at 31 December 2015 from EUR 8.3 billion at 31 December 2014. This was mainly as a result of two Tier 2 issuances (EUR 1.5 billion and EUR 1.4 billion (USD 1.5 billion)) partly offset by the call of a EUR 1.7 billion Dutch State-held subordinated loan.

*Total equity*

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

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

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

***Retail Banking***

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

16 Calculated based on DNB Domestic MFI statistics, December 2015.

### *Retail Banking: Selected Financial Information*

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | *(in millions of euros)* | |
| Net interest income | 3,302 | 3,379 |
| Net fee and commission income | 527 | 522 |
| Other operating income | 25 | 41 |
| *Operating income* | *3,853* | *3,942* |
| Personnel expenses | 487 | 560 |
| Other expenses | 1,619 | 1,475 |
| Operating expenses | 2,106 | 2,035 |
| ***Operating result*** | ***1,748*** | ***1,907*** |
| Impairment charges on loans and other receivables | 99 | 460 |
| ***Operating profit/(loss) before taxation*** | ***1,649*** | ***1,447*** |
| Income tax expense | 423 | 368 |
| **Underlying profit/(loss) for the period** | **1,226** | **1,079** |
| Special items | — | — |
| **Reported profit/(loss) for the period** | **1,226** | **1,079** |

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Underlying cost/income ratio (in %) | 54.6% | 51.6% |
| Underlying cost of risk(1,2) (in bps) | 6 | 29 |

(1) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(2) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting.

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Loan-to-Deposit ratio[(1)] | 152% | 158% |
| Loans and receivables – customers (excluding netting adjustment, in billions)[(1)] | 154.2 | 156.0 |
| Due to customers (excluding netting adjustment, in billions)[(1)] | 98.7 | 95.9 |
| Risk-weighted assets (risk exposure amount; in billions) | 34.8 | 36.8 |
| FTEs (in bps) | 5,844 | 6,258 |

(1) For management view purposes, the historical periods before 31 December 2016 have not been adjusted for the revised accounting relating to the netting.

*Underlying profit/(loss) for the period*

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

*Net interest income*

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

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

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

*Net fee and commission income*

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

*Other operating income*

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

*Personnel expenses*

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

*Other expenses*

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

*Operating result*

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

*Impairment charges on loans and other receivables*

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

*Loans and receivables – customers*

Loans and receivables – customers decreased EUR 1.8 billion. Residential mortgages declined by EUR 0.9 billion driven by fierce competition, especially towards year-end, on longer interest rate periods. Redemptions were higher due to increased refinancing, whereas extra repayments in 2015 returned to the same level as previous years. Low interest rates and increased awareness among homeowners of the possibility of residual debt are still incentives for extra repayments. Contractual repayments are gradually growing, following amended tax regulations. As a result, redemptions exceeded new mortgage production. Consumer loans declined by EUR 0.7 billion when compared to 31 December 2014.

*Due to customers*

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

*Private Banking*

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

***Private Banking: Selected Financial Information***

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Underlying cost/income ratio (in %) | 80.2% | 80.8% |
| Underlying cost of risk[1] (in bps) | -2 | 14 |
| Gross margin on client assets (in bps) | 65 | 67 |

[1] Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

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

*Underlying profit/(loss) for the period*

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

*Net interest income*

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

*Net fee and commission income*

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

*Other operating income*

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

*Personnel expenses*

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

*Other expenses*

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

*Operating result*

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

*Impairment charges on loans and other receivables*

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

*Loans and receivables – customers*

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

*Due to customers*

Due to customers increased by EUR 2.6 billion to EUR 66.5 billion at 31 December 2015. Growth was achieved both in The Netherlands and internationally.

***Private Banking: Client Assets***

| | **As at 31 December** | |
|---|---|---|
| | **2015** | **2014** |
| | *(in billions of euros)* | |
| *Opening balance as at 1 January* | *190.6* | *168.3* |
| Net new assets | 1.5 | 5.5 |
| Market performance | 7.1 | 8.6 |
| Divestments/acquisitions | - | 8.2 |
| Other (including sales/acquisitions) | - | -0.1 |
| **Balance at 31 December** | **199.2** | **190.6** |
| Breakdown by assets type: | | |
| Cash | 66.5 | 63.6 |
| Securities | 132.8 | 127.0 |
| Breakdown by geography: | | |
| The Netherlands (in %) | 48% | 47% |
| The rest of Europe (in %) | 44% | 44% |
| The rest of the world (in %) | 8% | 9% |

*Client Assets*

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

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

***Corporate Banking***

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

***Corporate Banking: Selected Financial Information***

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Underlying cost/income ratio (in %) | 62.2% | 61.1% |
| Underlying cost of risk[(1)(2)] (in bps) | 47 | 86 |

(1) Annualised impairment charges on loans and receivables - customers for the period divided by the average loans and receivables - customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(2) For management view purposes, these 2015 figures have not been adjusted for the revised accounting relating to the netting.

| | As at 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Loan-to-Deposit ratio[(1)] | 121% | 143% |
| Loans and receivables - customers (excluding netting adjustment, in billions)[(1)] | 80.6 | 85.0 |
| Due to customers (excluding netting adjustment, in billions)[(1)] | 62.9 | 54.7 |
| Risk weighted assets (risk exposure amount, in billions) | 55.1 | 53.5 |
| FTEs | 4,959 | 4,995 |

(1) For management view purposes, these 2015 figures have not been adjusted for the revised accounting relating to the netting.

*Underlying profit/(loss) for the period*

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

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

*Net interest income*

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

Commercial Clients posted a modest rise in net interest income of EUR 30 million to EUR 1,305 million in 2015. Margins on loans and average deposit volumes increased, while deposit margins decreased compared with 2014. Average loan volumes decreased partly due to the reallocation of part of the public sector loan portfolio to Group Functions.

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

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

*Net fee and commission income*

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

*Other operating income*

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

*Personnel expenses*

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

*Other expenses*

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

*Operating result*

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

*Impairment charges on loans and other receivables*

Impairment charges amounted to EUR 419 million, down by EUR 298 million as compared with 2014. The decrease in impairment charges at Commercial Clients in 2015 was partly offset by the increase at

International Clients. An IBNI release of EUR 125 million was included for Corporate Banking in 2015, compared with a EUR 25 million release in 2014.

*Loans and receivables – customers*

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

*Due to customers*

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

***Corporate Banking—Commercial Clients***

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

***Corporate Banking—Commercial Clients: Selected Financial Information***

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

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Underlying cost/income ratio (in %) | 56.5% | 52.5% |
| Underlying cost of risk[(1)] [(2)] (in bps) | 53 | 145 |

(1) Annualised impairment charges on Loans and receivables - customers for the period divided by average Loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(2) For management view purposes, the historical periods before 31 December 2016 have **not** been adjusted for the revised accounting relating to the netting.

| | As at 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Loans and receivables – customers (excluding netting adjustment, in billions)[(1)] | 35.3 | 38.1 |
| Due to customers (excluding netting adjustment, in billions)[(1)(2)] | 34.8 | 31.7 |
| Risk weighted assets (risk exposure amount; in billions) | 21.5 | 20.8 |

(1) For management view purposes, these 2015 figures have **not** been adjusted for the revised accounting relating to the netting.

(2) Due to customers included an internal transfer of deposits from Commercial clients to Capital Markets Solutions (mainly Q1 2016).

### *Corporate Banking—International Clients*

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

### *Corporate Banking—International Clients: Selected Financial Information*

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

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Underlying cost/income ratio | 50.0% | 52.6% |
| Underlying cost of risk[(1)(2)] (in bps) | 56 | 40 |

(1) Annualised impairment charges on loans and receivables - customers for the period divided by average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

(2) For management view purposes, these 2015 figures have **not** been adjusted for the revised accounting relating to the netting.

| | As at 31 December | |
|---|---|---|
| | **2015** | **2014** |
| Loans and receivables - customers (excluding netting adjustment, in billions)[(1)] | 32.2 | 32.2 |
| Due to customers (excluding netting adjustment, in billions)[(1)(2)] | 19.0 | 16.7 |
| Risk-weighted assets (in risk exposure amount, in billions) | 22.6 | 19.9 |

(1) For management view purposes, these 2015 figures have **not** been adjusted for the revised accounting relating to the netting.

(2) Due to Customers included an internal transfer of deposits from International Clients to Capital Markets Solutions (mainly Q1 2016).

### *Corporate Banking—Capital Markets Solutions*

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

### *Corporate Banking—Capital Markets Solutions: Selected Financial Information*

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| Net interest income | 127 | 96 |
| Net fee and commission income | 314 | 233 |
| Other operating income | 110 | 140 |
| *Operating income* | *551* | *469* |
| Operating expenses | 555 | 489 |
| ***Operating result*** | ***-3*** | ***-20*** |

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | *(in millions of euros)* | |
| Impairment charges on loans and other receivables | 15 | -1 |
| ***Operating profit/(loss) before taxation*** | ***-18*** | ***-19*** |
| Income tax expense | 6 | -4 |
| **Underlying profit/(loss) for the period** | **-24** | **-15** |
| Special items | — | — |
| **Reported profit/(loss) for the period** | **-24** | **-15** |

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Underlying cost/income ratio (in %) | 100.6% | 104.3% |
| Underlying cost of risk[1] (in bps) | 9 | -1 |

[1] Annualised impairment charges on loans and receivables – customers for the period divided by the average loans and receivables – customers on the basis of gross carrying amount and excluding fair value adjustment from hedge accounting.

| | As at 31 December | |
|---|---|---|
| | 2015 | 2014 |
| Financial assets held for trading (in billions) | 1.7 | 8.9 |
| Loans and receivables customers (in billions) | 13.1 | 14.7 |
| Financial liabilities held for trading (in billions) | 0.5 | 3.8 |
| Due to customers[1] (in billions) | 9.1 | 6.3 |
| Risk weighted assets (risk exposure amount, in billions) | 11.0 | 12.8 |

[1] Due to customers included an internal transfer of both Commercial Clients and international Clients to Capital Markets Solutions (mainly Q1 2016).

### *Group Functions*

Group Functions consists of various departments that provide essential support to the business segments. Its departments include Finance, Risk Management & Strategy ("**RM&S**"), People, Regulations & Identity, Technology ("**PR&I**"), Operations & Property Services ("**TOPS**"), Group Audit and the Corporate Office. The majority of the costs of Group Functions are allocated to the business segments. Items not allocated to the business segments include operating results from specific (commercial) activities and specific one-off items (individually determined).

The table below summarises the Group Functions results for the years ended 31 December 2015 and 31 December 2014.

### *Group Functions: Selected Financial Information*

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | *(in millions of euros)* | |
| Net interest income | 44 | 28 |
| Net fee and commission income | -68 | -21 |
| Other operating income | 197 | 75 |
| *Operating income* | *172* | *82* |
| Personnel expenses | 828 | 758 |
| Other expenses | -695 | -641 |
| Operating expenses | 133 | 117 |
| ***Operating result*** | ***39*** | ***-35*** |
| Impairment charges on loans and other receivables | -8 | -28 |
| ***Operating profit/(loss) before taxation*** | ***48*** | ***-7*** |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | *(in millions of euros)* | |
| Income tax expense | 160 | -21 |
| **Underlying profit/(loss) for the period** | **-112** | **14** |
| Special items | — | -417 |
| **Reported profit/(loss) for the period** | **-112** | **-402** |

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

*Underlying profit/(loss) for the period*

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

*Net interest income*

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

*Net fee and commission income*

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

*Other operating income*

Other operating income increased by EUR 122 million compared with 2014. The increase was driven by higher hedge accounting-related results and favourable CVA/DVA adjustments (EUR 27 million positive in 2015 and EUR 9 million positive in 2014). This was partly offset by a tax-exempt provision related to the part of the Securities financing activities discontinued in 2009.

*Personnel expenses*

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

*Other expenses*

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

## 6.6 **Other references**

***Liquidity and Funding***

Please see "*Annual Report 2016 – Risk, funding & capital management – Funding & liquidity risk management*" and "*Annual Report 2016 - Risk, funding & capital review – Liquidity risk & Funding*" in the Risk, funding & capital section of the Annual Report 2016, which has been incorporated by reference herein.

***Risk Management and Review***

Please see "*Annual Report 2016 – Risk, funding & capital management*" and "*Risk, funding & capital review* " in the Risk, funding & capital section of the Annual Report 2016, which has been incorporated by reference herein.

***Capital Management***

Please see "*Annual Report 2016 – Risk, funding & capital management – Capital management*" in the Risk, funding & capital section of the Annual Report 2016, which has been incorporated by reference herein.

***Critical Accounting Policies***

Please see "*Annual Report 2016 - Notes to the Annual Financial Statements – 1 Accounting policies*" in Annual Financial Statements of the Annual Report 2016, which has been incorporated by reference herein

***Related Party Transactions***

Please see "*Annual Report 2016 - Notes to the Annual Financial Statements – 35 Related parties*" in Annual Financial Statements of the Annual Report 2016, which has been incorporated by reference herein.

# 7. GENERAL INFORMATION

## Corporate information

ABN AMRO Bank N.V. was incorporated on 9 April 2009. ABN AMRO Bank N.V. is a public limited liability company incorporated under the laws of The Netherlands and has its statutory seat in Amsterdam, The Netherlands and its registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands. ABN AMRO Bank N.V. is registered with the Trade Register of the Chamber of Commerce under number 34334259.

## Shareholder and change of control

ABN AMRO Group N.V. is ABN AMRO Bank's sole shareholder. Following the Legal Merger, ABN AMRO Bank is the only direct subsidiary of ABN AMRO Group N.V. and ABN AMRO Group N.V. has no significant activities other than holding the shares in ABN AMRO Bank. The Executive Board and the Supervisory Board of ABN AMRO Group N.V. are composed of the same members as ABN AMRO Bank. As of the date of this Registration Document, all shares in the capital of ABN AMRO Group N.V. are held by two foundations: NLFI and STAK AAG. NLFI holds 63% and STAK AAG holds 37% of the shares in the issued capital of ABN AMRO Group N.V. Both foundations have issued depositary receipts for shares in ABN AMRO Group N.V. Only STAK AAG's depositary receipts are issued with the cooperation of ABN AMRO Group N.V. and traded on Euronext Amsterdam. See "*5. The Issuer —3. Management and Governance*".

## Documents available

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

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

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

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

(iv) a copy of this Registration Document; and

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

The other information stated on or linked to through this website or any other website referred to in any document incorporated by reference into this Registration Document is not a part of this Registration Document.

## Issuer ratings

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

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

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

**Significant or material change**

There has been no (i) material adverse change in the Issuer's prospects or (ii) significant change in the financial position of the Issuer and its subsidiaries since 31 March 2017.

There has been no (i) material adverse change in the ABN AMRO Group N.V.'s prospects since 31 December 2016 or (ii) significant change in the financial position of the ABN AMRO Group N.V. and its subsidiaries since 31 March 2017.

**Independent Auditor**

The consolidated annual financial statements of ABN AMRO Group N.V. and the Issuer as of 31 December 2016, and for the year then ended, incorporated by reference in this Registration Document, have been audited by Ernst & Young Accountants LLP, independent auditors, as stated in their report appearing herein. The individual auditors of EY are members of the Dutch Professional Association of Accountants (*Nederlandse Beroepsorganisatie van Accountants*). EY has given, and has not withdrawn, its consent to the incorporation by reference of its reports into this Registration Document in the form and context in which it is incorporated.

The consolidated annual financial statements of ABN AMRO Group N.V. and the Issuer as of 31 December 2015, and for the year then ended, incorporated by reference in this Registration Document, have been audited by KPMG Accountants N.V., independent auditors, as stated in their report appearing herein. The individual auditors of KPMG are members of the Dutch Professional Association of Accountants (*Nederlandse Beroepsorganisatie van Accountants*). KPMG has given, and has not withdrawn, its consent to the incorporation by reference of its reports into this Registration Document in the form and context in which it is incorporated.

**Legal and arbitration proceedings**

ABN AMRO is involved in a number of governmental, legal and arbitration proceedings in the ordinary course of its business in a number of jurisdictions, including those set out in "*5. The Issuer — 1. ABN AMRO Bank N.V.— 1.9 Legal and arbitration proceedings*". However, on the basis of information currently available, and having taken legal counsel with advisors, ABN AMRO is of the opinion that, save as set out above, it is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ABN AMRO or the Issuer is aware) during the 12 months preceding the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of ABN AMRO, the Issuer and/or its subsidiaries.

**Issuer**

**ABN AMRO Bank N.V.**
Gustav Mahlerlaan 10
1082 PP Amsterdam
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**AUDITORS**

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*Independent Auditor to ABN AMRO Group N.V. and the Issuer in relation to ABN AMRO Group N.V.'s Consolidated Annual Financial Statements 2015 and the Issuer's consolidated annual financial statements 2015*
**KPMG Accountants N.V.**
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